MAKE-OR-BUY DECISIONS OF THE MARKETING FUNCTIONS (ADVERTISING, SALES PROMOTION, PUBLIC RELATIONS)

Heinz-Theo Peters, Universität zu Köln

The decision as to whether operational functions are to be delegated or performed oneself is not systematically dealt with in practice, nor in the literature relating to organisational and decision-making theory. On the one hand the majority of existing decision aids (portfolio analyses, checklists etc.) are concerned with the delegation of production segments and not so much with operational functions. On the other they only partly reflect the overall decision-making situation. Thus, the extreme alternatives of "make" or "buy" are often the only ones which are investigated, the sole objective of "efficiency" is taken as a basis or assumptions are based on evasively defined decision contexts.

The aim of this paper is to suggest a solution to this predicament by presenting a systematic and complete decision-making technique of how this make-or-buy decision can be approached. A model will be presented which fully covers the three components of objectives, alternatives and environmental conditions and which examines their interrelations. This approach will be explained taking the delegation of the marketing functions advertising, sales promotion and public relations as an example.

The model is elaborated in three stages:

- In the first stage an objective network is construed. This objective network represents all relevant fundamental objectives for the respective function (e.g. sales promotion) which have to be taken into account in the make-or-buy decision. The objectives network contains not only the objectives but their influencing parameters too and places them in a relationship to each other.
The objective network developed from literary studies will then be checked to see whether it contains typical and realistic decision contexts. Typical decision contexts reflect the company's decision-making situation and consist of a variety of certain environmental factors (context factors). These differ significantly with respect to the identification of objectives. The identification of typical decision contexts facilitates the decision-maker's classification of their own corporate location and simplifies their choice of objectives.
- In a second stage the objectives and alternatives will be juxtaposed (e.g. full-service agency or a-la-carte agency), i.e. which alternatives are best suited to implement the various objectives. The influence of uncertain environmental factors on the objective development is to be ignored as far as possible.
- In a final stage the correlation between different decision contexts and certain alternatives will be disclosed and concrete suggestions made for the choice of alternatives as a function of these decision contexts.

With the aid of this model it is on the one hand possible to present the decision-making situation transparently and ultimately to derive recommendations for action with practical relevance from this.