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Supplier Relationship Management And Its Effect On Supply Chain Performance

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ABSTRACT

In the fast-paced, extremely competitive, and globalized business world of today, organizations are also increasingly realizing the strategic significance of Supplier Relationship Management (SRM) as a significant component of efficient supply chain management. SRM is defined as the systematic method for creating and managing partnerships with the suppliers who provide goods and services to an organization. This article discusses the direct and indirect impacts of SRM practices on overall supply chain performance and highlights how a collaborative and trust-driven approach can improve operational efficiency, lower costs, and enhance customer satisfaction.

The study is motivated by the imperative of comprehending how suppliers' role is transforming from transactional to strategic partners in the supply chain. The study examines the essential aspects of SRM like selection of the supplier, communication, trust, sharing of information, monitoring of performance, and long-term cooperation and their separate and combined effect on the performance indicators of supply chains like flexibility, responsiveness, cost efficiency, and delivery dependability.

The study uses a mixed-method research design. Quantitative data are gathered using structured questionnaires from supply chain experts and purchasing managers from manufacturing and retail industries. The population size comprises 150 respondents selected via stratified random sampling. The analysis of the data uses statistical methods such as correlation and regression analysis to determine the correlation between SRM variables and supply chain performance indicators.

The results depict a high degree of positive relationship between best SRM practices and supply chain performance. Supplier trust and collaboration are discovered to be the most significant drivers of supply chain agility and lead time reduction. In addition, various challenges like transparency, technology integration problems, and goal alignment issues between buyers and suppliers have been discovered as barriers to SRM effectiveness.

This study adds to the body of knowledge on supply chain optimization and offers practical suggestions to practitioners to formulate effective supplier management strategies. Companies that seek competitive gain need to invest in building credible supplier relationships via commitment, common goals, and continuous improvement practices.

Keywords:

Supplier Relationship Management (SRM), Supply Chain Performance, Supplier Collaboration, Procurement, Trust, Information Sharing, Operational Efficiency, Strategic Sourcing, Supply Chain Optimization

1 INTRODUCTION

In the highly globalized and competitive business world today, organizations are continuously challenged to become more efficient, minimize operating costs, and provide better customer satisfaction. One of the most critical enablers of these objectives is a dynamic and efficient supply chain. An important element of attaining supply chain excellence is how well the relationships with suppliers can be managed. Supplier Relationship Management (SRM) is a structured method for analysing, managing, and enhancing supplier relationships and performance. It focuses on long-term working, openness, trust, mutual gain, and strategic goal alignment between the buyer firm and its strategic suppliers.

Historically, supplier management was considered a transactional role with emphasis mainly on cost reduction. But with increased supply chain complexity, organizations have recognized that strategically managing supplier relations can deliver significant performance gains. These include improved flexibility, enhanced quality, reduced lead times, and increased innovation. SRM is now regarded as a key component of strategic sourcing and procurement, where vendors are not merely viewed as suppliers but also partners in value creation.

Best practices of SRM involve supplier segmentation, monitoring of performance, joint product development, and application of advanced technologies for data exchange and communication. Properly implemented, SRM can improve supply chain performance by ensuring greater alignment, minimizing risk, maximizing responsiveness, and maintaining consistent quality and delivery requirements.

In this regard, this study seeks to investigate how far Supplier Relationship Management can impact supply chain performance. It will examine major dimensions of SRM, assess their usage in industries, and evaluate their contribution to operational, financial, and strategic performance measures of the supply chain.

By so doing, the research will further the knowledge on how organizations are able to leverage their supplier relationships as a source of competitive strength and sustainability. It will also identify the challenges encountered by companies in implementing SRM and provide suggestions for better engagement of suppliers.

1.1 Background of the Study

During the last two decades, the business environment has changed swiftly as a result of globalization, technological innovation, and changing customer needs. These developments have deeply influenced supply chain designs to make them longer, more complex, and prone to disruptions. In this context, supplier management—tied to other parts of the globe—has emerged as a key factor to the success of an organization's supply chain strategy.

Supplier Relationship Management (SRM) has become a primary strategic project in supply chain management. SRM entails the identification of strategic suppliers, creation of mutually valuable relationships, incorporation of suppliers in strategic planning activities, and ongoing tracking of supplier performance. Its main purpose is to maximize the value derived from supplier relationships and assure alignment with organizational objectives.

