

Barriers of purchasing departments' involvement in marketing service procurement

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ABSTRACT

A considerable part of firms' marketing services are supplied by external providers, e.g. advertisement agencies, printing houses, trade fair exhibition builders. Although a large spend category, low involvement of purchasing departments prevails during the procurement decision process. This paper develops a conceptual model of purchasing departments' involvement in marketing service procurement along the dimensions "breadth along process" and "depth of integration", thus contributing to the measurement of purchasing departments' involvement. Drawing on the findings of a case study, we further propose that the impact of purchasing departments' involvement on procurement success is moderated by procurement complexity, and the duration of the relationship between the purchasing and marketing employees. In addition, barriers to purchasing departments' involvement are conceptualized as lack of skills, lack of motivation, and lack of opportunity.

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1. Introduction

Companies increasingly rely on externally supplied services, which often account for more than half of the company's spend (Bales & Fearon, 1995; Cox, Chicksand, Ireland, & Davies, 2005; Smeltzer & Ogden, 2002). However, research on purchasing services, or more specifically business services (Van der Valk, Wynstra, & Axelsson, 2005), is still limited (Axelsson & Wynstra, 2000; Ellram, Tate, & Billington, 2007; Farrell & Schroder, 1996; Roth, Money, & Madden, 2004). Also in practice, purchasing departments show weak impact on service procurement, particularly regarding marketing services procurement (CAPS Research, 2003b).

Marketing spend is one of the major areas with currently low purchasing involvement (O'Reilly, Garrison, & Khalil, 2001) despite purchasing departments' potential contribution to ensure funds are spent properly, improving the quality of the services purchased and saving time and money (Ellram & Birou, 1995; Leenders, Fearon, Flynn, & Johnson, 2002; Mendez & Pearson, 1995; Murray, 2001). In this paper, marketing spend is defined as the expenditures on externally provided services related to marketing including, e.g., advertising, communication and merchandizing (Barwise & Styler, 2003; CAPS Research, 2003a; CAPS Research, 2003b).

This paper addresses three questions and contributes to the literature by developing propositions in three distinct areas:

1. How to measure the degree of purchasing departments' involvement? Despite various contributions to inter-departmental interaction and collaboration (e.g. Homburg & Jensen, 2007; Kahn & Mentzer, 1998; Schiele, 2005; Schiele & McCue, 2006; Werr & Perner, 2007), a consolidated, operational model to describe the degree of involvement is missing. In this paper, a two-dimensional framework is proposed.
2. Which impact has purchasing departments' involvement on procurement success? Various suggestions have been made (e.g. Lonsdale & Watson, 2005; Schiele, 2005). However, the paper departs from a generalized impact by focusing on moderating variables for the impact of involvement on success. Thus, guidelines for varying importance of involvement are developed.
3. Which barriers prevent purchasing departments' involvement? The paper categorizes a set of barriers in order to develop managerial implications on how to increase the level of involvement when prevalence of barriers is detected.

Throughout this paper, evidence of a case study is presented to illustrate the arguments. The case company recognized that large sums were spent in this area, but that purchasing practices were not applied to their full potential. The company realized that only a part of the internal clients for marketing services sought guidance or continuous process input from the purchasing department.

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Regarding the terms “purchasing” and “marketing”, literature distinguishes between an activity-based perspective and a functional group perspective (Workman, Homburg, & Gruner, 1993). In order to distinguish between the two, we use “purchasing” and “marketing” for the activities and specify the function groups as “purchasing department” and “marketing department”.

The remainder of the paper is organized along the three questions. In Section 3, we develop a framework for measuring purchasing departments' involvement. Then, we develop propositions on the impact of purchasing departments' involvement on procurement success. Thereafter, we structure potential barriers. Finally, our discussions are summarized in a theoretical framework enabling empirical testing in future studies. The paper concludes with implications for research and managerial practice.

2. Case study methodology

We aim at a profound understanding about the status quo and mechanisms of purchasing departments' involvement in marketing service procurement. Particularly, our goal is to develop a conceptual research model, which can be used for future testing purposes. Siggelkow (2007) argues that using a case is valuable in the light of making a conceptual contribution. Therefore, an embedded single case study was chosen (Borch & Arthur, 1995; Eisenhardt, 1989; Yin, 2003).

