

**IX INTERNATIONAL
CONFERENCE
QUALITY SYSTEM
CONDITION FOR
SUCCESSFUL BUSINESS
AND COMPETITIVENESS
PROCEEDINGS**



**ASSOCIATION
FOR QUALITY AND
STANDARDIZATION
OF SERBIA**



KOPAONIK, 26/05 -28/05/2021

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CREATING VALUE BASED ON RELATIONSHIP MANAGEMENT IN THE ORGANIZATION

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Abstract: *The principle of relationship management stands out as one of the seven basic principles of quality management. Relationship management is based on identifying stakeholders and analyzing stakeholders based on which organizations defines a management model. In addition to all stakeholders in the business environment, it is important to consider those from the general environment such as state, city or municipality. One of the fundamental benefits of relationship management is creating value for the organization. The organization shares knowledge, resources and competencies with its stakeholders in order to create shared value. Once created, shared value is the foundation for creating a sustainable business model, which results in the creation of economic, environmental and social value, both for the organization and for stakeholders. The paper proposes a model for creating stakeholder values based on relationship management and all the above principles.*

Keywords: *Relationship management, stakeholders, value, shared value, sustainable business model*

JEL Classification: *A13 Relation of Economics to Social Values*

1. INTRODUCTION

Organizations operate in a very changing environment, where the external environment is of great importance, which constantly places various demands on the organization, and to which the organization itself must adapt. Within the external environment, specifically the business environment, there are a number of stakeholders who influence or are affected by the organization. The former view of the organization and its business puts the customer with its requirements and needs at the center, but the requirements for organizations come not only from customers, but also from other stakeholders who are numerous.

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The principle of relationship management stands out as one of the seven basic principles of quality management. Relationship management is not just about managing customer relationships, but about managing relationships with all stakeholders who are in the organizational environment. In order for an organization to be able to manage relationships, it must first know which are the stakeholders it is influencing or which are making certain demands on the organization itself. Therefore, organizations must first identify stakeholders, after which they must identify their requirements, needs, expectations, and only then are they able to determine how to manage relationships with identified stakeholders. Relationship management is crucial for an organization because the organization's business depends on stakeholders such as customers, owners, suppliers, or employees.

For sustainable success of the organization, it is necessary to manage the relations with the interested parties. Accordingly, the aim of this paper is to describe and explain the importance of relationship management principles and to identify and describe relationship management in the context of value creation. Previous research has focused on research on customer relationship management, which is viewed through the prism of CRM (customer relationship management). This paper focuses on managing relationships with all identified stakeholders in the context of a quality management system.

This paper will describe the concept of stakeholders, as well as provide an overview of key stakeholders. Also, the principle of relationship management and its importance in quality management of the organization will be described in more detail. The paper will describe the interdependence of stakeholders and value creation in the organization.

2. THE PRINCIPLE OF RELATIONSHIP MANAGEMENT

Relationship management is one of the seven fundamental principles of a quality management system. According to Iso.org (2015) for the sustainable success of an organization it is necessary to manage relationships with stakeholders such as suppliers or partners. Stakeholders play a key role in the success of an organization. If an organization manages relationships with its stakeholders, in order to optimize their impact, it is more likely to achieve lasting success.

Iso.org (2015) highlights the following as key benefits of relationship management:

- Improved performance of the organization and its stakeholders by responding to opportunities and threats affecting each stakeholder,
- common understanding of goals and values among stakeholders,
- increased ability to create value for stakeholders by sharing resources and competencies and managing quality-related risks,
- a well-managed supply chain that ensures a stable flow of goods and services.

Furthermore, the key activities that organizations must carry out for the purpose of relationship management, as well as for the purpose of achieving these benefits, are:

- identification of stakeholders and their relationship to the organization,
- set priorities for relations with stakeholders,
- establish relationships that balance short-term gains with long-term considerations,
- exchange information and resources with relevant stakeholders,
- measure performance and provide performance feedback to stakeholders, for the purpose of improvement,
- establish collaborative improvement activities with stakeholders,
- identify and highlight the achievements and improvements of stakeholders such as partners and suppliers.

It is important to emphasize that the principle of relationship management is related to other principles of the quality management system, namely: customer focus, leadership, human involvement, process approach, improvement and fact-based decision making. The principle of customer focus refers to the recognition of the wishes and requirements of customers, as one of the stakeholders that is crucial

in the process of creating and delivering value. Unlike the principle of customer focus, the principle of relationship management emphasizes the importance of other stakeholders, along with customers, who are key to achieving the business success of the organization. To achieve these goals, leadership is crucial that aligns all available resources in order to achieve the defined goals of the organization. Through the principle of human involvement, emphasis is placed on all employees of the organization, who need to be involved in the decision-making process, as well as provide an opportunity for growth and development. From all the above, it is possible to conclude that stakeholders through several key principles are extremely important in achieving the goals of the organization and achieving sustainable success of the organization.

