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Strategic relationships between boundary-spanning functions: Aligning customer relationship management with supplier relationship management

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ABSTRACT

This review focuses on the potential impact of enhanced strategic relationships between the boundary-spanning functions in supplier organizations. Specifically, the concern is with alignment between the organizational groups managing: marketing, sales and strategic account management; purchasing and supply strategy; and, collaborations and external partnerships. The topic is framed by the organizational evolution being driven by market change, and the search for superior innovation capabilities and business agility. These changes bring new challenges in cross-boundary integration and managing complex market networks. The logic is that strategic external relationships (with customers, supplier and partners) should be mirrored in strategic internal relationships (between the functions with lead responsibilities for managing relationships with customers, supplier and partners). Approaches to enhancing this capability include process management, internal partnering strategies and internal marketing activities. The discussion identifies a number of implications for practice and new research directions.

1. Introduction

The pressure from business-to-business customers for the delivery of seamless service from suppliers, and particularly for closer, collaborative relationships with strategic suppliers, has never been higher. For example, in 2006 automaker Ford made public its plans, as part of its downsizing and cost-saving strategy, to cut its $90 billion purchasing budget by ceasing to work with half its 2000 component suppliers, focusing business on seven “key suppliers” covering about half its parts purchasing. Ford will work more closely with the selected suppliers, consulting them earlier in the design process and giving them access to key business plans on future vehicles, to allow them to better plan their operations investments for Ford's business (Mackintosh and Simon, 2006). Similarly, in 2007 in the European aerospace industry, Airbus was looking to cut its core network of 3000 suppliers to about 500, urging its smaller suppliers to form industrial clusters to reduce costs (Hollinger, 2007).

The risks to suppliers unable to develop and maintain strategic relationships with major customers are escalating as those customers struggle to remain profitable in their own markets. However, the challenge facing executives responsible for sales and marketing processes in supplier organizations is effectiveness in managing cross-functional, cross-divisional and cross-boundary relationships around customer value and developing the capabilities to meet the requirements of strategic customers for collaborative relationships. For many companies, the strategic management of customers and customer relationships has become a higher priority than conventional marketing activities, which is evidenced by major organizations transferring resources from marketing to strategic sales and account management initiatives, to achieve better alignment and to achieve the goals of business strategy (Webster, Malter and Ganesan, 2005).

Managing strategic customer relationships effectively may in many situations be a vital component of competitive advantage, or even the only source of competitive differentiation. For example, SKF is the world's largest maker of industrial bearings — a business highly susceptible to commoditization. SKF's fight to overcome commoditization threats relies on the company's 5000 sales engineers developing close relationships with customers and liasing with technical experts deep inside their own business. The goal is to align customer needs with complex technical solutions, often involving customised products. In important ways, the sales engineer stands between the company and commoditization (Marsh, 2007).

Nonetheless, the ability of marketing executives to manage in cross-functional situations appears somewhat patchy, although this is partly as a result of the way in which organizations have traditionally been structured and controlled. Similarly, the contribution of scholarly research to developing an holistic understanding of cross-functional process management has been somewhat limited.

This short review will briefly examine the ways in which market changes are driving organizational evolution, as an important context for managing marketing processes. From this base, it is possible to consider the implications of strategic external relationships (with

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suppliers, partners and collaborators, and customers), and the parallel importance of strategic internal relationships inside the supplier organization. In particular, we will argue that there is an interesting potential for a new kind of internal alliance between the boundary-spanning functions in supplier organizations which are linked by market opportunity and customer value enhancement. Those functions include marketing/sales, supplier relationship managers, and those responsible for running collaborative and partnership arrangements with other companies, for example in joint research and product development initiatives.

The identification of a strategic internal relationship imperative surrounding the delivery of superior value and appropriate relationship investments in strategic customer raises both some challenging practical implications for executives, but also some research directions worth pursuit.

2. Market change and organizational evolution

The context for examining strategic relationships between boundary-spanning functions in seller organizations is the ways in which companies are reshaping their structures and processes to reflect market change and the new priorities emerging (Cravens and Piercy, 2009).

Aligning the strategy and capabilities of the organization with the market, in order to provide superior customer value, is a priority in companies across many different industrial sectors (Day, 2005). Recent decades have seen a period of unprecedented organizational change, and this activity promises to continue. Companies have realigned their organizations to establish closer contact with customers, improve customer service, bring the Internet into operations and marketing, reduce unnecessary layers of management, decrease the time span between decisions and results, and improve organizational effectiveness in other ways. Organizational changes include the use of information technology to reduce organizational layers and response time, use of multi-functional teams to design and produce new products, development of new roles and structures, and creation of flexible networks of organizations to compete in turbulent business environments.