2.1. Case selection

The criteria for the case selection were the following:

- Marketing spend must be relatively high (i.e. the company should operate in a marketing-intensive sector),
- The company must have separate purchasing and marketing departments (in order to possess an appropriate marketing/purchasing interface). This criterion eliminates cases in which marketing people do have their own employees within their organization who purchase on their own.

This approach of identifying critical variables is important for generalizability (Hillebrand, Kok, & Biemans, 2001). Therefore, a case company was selected in the pharmaceutical industry, a marketing-intensive industry. Fulfilling also the second criterion, the case company does have a separate corporate purchasing department with approx. 110 employees within this function.

2.2. Data collection

PharmChem structures its marketing spend in six categories (Fig. 1). A variety of persons in the company was involved in the study, representing a hierarchical sampling approach. As the unit of analysis is the interface between the two departments, both purchasing and marketing representatives were interviewed (Fig. 2), pursuing a dyadic



Fig. 1. Marketing spend definition at PharmChem.

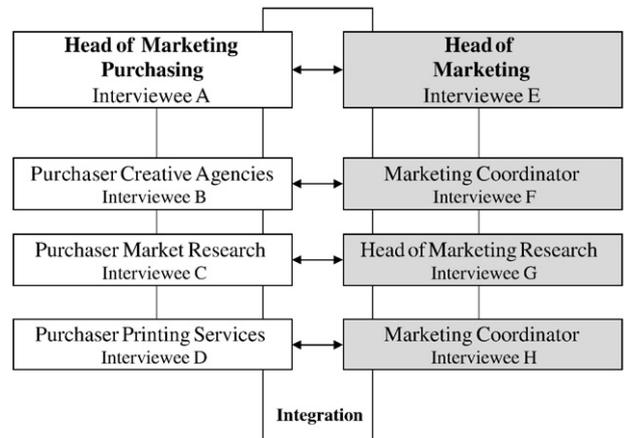


Fig. 2. PharmChem interviewee sample.

research design. Following such an approach, reliable and valid information regarding the topic can be gathered, as those employees constituting the interface at the heart of the research interest are part of the sample.

For the analysis of results, particular focus was laid on purchasing of two particular sub categories: Agency Services and Printing Services, as they show considerable differences concerning joint efforts of marketing and purchasing departments. The two sub categories are interrelated: regarding a promotional campaign for a new pharmaceutical product, concepts are created by the agencies, which later included production of brochures, leaflets, other printed materials, and promotional items.

Responsibilities in the purchasing department are solely with B for creative agencies, Printing Services are split between three people, B, D and a person not interviewed (Table 1). B and D work together with all product managers (PMs) within the company. In some business units, there is a separate marketing organization, called the “marketing coordinators”, which serve as a funnel to both sides: PMs communicate with the marketing coordinators regarding their needs and the coordinators mediate between the PMs and the purchasing department. Also, budget responsibility lies with the marketing coordinators, giving them considerable room for making decisions regarding both the Agency and Printing Services. Here interviewees F and H are representatives.

Interviews were 1 to 1½ h each. They were recorded and transcribed literally to avoid any loss of information. To improve objectivity, after an initial short introduction of the interviewer, the interviewees were not informed that involvement was at the centre of the investigation, but the topic was held at the general level of searching for optimization potentials in the procurement of marketing services. This was deemed to decrease the chance of social desirability bias (Fisher, 1993), as cross-functional collaboration is something generally considered positive and the interviewees know that the interviewers come from a research institute.

Table 1
Responsibilities of the interviewees.

Department	Responsibility	Interviewee
Marketing	Head of Marketing Germany	E
Marketing research	Head of Global Business Intelligence	G
Marketing coordination	Coordinating whole marketing projects (here: Interviewee for Printing Services)	H
Marketing coordination	Coordinating whole marketing projects (here: Interviewee for Agency Services)	F
Purchasing	Head of Competence Center Marketing Services	A
Purchasing	Purchasing Marketing Research	C
Purchasing	Purchasing Creative Agency Services	B
Purchasing	Purchasing Printing Services	D

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