

Research on Systematic Supplier Relationship Management Strategies

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Abstract: Against the backdrop of globalization and increasingly fierce market competition, supplier relationship management (SRM) is crucial for enterprises to acquire high-quality resources within the supply chain and enhance competitiveness. By analyzing the systematic stages of SRM—namely supplier relationship initiation, development, and maintenance—along with their key components, which include supplier evaluation and selection, supplier development, and supplier monitoring, this study proposes management strategies aimed at optimizing the SRM process and deepening inter-firm relationships between upstream and downstream enterprises. Consequently, enterprises can better execute supplier management, improve market competitiveness, and maintain a leading position in an ever-changing market environment.

Keywords: Supplier Relationship Management; Key Stages; Behavioral Strategies

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1.Introduction

The resource-based view suggests that unique and heterogeneous value resources are the source of a firm's competitive advantage. To acquire and sustain this advantage, firms often need to continuously obtain complementary value resources from external sources. When facing uncertain environments, firms must better mobilize network resources to create competitive advantages^[1]. Compared with collaborating with other stakeholders, upstream suppliers of manufacturing firms possess higher specialization, are more familiar with the processes and management models of downstream manufacturers^[2], and can provide creative solutions that meet customer needs when participating in collaborative innovation tasks with downstream firms, thereby creating value^[3]. Therefore, attracting suppliers with high-quality resources to participate in collaborative tasks is key for manufacturing firms to gain a competitive advantage.

Suppliers gain an exclusive advantage by being at the forefront of particular technology areas and may not be interested in providing core innovation resources to firms after an evaluation^[4], suppliers are not always able to substantially participate in the collaborative tasks of the enterprise. Although firms can rely on selection capability to mitigate this effect^[5], it is unlikely to obtain deep resource support in ordinary supply relationships. Access to core resources relies on developing close relationship interactions with suppliers^[6]. Existing studies point to the key roles of buyer-supplier relationship; whether to move in the desired direction depends on whether the firm takes proactive supplier relationship management (SRM) actions. Firms can act as a central point to proactively guide the direction of their relationships with suppliers, helping them achieve their resource goals by building stable, long-lasting, and positive relationships^[7]. Although the critical role of supplier relationship

management (SRM) is widely acknowledged, existing research predominantly examines SRM as an integrated whole or focuses on isolated practices—such as supplier involvement, specific asset investment, or supplier evaluation—and their impact on guiding bilateral relationships. This approach overlooks the systemic nature of SRM as an orchestrated process. How firms can implement systematic SRM activities to substantively engage suppliers in collaborative tasks remains a subject requiring further investigation.

This paper conceptualizes supplier relationship management as a multi-stage, systematic management activity. By analyzing its different stages and key components, and proposing corresponding strategies, it aims to assist enterprises in optimizing supplier relationships, acquiring high-quality resources from suppliers, and enhancing operational efficiency and market competitiveness.

2. supplier relationship management

Supplier Relationship Management (SRM) refers to the proactive practice through which a firm intervenes in the formation and development of its relationships with suppliers, integrating their divergent goals and strategies, with the aim of generating resource advantages by establishing and sustaining long-term, highly committed, and collaborative partnerships. By strengthening cooperation and communication with suppliers and pursuing continuous improvement through SRM, a firm can build stable, long-term collaborative relationships with its suppliers. This enables both parties to jointly respond to market changes and challenges, thereby reducing costs, improving quality, and enhancing the flexibility and responsiveness of the supply chain. Relevant studies have explored different aspects of SRM, which primarily include the following three processes: actively initiating relationships with suppliers (relationship initiation), guiding the development of the relationship in a direction consistent with the firm's strategic plans and objectives (relationship development), and identifying the direction of the relationship and making timely corrections to deviations (relationship maintenance)^[8]. Our research believes that SRM with a system nature presents opportunities for firms. It is necessary to interpret SRM from a system perspective to overcome the drawbacks caused by single-level relationship behavior while enabling the healthy development of firm supplier relationship. The study summarizes the key concepts and connotations of SRM (Table 1), and provides a systematic view of how firms can develop SRM to obtain supplier innovation contribution. We adopt the core view of Yang (2023) that SRM includes relationship initiation, development, and maintenance^[8]. Relationship initiation ensures supplier-firm fit, while relationship maintenance provides an efficient relationship safeguard mechanism. We predict that these three dimensions are interrelated and covariant, effectively balancing or overcoming the possible risks associated with relationship investment.

