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

Nigel F. Piercy *

Warwick Business School, The University of Warwick, Coventry CV4 7AL, United Kingdom

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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

* Tel.: +44 24 7652 3911; fax: +44 24 7652 4628.
E-mail address: Nigel.Piercy@wbs.ac.uk.

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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.

2.3. Organizational diversity and external relationships

New organizations are likely to contain many contradictions — some parts centralized, others not; close and loose relationships between business units will co-exist in the same company. Organization structures in the future may consist of some strategically-aligned businesses linked closely where there are opportunities to create value from leveraging shared capabilities, but other business units with loose relationships because greater value lies in a differentiated focus.

Outsourcing core business functions to partner organizations poses another collaborative working challenge. Dependence among businesses creates new sources of uncertainty and risk. Companies may develop extended organizational forms to cope. One type of structure may manage outsourced operations, and another structure may work better for internal activities. Boeing's partners' "council meetings" are illustrative of new approaches to managing and organizing relationships with external partners.

2.4. Managing organizational process

A key characteristic of the new organization is an emphasis on managing organizational process, rather than a primary emphasis on structure. Fig. 1 shows changing organizational themes as companies move away from traditional hierarchical structures. At the time of this research, a study of 73 companies by the Boston Consulting Group placed 32% in the hierarchy, 38% in the process overlay, and 30% in the functional overlay form. No horizontal structures were reported (Day, 1997). The prevailing organizational forms appeared to be the hybrid overlay structures.

As shown in Fig. 1 the structures of large established companies are moving toward horizontal business processes while retaining integrating functions (marketing, human resources) and specialist functions (research and development, marketing) (Day, 1997). The processes are major clusters of strategically important activities such as new product development, order generation and fulfillment, and value/supply chain management. As companies adopt process structures, various organizational changes occur including fewer levels and fewer managers, greater emphasis on building distinctive capabilities using multi-functional teams, customer value driven processes and capabilities, and continuously changing organizations that reflect market and competitive environment changes (Day, 1997).

This hybrid organizational form may take the form shown in Fig. 2, which is based on observation of several major companies moving their organizations in this direction. The names given to major processes vary but are concerned with defining, creating and delivering value. Processes are led by senior executives. Support for processes comes from resource groups, which may be conventional functional departments or business units, or external collaborators. Coordination mechanisms link process management with resource group management, such as business plans and planning groups or cross-functional teams.

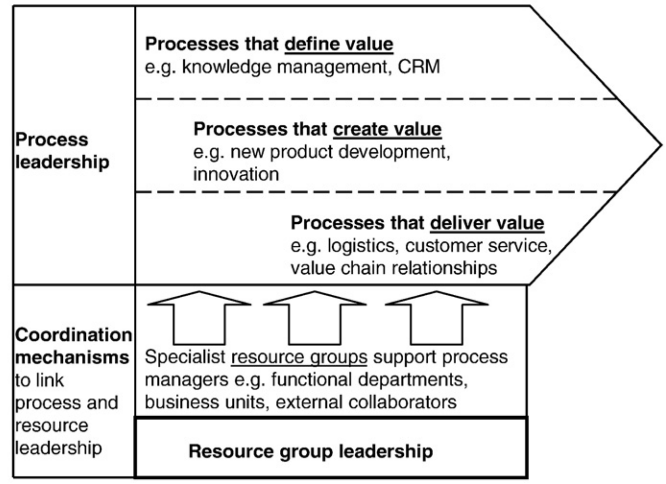

Fig. 2. Process-based organizational for marketing.
Adapted from: David W Cravens and Nigel F Piercy, Strategic Marketing, 9th ed., Burr Ridge IL: McGraw Hill-Irwin: 2009.

2.5. Organizational agility and flexibility

Considerable emphasis is being placed on flexibility and agility in the new organization. Markets and competitive scenarios that change rapidly place a priority on speed and responsiveness. Traditional organizational forms may be too slow in response to exploit new opportunities as they occur and respond effectively to competitive threats. Speed may require finding new ways to identify opportunities, launching initiatives with agile teams, breaking the unwritten rules of the organization, outsourcing tasks to specialists, and using the same business model again to exploit further opportunities (Hamm, 2006a).