3. IDENTIFYING STAKEHOLDERS

To manage stakeholder relations, it is crucial to identify stakeholders. ISO 9001: 2015 defines the stakeholder, ie defines persons or groups of people interested in the business of the organization. The customer is one of the key stakeholders, and according to the process approach can be divided into internal customer and external customer.

Klochkov et al (2017) explain how the external customer buys and uses the products and shapes the technical specifications of the products, while the internal customer produces and sells the products, ie develops the production technology. The authors also emphasize that in practice there is a customer who is not able to express his opinion about the product directly to the manufacturer and his satisfaction and loyalty cannot be accurately assessed. The division of customers taking into account the so-called. "concealed customers" is shown in Figure 1.

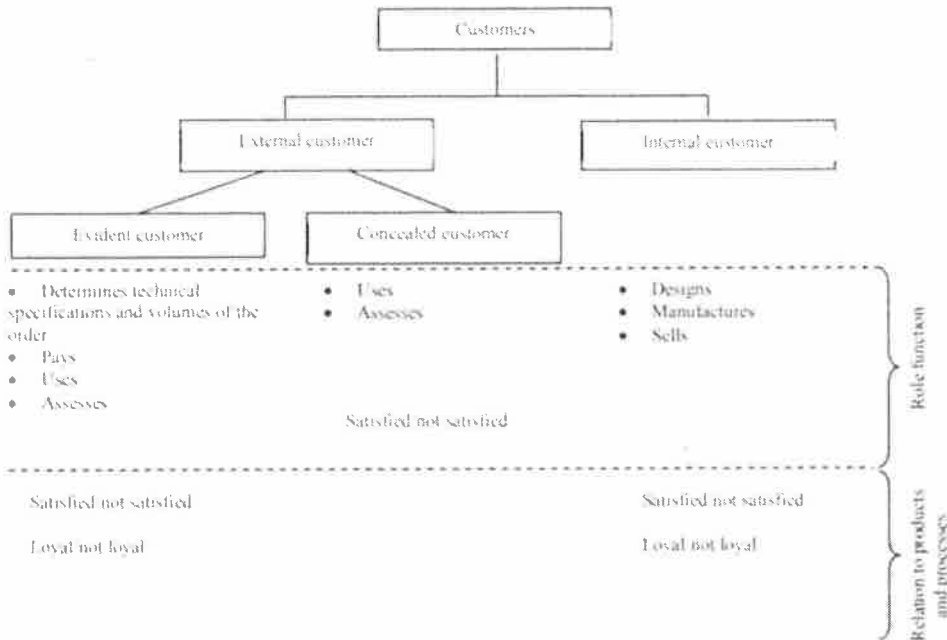


Figure 1 The difference between internal and external customers

Source: Klochkov et al. (2017) Development of external customer classification based on the analysis of interested parties. 2017 International Conference on Infocom Technologies and Unmanned Systems (Trends and Future Directions) (ICTUS). p.731

With the exception of the customer, in the context of relationship management, relationships with business partners and suppliers are crucial, as they are key links in the supply chain. Also, there are a number of other stakeholders located in the immediate environment of the organization, ie in the business environment. But in addition to all stakeholders in the business environment, it is important to consider those from the general environment. An overview of some of the key stakeholders and their requirements is presented in the following table.

Table 1 Requirements of interested parties

Interested parties	Requirements
Customers	<ul style="list-style-type: none"> - Product quality - Product price - Supply discipline - Product service
Owners, stakeholders, investors	<ul style="list-style-type: none"> - Positive profit dynamics - Return on investment - Increase in the organization's value - Increase in the market share
Personnel	<ul style="list-style-type: none"> - Increase in salaries - Promotion - Job satisfaction - Social employment guarantees
Suppliers and partners	<ul style="list-style-type: none"> - Mutually beneficial relations - Stability and increase in the book of orders
State	<ul style="list-style-type: none"> - Creation of additional work places - More payments to the budget and nonbudgetary funds
Region/Location of organization	<ul style="list-style-type: none"> - Environmental protection - Saving of energy and natural resources - Safety - Health care - Solution of social issues

Source: Adapted by the author according to Klochkov et al. (2017) Development of external customer classification based on the analysis of interested parties. 2017 International Conference on Infocom Technologies and Unmanned Systems (Trends and Future Directions) (ICTUS).

