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Understanding the role of marketing–purchasing collaboration in industrial markets: The case of Russia

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ABSTRACT

This study aims to investigate the role of interfunctional collaboration between marketing and purchasing functions in industrial companies. Interfunctional collaboration is considered as a measure of the internal alignment and partnership between departments in the firm, which in turn contributes to the creation of sustainable advantages via improved external partnerships and facilitating demand chain integration. We test the impact of customer orientation as well as the interactions between departments (specifically marketing and purchasing) as collaboration antecedents, and analyze the direct impact of marketing–purchasing collaboration on business performance. The model is tested on a sample of 148 industrial companies in Russia with two key respondents in each firm, incorporating the purchasing as well as the marketing perspective. The results show that marketing–purchasing collaboration mediates the effects of interfunctional interaction as well as customer orientation on business performance. Alternative model testing shows that the direct effects of these antecedent constructs on performance are non-significant in the context of Russian industrial companies.

1. Introduction

In the current business environment characterized by increasing competitive pressures, externally oriented functions of the firm face serious challenges, especially by striking a sustainable balance between the aims of companies and their business partners (Achrol, 1997; Achrol & Kotler, 1999; Ford, Gadde, Håkansson, & Snehota, 2003). Customers become increasingly demanding, forcing companies to increase their ability to interact collaboratively. This trend recognizes the importance of sustaining the performance of both a focal company and its network partners (Clarke, 2006; Wind, 2008). Thus, multifaceted goals put emphasis on achieving both operational efficiency within the firm as well as market effectiveness through the optimal combination of resources and knowledge of the firm *and* its network partners (Cox, 2004; Mouzas, 2006). Such thinking is in line with arguments from the resource dependence theory (Casciaro & Piskorski, 2005a,b; Pfeffer & Salancik, 1978) and the literature on business networks (Anderson, Håkansson, & Johanson, 1994; Matthyssens, Vandenbempt, & Weyns, 2009; Möller & Halinen, 1999). Achievement of immediate, operational results within a firm may lead to both a dramatic decrease in the firm's ability to adjust to future challenges (Ford & McDowell, 1999; Ritter, 1999; Ritter & Gemünden, 2003), and a reduction in its ability to retain competitive advantages via successfully mobilizing other business partners (Ehret, 2004; Eng, 2006; Mouzas, 2006; Mouzas & Naudé, 2007). Achieving a balance between focal company goals and those of interaction partners in complex business networks has previously been linked to developing interfunctional collaboration within a firm, i.e. creating internal cooperative approaches and internal strategic partnerships (Campbell, 1998; Piercy, 2009).

Existing research highlights the demand for improvement of interdepartmental collaboration: "the logic is that strategic external relationships (with customers, supplier and partners) should be mirrored in strategic internal relationships…" (Piercy, 2009, p.857). More specifically, a shifting focus on interfunctional collaboration can be perceived: from investigating collaborations between 'neighbouring' functions, e.g. marketing and sales, or purchasing and operations, to collaborations between boundary spanning functions (Piercy, 2009). Such functions are responsible for the coordination of external relationships, specifically customer relationships and supplier relationships (Ivens, Pardo, & Tunisini, 2009). However, while research has suggested the importance of the integration of boundary spanning functions such as purchasing and marketing (Sheth, Sharma, & Gopalkrishnan, 2009), there is not enough empirical evidence regarding this issue and its interplay with firm performance. Our study uses this research challenge as its starting point by focusing on marketing–purchasing collaboration.

Marketing–purchasing collaboration represents a specific case of interfunctional collaboration which has been shown to be an important

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component of the behavioral aspect of both market orientation (Auh & Menguc, 2005; Narver & Slater, 1990) and demand chain integration (Jüttner, Christopher, & Baker, 2007; Lambert & Cooper, 2000; Sheth, Sisodia, & Sharan, 2000). The challenge is therefore for companies to instigate marketing–purchasing collaboration: to develop internal configurations of different functions which will help them to identify, maintain and develop external business relationships with crucial partners in the business network (Jüttner et al., 2007; Kahn & Mentzer, 1998). Improving external business relationships requires several distinctive antecedents with regard to the marketing–purchasing collaboration within a firm. Firstly, in line with requirements identified as part of the concept of market orientation, the company needs to develop a deep understanding of its business partners, especially buying companies (Da Silva, Davies, & Naudé, 2002; Danneels, 2003; Hsieh, Chiu, & Hsu, 2008; Kohli & Jaworski, 1990; Narver & Slater, 1990). Such customer orientation is linked to the essence of the marketing function (Awuah, 2008; Brady & Cronin, 2001; Deshpandé, Farley, & Webster, 1993) and is also in line with the demand chain integration concept (Jüttner, Gosell, & Christopher, 2006). In order to best serve customers in a mutually beneficial way, a company needs to use and transform certain resources (Alderson, 1965; Alderson & Martin, 1965; Prenkert & Hallen, 2006). However, the company does not possess all of the resources and competences itself and is thus dependent on its supply network (Paulraj & Chen, 2007; Pfeffer & Salancik, 1978). Consequently, the second antecedent important for aligning external business relationships lies in the interactions of internal boundary-spanning functions (Eng, 2006; Henneberg, Mouzas, & Naudé, 2009; Piercy, 2009). Thus, the company needs to develop interfunctional interactions which, together with customer orientation, provide the collaboration between marketing and purchasing which is hypothesized to be beneficial for firm performance.