Toyota, for example, emphasizes "the criticality of speed", constantly focusing on flexibility and market responsiveness, and

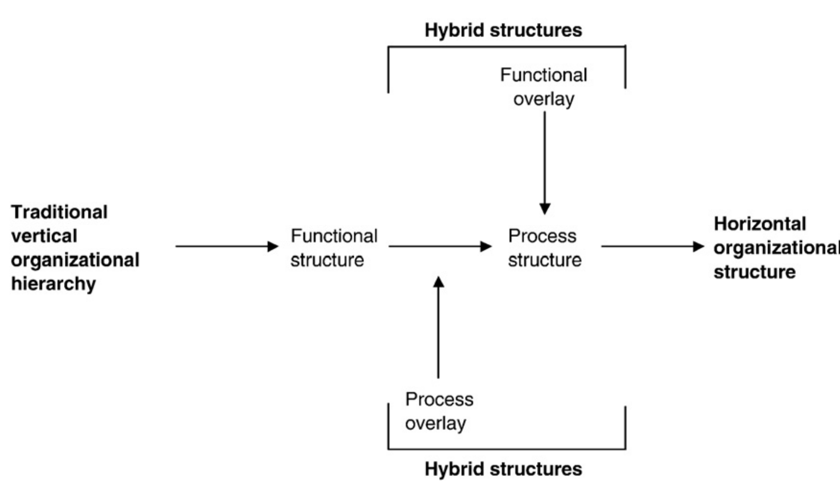

Fig. 1. Changing organizational themes.
Adapted from: David W Cravens and Nigel F Piercy, Strategic Marketing, 9th ed., Burr Ridge IL: McGraw Hill-Irwin: 2009.

the organization is designed to be faster than that of competitors. The design of an organization affects its ability (and willingness) to respond quickly. The advantage of doing things faster than the competition is clearly established in various kinds of business. Zara's skill in moving women's apparel from design to the store in weeks instead of months enables the retailer to market new designs ahead of its competitors. At Toyota, teams of designers, engineers, product planners, workers and suppliers are required to work face-to-face, in the process Toyota calls *obeya* — literally "big room". This dramatically cuts the time it takes to get from drawing board to showroom. It took only 19 months to develop the 2003 Solara — well below the industry average of about three years (Kerwin, Palmeri & Magnusson, 2003).

Organizations that set themselves up to do things faster have a competitive advantage. Business agility provides a competitive strength based on flexible technology and structures, and new working practices that allow organizations to remove bottle-necks and points of rigidity. In the past, organizations were designed with stability in mind. The priority now is to build organizations which are capable of changing. One of the strengths of self-managing teams and small, close-to-the-customer business units, is greater organizational responsiveness and speed in adapting to changed circumstances (Lawler and Worley, 2006).

2.6. The emerging organizational scenario

The ways in which organizations are setting themselves up to go to market are undergoing fundamental shifts. Driven in part by the ways in which markets are changing and customer requirements escalating in sophistication and complexity, new organizations are being designed to implement new business models. Themes emerging are the move from vertically-oriented organizations to flatter structures, many with overlays in a hybrid form. Underlying shaping forces are the need for rapid innovation and the importance of cross-boundary collaborations in meeting this need. The result is diverse external relationships as a management focus. The organizational emphasis is changing from structure to process and from permanence to agility and nimbleness.

From a marketing perspective, the new organization context has critical implications in several areas. If collaboration – with partners and strategic suppliers – is the primary route to more rapid innovation, then linking the efforts of partners and suppliers to customer value imperatives becomes a growing priority. In turn, this underlines the significance of managing in a coordinated and integrated fashion the internal company linkages between those managing the relevant cross-boundary relationships — with customers, collaborators and suppliers.

3. The imperative for cross-boundary integration

The new organizational forms which are emerging rely heavily on teamwork and collaboration, not simply inside a company but importantly across organizational boundaries. This has two implications: first, that customer value is created through collaboration with partner organizations and suppliers; and, second, that correspondingly, there is a growing need for integration between those organizational units that are responsible for critical cross-boundary relationships with customers, suppliers and partners. This extends interest beyond integration between conventional cross-functional dyads (marketing and R &D, marketing and sales, and so on). The domain is more concerned with the management of value processes and the integration of the cross-boundary functions that define, create and deliver customer value.