Table 1

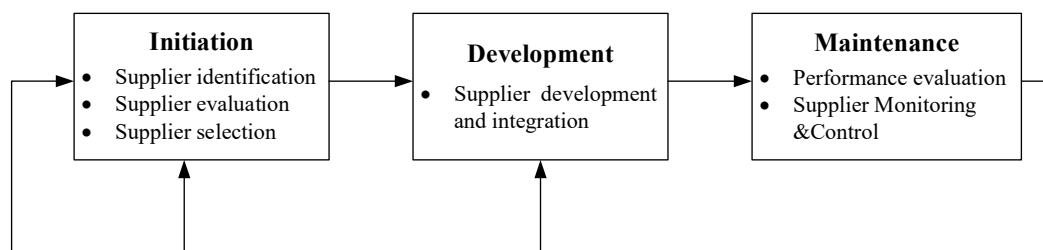
Supplier Relationship Management (SRM)	Concepts
Wagner and Johnson (2004)[9]	In the context of classical strategic management processes, SRM is considered the design, development and maintenance of supplier portfolios and supplier relationships. The ultimate goal is to integrate the resources and advantages of the buyer and the supplier to realize mutual benefits.
Miocevic and Crnjak-Karanovic (2012)[10]	SRM is a systematic process by which a firm proactively manages relationships with key suppliers to obtain resources, including relationship planning, relationship implementation, and relationship control.
Glock et al.(2017)[11]	SRM is concerned with strategically planning and managing all interactions between a buying company and its suppliers.
Yang et al.(2023)[8]	SRM is a process by which firms actively take measures to ensure positive relationships, increasing and enhancing the value of their relationships with suppliers.

The establishment of supplier relationships reflects the firm's proactive behavior in seeking cooperative suppliers, differentiating and adjusting these relationships according to its strategic objectives. This involves actions such as supplier selection and categorization to build connections with suppliers. The development of supplier relationships reflects the firm's efforts to consolidate the foundation of these relationships and actively steer their direction, for instance, by establishing long-term partnerships and effective communication channels. The maintenance of supplier relationships reflects the firm's

monitoring and corrective actions regarding these ties, such as implementing error-identification processes.

Supplier relationship initiation reflects the behavior of the firm that is actively seeking cooperative suppliers and differentiating and adapting its relationships with suppliers through actions such as selecting suppliers and classifying supplier relationships according to the firm's strategic objectives. Supplier relationship development reflects the behavior of a firm intended to consolidate the base of its relationship with suppliers and proactively guide the direction of its relationships with suppliers, and it includes, for example, establishing long-term cooperation and effective communication channels. Supplier relationship maintenance reflects a firm's monitoring and corrective actions related to its relationships with suppliers, such as establishing error identification processes. Essentially, supplier relationship initiation and maintenance provide safeguards for the firm before and after the relationship is established, respectively. Supplier relationship initiation ensures that firms properly screen their core suppliers that are strategic to achieving innovation excellence and initiate relationships with them. Supplier relationship maintenance comes into play after such a relationship has been established, and continuous relationship monitoring and corrective action can ensure that the relationship with the supplier moves in the desired direction. This effectively reduces risk and helps firms sustain access to supplier innovation resources. Supplier development provides an explanation and justification for a range of relationship management measurements and is a central part of building healthy firm-supplier relationships. Relationship initiation primarily involves the identification, evaluation, and selection of suppliers. The core of relationship development lies in supplier development—enhancing suppliers' capabilities and performance to meet buyer requirements and improve the quality of the bilateral relationship. The key to relationship maintenance is the continuous monitoring of the relationship between both parties. The SRM process of stages and practical behaviors are shown in Figure 1.