Besides our contribution of clarifying the antecedents and consequences of interfunctional marketing–purchasing collaboration, we specifically focus on the setting of Russian firms. The importance of internal marketing–purchasing collaboration represents a particular challenge for transitional economies, such as Russia, as firms have not had sufficient time to develop either the competences to relate to multiple business partners in complex networks, nor the capabilities to foster interaction and collaboration between externally facing functions such as purchasing and marketing (Peng & Luo, 2000; Piercy, 2009). The levels of complexity and dynamism of the new economic environments in transitional countries are in fact characterized by challenges to established competition rules, resulting in “collapsing capabilities” (Atuahene-Gima, Li, & De Luca, 2006, p. 360). In case of Russia, after the collapse of the planned economy and the dissolution of existing economic ties between companies and whole value-creating systems, firms had to adapt to the newly formed business environment, while developing new internal capabilities at the same time. Lorentz and Ghauri (2010) observe that “despite the recent positive development in Russian market, the heritage of the centralized planning oriented command economy is still evident” (p. 243). Numerous studies have focused on the challenges of Russian business culture and networking practices, which often provide examples of inefficient and opportunistic interactions (Jansson, Johanson, & Ramström, 2007; Kouchtch & Afanasiev, 2001; Menkhaus, Yakunina, & Herz, 2004; Salmi, 1996). Overcoming such obstacles, as Johanson (2007) states, required significant time and resource investments, and was based on the development of decentralized and mutual planning capabilities by individual firms. In fact, “interpersonal networks are important in uncertain and unstable economic environments, as interpersonal trust mitigates risk and reduces the influence of turbulent macro-environmental changes” (Butler & Purchase, 2008, p. 531).

Our research is embedded in these discussions and is aimed at providing insights via an empirical study of Russian industrial firms, identifying antecedents and performance outcomes of marketing–purchasing collaboration. In addition to informing current managerial practice in transitional economies, specifically Russia, and thus providing insights into the functioning of often overlooked business networks outside Western countries (e.g. Anderson et al., 1994; Håkansson & Ford, 2002; Ritter, Wilkinson, & Johnston, 2004, for an exception using non-Western data see Chan, 2000; Peng & Luo, 2000), our research contributes to addressing some important research gaps, namely clarifying the role of interfunctional collaboration of marketing and purchasing as crucial example of boundary spanning functions. We thus contribute to the stock of knowledge on demand chain integration and business relationships in networks (Jüttner et al., 2007; Lambert & Cooper, 2000; Sheth et al., 2000). The paper is structured as follows: we first present the theoretical basis of the study and key concepts to be considered, and then propose a nomological model describing the key research assumptions as well as the underlying hypotheses. We present the results from a dyadic dataset of 148 Russian companies and, using structural equation modeling, propose key implications for practitioners. Finally, we identify further areas for potential research.

2. Literature review and hypotheses development

2.1. The nature and consequences of interfunctional collaboration

The role of collaboration between different firm functions is widely discussed in the research literature, e.g. as “an affective and volitional process where departments work together with mutual understanding, common vision, and shared resources to achieve collective goals” (Kahn & Mentzer, 1998, p. 55). Effective interfunctional collaboration has become an important strategic emphasis of successful firms (Morgan & Piercy, 1998). Such collaboration is to a large extent based on aligning organizational aims, values and priorities between functions, especially regarding working with external partners. This alignment allows for the creation of synergetic effects among departments, leveraging available resources and knowledge (Ellinger, 2000; Piercy, 2009). Development of internal collaboration is often influenced by increasing pressure from external partners, especially customers, and thus “involving sales and marketing personnel in supply strategy and alliance management also offers potential for more effective joint working on shared problems and new opportunities” (Piercy, 2009, p. 862). Internal collaboration is arguably built into the system of external collaboration within up- and down-stream channels (Ellinger, 2000; Kahn & Mentzer, 1998).

The nature of internal collaboration is very close to the concept of integration of functions (Ellinger, 2000) and is based on developing trust, mutual respect, communication and information sharing, as well as shared responsibility in decision making and outcomes (Griffin & Hauser, 1996; Kahn & Mentzer, 1996). Integration can be defined as the process of achieving unity of effort among the various organizational subsystems in the accomplishment of the company's task (Lawrence & Lorsch, 1967). Previous research suggests that especially internal norms, for example exemplified in interfunctional collaboration, will have a direct effect on the norms in interacting with external partners — thus a high level of interdepartmental openness and readiness to share information will have a positive effect on cooperating with external partners (Campbell, 1998; Ellinger, 2000). Kahn and Mentzer (1998) discuss three existing approaches to defining integration among the functions: an interaction-based approach in which communication between the departments, meetings and information flow is forcing successful integration; collaboration-based integration, in which teamwork, shared resources and goals are the main driving force; and composite integration, implying that both interaction and collaboration are two main elements of interdepartmental integration. This multi-construct approach is also supported by Biemans, Brenčič, and Malshe (2010).

Arguably the most often used conceptualization of internal collaboration relates to *interfunctional coordination* as a subconstruct of market orientation (Jaworski & Kohli, 1993; Kohli & Jaworski,