There is probably no better illustration of the penalties of weak integration of processes in supplier organizations, when faced with market complexity and turbulence, than the Boeing Dreamliner initiative. The Boeing 787 – the Dreamliner – was developed as the company's challenge to the Airbus A380 super jet. The Dreamliner is a radical design shift — built out of lightweight carbon-reinforced plastics it promises a 20% reduction in fuel, as well as a quieter and more comfortable ride for passengers. About 50% of the primary structure of the 787 is made of plastic composites. This is Boeing's main weapon in the battle to dominate the market for mid-sized jets The 787 is the best-selling new aircraft in Boeing's history, but it appears they cannot manufacture it to deadline. A key element of the Dreamliner strategy is the widespread outsourcing of manufacture. Boeing itself is responsible for only about 10% of manufacturing (by value) — the tail fin and final assembly. The rest is done by 40 partners, with the wings built in Japan, the carbon composite fuselage in Italy and the US, and the landing gear in France. Boeing is positioned as the "systems integrator" rather than manufacturer — 70% of the components in the Dreamliner are sourced from outside the US. The Dreamliner has 367,000 parts, sourced from a global network of 900 suppliers. The Dreamliner is the first plane in Boeing's history to be designed largely by other companies. In the event, managing a supply chain this complex has stretched Boeing's capabilities, and there have been major problems with missing and poorly fitted components and delays. By March 2008, Boeing was struggling with redesign of the attachment of the wings to the plane, promising further delays. The selling point of novelty and economy achieved through outsourcing has turned out to be the biggest source of problems for Boeing. Although Boeing had expected customers to accept "modest delays" in agreed delivery dates, in January 2008, Qantas became the first airline to announce it was seeking damages from Boeing for late-delivery of the 787. In March, Virgin Atlantic joined the list of those looking for large compensation for late-delivery. With further delays announced All Nippon Airways issued a blistering statement attacking Boeing, expected to lead to a large claim for compensation (Holmes, 2006; Gapper, 2007; Epstein & Crown, 2008).

It is likely that in the new types of organization which are being developed, sellers will be unable to avoid the responsibility for acting, in part, as the integrator of in-house resources, supplier development and collaboration, and integrating these activities around customer value. While the importance of internal integration has long been recognised (Hulbert, Capon & Piercy, 2003) – though performance in achieving it has been mixed – the growing priority appears to be adding the responsibility for cross-boundary integration.

4. The mandate for collaboration

C.K. Prahalad and M.S. Krishnan (2008) have recently described the fundamental transformation of business taking place in industry after industry. In their view, that transformation is being driven by two factors. First, the age of mass production is over and customers demand unique value, and they note that: "value is shifting from products to solutions and experiences", and relationships are taking over as the central element of exchange. Second, no single business is likely to be big enough to cope with complex and diverse customer demands. In turn, this underlines the importance of collaborative mechanisms like alliances and networks to deliver customer value — they anticipate constellations of suppliers that can be configured in different ways to meet different customer needs. Success, they believe, will come from giving up business models of the past and managing through new collaborative networks.

For example, already more than a third of Proctor & Gamble's new products come from external alliances. Similarly, IBM has transformed into a borderless organization working globally with partners to enhance the value of offerings to customers on a worldwide basis. IBM is a highly internationalized business. It has over 50,000 employees in India — IBM's second biggest operation outside the US. The company has moved its head of procurement from New York to Shenzen in China (Palmisamo, 2007).

Indeed, IBM's Chairman and CEO, Samuel Palmisano, has defined a vision for the globally integrated enterprise (GIE), as the 21st century successor to the multinational corporation. Palmisano argues that businesses are changing in fundamental ways – structurally, operationally and culturally – in response to imperatives for globalization and the impact of new technology. The emerging GIE is a company that shapes its strategy, management and operations in pursuit of a new goal: the integration of production and value delivery worldwide. Shared business practices and connected business activities make it possible for companies to transfer work from in-house operations to outside specialists. Global integration forces companies to choose where they want work performed geographically, and whether they want it performed in-house or by an external partner. The centre of the GIE is global collaboration both with commercial partners and governments.

