

Am

# AUGMENTING RELATIONSHIP MARKETING WITH A STAKEHOLDER AND TRIPLE BOTTOM LINE ORIENTATION TO ENHANCE BUSINESS PROFITABILITY

Brian Murphy, Paul Maguiness, Chris Pescott and Soren Wislang  
Massey University

Track: Market Orientation and Relationship Marketing

Keywords: Relationship Marketing, Stakeholders, Triple Bottom Line

## Abstract

Relationship Marketing is evolving from a strong customer orientation to a stakeholder orientation including employees, suppliers, shareholders, the community, as well as customers. Business philosophy is also evolving from the traditional single business objective of achieving a single bottom line of maximum economic returns to shareholder stakeholders, to the Triple Bottom Line (TBL) philosophy of a tripartite sustainable business objective of achieving optimum economic, social, and environmental returns to all stakeholders. At the same time there is an increasing requirement that marketing performance be linked to profitability. This paper examines whether a stakeholder and Triple Bottom Line augmentation of relationship marketing enhances business profitability.

Present stakeholder attitudes are measured in a Stakeholder Performance Appraisal within a Stakeholder Business Model, as timely, early warning signals of emerging stakeholder behaviour and concomitant emerging business performance. Appraisal results to date indicate that a stakeholder emphasised relationship marketing orientation significantly enhances business profitability beyond that achieved by a customer emphasised relationship marketing orientation. A further augmentation with TBL philosophy provides a very significant additional enhancement to business profitability.

## Introduction

Relationship marketing evolved in the 1980s from the transactional marketing of the 1960s and 1970s. As practised in the 1980s and 1990s relationship marketing had a strong emphasis on business to customer relationships (Berry 1983, Gronroos 1997, Gummesson 1999). However, Freeman (1984) and commentators in the 1990s and beyond (Verbeke 1992, Polonsky 1995, Murphy et al. 1997 and 1999, Payne et al. 2001) were expressing the view that a business is a coalition of stakeholders including employees, suppliers, shareholders, the community, as well as customers, and thus the scope of relationship marketing should be expanded to embrace business to stakeholder relationships. Parallel to the movement to augment relationship marketing with a stakeholder orientation, the Triple Bottom Line (TBL) business philosophy was developing, emphasising that the traditional single business objective of achieving a single bottom line of maximum economic returns to shareholder stakeholders requires augmentation to a tripartite sustainable business objective of achieving optimum economic, social, and environmental returns to all stakeholders (Elkington 1997). A further movement in the late 1990s was the increasing requirement that marketing performance be linked to profitability (Coviello et al. 2002). The purpose of this paper is to examine whether a stakeholder and TBL augmentation of relationship marketing enhances

of a representative, convenience sample of customers, employees, suppliers, community, and shareholders of a business is undertaken to measure current perceptual business performance in terms of the following economic, social and environmental indicators on a 0 – 10 rating scale:

*Economic:* profitability; return on investment; provision of value for money products

*Social:* customer, employee, supplier, community, shareholder relationships; ethical standards

*Environmental:* environmental preservation; sustainable resource use

The perceived overall performance of the business is also rated on a 0 – 10 scale, and the CEO of the business is asked to rate the current ROI in relation to the average percentage return in the financial market on a 0 – 10 scale, which provides a standardised measure of perceptual business performance.

The social, economic, and environmental perceptual performance data are analysed by stakeholder group and total sample, averaged into aggregate Perceived Social, Environmental, Economic Performance, and then averaged into a Stakeholder Performance Index (SPI). The total sample SPI incorporates TBL philosophy and stakeholder management philosophy by equally weighting Perceived Social, Environmental, Economic Performance, and equally weighting each stakeholder group. The SPI is a standardised index which is benchmarkable over time and against other businesses.

Stakeholder Performance Appraisals have been undertaken on 12 New Zealand businesses to date involving 372 stakeholders, producing the following aggregate total sample results shown in Table 1:

**Table 2**  
**Perceptual Performance Measures Correlation With Perceptual ROI**

Level	Proxy Measure	Correlation with ROI	Significance
1. Relationship Marketing	CCR	r = 0.479	p = 0.058 *
2. Stakeholder Augmentation	SOP	r = 0.690	p = 0.007 **
3. TBL Augmentation	SPI	r = 0.825	p = 0.000 ***

Indicative significance at the .1 level\*, .01 level\*\*, .001 level\*\*\*

These results indicate that a stakeholder emphasised relationship marketing orientation significantly enhances business profitability beyond that achieved by a customer emphasised relationship marketing orientation. A further augmentation with TBL philosophy provides a very significant additional enhancement to business profitability.

### Conclusions

There is an indication that higher stakeholder performance perception presages higher ROI for sustainable businesses which have a management philosophy of being stakeholder and TBL orientated by providing economic, social, and environmental returns to customers, employees, suppliers, the community, and shareholders.

We contend that the Stakeholder Business Model is an appropriate *modus operandi* for modern, sustainable businesses which are stakeholder relationship orientated and are synchronous with TBL philosophy. Based on the significant correlation between SPI and ROI, stakeholders are likely to support and reward such businesses.

### References

- Ajzen, Icek. 2001. Nature and Operation of Attitudes. *Annual Review of Psychology* 2001. 52: 27-28.
- Berman, Shawn L., Andrew C. Wicks, Suresh Kotha, Thomas M. Jones. 1999. Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal*. Vol. 42, No. 5: 488-506.
- Berry, L.L. 1983. Relationship Marketing, in L.L. Berry, G.L. Shostack, G.D. Upah (Eds). *Emerging Perspectives on Service Marketing*. Chicago: AMA. 25-28.
- Caulkin, Simon. 2002. Four moves to live long and prosper. *Business Herald*. Wednesday 25 September:D1.