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The B2B-RELPERF scale and scorecard: Bringing relationship marketing theory into business-to-business practice

Luis Filipe Lages [a,b,*], Andrew Lancastre [a,c,✠], Carmen Lages [d]

[a] Faculdade de Economia, Universidade Nova de Lisboa, Campus de Campolide, 1099-032 Lisboa, Portugal
[b] MIT's Deshpande Center for Technological Innovation, USA
[c] IADE–Instituto de Artes Visuais, Design e Marketing, Av. D.Carlos I, no. 4, 1200, Lisboa, Portugal
[d] ISCTE Business School-Lisbon, Av. das Forças Armadas 1649-026 Lisboa, Portugal

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Abstract

It is becoming increasingly important from both theoretical and managerial perspectives to measure Customer Relationship Management (CRM) as a key intangible asset. This paper seeks to bring relationship marketing theory into practice by developing a new measure of relationship performance between two firms, the business-to-business relationship performance (B2B-RELPERF) scale. Survey findings from a sample of approximately 400 purchasing managers operating in a B2B e-marketplace reveal that relationship performance is a high-order concept, composed of several distinct, yet related, dimensions: (1) relationship policies and practices, (2) relationship commitment; (3) trust in the relationship, (4) mutual cooperation; and (5) relationship satisfaction. Findings reveal that the B2B-RELPERF scale relates positively and significantly with customer loyalty. The paper also presents the B2B-RELPERF balanced scorecard, which combines tangible and intangible metrics. While existing IT solutions usually focus exclusively on the use of tangible CRM indicators, this new tool includes the “voice of the customer”. At the managerial level, both the scale and scorecard could act as useful instruments for short- and long-term management, controlling, planning, and improvement of B2B relationships. Implications for relationship marketing theory are also presented.

Keywords: Relationship marketing theory; Balanced scorecard; Electronic markets; e-Commerce; e-Marketplace; Performance measurement; CRM; B2B; Purchasing

1. Introduction

“If you do not measure it, then you cannot manage it!”
(Jack Welch, former CEO of General Electric)

At the beginning of the 21st century it is widely accepted that existing Customer Relationship Management (CRM) solutions have much room for improvement. The main reason may be found in a statement by Einstein: “everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted.” In order to measure what “cannot necessarily be counted”, existing CRM Information Technologies (IT) solutions employ tangible metrics to assess intangible dimensions (*e.g.* trust and cooperation). Many firm's *intangible* assets constitute unique opportunities for economic (added) value, such as customer relationships, and these can and should be scientifically assessed (Hunt, 1997).

As managers and researchers observe that good *versus* poor relationships significantly affect business performance, there is an increasing concern with achieving a better understanding of relationship development with business partners (Lages, Lages, & Lages, 2005a; Lages, Lages, & Lages, 2005b; Lemon, White, & Winer, 2002). Although intangible metrics are of interest to academics and managers, these two worlds discuss the issue quite

* Corresponding author. Faculdade de Economia, Universidade Nova de Lisboa, Campus de Campolide, 1099-032 Lisboa, Portugal. Tel.: +351 213801601; fax: +351 213886073.
E-mail addresses: lflages@fe.unl.pt (L.F. Lages), alancastre@iade.pt (A. Lancastre), carmen.lages@iscte.pt (C. Lages).
URL: http://prof.fe.unl.pt/~lflages (L.F. Lages).
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differently (Melnyk, Stewart, & Swink, 2004; Likierman, 2004). While most managers do not have the scientific knowledge to develop reliable measures, most academic researchers are not concerned with the development of scientific metrics for application at the managerial level (Weick, 2001). Within this context, the development of business performance metrics requires the exploration of synergies between researchers and managers in order to develop scientific and reliable measures that might be of interest to practitioners, bridging the gap. Moreover, although marketing academics and practitioners have been examining relationship marketing since the mid-1980s, a significant criticism of most relationship marketing studies is the fact that many studies are based on a single dimension or a single financial indicator, intended to capture the nature of complex relationships between buyers and suppliers (Yau et al., 2000).