Figure 1



3. Key stages and behavioral strategies of supplier relationship management

3.1 supplier relationship initiation

Supplier selection is the first step in initiating supplier relationships. When selecting suppliers, enterprises need to consider multiple factors, including price, quality, delivery time, service level, as well as supplier qualifications and financial stability. The criteria for supplier selection should align with the enterprise's strategic objectives. Once suppliers are chosen, the enterprise needs to manage supplier relationships through contract management, communication and coordination, and regular evaluations. Based on its own needs and market conditions, the enterprise must assess potential suppliers' qualifications, capabilities, price, quality, and delivery performance. This process typically involves a comprehensive evaluation of the supplier's financial stability, production capacity, technological capabilities, and service level. In supply chain management, supplier evaluation is a crucial link for ensuring operational efficiency and product quality. Evaluation criteria should be clearly defined to ensure that selected suppliers can meet the enterprise's specific needs. Effective supplier evaluation not only ensures supply chain stability but also promotes continuous improvement and innovation among suppliers. This process involves a thorough review of potential and existing suppliers to determine whether they meet the enterprise's standards and requirements. The following are the main strategies for supplier evaluation.

3.1.1 Evaluation Criteria

Supplier evaluation is typically based on a set of established criteria, including price, quality, delivery, service, and the supplier's financial stability. Price competitiveness is a fundamental consideration, but it is not the sole factor. Quality control ensures products meet specification requirements, while ontime delivery directly impacts production schedules and

customer satisfaction. Service level reflects the supplier's responsiveness to customer needs and efficiency in problemsolving. Assessment of financial stability relates to the supplier's ability to sustain longterm cooperation.

3.1.2 Evaluation Process

The evaluation process typically begins with an initial screening based on the supplier's qualification documents and historical performance. Subsequently, onsite audits or desk reviews are conducted to further verify the supplier's actual operational conditions. This stage may include inspections of production facilities, quality management systems, and supply chain processes. In addition, interviews with key personnel from the supplier serve as an important step in assessing their willingness and capability to cooperate.

3.2 Supplier Relationship Development

Supplier Relationship Development refers to a series of supplier relationship management practices through which a company actively consolidates and develops the foundation of its relationships with suppliers and guides the direction of these relationships^[12]. Supplier development is the core component of supplier relationship development. It involves the buyer implementing specific relational behaviors to enhance the supplier's capabilities and performance, thereby further unlocking relational value and enabling the supplier to better meet the needs of the manufacturing enterprise. Sometimes firms conclude that existing supplier portfolios, supplier performance and relations cannot meet strategic goals and future needs. Options for managing this depend on the situational factors surrounding the sourced item with the two extremes essentially involve changing, that is, terminating the current relationship and seeking another, or absorbing the problem supplier (vertical integration)^[9]. These extreme actions offer little satisfaction and often simply are nonviable. The notion of supplier development provides a meaningful alternative

Relevant research has classified the practical forms of supplier development. For instance, Krause et al. systematically divided supplier relationship development into four major categories: resource investment in suppliers, supplier evaluation, supplier competition, and supplier incentives^[13]. Benton et al. categorized supplier development into supplier incentives, competitive pressure, and supplier assistance^[14]. Based on the characteristics of different supplier development behaviors, supplier relationship development behaviors can be distinguished as direct and indirect supplier development. Direct supplier development reflects the buyer's active involvement in influencing the supplier's capabilities and performance, including the investment of knowledge-based resources such as human resources and technical commitment, as well as tangible resources such as directly providing production facilities, capital, space, and green raw materials or components. Indirect supplier development reflects the buyer firm's attempt to motivate the supplier to improve its performance independently. Examples include rewarding suppliers based on their fulfillment of requirements, applying competitive pressure through multi-sourcing that threatens elimination, and conducting continuous evaluation of the supplier's behaviors and outcomes.