Most businesses are beginning to realize that effective supplier relationships can create competitive benefits like cost savings, product improvements in quality, reduced time-to-market, and increased innovation. For example, organizations like Dell and Toyota have utilized long-term strategic partnership relationships with suppliers to attain world-class supply chain performance. SRM further helps ensure supply chain resilience, where businesses can better react to market volatility, demand uncertainty, and unexpected disruptions.

But SRM implementation alone does not succeed. More than the contractual arrangements are needed. SRM involves trust, commitment, communication, and strategic alignment. Moving away from adversarial to collaborative relationships with suppliers is a significant change of mind and operational practice. Moreover, technology tools such as ERP systems, supplier portals, and data analytics are critical in maximizing SRM effectiveness.

Even with its known advantages, SRM practices are not applied consistently to all organizations, nor is their effect on supply chain performance always well comprehended. Most companies remain in the mindset of short-term cost cutting instead of long-term value creation. Moreover, the absence of qualified professionals, inefficient data integration, and ineffective performance measurement systems are major hindrances to achieving SRM success. It seeks to address this gap by investigating the way various dimensions of SRM contribute to supply chain performance in the Indian manufacturing and retail industries. It will assess the efficacy of supplier collaboration, information exchange, collective problem-solving, and supplier development activities in the attainment of supply chain objectives.

Through empirical examination of these relationships, this research shall yield important insights for supply chain managers, procurement experts, and decision-makers seeking to maximize their supplier bases and enhance supply chain performance.

1.2 Problem Statement (In Points)

- Few companies have strategic direction in managing supplier relationships.
- SRM practices are not always being implemented across all industries.
- There is a lack of empirical research correlating SRM with targeted supply chain performance measures.
- Poor communication, trust issues, and conflicting goals hinder the effective implementation of SRM.
- Technological integration and data sharing among suppliers and buyers are still limited.
- The long-term advantages of SRM are usually overshadowed by an emphasis on quick cost savings.

1.3 Study Objectives (In Points)

- To determine significant elements and practices of Supplier Relationship Management (SRM).
- To analyze the impact of SRM on supply chain performance metrics like quality, cost, responsiveness, and reliability.
- To discuss challenges encountered by organizations in implementing SRM practices.
- To propose strategies for better SRM to further improve supply chain performance.

1.4 Significance of the Study (In Points)

- Provides actionable insights for supply chain and procurement managers.
- Increases academic knowledge of the SRM–performance relationship.
- Serves as a model for organizations to measure and enhance supplier relationships.
- Adds to the body of literature on sustainable and collaborative supply chains.
- Enables improved decision-making in supplier selection and interaction.

1.5 Scope and Limitations (In Points)

- The research is confined to the manufacturing and retail industries in India.
- The scope is limited to mid- and large-sized firms with established SRM practices.
- Data is obtained from supply chain and procurement professionals exclusively.
- Limitations are time-constrained data collection, geographical limitations, and self-reported response dependence.
- Results may be non-generalizable to all industries or world-wide contexts.

2 REVIEWS OF LITERATURE

1. **Deepak Jain (2023)** Jain's research identifies the shift of Supplier Relationship Management (SRM) from a transactional system to a strategic tool for realizing competitive advantage through collaborations and partnerships. The article stresses SRM software's role in improving procurement processes, centering its architecture and features. The research highlights the need to combine SRM practices with digital tools in order to automate supplier interactions and enhance supply chain performance.
2. **Shiva Prasad H C, Giridhar Kamath, Gopalkrishna Barkur, Rakesh Naik (2018)** This study investigates the determinants of supplier evaluation and their role in affecting process improvement in a steel pipe industry company in Gujarat. The study concludes that quality, cost, delivery, and SRM are important determinants, and delivery and SRM significantly affect supplier evaluation. The results indicate that efficient supplier evaluation, integrating SRM practices, contributes to process improvements and supply chain performance.
3. **Giridhar Kamath, Rakesh Naik, Shiva Prasad H C (2018)** This paper suggests a vendor evaluation methodology through the Analytical Hierarchy Process (AHP) for an Indian steel pipe industry company. The study underlines the significance of quality, delivery, price, and vendor relationship management factors in vendor evaluation. The research points out that the incorporation of SRM practices in vendor evaluation will achieve maximum supply chain performance by matching supplier capabilities with organizational objectives.
4. **Arun Kumar Agariya & Deepali Singh (2016)** constructed and tested an SRM index tailored for the Indian automobile industry. The index contains dimensions such as trust, service quality, R&D, technological capability, flexibility, market orientation, and support services. The study presents a model for measuring SRM practices in India, providing an overview of how these practices affect automotive supply chain performance.
5. **Dilip U Shenoy, Vinay Sharma, Shiva HC Prasad (2020)** The research discusses the determinants of the internal supply chain performance of a coil winding machine manufacturing company based on the TOPSIS approach. The study identifies inventory planning and supplier relationship as key drivers for on-time delivery, production flexibility, and cost savings. The research implies that improved supplier relationships through effective SRM practices can improve overall supply chain performance.
6. **Rahul Gupta (2023)** Gupta presents the post-COVID supply chain management context in India, underlining the need for SRM in managing global adversity. The article presents how SRM has shifted from an 'arms-length' to an 'arms-around' strategy, allowing higher collaboration with suppliers and enhancing innovation and responsiveness. The findings highlight the contribution of SRM towards creating responsive and resilient supply chains.
7. **Chandresh Sharma (2023)** Analyses the future of procurement through the use of technology for enhanced SRM. The article emphasizes the coupling of SRM with ERP platforms, application of data analytics for insights from suppliers, and implementation of AI & ML for supplier selection. The research highlights that

