The Analysis and Planning of Business Interactions: Do We Need a Structured Approach?

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- Work in progress -

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Over the past years, process approaches have increasingly gained importance in the field of business marketing. Concepts such as supply chain management, just in time delivery, customer relationship management, business process redesign or activity based management have a common process dimension. The concept in the IMP literature that is the most closely related to the process concept is interaction. The purpose of this work-in-progress paper is to establish the link between process management and interaction. For this purpose, the authors draw on the blueprinting concept. Based on a short case study they show the potential application of blueprinting in the management of interactions.

INTERACTION – AN EVOLVING CONCEPT

Interactions are at the heart of the IMP approach to analyzing industrial marketing. It states that "the marketing and purchasing of goods is seen as an interaction process between two parties within a certain environment" (Hakansson 1982). The interaction process consists of the transactions between the companies involved in four related areas of exchange:

- the product or service being exchanged
- information exchange
- financial exchange
- social exchange.

Because interaction is a core concept for IMP researchers as well as for scholars anchored in other research traditions, different approaches to studying interactions have been used. At the same time, it has been pointed out that interaction is a complex construct (e.g. Ford and Hakansson 2005). Particularly problematic is the fact that episodes of interaction are

inherently interdependent, yet companies - for purposes of analysis and planning - have a strong need of isolating single episodes in series of interaction. If actors in interaction do not intend to passively follow every move of their counterpart but to manage the interaction process, then they need to decompose the complex interaction construct into more differentiated entities.

Over the past few years, various authors have argued for the need to take an adapted view on interactions, a view taking current managerial necessities into account. Naudé, Turnbull, and Leek (2001) have identified a set of changes that have affected business interaction since the first formulation of the interaction approach. They distinguish between external changes (e.g. the impact of information technology or of globalization) and internal changes (e.g. the blurring of functional boundaries). Anderson and Tuusjärvi (2000) stress the "importance of studying interaction structures rather as processes than established structures". Axelsson and Wynstra (2000) developed a taxonomy of interaction processes for buying and exchanging services. They argue that "for practitioners it could be helpful to get support for designing the buyer-supplier interface and adapt it to the impact of the service in question". Focussing on the increasing importance of information technology and electronic commerce, Naudé, Turnbull, and Leek (2000) have shown that companies need to and, at the same time, are enabled to structure interactions *ex ante* in more detail. Various approaches exist which translate this increasing necessity into concepts, e.g. the collaborative planning approach (e.g. Nokkentved and Heeda 2001). In many industries, the importance of these evolutions is tremendous. Yet, the basic concept of interaction does not lose its sense. Rather, the relative weight of the processual dimension in interaction as compared to structural aspects has increased. In fact, "process" is a concept that keeps coming back in the different IMP papers discussing the evolution of interactions.

PROCESS ORIENTATION IN MARKETING AND SALES

Well beyond the concept of interaction - as defined in the IMP literature – one can observe a series of influencing factors which lead managers to develop a stronger marketing process orientation. A process can be defined as an ordering of activities across time and place, with a beginning and an end, and transforming a given input in a pre-defined output (Garvin 1997, Melan 1992, Pall 1987). Pentland (1995) suggests considering a process as a grammar for action, prescribing the rules by which recurrent activities are assembled and carried out. The input comprises different types of resources (material, human, informational, legal, relational, financial resources etc.). The output serves the attainment of a goal. Marketing processes can be defined as companies' recurrent core activities directed at the creation of value for and the exchange of values with customers (e.g. Sanchez 1999).

Marketers' growing interest in process management cannot be explained by the sudden emergence of a previously unknown behaviour or technique. In fact, every company necessarily carries out marketing tasks. Marketing processes or activities occur irrespective of the way they are managed. Firms gather market-related information, define market offerings, negotiate exchange conditions with potential customers and organize transactions. A process oriented approach to marketing, however, attempts to organize the execution of marketing tasks in an effective and efficient manner. Contrary to the classical "instrumental view" it focuses equally on "what" the company does in order to create value for its customers (effectiveness) and on "how" these activities are implemented (efficiency). It attempts to maximize marketing outputs while optimizing the use of inputs. Process oriented marketing is a coherent set of management techniques aiming at more effective and efficient marketing.

Against this background, the question arises which drivers have led to a stronger focus on explicit marketing process management in practice. We distinguish factors located inside the domain of marketing and factors external to marketing.