A major priority for the upcoming years is the development of B2B metrics, namely in an e-commerce environment (Parasuraman, Zeithaml, & Malhotra, 2005; Parasuraman & Zinkhan, 2002). Despite both managers and academics' interest in understanding relationships in e-commerce, concerted efforts have not materialized (Grewal, Comer, & Mehta, 2001; Klein & Quelch, 1997). This article attempts to help bridge the gap by scientifically developing a new scale that enables, from a customer perspective, the assessment of relationship performance in business-to-business (B2B) relationships — named the "B2B-RELPERF scale". Furthermore, the authors use the B2B-RELPERF scale to suggest the development and testing of the respective relationship performance scorecard for inclusion in periodic business reports and/or existing CRM IT solutions. It is believed that the scale (and future scorecard) might help firms to administer resources more efficiently, by allocating them to different customers, and identifying deviations from objectives. Given the development of different customer relationship processes, this can also help a firm to establish its annual priorities in terms of marketing efforts. Moreover, a firm can use relationship performance metrics as a motivation and reward tool for managers and their teams (*e.g.*, bonus, promotion) by relying on comprehensive data. Finally, these metrics can support the development, monitoring, improvement and benchmarking of customer relationship processes (see Lages et al., 2005a,b).

This paper starts by presenting the five dimensions of the B2B-RELPERF scale. We then refine the preliminary scale using qualitative research and testing it through a field survey of approximately 400 purchasing managers of small and medium-sized enterprises (SMEs) in an e-marketplace. We also analyze the impact of the B2B-RELPERF scale on customers' loyalty intentions. Finally, we present implications for theory and practice, suggest a B2B-RELPERF scorecard, point out research limitations and define directions for further research.

2. The B2B-RELPERF scale

A recent meta-analysis of relationship marketing literature (Palmatier, Dant, Grewal, & Evans, 2005) indicates that research in the field should follow a multidimensional perspective because there is no single or best dimension able to capture the full essence of this phenomenon. Indication of the main constituents of a relationship process can be found in the literature. While building on past RM literature, the B2B-RELPERF scale reflects the performance of a buyer–supplier relationship marketing process at a specific point in time. This scale is a higher-order construct composed of five distinct, yet related, dimensions: (1) relationship policies and practices; (2) trust in the relationship; (3) relationship commitment; (4) mutual cooperation; and (5) relationship satisfaction.

Following the findings of Dwyer, Schurr and Oh (1987), supported some years later by Jap and Ganesan (2000), these five dimensions are key ingredients of a relationship process. Relationship policies and standards of conduct that mark a relational contract take form during the exploration phase, and go on building during the relationship process. The rudiments of trust and joint satisfaction established during this phase develop in the next stages of the process, leading to increased risk taking within the dyad. The expansion process that follows the exploration phase "is a consequence of each party's satisfaction with the other's role performance". The resulting perceptions of goal congruence and cooperation lead to interactions beyond those that are strictly required at the outset, resulting in the parties purposefully committing resources to maintain and develop the relationship. These findings, supported by the relationship marketing literature (Anderson & Narus, 1990; Morgan & Hunt, 1994; Sirdeshmukh, Singh, & Sabol, 2002), suggest the significance of the identified five dimensions to relationship process performance.

2.1. Relationship policies and practices

Relationship policies and practices represent one of the most important dimensions during a relationship process (Jap & Ganesan, 2000). By establishing clear relationship policies and practices, the supplier becomes motivated to behave in a way that is beneficial to the relationship as a whole, and as a result, "emerging exchange partners start setting the ground rules for future exchange" (Dwyer et al., 1987: 17). Despite the well-recognized significance of such policies, few studies have examined company behaviors and practices specifically or the mechanisms by which they strengthen a relationship (Sirdeshmukh et al., 2002). Nevertheless, it is recognized that relationship policies and practices should include ethical values, such as the supplier showing respect for the customer, because they contribute to the development of the relationship between firms and customers (Morgan & Hunt, 1994). Indeed, the extent to which partners have common beliefs about what behaviors and policies are important, appropriate, and right, is important to the process of relationship development.

Strategic considerations motivate firms to serve their customers better, and technology is viewed as a means to build competitive advantage. In e-markets, strategic considerations, such as providing better customer service, are particularly significant because the virtual world increases the possibility of