

# SUPPLIER RELATIONSHIP MANAGEMENT IN SERBIA

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**Abstract:** *Supply chain management is the process of planning, performing and controlling all activities in a chain in the most efficient way possible. One of the strategies of this process is supplier relationship management which will be covered in this paper. This paper will present the process of managing relationships with suppliers, models of relationships that can be formed with them, what are the most important benefits that this process brings with it, how to measure the success of relationships with suppliers, how to improve this relationship and why is important to have a developed JIT concept.*

**Keywords:** *Supply chain, supplier, JIT*

## 1. INTRODUCTION

Supply chain management is the process of planning, performing and controlling all activities in a chain in the most efficient way possible. One part of the strategy of this process is Supplier relationship management - SRM, which will be discussed in this paper. Suppliers are legal or natural persons who are in charge of delivering the necessary products and services to the organization. In order for a company to operate in a quality way in addition to the good relationships it needs to have with customers, it is also important to have reliable and proven suppliers so that it can meet the expected customer requirements and operate in a profitable way. For this reason, supplier relationship management is an extremely important business process of any organization. Rougers' division of supplier management is well-known, according to which the process can be viewed as an iceberg and is divided into three parts. One is visible and represents the competitive part of the relationship, and the other two are invisible (cooperative and corrective part) and relate to certain additional values that may arise from cooperation, such as eliminating unnecessary activities in the logistics process and jointly creating mutually beneficial relationships.

Owing to the globalization of markets, the diversification of customer needs, and the complexity of product components, the efficiency of supply chain management has become an important factor in an enterprise's competitiveness. It is recognized that properly managing the supply chain cannot only diminish risks and uncertainty, but can also optimize the inventory level and process cycle time, so that enterprises are able to satisfy customers and make a good profit [1]. In order for supply chain management to perform successfully, the purchasing function must be properly considered, where the significance of the purchasing function increases as the purchasing and outsourcing costs assume a greater portion of the total costs of the manufacturing process. In response to this effect, companies have focused more interest on the supplier relationship management (SRM) system.

To build an integrative system, managers should be equipped with a comprehensive knowledge of each team's work, how the related works influence each other, and what is important in each department to provide a good overall result. We suggest a framework for an integrative SRM system that consists of purchasing strategies, considerations for suppliers, collaboration in product development and production activities, and supplier assessments. [2]

## 2. SUPPLIER RELATIONSHIP MANAGEMENT

Supplier relationship management represents an opportunity to build on the success of strategic sourcing and traditional procurement initiatives. It involves developing partnership relationships with key suppliers to reduce costs, innovate with new products and create value for both parties based on a mutual commitment to long-term collaboration and shared success. [3]

Evolutionarily speaking, it can be said that supplier relationship management for its theoretical and empirical development is due to the exceptional popularization of the customer relationship management concept. Authors in the field of relationship marketing and collaboration have often pointed out that supplier relationship management is a mirror process of customer relationship management. Guided by this idea, Ervelles and Stevenson stressed that it was of strategic importance to companies to segment not only the customer market but also the supplier market. In this regard, they suggest that suppliers be classified according to their strategic importance to the company: strategic (important) and transactional (less important) suppliers.

The process of building value for customers requires cooperation and long-term relationships with suppliers. [4] Such an approach to supplier segmentation forms segments that are significantly different in terms of intensity of activities that manage and regulate the relationship with these two categories of suppliers (strategic and transactional).

The activities that manage and regulate the relationship with suppliers are most often:

- 1) Exchange of information;
- 2) Operational connectivity (via JIT or EDI system);
- 3) Legal and contractual relations;
- 4) Level of adaptation in relationships (adaptation to needs or standardization of supply) [5]

Some of the strategies used to improve supplier relationships are:

- Investing in software that will allow all information about suppliers to be in one place, to manage purchase orders in terms of creating, processing and tracking purchase orders from suppliers.
- Building a "win-win" relationship with suppliers by letting them know that they are primarily partners with whom you want to achieve only open and transparent communication with the desire that both parties benefit from cooperation with the other party.
- When establishing the SRM program, it is necessary to conduct training so that all employees who will be involved in this process are familiar with their obligations and responsibilities, but also the benefits of introducing this process. It is recommended that the training be conducted in an innovative, interesting and practical way.
- Timely payment to the supplier is extremely important, because in this way it ensures that he has confidence in the organization and that he will need to reciprocate the same measure in terms of timely deliveries to the company.

If it happens that the company is not able to make the payment by the agreed deadline, it is very important to inform the supplier in time and provide him with information about when he can expect payment.

When it comes to measuring the success of cooperation with suppliers, it can be done by evaluating price efficiency, ie determining the effect of current prices with respect to the plan, the market and the effect of the current price within purchasing groups and locations. Another way to evaluate performance is the quality and delivery of the manufacturer. This includes the percentage of accepted or rejected items, the frequency and severity of failures, and the total cost of procuring a unit of product from a supplier. [6]

### **3. SUPPLIER RELATIONSHIP MANAGEMENT IN SERBIA**

The market in today's business environment is an environment with very high competitiveness and a large number of organizations that try to discover and maximize the benefits that arise in the process of their business. Looking at this aspect, SRM should enable the achievement and then maintenance of advantages over organizations operating in the same market.

At the same time, the rapid development of information technology enables the implementation of business strategy, which implies a full commitment to customer relationship management, ie, it can be said that it is an integral part of the overall business strategy of certain organizations.

According to Greenberg [7], SRM is a business strategy that constantly seeks long-term value. He emphasizes that it is not just a technology but a strategy that implies a constant orientation towards users. The culture in the organization must be developed so that it has implemented elements and a philosophy of customer relationship management.

