A Portfolio Approach to Relationship Management in Procurement and Supply Chain Contexts: Integrating Customer, Supplier, and Internal Stakeholder Perspectives

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ABSTRACT

While relationship management is central to procurement and supply chain strategy, existing literature often treats customer, supplier, and internal stakeholder relationships as distinct domains. This paper presents an integrative portfolio framework that conceptualises these relationships as interconnected strategic assets, each requiring differentiated governance. This conceptual paper synthesises stakeholder theory, the commitment-trust theory of relationship marketing, and portfolio purchasing models to construct a unified relationship portfolio management (RPM) framework for procurement and supply chain contexts. The analysis shows that effective relationship management requires segmenting stakeholders into three portfolios—customer, supplier, and internal—based on strategic salience, relational risk, and value co-creation potential. For each portfolio, the framework specifies governance mechanisms, performance metrics, and engagement strategies. Trust and commitment function as cross-portfolio mediating variables influencing the success of relational exchanges. Additionally, digitalisation and hyper-personalisation are identified as critical enablers of portfolio optimisation. The proposed framework is conceptual and requires empirical validation through large-scale surveys or multiple case studies. Future research should investigate the dynamic capabilities necessary to manage competing relational demands across portfolios concurrently. The framework enables procurement leaders to allocate relational resources strategically, avoid uniform engagement models, and align relationship investments with organisational risk-return profiles. This paper is among the first to explicitly apply portfolio logic across the full spectrum of procurement-related relationships, integrating external market-facing and internal organisational perspectives within a unified managerial framework.

KEYWORDS

relationship portfolio management; stakeholder theory; supplier relationship management; customer relationship management; employee engagement; procurement strategy; commitment-trust theory

I. INTRODUCTION

The contemporary procurement function has evolved far beyond its transactional origins. No longer confined to cost minimisation and purchase order processing, modern procurement is increasingly recognised as a strategic nexus that mediates between an organisation and its external environment (Cousins et al., 2008; Schotter & Bontis, 2022). At the heart of this strategic repositioning lies relationship management—with customers who demand value, with suppliers who provide critical inputs, and with internal stakeholders whose alignment determines execution capability. Despite the centrality of these relationships, academic and practitioner literatures have historically treated them in silos: customer relationship management (CRM) belongs to marketing, supplier relationship management (SRM) to procurement, and employee engagement to human resource management. This fragmentation obscures the interdependencies among these relational domains and limits the development of integrated governance frameworks.

This paper contends that a portfolio perspective provides a robust integrative lens. Analogous to financial portfolio theory, which allocates capital across assets with varying risk-return profiles (Markowitz, 1952), relationship portfolio management (RPM) directs managerial attention, relational investments, and governance mechanisms across stakeholder categories with differing strategic salience. While the portfolio metaphor is established in procurement—exemplified by Kraljic's (1983) matrix segmenting purchased items by profit impact and supply risk—applying portfolio logic to relational assets remains under-theorised, especially when extended to include customers and internal stakeholders.
The objectives of this paper are threefold. First, it establishes a conceptual foundation for RPM by integrating stakeholder theory (Freeman et al., 2010) and the commitment-trust theory of relationship marketing (Morgan & Hunt, 1994). Second, it develops a tripartite portfolio framework encompassing customer, supplier, and internal stakeholder relationships, and specifies differentiated governance strategies for each. Third, it identifies cross-cutting enablers and metrics that facilitate the evaluation and optimisation of relational portfolios over time. In doing so, the paper contributes to procurement and supply chain management literature by presenting an integrative model that bridges external and internal relational boundaries.

The remainder of the paper is structured as follows: Section 2 reviews the theoretical foundations; Section 3 outlines the methodology; Section 4 presents the core framework and analyses each portfolio domain; Section 5 discusses theoretical and managerial implications; and Section 6 concludes with proposed avenues for future research.

II. THEORETICAL FRAMEWORK AND LITERATURE REVIEW

A. Stakeholder Theory and Strategic Salience

Stakeholder theory provides the foundational premise that organisational success depends on managing relationships with multiple groups who affect or are affected by the firm's objectives (Freeman et al., 2010). In procurement contexts, this extends beyond the dyadic buyer-supplier interface to include customers, employees, financiers, regulators, and communities (Clarkson, 1995; Mitchell et al., 1997). A central challenge in stakeholder management is salience—determining which stakeholders merit priority attention. Mitchell et al. (1997) proposed that salience is a function of power, legitimacy, and urgency, yet in practice, procurement organisations often lack systematic frameworks for operationalising these criteria across diverse relational domains. The portfolio approach addresses this gap by mapping stakeholders onto dimensions of strategic impact and relational risk, thereby rendering salience assessments actionable.