Similarly, John Hagel and John Seely-Brown argue that lowered barriers to international trade and technological developments suggest companies must concentrate their areas of expertise, while collaborating globally with others specializing in different activities. The goal is to find ways of working with suppliers not simply to cut costs but to collaborate on product innovation. Li & Fung is a Hong Kong-based clothing supplier that Hagel and Seely-Brown describe as a "process orchestrator". The company produces goods for Western companies drawing on a network of 7500 partners — yarn from Korea, dyed in Thailand, woven in Taiwan, cut in Bangladesh, assembled in Mexico, with a zipper from Japan. Importantly, these companies are partners to Li & Fung rather than simply suppliers. By operating as a network, the partners help each other innovate in both design and manufacture (Hagel and Seely-Brown, 2005).

Working with partners to create enhanced customer value creates a need for flexible yet effective integration of inputs to deliver seamless value to customers. While building effective customer relationships has always depended on understanding and predicting customer needs, the additional role is to work with a set of providers of different parts of the value offering – some internal and some external to the company – to construct and deliver a coherent value offering to the customer.

Nonetheless, the problems of working with external partners mean that this is not always the best route to customer superior value. Rolls-Royce runs a global service network providing a real-time support and maintenance service to airlines operating planes with Rolls-Royce engines — there are more than 50,000 Rolls-Royce engines flying and the support extends decades after the original purchase. As recently as the late-1980s conventional wisdom was for aero-engine makers to licence out much support and maintenance and their aftermarket business was restricted to spare parts and distress repairs. To align the interests of airlines with its own, Rolls-Royce now runs its own operations centres, in a move which has revolutionalized the industry. By 2008, support and maintenance was generating 55% of Rolls-Royce revenues (Pfeifer & Pfeifer, 2008). Partnership strategies should not be an automatic reaction to all complex customer and market situations.

However, in many market situations it is clear that complex networks of partnerships will be the way in which business is done. The transition to working across traditional organizational boundaries identifies a new and possibly complex integration challenge. Responding effectively to that challenge is mandated.

It is likely that the strategic internal relationships which will be vital to achieving effective integration in networked companies will be between the organizational units and processes that manage key external relationships, in the way suggested in Fig. 3.

As customer demands for more complex value offerings grow, the ability to work collaboratively to create solutions will emphasize the need for close coordination between suppliers, partners and sellers. The management of that coordination will require the effective management of relationships between those responsible for strategic customer management, those who manage relationships with suppliers, and those who are tasked with the management of alliance and joint venture relationships with external organizations. In many companies these strategic internal relationships may be the core of the company's value-creating processes. The figure also suggests that these strategic internal relationships will often have to cope with complex markets where there are also links between our suppliers and our partners and between them and our customers. In some cases, collaborators will also be competitors. For example, IBM is investing around $150 million a year in sharing its proprietary products with outsiders, following the logic that collaborations with customers and competitors is a route to inventing new technologies from which IBM will benefit (Hamm, 2006).

It is clear that networks of this kind will create possibilities for different participants to undertake opportunistic behaviour to the disadvantage of other participants, unless the balance of interests and mutuality in the network governance process makes opportunistic behaviour unattractive for one reason or another.

The underlying attraction of developing closer relationships with customers – particularly large and powerful customers – is that both sides benefit. There is evidence that many customers have gained reduced costs, faster time-to-market, increased productivity and