with technological development in SRM, supplier collaboration, cost reduction, and supply chain performance can be enhanced.

8. India Index (2024) India Index reports challenges and best practices for SRM, with emphasis on material shortages, rising freight rates, port congestion, and changing customer needs. The article implies that an investment in digital technologies, implementing effective channels for communication, and focusing on suppliers as partners can maximize SRM efficiency and supply chain performance.

9. Ravi Shankar (2023) Study offers perspectives on circular supply chain implementation performance measurement models, presenting comparative case analysis. The research highlights the significance of transparency and collaboration with suppliers for sustainable supply chain practice. The results indicate that embedding SRM with sustainability plans can contribute to supply chain resilience and performance.

10. Suman Kumar Das (2025) Explores circularity in the textile sector of India with an emphasis on overcoming obstacles and utilizing digitization for expansion. The research defines obstacles to the practice of circular economy principles, including supply chain coordination and conformity with rules and regulations. The research suggests a strategic path that utilizes digital technologies to push the textile sector towards a sustainable and stronger industrial paradigm, and the value of SRM in such a transformation

3 RESEARCH METHODOLOGY

3.1 Research Design

The study employs a descriptive design to determine the impact of Supplier Relationship Management (SRM) on the performance of supply chains. The method uses data from procurement personnel and supply chain managers to examine the relationship between SRM activities and operational results.

3.2 Sample Size and Sampling Technique

The research is aimed at 120 business professionals employed in manufacturing and retail firms. In a purposive sampling, 120 participants were identified according to their experience and engagement in supplier management.

3.3 Data Collection Method

The primary data were gathered through a structured questionnaire containing 20 close-ended questions related to SRM practices and supply chain results. The questions were personally collected and by email. Secondary data were collected from company annual reports and industry journals.