B. The Commitment-Trust Theory of Relationship Marketing

While stakeholder theory identifies who matters, the commitment-trust theory explains how relationships generate value. Morgan and Hunt (1994) posited that relationship commitment and trust are the central mediating variables between relational investments and exchange outcomes. Commitment is defined as an enduring desire to maintain a valued relationship, while trust entails confidence in a partner’s reliability and integrity. In inter-organisational contexts, these variables predict cooperation, functional conflict resolution, and reduced propensity to exit (Geyskens et al., 1996; Palmatier et al., 2007). Recent extensions of this theory to digital contexts confirm that trust and commitment remain critical even as exchanges migrate to algorithmically mediated platforms (Mukherjee & Nath, 2007). This paper treats commitment and trust as cross-portfolio mechanisms: they are necessary conditions for value creation in customer, supplier, and internal relationships alike.

C. Portfolio Models in Procurement

Kraljic (1983) revolutionised procurement thinking by introducing a portfolio purchasing model that segmented items into four quadrants—non-critical, leverage, bottleneck, and strategic—based on profit impact and supply risk. The matrix prescribed differentiated postures: exploit buying power for leverage items, ensure supply continuity for bottleneck items, and build partnerships for strategic items. Contemporary scholars have noted that while the Kraljic matrix remains foundational, its static, two-dimensional structure requires augmentation to account for innovation potential, digital maturity, and environmental, social, and governance (ESG) alignment (Gualandris & Kalchschmidt, 2016; Rezaei & Ortt, 2025). Moreover, the original model focused on items rather than relationships. This paper extends portfolio logic to the relational layer, arguing that suppliers (and by extension, customers and employees) should be segmented not only by spend or risk but by relational value and collaboration potential.

D. The Fragmentation of Relationship Management Literature

Despite conceptual overlaps, CRM, SRM, and internal stakeholder management have developed largely independent literatures. CRM research emphasises customer lifetime value, segmentation, and personalisation (Kumar & Reinartz, 2018; Nangare & Wankhade, 2024). SRM research focuses on supplier selection, performance monitoring, and collaborative innovation (Jones, 2024; Wagner & Eggert, 2023). Internal stakeholder research examines employee engagement, psychological contracts, and change readiness (Sartor & Orzes, 2020; Schaufeli, 2021). Few studies have examined how procurement organisations might balance investments across these domains. This fragmentation is problematic because relational decisions in one domain often spill over into others—for example, supplier quality failures directly affect customer satisfaction, while employee disengagement undermines SRM implementation. An integrative portfolio framework is therefore both theoretically justified and managerially necessary.

III. METHODOLOGY

This paper adopts a conceptual-theoretical methodology (Jaakkola, 2020). Rather than testing hypotheses with primary data, it synthesises existing literature across marketing, procurement, and organisational behaviour to construct a novel framework. The analytical process involved three stages. First, core theories—stakeholder theory, commitment-trust theory, and portfolio purchasing models—were identified through systematic review of seminal and recent literature. Second, relational domains (customer, supplier, internal) were analysed to extract common governance challenges and strategic levers. Third, these elements were integrated into a unified portfolio architecture with specified metrics and boundary conditions. While conceptual papers do not generate empirical findings per se, they advance knowledge by revealing new configurations of existing constructs (MacInnis, 2011). The proposed framework is designed to be falsifiable and operationalizable for subsequent empirical research.

IV. A PORTFOLIO FRAMEWORK FOR RELATIONSHIP MANAGEMENT

Drawing on the theoretical foundations above, this section presents a tripartite relationship portfolio framework. Each portfolio is analysed in terms of segmentation logic, governance strategies, and performance metrics.

A. Relationship Portfolio Management: Conceptual Architecture

At the meta-level, RPM requires organisations to answer three questions simultaneously:
(1) Which stakeholders warrant relational investment?
(2) What governance posture is appropriate for each segment?
(3) How should relational performance be measured and optimised?

Stakeholders are mapped across two dimensions: strategic impact (the extent to which the stakeholder affects organisational objectives) and relational risk (the uncertainty and vulnerability inherent in the relationship). This produces four generic segments analogous to Kraljic's quadrants:

- Transactional (Low Impact / Low Risk): Standardised, low-touch interactions.
- Leverage (High Impact / Low Risk): Value extraction through competitive pressure and efficiency.
- Bottleneck (Low Impact / High Risk): Risk mitigation and supply assurance.
- Strategic (High Impact / High Risk): Deep collaboration, co-investment, and joint innovation. Crucially, these segments are applied independently to customer, supplier, and internal stakeholder portfolios, though cross-portfolio alignment is required for systemic coherence.