Barretto et al [8] observed the basic conditions and obstacles to implementing this strategy in business. According to them, an important element is the importance of planning with an emphasized need to measure performance to assess the appropriate results achieved in customer relationship management.

Barretto paid special attention to the importance of recognizing the need to implement this strategy in business, depending on the elements of the organization and business environment, as well as all other features of the business.

The organization represents a unique blend of culture and business processes [9] and customer relationship management will not be the solution to all organizational problems. The implementation of the strategy itself is very complex and requires full commitment and hard work, in order for the results to be achieved to be satisfactory

In accordance with the above, each manager is asked a number of questions:

- how to plan a customer relationship management strategy,
- how to implement the basic elements of this strategy in business and what are the basic steps, what aspects should be monitored during the implementation process, how to monitor and verify the results achieved and how to assess the benefits of the implemented strategy?

Neves [10] states that recognizing issues and distinguishing topics is tangible and allows solving research problems. In this way, it becomes possible to answer the questions: how to plan, implement and monitor the process of implementing customer relationship management in the organization.

The specific circumstances brought about by COVID's business, both in the world and in Serbia, had a significant impact on the very processes of managing relations with suppliers. The business in the previous year has brought significant specifics in the activities and relationships that govern the market.

It has become clear that only organizations that have built strong relationships with their customers and suppliers can withstand the changes that have taken place.

The very beginning of the epidemic found most organizations completely unprepared and in the first strike it caused serious shocks on the market, the consequences of which will be felt in the long run. After the initial surprise, the

market began to calm down and get used to, and then it became clear that in the future the relations that exist in the market will be different and that organizations will have to adapt faster to new changes

It is not necessary to ask what a loyal supplier was at a given moment. A moment in business that is characterized by a panicked withdrawal and accumulation of raw materials, a lack of basic products on the market and uncertainty about how long a given situation will last, is a logical trigger for panic and an introduction to hysteria. The only support that could be used at that time was a loyal supplier who, even in the unforeseen situation that arose, would make every effort to meet the requirements of its customers and comply with pre-agreed quantities of raw materials or products to be delivered.

This situation has shown how important the management of relations with suppliers is and at the same time it has shown how much this area is not represented in Serbia and how much additional efforts are needed to change these things in the future.

Situations like this with COVID will be repeated more and more often and it is very important that the management of organizations understands as soon as possible what is necessary to maintain business continuity and to pay maximum attention to these activities in the coming period.

#### **4. FUTURE OF SUPPLIER RELATIONSHIP MANAGEMENT IN SERBIA**

The question "What does the future bring to the SRM" has often been asked, and the answer to that question is perhaps the biggest burden that this concept must bear. Although in the previous decades this segment of business was recognized in organizations, there was not enough opportunity, will or desire to implement it to the end. There are many elements that influence this, and this is exactly the position expressed by Bose [11], who says "that no one can predict the future with certainty", but also agreed that there are certain trends that should be insisted on in the future. and those are: extend SRM to business partners, referring to the need to further build partnerships and build a strategy for selection and management of business partners, which includes the selection of partners, working with them to become successful and finally achieving a relationship in which both parties in business they should be satisfied.

This strategy should benefit the organization over a longer period of time, create more tools; this primarily means the development of visual tools for analyzing customer data. These tools represent better solutions than traditional OLAP technologies and consolidate SRM; it is necessary to ensure the simplest possible integration of hardware and software used in SRM processes; companies offering core technologies need to acquire and build partnerships with SRM-oriented vendors.

This is not the only position that has been publicly stated about the future of the SRM. Greenberg [7] insists on verticalization as a trend that will influence the development of SRM in the future. There is no ideal way to design an SRM system because each organization has certain characteristics and needs that are specific to it, and which directly affect the goals that are set. As a result, the functionality of the SRM system varies significantly from industry to industry, even if organizations within the same industry strive to follow the same basic principles. However, today's manufacturers do not recognize the need for vertical adjustment of their products, and therefore software solutions for SRM must be significantly specialized, in order to be sufficiently integrated into business processes. In this, the advantage should be realized, and will be realized more and more, by the sellers who produce SRM solutions, and at the same time know and understand the specific requirements of a certain activity. It is on this basis that those who claim that in the future the important factor will not be the software for SRM, but the vendors, whose expertise will often be a turning point.

What has been noticeable lately is that the SRM has begun to undergo certain changes that are expected to continue in the future. At the same time, the evolution of SRM towards social SRM deserves special attention. This process has not been completed, so probably one of the important elements in the development of SRM in the future will be the continuation of the SRM's turn towards social SRM.

The differences that have arisen in development so far are very significant, but the assumption is that this is not the end, and that there is still a lot of room for development in this area. The key differences arose in the fact that SRM implies the participation of the entire organization, not just some business entities, that the processes are defined by users, ie directly in accordance with user needs, while with SRM it was the case that organizations define processes at their discretion. , which often resulted in not very user - oriented procedures

These are just some of the directions that can be expected in the future. The environment in which organizations operate is very demanding and unpredictable. The crisis that has prevailed in the last few years has contributed to certain elements of the SRM (discounts, promotions, sweepstakes), which did not seem significant, suddenly gaining influence and becoming a standard means of competition

#### **4. CONCLUSION**

Time and unforeseen situations are the best driver for change for the better, and the current situation should serve as an indicator for organizations in which direction they should develop their business in order to be more ready to face the challenges that lie ahead. The supplier has always been a significant link in the business and together with the customer

is the core of successful survival in the market and overcoming any new situations. Only organizations that accept this will have a place in the market in the future.

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