Certainly, there is a major concern that traditional approaches to organizational structure – usually vertically-oriented with ad hoc changes and overlays – make critical aspects of organizational working more complex and less efficient. If organizing models lag behind the demands of new strategies, there are limits on how well a company can perform in implementing marketing strategy (Bryan and Joyce, 2007).

While flatter organizations (fewer management levels) are expected, together with more disaggregated organizations (more functions outsourced to partners), and traditional hierarchies will be broken down (Doyle, 2002), the debate about the characteristics of the new organization and the shape it will take continues. Several relevant themes are considered before examining the organizational imperatives for market-driven strategy.

2.1. Traditional structures and shifts in organization design

The main failing of traditional approaches to organizing is that they create barriers to the spread of knowledge and to achievement of economies of scale. Ideas and commands flow vertically between the centre and the business unit, creating "silos" with little communication across the business units (or silos). Globalization frequently leads to attempts to add a "matrix overlay". For example, Philips established both national geographic organizations and product divisions, held together with coordinating committees designed to resolve conflicts between the two lines of command. The matrix overlay has proved problematic, and Philips is pulling back to a more conventional structure. Effective organization design requires more than ad hoc structural changes.

In traditional organizational structures, units were either within the organization and closely connected to other units, or they were outside the organization and not connected at all. Transactions with external suppliers were at arm's length. The line between what was inside and outside the organization has become blurred with the rapid growth in joint ventures, alliances, and other strategic relationships. Partnering underlines the need for new organizational approaches.

Many organizations have implemented major changes in the way they manage and organize, and many others are examining their needs for re-thinking their policies. IBM has, for example, changed from a company once dominated by lifetime employees selling computer products to a "conglomeration of transient suppliers" — in the modern IBM, 50% of employees have worked for the company for less than 5 years; 40% of the 320,000 employees are "mobile" meaning they do not report daily to an IBM site; and, about 30% are women (The new organization: A survey of the company, 2006).

Change in the ways in which companies are organized is driven by communications technology, the globalization of production and sales, and the transfer of responsibility to outsiders for core business functions, through outsourcing, joint ventures and alliances. Change is also mandated by the way in which individuals work to carry out their job responsibilities, and the emergence of the "networked worker" — working electronically from a knowledge-base and constantly communicating.

2.2. Innovation and collaboration

One key force shaping the new organizational form is the imperative for enhanced rates and effectiveness in innovation to achieve organic growth. Increasingly, innovation is achieved by companies looking outside their boundaries for knowledge and expertise, rather than relying on internal R&D or marketing initiatives. Companies like IBM and P&G have opened their organizations up to partner with innovation drivers from outside their companies. Importantly, the management of cross-boundary relationships requires new approaches to organizing.

Many companies emphasize the importance of organizing around teams. Executives are increasingly expected to work as team members, but also to be skilled at constructing effective teams. Boston Consulting Group explains how at Linux, the open-source software "community", teamwork managed to deal with a virus that had breached a vulnerable spot in the operating system — twenty-nine people, many of whom had never met, employed by a dozen different companies, living in many different time zones, and stepping outside their job descriptions, accomplished in 29 hours what would otherwise have taken weeks or months. Linux emphasizes community not structure, and work principles that energize teams and reduce costs (The new organization: A survey of the company, 2006).

IBM has worked to get rid of the command and control structure of the past, and to build a culture of connection and collaboration — within the company as well as outside. Resolving a technical problem in the wake of Hurricane Katrina meant using the company's Blue Pages Plus expertise locator on the corporate intranet, locating the right people, establishing a web page that can be edited by anyone with access, to act as a virtual meeting room, and a team of IBM staff in the US, Germany and the UK designing a solution to the problem.

Additionally, culture change and effective teamwork require insight into the informal networks that employees create outside their company's formal structure. Mapping networks shows most people combine with clusters of eight to ten people with whom they communicate most, and with whom they feel "safe". Some influential individuals move across network cluster — they are "knowledge mules" who carry ideas from one corporate silo to another and thereby generate new ideas. Knowledge "mules", or brokers, are critical to innovation. Higher levels of interaction between employees are associated with the ability to solve complex organizational problems.