Internal factors driving marketing process-orientation

A fundamental problem in marketing management is the *lack of organizational homogeneity* (Webster 2005a). Whereas standard textbooks usually present marketing as a monolithic task, in most organizations "marketing" is a fragmented phenomenon and performed by numerous organizational units, e.g. in departments such as sales, product management, market research or communication. It is rarely structured within one single functional unit (Krohmer, Homburg, and Workman 2002), often separated by important hierarchical, geographical, cultural, etc. barriers (see e.g. Borgas, Muehlmeyer, and Zupancic 2004).

Whereas other functions within companies' value chain have undergone considerable pressure to realize economies for well over a decade, today, a rising number of companies seek potential *savings in the field of marketing* (Rust et al. 2004). Marketing budgets are often reduced and marketing managers are more and more held accountable for showing how marketing's expenditures add to shareholder value (Doyle 2000). As a consequence, firms seek to improve marketing effectiveness and efficiency (Sheth and Sisodia 2005). Examining and improving marketing and sales processes is a core element of programs aiming at ameliorating marketing productivity. Establishing a coherent measurement system for key variables such as cost, time, and quality, typical attributes of marketing processes, can be seen as a prerequisite for enhancing marketing productivity (Ambler 2003, p.17).

There is little research on *marketing implementation*. However, in practical application many strategies and instruments do not produce the impact posited by underlying theories or models. Often times the effects yielded are not attained because of inadequate execution (e.g. Rayport and Jaworski 2004; Simon 2004). The disappointment of many companies with the introduction of CRM systems is one example among others (e.g. Rigby and Ledingham 2004; Wilson, Daniel, and McDonald 2002). Accordingly, there is increasing interest in the requirements of successful marketing implementation and particularly the activities (types, sequences etc.) that need to be carried out. Piercy (1998) argues that a processual view of implementation that clarifies the underlying organizational and behavioural factors required to build marketing implementation capabilities is needed.

The decision to *in- or outsource* is a classical problem in disciplines such as operations management or logistics. In marketing, it was mainly pertinent in limited areas, such as market research, advertising, or distribution until recent advances in information technology modified some of the major influencing factors. As a consequence, outsourcing has become a potential mode of organizing for many if not most marketing activities in the value chain (e.g. Piercy and Cravens 1994, Webster 2005b). Standards make it easier to determine whether a process can be outsourced. They also lead to a reduction of variance in process design and, hence, to a growing "commoditization of processes" (Davenport 2005). Given the current relevance of outsourcing in marketing, one can expect a strong interest from marketing practitioners for process management.

Finally, marketing is not only dispersed as a practical activity but also fragmented as an academic discipline (Vargo and Lusch 2004). Sectoral sub-disciplines have emerged. Each of them builds on specific foundations (Hunt 1983; Sheth and Garett 1986; Sheth, Gardner, and Garrett 1988). Some are more process-oriented than others. *Services marketing*, due to the

definitional characteristics of customer-directed services, has the most explicit, strongest, and detailed process perspective (e.g. Brown, Fisk, and Bittner 1994; Fliess and Kleinaltenkamp 2004). Today, one can observe that the relative importance of services marketing concepts within marketing as an academic discipline increases. Its inherent processual orientation will be more widely adopted by marketing rearchers (Vargo and Morgan 2005).

External factors enhancing marketing process-orientation

Hammer and Champy (1993) argue that today's extreme *division of labour* is problematic. Some of the main reasons they evoke are the complexity of coordination in large functional structures and the distance created between the managers who focus on coordinating, on the one hand, and customers' needs, on the other. In many companies reengineering projects have contributed to the emergence of a process-orientation that facilitates the introduction of process management approaches in marketing. Beyond simple reorganization, some of the most important innovations in business management over the past twenty years have been process innovations (Malone et al. 1997), for example just-in-time management or concurrent engineering.

Information technology has added to the trend towards increased marketing process-orientation because it offers a wide array of tools to support process management. Several software programs have been developed to help managers identify activities, structure them in a logical way, and document the process and its characteristics (e.g. Scheer 1994). Even complex process architectures including large numbers of inputs, actors, connections, deadlines, etc. can now be handled in process organization projects.

Finally, various disciplines have made advances in *techniques enabling process management*, such as activity-based costing in the field of accounting (Kaplan and Anderson 2004), total quality management (TQM), supply chain management (SCM), or efficient consumer response (ECR).

Summarizing, there is a broad set of internal and external drivers for the increasing process orientation we observe in marketing practice. In the following section we provide a more detailed description of the process oriented view on marketing.

In this paper, we extend this perspective and link it to the IMP group's concept of interaction. Particularly, we focus on blueprinting as a tool for analysing and planning interaction processes. In the next sections, we first introduce the blueprinting concept. We then use a case study to discuss its usefulness for the structuring of business to business interactions.