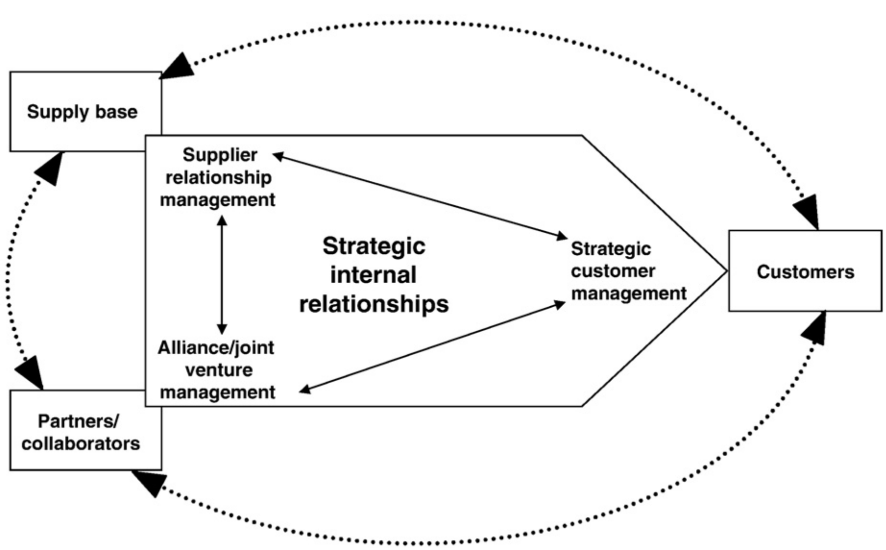

Fig. 3. Strategic internal relationships.
Adapted from: Nigel F Piercy and Nikala Lane, Strategic Customer Management: Strategizing the Sales Organization, Oxford: Oxford University Press, 2009.

enhanced product quality from closer relationships with suppliers (Fink, Feldman & Hatten, 2007). Correspondingly, many have claimed that suppliers gain because they have enhanced their customers' performance (Cannon & Homburg, 2001). However, what is also possible is that customers may demand closer supplier relationships to gain advantages for themselves, without any plan or intention of sharing resulting benefits with suppliers. Dominant customers can use their power over dependent partners to improve their own performance at the expense of that of weaker partners in the value chain. Research confirms that although customers may be achieving better performance through closer supplier relationships, suppliers do not necessarily reap reciprocal benefits (Fink et al., 2007).

Indeed, quite legitimate actions by some network participants, pursuing their own best interests, may appear opportunistic to other participants. IBM's “strategic geographies” have made India a major source of product development in technical services and software. However, when companies like Louis Vuitton and Target turn to local Indian companies like Wipro for tech services it underlines the risk for IBM that if customers perceive they are getting India-sourced product at IBM prices, it may be more attractive for them to go direct to IBM's competitors thus accessing India-sourced products at local prices (Kirkpatrick, 2005). Clearly there is an imperative that network participants have to add value to the network or risk losing business.

It is logical to suggest that the growing importance of cross-boundary business models and collaboration as the driver of innovation in product, technology and management approach, creates an emerging challenge for marketing in the management of strategic internal relationships. As suggested in Fig. 3, there appears a direct parallel between the importance of strategic external relationships and the need for greater attention to strategic internal relationships.

5. Strategic internal relationship management

One interesting comment made several times by practitioners in our workshops is that it is actually quite common that the salesperson in technical markets finds a situation where the customer has better contacts and more knowledge of the seller's suppliers and collaborators than does the salesperson. External technical communities – formal or informal – facilitate knowledge exchange and social interaction. Frequently sales and marketing executives have no access to, or interaction with, the company's suppliers and collaborators. 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.

5.1. The process-based organizational perspective

The model in Fig. 2 is suggestive of the organizational approaches being adopted by some companies to focus on customer value and to manage marketing as a set of processes concerned with value definition, creation and delivery. Such approaches are cross-functional and draw on internal resource groups and external partners for process support, and strong emphasis is placed on process leadership and effective coordination mechanisms. This may provide a prototype for other to consider in aligning their processes and resource groups around customer value.

For example, in our research for the Total Integrated Marketing book, one company – at the time a Unilever subsidiary – described the way its company was organized as shown in Fig. 4. At the centre is the business strategy, supported by key activities in brand development and supply chain management. Directly linked processes address customer management and supplier management. Additional issues are quality, performance, people and information inputs. While extreme, the model is illustrative of how far we may need to move from traditional functionally-oriented structure for marketing to be effective in acting as an integrator around customer value. An explicitly structural approach may be appropriate in some situations.