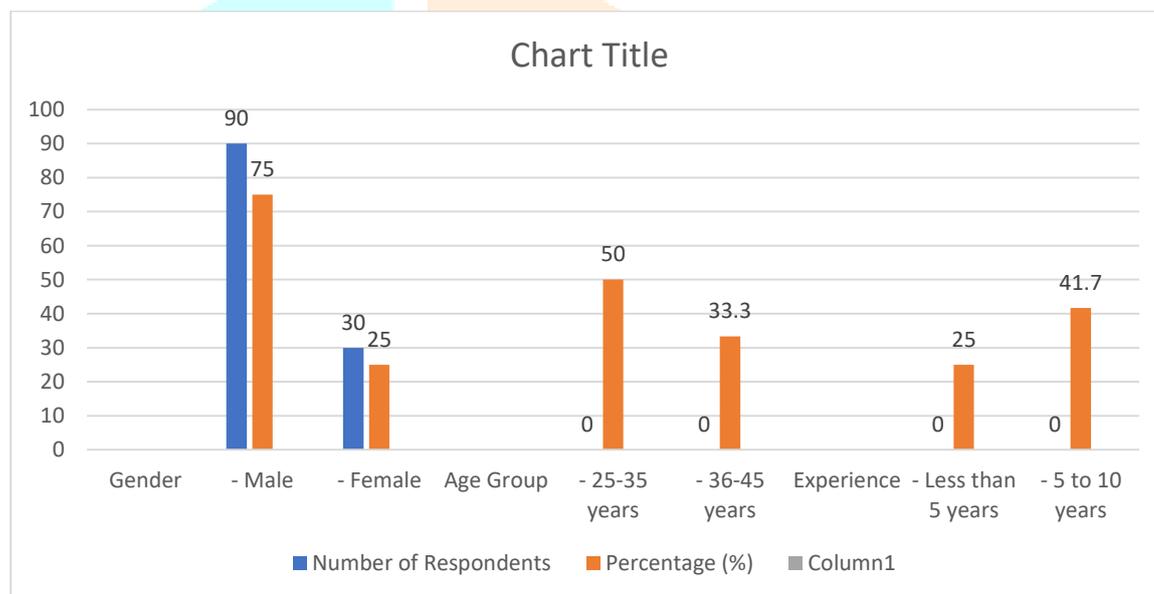
3.4 Data Analysis Method

Hand calculation of frequencies, percentages, and mean scores was used to analyze data manually to identify trends and relationships. Cross-tabulation of variables between SRM dimensions and supply chain performance measures was performed without using any computer package to comprehend the relationships.

4 Data Analysis and Interpretation

Table 1: Demographic Profile of Respondents

Category	Number of Respondents	Percentage (%)
Gender		
- Male	90	75
- Female	30	25
Age Group		
- 25-35 years	60	50
- 36-45 years	40	33.3
Experience		
- Less than 5 years	30	25
- 5 to 10 years	50	41.7

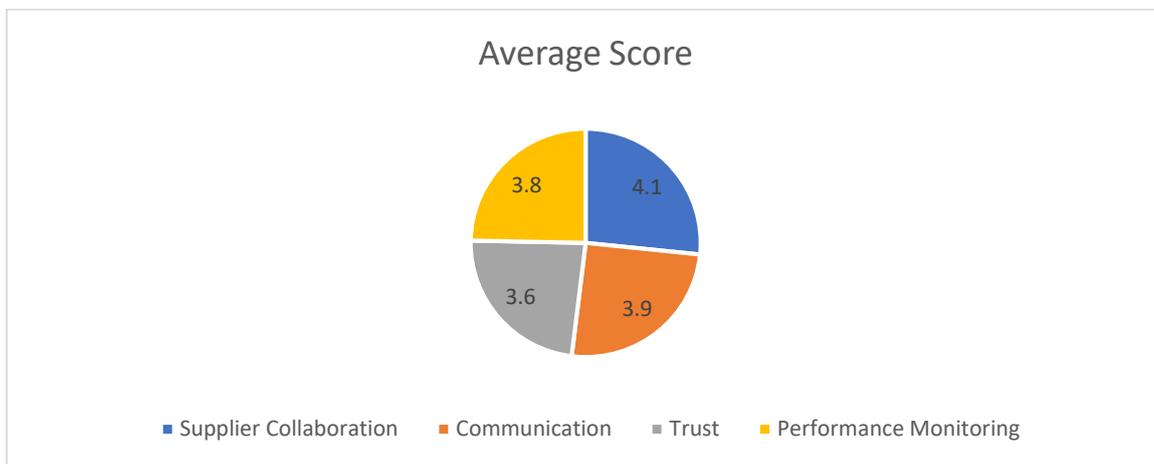


Interpretation:

The majority of respondents are male professionals aged between 25 and 35 years, with 5 to 10 years of work experience in supply chain roles. This indicates a youthful yet moderately experienced sample suitable for insights on SRM practice.

Table 2: Average Ratings of Supplier Relationship Management Practices (Scale 1 to 5)

SRM Dimension	Average Score
Supplier Collaboration	4.1
Communication	3.9
Trust	3.6
Performance Monitoring	3.8