BLUEPRINTING

For analysing and planning interaction processes as well as for process optimization in general, the use of models is very helpful. They facilitate process-transparency and allow focusing on several aspects from different points of view. An established tool in this context is the blueprinting technique. This technique focuses on the interaction process between customer and supplier within transactions, but also gives an insight into the cooperation within a firm.

Originally the blueprinting technique was invented and developed in order to visualize and analyze service processes, but it can also be used in other cases of business-to-business- or business-to-customer-activities where a customer and a supplier are involved. By partitioning

processes in different areas this technique offers room for improvement with regard to efficiency and effectiveness of the processes under consideration. Therefore in blueprints the areas of action of an interaction process are separated by different "lines" (see Fig. 1):

- The "**line of interaction**" distinguishes the activities of a customer from the activities of a supplier: All activities located above the "line of interaction" belong to the customer, all activities beneath this line concern the supplier.

- The "**line of visibility**" separates between activities which are visible to the customer ("onstage-activities") and activities which are invisible from the customer's point of view ("backstage-activities").

- The "**line of internal interaction**" serves to separate actions and decisions carried out by front office employees from support-activities performed in the back office (e.g. indoor service).

- The "**line of order penetration**" differentiates between customer-induced activities of the process and activities which can be autonomously disposed by the supplier.

- Finally, the "**line of implementation**" distinguishes between preparation activities and facility activities. Preparation activities are necessary to put facilities into operation, but they do not depend on a specific customer order (keeping a data base, training of employees etc.). Facility activities on the other hand are necessary to ensure the provision of basic capabilities (infrastructure, employees etc.).

In the areas between these horizontal lines the actions of a regarded process are placed in a chronological order. Regarding the steps in the different areas and their connections it is possible to identify points of inefficiency or weaknesses in effectiveness. Usually the activities beneath the line of order penetration are focused to achieve more efficiency in processes while the analysis of the activities above this line may lead to more effectiveness. The detailed location of the several activities within the blueprint then offers more detailed

information about concrete approaches to optimization of the regarded process. Furthermore the blueprint technique can not only be used as an analytical tool to optimize processes but also as a coordination and planning tool as well. It helps managers in making strategical decisions, to find competitive advantages, and to design the organizational structure in consideration of the buyer-supplier interfaces.
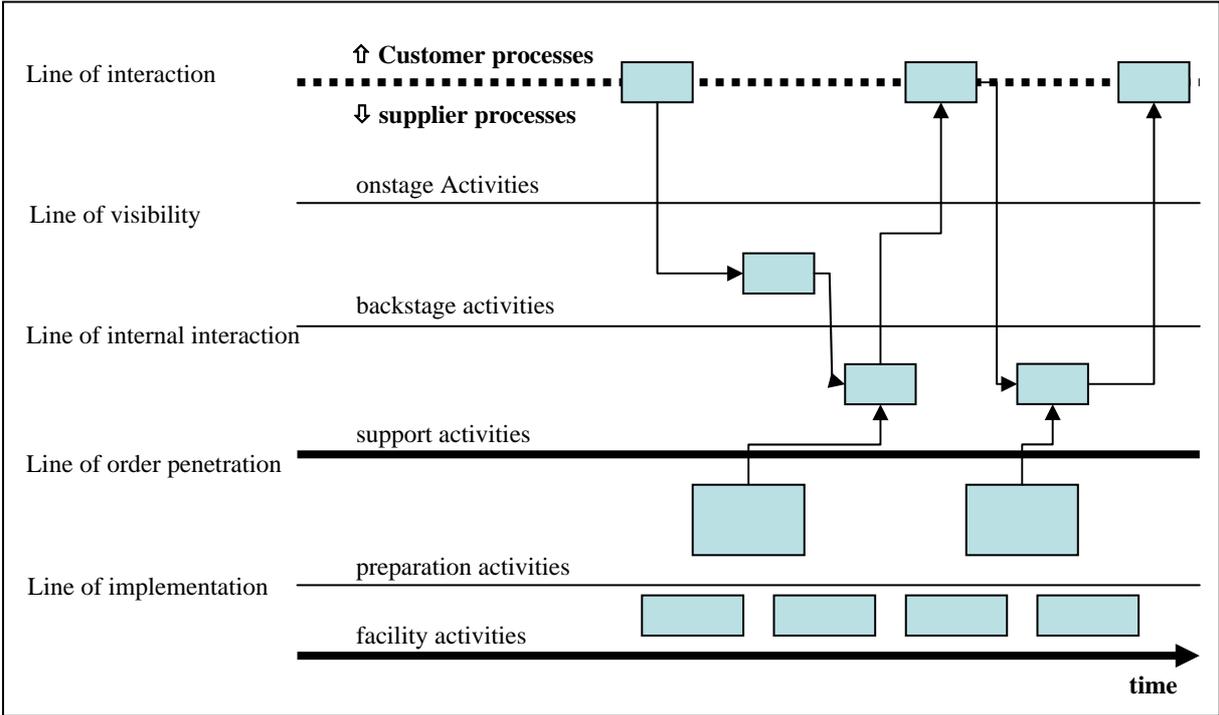