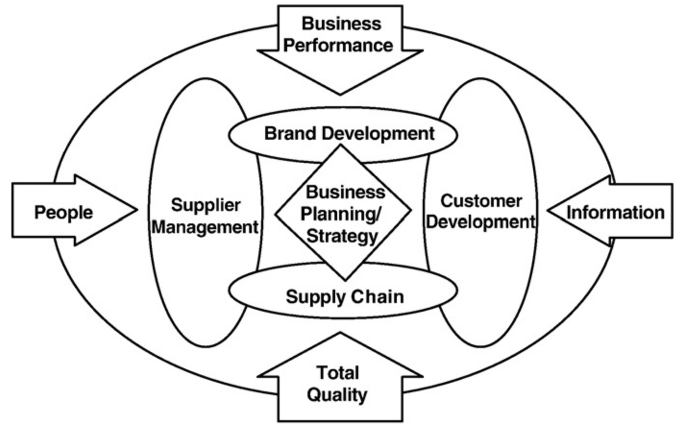

Fig. 4. Process management at a Unilever subsidiary.
Adapted from: James. M Hulbert, Noel Capon and Nigel Piercy, Total Integrated Marketing: Breaking the Boundaries of the Function, New York: The Free Press, 2003.

5.2. Partnering boundary-spanning functions

A promising approach may rely more heavily on encouraging and facilitating internal partnerships between groups responsible for the key boundary-spanning functions at stake. Initiatives might include cross-functional teams to focus on specific customer issues like satisfaction management and problem-solving. However, deeper and more enduring partnerships are likely to involve continuing involvement in important decision making processes in each of the areas. The participation of supplier relationship managers in marketing and sales planning, or strategic account management teams, is illustrative. Involving sales and marketing personnel in supply strategy and alliance management also offers potentials for more effective joint working on shared problems and new opportunities.

5.3. Internal marketing

One approach to articulating the role and importance of more collaborative relationships between the key boundary-spanning functions, that directly impact on customer value, is internal marketing (Piercy, 2009). Fig. 5 suggests that while the conventional role of marketing and selling is to “sell the company to the customer”, a parallel need is to “sell the customer to the company”. The implication is that a growing proportion of the time and resources available to marketing and sales executives will be spent operating in the internal marketplace of their own company, rather than the conventional external marketplace. The logic is that the escalating

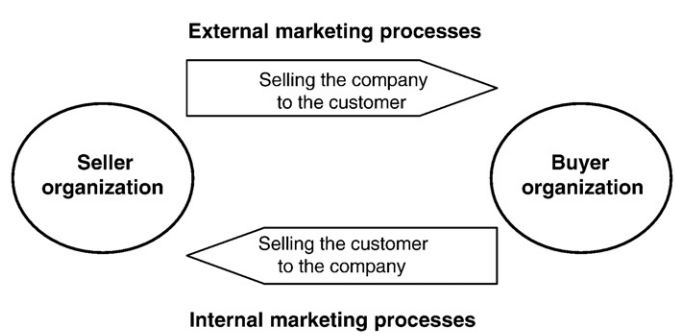

Fig. 5. The role of internal marketing.
Adapted from: Nigel F Piercy and Nikala Lane, Strategic Customer Management: Strategizing the Sales Organization, Oxford: Oxford University Press, 2009.

requirements of major customers indicate a need for enhanced coordination and integration in the selling organization to meet those requirements. At the extreme, some strategic account managers report that they spend some ninety per cent of their time inside their own organizations aligning processes and activities around customer needs, rather than actually with the customer. However, the role of internal marketing goes beyond coordination to identify barriers to delivering superior customer value, and gaining the support and participation of managers and employees inside the company for external customer initiatives.

Although it is far from profound, developing an internal marketing framework may be a stimulus to gaining shared understanding of customer issues, and underlining the need for joint working between customer relationship management, supplier relationship management and alliance management.