B. The Customer Relationship Portfolio

Segmentation and Strategic Posture:

Customer relationships in procurement contexts are often under-theorised because procurement traditionally occupies a downstream, internal-facing role. However, in customer-centric supply chains, procurement's ability to source innovative inputs directly affects customer-perceived value. Customer segmentation should move beyond demographics to behavioural and value-based criteria, including purchase history, engagement depth, and lifetime value (Kumar & Reinartz, 2018). The portfolio suggests that not all customers merit equal relational investment. Transactional customers are served through standardised self-service channels; leverage customers are managed through tiered loyalty programs; bottleneck customers (e.g., those with highly specific compliance requirements) demand dedicated account governance; and strategic customers require co-creation partnerships involving procurement, R&D, and marketing.

Personalisation and Digital Engagement:
The digitisation of customer interfaces has enabled hyper-personalisation—real-time customisation of content, offers, and communication channels based on individual profiles (Kattula, 2025; Nangare & Wankhade, 2024). Artificial intelligence and customer data platforms facilitate predictive analytics that anticipate needs before they are articulated. However, personalisation must be balanced against privacy concerns; transparent data practices are essential to sustain trust, which, as Morgan and Hunt (1994) established, underpins long-term relational commitment. Procurement organisations should ensure that supplier-sourced customer data is managed within ethical frameworks that preserve stakeholder legitimacy.

Loyalty, Retention, and Voice-of-Customer Integration:
Customer retention is more cost-efficient than acquisition, yet retention strategies often fail because they are decoupled from voice-of-customer (VoC) systems. Closed-loop feedback—where customer input is systematically collected, analysed, and acted upon with visible organisational response—is critical (Jaworski & Kohli, 2006). Metrics such as Net Promoter Score (NPS), Customer Satisfaction (CSAT), and Customer Effort Score (CES) provide quantifiable indicators of portfolio health. From a portfolio perspective, these metrics should be disaggregated by customer segment to ensure that strategic customers receive disproportionate attention while transactional customers are served efficiently.

C. The Supplier and Vendor Relationship Portfolio

From Segmentation to Strategic SRM:
Supplier relationship management has shifted from administrative purchasing to strategic partnership (Jones, 2024). The portfolio approach segments suppliers using criteria beyond Kraljic's original spend-and-risk axes, including innovation potential, digital maturity, and ESG alignment (Rezaei & Ortt, 2025). Strategic suppliers—those high in impact and risk—require executive-level governance, joint business planning, and co-investment in capability development. Bottleneck suppliers demand risk mitigation through long-term contracts, safety stock, and alternate sourcing. Leverage suppliers are managed through competitive bidding and should-cost modelling, while non-critical suppliers are channelled toward catalogues and automated procurement-to-pay processes.

Performance Management and Scorecards:
Effective SRM requires structured performance measurement. Supplier scorecards integrating on-time delivery, quality, cost, and innovation metrics enable objective evaluation and continuous improvement (Wagner & Eggert, 2023). However, scorecards must be tailored to segment strategy: strategic suppliers are evaluated on joint value creation and roadmap alignment, whereas leverage suppliers are assessed primarily on price variance and delivery reliability. Regular performance reviews, conducted as collaborative dialogues rather than audits, reinforce trust and signal commitment (Morgan & Hunt, 1994).

Collaboration, Innovation, and Supplier Development:
Supplier collaboration extends beyond information sharing to encompass joint product development, process optimisation, and shared risk-bearing. Recent research confirms that systematic SRM—encompassing relationship initiation, development, and maintenance—positively influences supplier innovation contribution, mediated by inter-organisational learning (Industrial Marketing Management, 2024). Supplier development programs, including training and capability-building investments, transform transactional vendors into strategic partners. Digital technologies such as blockchain and AI-enhanced analytics further enable transparency and predictive risk management across the supplier portfolio (Saberi et al., 2019; Schneider & Foerstl, 2022).