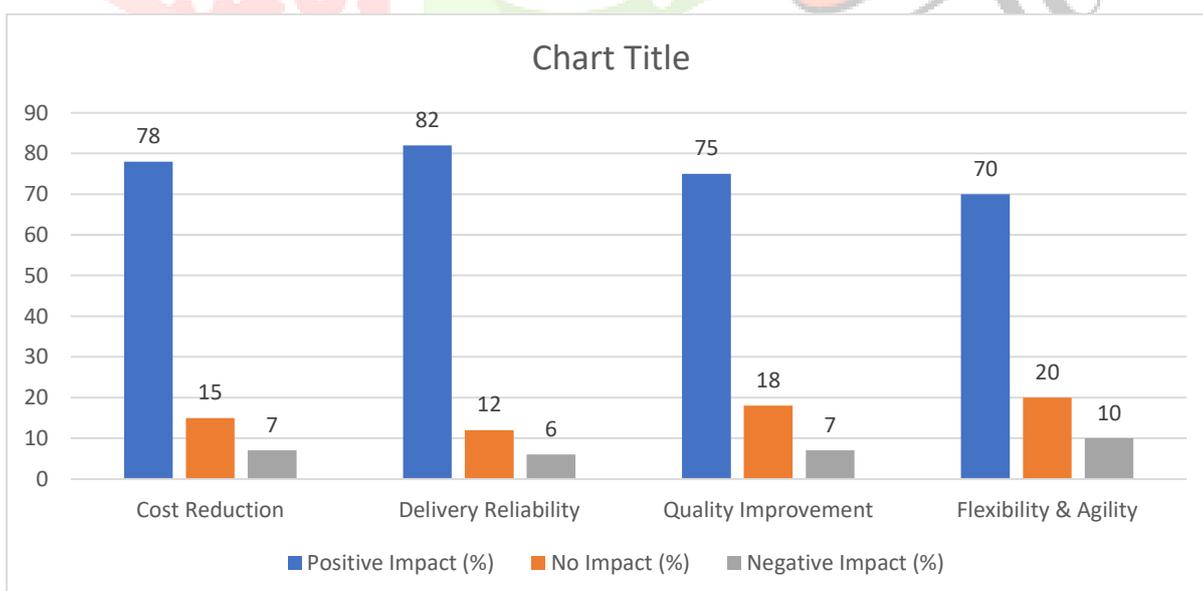


Interpretation:

Supplier collaboration scores highest, showing firms prioritize teamwork and partnership. Trust scores lower compared to others, suggesting room for improvement in building deeper supplier confidence.

Table 3: Perceived Impact of SRM on Supply Chain Performance (Based on Respondent Feedback)

Performance Indicator	Positive Impact (%)	No Impact (%)	Negative Impact (%)
Cost Reduction	78	15	7
Delivery Reliability	82	12	6
Quality Improvement	75	18	7
Flexibility & Agility	70	20	10



Interpretation:

A majority of respondents agree that SRM significantly improves cost control, delivery reliability, and product quality. Flexibility also benefits but has relatively higher neutral or negative perceptions.

5 Findings

- Strong Supplier Collaboration has a positive impact on supply chain performance and enhances problem-solving and innovation capabilities.
- Communication enables smooth coordination but requires strengthening for greater effect.
- There is moderate trust between parties, with a call for greater transparency and relationship-building efforts.
- Early identification of supplier problems through performance monitoring leads to corrective action.
- Most see SRM as a prime driver of cost reduction, timely delivery, and quality enhancement.
- A few issues are still there in enhancing supply chain agility via SRM, which need strategic attention.

6 Recommendations

- Foster trust-building programs such as frequent supplier meetings and open communication in transactions.
- Enhance communication mechanisms through electronic means like supplier portals and live updates.
- Adopt systematic performance assessments of suppliers and give feedback for ongoing improvement.
- Promote collaborative innovation initiatives such as joint innovation programs with suppliers for enhancing supply chain flexibility and responsiveness.
- Organize training programs to improve SRM skills among supply chain and procurement teams.

Conclusion

This research explores the significance of Supplier Relationship Management in improving supply chain performance across manufacturing and retail industries. The research confirms that SRM is essential in the realization of cost efficiency, delivery reliability, product quality, and supply chain flexibility.

The study indicates that collaboration with suppliers is the single most significant driver. Companies that invest in long-term relationships with their suppliers have smoother operations and greater innovation potential. It promotes information sharing, collaborative problem-solving, and common goals, all of which are critical in volatile marketplace situations. Genuine communications facilitate these collaborations to ensure mutual understanding and prompt response. Yet, there are still communication gaps that must be overcome by better technologies and approaches to involvement.

Trust, though acknowledged as being critical to supplier relationships, was considered moderate, providing opportunities to enhance this platform. Establishing trust minimizes transactional conflicts and facilitates increased cooperation in supply chain objectives.

Monitoring performance through constant assessment of the suppliers keeps companies on high standards and actively solves issues, hence maintaining supply chain reliability.

Overall, SRM practices significantly contribute to supply chain performance, as evidenced by respondent perceptions of improved cost control, delivery punctuality, and quality enhancement. Flexibility gains, though positive, require further effort to harness fully.

In conclusion, the results emphasize that Supplier Relationship Management is more than a transactional process but rather a strategic resource whose utilization, when done effectively, facilitates greater supply chain performance. Companies need to emphasize trust, communication, collaboration, and performance tracking in order to develop strong, nimble, and competitive supply chains. The recommendations serve as a guide for organizations that would like to enhance supplier partnerships and enhance their supply networks in the contemporary business landscape.

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