6. Discussion

This review set out to underline the compelling case that one direct impact on a company's competitive strength, and particularly its ability to meet the increasingly sophisticated requirements of strategic customers for value enhancement and new types of relationship, is the capability to align strategic customer relationship management processes with supplier relationship management processes, and both of these with the management of collaborations and joint ventures with third parties. Developing such a capability rests on the development of strategic internal relationships between the groups responsible for managing customer relationships (marketing, sales strategic account management teams), for managing supplier relationships (purchasing), and collaborations (alliance management).

The case for devoting more management attention to this internal partnering between the boundary-spanning functions that have direct impact on customer value delivery has several areas of support. First, market change is driving the evolution of traditional organizations from vertically-oriented functional structures toward more horizontal structures and hybrid forms with different kinds of overlay across vertical structures, and an emphasis on managing process rather than simply structure. These shifts facilitate innovation and agility, but are also bringing new challenges in organizational diversity and managing complex external relationships. These organizational shifts are creating a new scenario in which marketing faces the challenge of developing new models to enhance customer value and strategic customer relationships.

Increasingly the imperative has become not simply cross-functional integration, but cross-boundary integration. Closer relationships between the seller and the supply base and partnerships that drive customer value bring new responsibilities for marketing as the integrator of customer value. The mandate for collaboration is creating additional complexity of several kinds in the route to market. In particular, new business models and collaborative value generation underline the need for enhanced collaboration between the internal boundary-spanners whose efforts impact directly on customer relationships.

Approaches which may support the management of strategic internal relationships include process-based organizational models which explicitly link supplier relationship management to customer relationship management; partnering marketing, purchasing and alliance executives in joint projects and cross-memberships of important planning groups; and, internal marketing models which underline the growing role for marketing and sales inside their own companies as well as externally with customers.

The issue of strategic relationships between boundary-spanning functions to align customer relationship management with supplier relationship management is concerned with presenting a unified face to the customer, which reflects all the resources and capabilities in marketing and sales, purchasing and collaborations. The topic has several implications for practice, and also identified a number of interesting research directions.

6.1. Implications for management practice

Perhaps the most important implication identified by this review is the importance of understanding the value chain as a complex market network — involving first and second tier suppliers, collaborators and partner organizations and customer organizations. Indeed, in some technical markets it will be increasingly common that the same external organization may be our supplier, collaborator, customer and competitor.

The nature of the market network mandates a focus on strategic relationships. One set of these relationships relates externally to our suppliers and collaborators. However, a second set concerns the links and integration between the management groups tasked separately with customer relationship management, supplier relationship management and the management of collaborations, alliances and joint ventures. Observation suggests that the integration of these critical boundary-spanning responsibilities is rarely addressed as a priority, if at all. Nonetheless, the logic for the strategic relationship inside the company is their joint impact on customer value.

Once the internal network of linkages between these boundary-spanning functions is made explicit, then attention can be given to making integration more effective. The armoury for addressing integration problems in marketing is well-known (Hulbert, Capon & Piercy, 2003). Approaches span the formal use of liaison and joint decision making mechanisms, and the informal focus on internal communications and networking between related groups. However, the first priority must be to carefully identify the internal boundary-spanning activities that shape customer value, and how they can be better managed to deliver and sustain superior customer value.

6.2. Research directions

Interestingly, while there is an extensive research literature addressing cross-functional dyads, for example, relationships between marketing and R&D, between marketing and operations, and so on, there are two important gaps in our research coverage. The first relates to the relationships between marketing, sales and strategic account management executives, and the groups managing supplier relationships or those managing external collaborations. The second is that the research has rarely extended beyond dyads to consider networks of cross-functional and cross-unit relationships. There would be considerable interest in research which adopted the focus of customer value-creating boundary-spanning activities and examined the ways in which internal network relationships operate and can be made more effective where this is desirable.

In addition, as marketing becomes more closely aligned to managing strategic relationships – internally and externally – it would be interesting for scholars to examine the conditions under which these networks are effective and those under which they are more likely to perform poorly (from at least some network participants' perspective). It would also be insightful to evaluate the links between internal and external networks – both formal and informal – to better understand the relationship between network linkages and business performance in different situations. Much can be learned by applying models developed in studying strategic alliances to the strategic relationship networks on which marketing and sales is focusing. This would be particularly insight regarding approaches to governance and opportunistic behaviour in market networks.

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