D. The Internal Stakeholder Relationship Portfolio

Employee Engagement as a Relational Asset:
Internal stakeholders—particularly employees—represent the most frequently overlooked portfolio in procurement strategy. Yet employee engagement is a significant predictor of supply chain effectiveness (Sartor & Orzes, 2020; Schaufeli, 2021). Engaged employees exhibit higher levels of discretionary effort, cross-functional collaboration, and change readiness. The portfolio framework suggests segmenting internal stakeholders by influence on procurement outcomes and readiness for strategic initiatives. High-influence, high-readiness employees (e.g., category managers, senior buyers) require empowerment, autonomy, and developmental investment. Low-readiness groups may need structured training and change management support.

Leadership Alignment and Change Management:
Procurement transformation initiatives fail at alarming rates when internal stakeholders resist adoption (ProcureCon, 2025). Effective change management requires stakeholder mapping to identify champions, influencers, and resisters. The ADKAR model (Awareness, Desire, Knowledge, Ability, Reinforcement) and Kotter’s eight-step process provide structured methodologies for guiding behavioural change (Zycus, 2023). Leadership alignment is particularly critical: when procurement leaders visibly champion transformation and align goals with finance, operations, and IT, adoption rates increase substantially. Communication must be tailored to departmental priorities—finance cares about spend visibility, operations about service levels, and legal about compliance.

Cross-Functional Integration and Human Resource Practices:
Human resource management (HRM) practices are integral to internal relationship management. Strategic HRM aligns recruitment, training, and performance management with supply chain objectives (Cousins et al., 2020). Green HRM practices, for instance, enhance employee engagement with sustainability initiatives, which in turn improves environmental performance outcomes (Global Business Review, 2024; Business Strategy and the Environment, 2023). Emotional intelligence among procurement professionals facilitates trust-building and conflict resolution with both internal and external stakeholders, suggesting that relational competencies should be explicit selection and development criteria.

V. DISCUSSION

A. Theoretical Implications

This paper makes three theoretical contributions. First, it extends Kraljic's (1983) portfolio purchasing model from items to relationships, demonstrating that the risk-impact segmentation logic applies across the customer, supplier, and internal stakeholder domains. Second, it positions commitment and trust as cross-portfolio mediating variables, integrating Morgan and Hunt's (1994) relationship marketing theory with stakeholder theory (Freeman et al., 2010). This integration suggests that relational governance mechanisms are more universal than domain-specific literatures imply. Third, it introduces the concept of relational spill overs—the idea that investments or failures in one portfolio propagate to others. For example, supplier innovation directly shapes customer value propositions, while employee engagement determines SRM execution quality. Future theory development should model these interdependencies explicitly.

B. Managerial Implications

For practitioners, the framework offers a diagnostic tool for resource allocation. Procurement leaders can map their full relational portfolio to identify over-investment in transactional relationships and under-investment in strategic partnerships. The framework also highlights the necessity of digital infrastructure: without integrated data platforms, segmentation remains static and personalisation impossible. Finally, the emphasis on internal stakeholders corrects the external bias in much procurement strategy. Transformation initiatives must allocate equal attention to employee readiness as to supplier negotiation.

C. Boundary Conditions and Limitations

The framework assumes that organisations possess sufficient data maturity to segment stakeholders accurately—a condition not met in many emerging-market contexts. Additionally, the framework is prescriptive rather than descriptive; it recommends what organisations should do but does not claim that successful firms currently operate this way. Cultural variations in relationship norms may also limit generalizability. High-context cultures may prioritise trust-building over contractual governance, while low-context cultures may favour formal scorecards (Bryson et al., 2015). These moderating effects await empirical investigation.

VI. CONCLUSION AND FUTURE RESEARCH DIRECTIONS

This paper has developed an integrative portfolio framework for relationship management in procurement and supply chain contexts. By synthesising stakeholder theory, commitment-trust theory, and portfolio purchasing models, the framework demonstrates that customer, supplier, and internal stakeholder relationships should be governed as strategic portfolios rather than as isolated operational concerns. Differentiated segmentation, tailored governance mechanisms, and cross-cutting trust-building emerge as the core pillars of effective RPM.

Future research should pursue several avenues. First, quantitative studies could operationalise the framework by developing survey instruments that measure relational portfolio balance and its impact on firm performance. Second, qualitative case studies could examine how leading organisations manage trade-offs across portfolios during disruptions such as pandemics or geopolitical shocks. Third, research should investigate the role of artificial intelligence in dynamic portfolio re-segmentation—whether algorithmic stakeholder mapping can outperform managerial intuition. Finally, scholars should explore the ethical dimensions of portfolio management, particularly whether segmenting stakeholders into strategic and transactional tiers creates legitimacy deficits that undermine long-term organisational resilience.

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