Based on the actual circumstances, the buying firm can select the forms of supplier development. Different supplier development behaviors may exhibit synergistic effects. For example, after investing resources in a supplier, the buyer can promote the transformation of those resources through continuous evaluation and, based on the evaluation results, provide corresponding rewards to the supplier or apply certain competitive pressure^[13]. Different relationship types between buyer and supplier also correspond to different supplier development approaches. For instance, under deeply embedded collaborative relationships guided by the buyer, specific asset investments can be used to further enhance the supplier's capabilities and deepen the bilateral relationship. In transactional business relationships, the buyer can combine evaluation with incentives, providing the supplier with stable, large-volume orders. This motivates the supplier to proactively meet the buyer's needs, achieving the effect of supplier development at a relatively lower cost.

3.3 Supplier Relationship Maintenance

To ensure that the bilateral relationship progresses in the intended direction, it is crucial to accurately identify the relationship's developmental path and correct any deviations promptly after supplier relationship development is initiated and throughout its process. Supplier monitoring plays a key role in this stage. Through performance evaluation and supervision, the enterprise can identify issues with suppliers and collaborate with them to formulate improvement plans, thereby ensuring that supplier behaviors and outcomes continuously meet the enterprise's established requirements. The following are the

supplier monitoring strategies; the monitoring mechanisms typically include:

3.3.1 Performance Evaluation and Supervision

- (1) Periodic Evaluation: Conduct regular performance evaluations of suppliers to ensure they meet requirements and pursue continuous improvement.
- (2) Quality Control: Monitor suppliers' quality control processes through methods such as sampling inspections and audits.
- (3) Communication Mechanism: Establish effective communication channels to promptly resolve issues that arise during cooperation.
- (4) Contract Management: Use contract terms to regulate supplier behavior and safeguard the interests of both parties.
- (5) Ongoing Monitoring: Supplier evaluation is not a one-time activity but an ongoing process. The enterprise needs to regularly monitor supplier performance to ensure they consistently meet established standards. This may involve regular performance reviews and feedback meetings, as well as corrective measures when necessary.

3.3.2 Consolidate and optimize supplier relationships

- (1) Supplier Optimization: Select and optimize suppliers based on evaluation results; choose excellent suppliers and eliminate unqualified ones.
- (2) Risk Management: Identify potential risks through monitoring mechanisms and formulate corresponding response strategies.
- (3) Cooperation and Collaboration: Establish closer cooperative relationships with suppliers, share information, engage in collaborative planning, and promote mutual benefit for both parties.
- (4) Technological Innovation: Encourage suppliers to adopt new technologies to enhance production efficiency and product quality, and to reduce supply prices.

4. Conclusion

This paper proposes a series of strategies covering supplier selection and management, performance evaluation and supervision, supplier relationship management, and risk management. By implementing these strategies, enterprises can better respond to market changes, reduce operational risks, and enhance their competitiveness. Meanwhile, supplier relationship management is a systematic and dynamic process that requires enterprises to continuously adjust and optimize their approaches. As technology advances and market conditions evolve, new challenges and opportunities will continue to emerge. Therefore, enterprises must maintain flexibility and adaptability, consistently carry out supplier evaluation and monitoring, and emphasize the important role of the core stage—supplier relationship development. They should also actively implement multiple synergistic supplier development behaviors based on their internal and external characteristics and adjust management strategies in a timely manner to cope with the ever-changing external environment. By refining the management of supplier relationships, enterprises can ensure the stability and efficiency of their supply chains, thereby securing a favorable position in the highly competitive market.

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No

Conflict of Interests

The authors declare that there is no conflict of interest regarding the publication of this paper.

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