Fig. 1: Structure of a blueprint to visualize and analyze interaction processes

A CASE STUDY

To illustrate the blueprinting approach, we present a case study conducted in a large industrial company we are going to refer to as CC (Cable Company). The company under study is working globally and sells cables to the construction industry. The case focuses on the quote process conducted mainly in the customer service department but involving internal and external actors from customer and consulting companies as well as from various departments within the focal company. It describes which activities are located at which levels of activities in business relationships.

CC receives orders either directly from industrial customers planning and managing their own construction projects or from intermediary actors consulting with such customers. In both cases, it is usually the sales force who receive requests for quotations. In customer interactions, the sales representative can distinguish between his own activities and the customers' activities along the *line of interaction*. An important step in order to make interactions efficient and effective is to anticipate possible customer activities and to prepare adequate reactions to the customer. For example, in case a customer asks for an individualized solution rather than for standard equipment, the sales rep needs to know how to proceed internally in order to establish a correct quote.

Depending on the case, the sales man may attempt to provide the customer with a quote during the meeting. In this case he may have to go through a series of activities, such as price calculation and verification of availability of production capacity, in the presence of the customer for whom they are visible. Other activities may take place beyond the *line of visibility*, for example the writing of reports about visits to customers.

The *line of interaction* separates the sales rep's activities from the support staff's activities. In CC's case, most requests for quotation require a verification of aspects such as customer liquidity or the design of a specialized technological solution which are performed by internal services such as the legal department or the application engineering department. These activities are required in order to prepare the quote for the customer. They need to be well coordinated in order to ensure the customer receives a correct quote on time.

Activities which are not directly linked to a specific customer interaction take place beyond the *line of order penetration*. This limit is not only present in the actual order process but it

concerns any type of interaction with customers directed at supplying customers with goods, services, information etc. upon request. In CC's quote process, activities taking place beyond this line are for example the training of the different people from different functional areas (sales, marketing, application engineering, terms & conditions, customer service, and legal departments) involved in the quote process, the calculation of condition schemes, the preparation of online product catalogues etc.

Finally, the *line of implementation* allows differentiating between the activities described above and those activities directed at providing the resources and capabilities used in the process. The recruiting of employees for the functional units, the implementation of a CRM system, the purchase of computers and the like represent facility activies required to maintain operations.

DISCUSSION

The example provided above illustrates the basic concept of the blueprinting approach. The evident advantage of this approach is the structuring of activities. It obliges the management to analyze which activities are required to be conducted by "front office personnel", in this case the sales force, and which by employees located behind the lines. The approach requires an analysis of alternative triggers the people involved in the process may receive from the customer as well as a preparation of responses to these triggers. With each line that separates activities from customers, the flexibility for the design of the activity increases. The structuring should help reduce redundancies, increase the speed of the process, reduce costs, and hence increase customer satisfaction.

However, such a mechanistic and schematic approach to interactions does not meet the "spirit" of the IMP concept of interaction. It attempts to squeeze interaction into a formalized temporal structure and leaves little space for deviation. This rigidity may also be interpreted as a lack of flexibility. Most importantly, personal interactions between people involved in transactions are not taken into account. Whereas the quote process described here may involve personal contacts at the line of interaction between one sales representative and the customer, in many cases complex interactions take place between buying and selling centers. Often, these interactions are difficult to schedule and to plan, because members of different functional groups interact, sometimes without communicating with other members of the buying and selling centers about these interactions. Particularly where time pressure is present, an ex ante formulation of processes is difficult to establish.

Taking into account these problems, it becomes clear that the blueprinting approach cannot structure all interaction in business relationships. It is insufficient where flexible, individualized personal interactions accompany the exchange of information, money, and goods. Nevertheless, it may serve as a basic structure for the organization of the core exchange processes. It then defines the "skeleton" of the exchange but leaves sufficient space for surrounding interactions between actors. Beyond the line of interaction, the problems described above are less important and the usefulness of the approach is more evident.

Summarizing, we have seen that as marketing and sales move towards a stronger process orientation we observe the emergence of specific tools designed to support interactions. But these instruments cannot regulate all facets of the complex interactions we observe in industrial marketing and purchasing.

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