Identifying stakeholders is key to relationship management because it provides a foundation for analyzing all the actual demands and expectations that stakeholders have on the organization. In order for an organization to manage relationships with its stakeholders, it must identify specific stakeholders and their requirements. In this way, organizations can conduct an analysis and identify requirements that are equal or opposite. Based on such an analysis, organizations can optimize all requirements and find the best way to manage relationships with all identified stakeholders. In addition to stakeholders in the business environment, which are also shown in Table 1, namely customers, suppliers, owners, business partners, etc., it is very important to identify the requirements presented by the state, public administration, local or regional government in which the organization operates as well as the wider community.

Research conducted by Olkiewicz (2020) confirms the fact that organizations consider stakeholders and their role an important determinant of quality and that it is necessary to implement measures that will increase efficiency and effectiveness, related to limiting the impact of internal and external conditions on the organizational process, where the stated conditions arise from the interested parties.

4. CREATING STAKEHOLDER VALUE

Analyzing stakeholder relationships is a key step in the stakeholder value creation process. Stakeholders are involved in business processes, directly or indirectly, so it is necessary to analyze their impact and limit all negative impacts and encourage positive ones. Freudenreich et al. (2020) create a framework for stakeholder value creation that builds on stakeholder theory and emphasizes stakeholder relations as a key part. The proposed value creation framework is based on an analysis of the relationships of different stakeholders. A central element of the model is the common purpose for which stakeholders are involved in the business. The model also includes parts of stakeholder theory, which includes the value that is created in the individual relationship with the stakeholder and the way that value is created. This value creation framework distinguishes value creation activities by stakeholder groups and emphasizes the relationship in which stakeholders are recipients and co-creators of value. The flow of values is then two-way and moves from the organization to the stakeholder and from the stakeholder to the organizations. The total value created is then equal to the value created through the business model, which arises from interdependence in stakeholder relations.

Dembek et al (2018) emphasize that value is defined through numerous studies as a way of converting income into profit, but the authors emphasize that there are different types of values that are noticed by stakeholders. The authors believe that it is necessary to look at value creation through a broader prism and through the perspective of stakeholders. Building on research by Upward and Jones (2016), Dembek et al (2018) suggest that value creation and perception mechanisms are important for different stakeholders because they determine stakeholders view of sustainability of the business model. Sustainable business models must provide the organization with a foundation for creating and managing jointly created value and creating environmental, economic and socially positive values.

4.1. Stakeholder value creation model

The value creation process is focused on achieving a sustainable business model. Previous theories that viewed value creation through the creation of economic value are now equally focused on the creation of environmental, social and economic value. Windsor (2017) according to Porter and Kramer (2011) emphasizes how organizations redefine their purpose as creating shared value. In this context, the shared value refers to the generation of economic value, but at the same time the production of social value and ecological value.

Research conducted by Fiore et al. (2020) confirms the actual participation of stakeholders in the value creation process. The authors also believe that stakeholders participate in creating innovations that can create value for the organization and that these innovations are the result of the organization's relationship with all stakeholders, internal and external. Also, the authors believe that by managing relationships with stakeholders and creating shared value, it is possible to establish sustainable business systems.

According to all of the above, the following figure shows the Stakeholder value creation model.

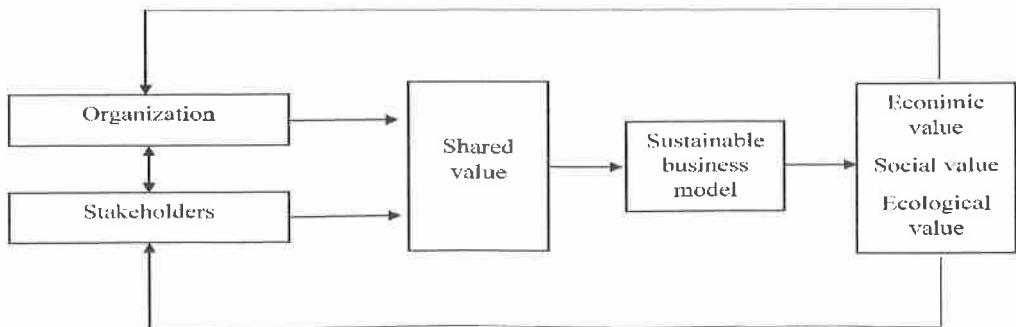


Figure 2 Stakeholder value creation model
Source: Author's work

The above model shown in Figure 2 begins with the interaction of the organization and its stakeholders. The organization must identify all stakeholders, analyze their requirements and expectations, but also communicate and identify the wishes of stakeholders in the context of expected value. Through stakeholder analysis, organizations can prioritize stakeholders and decide on the kind of communication they will conduct with stakeholders. Once established, the relationship between the organization and its stakeholders leads to the creation and definition of shared value. By identifying the shared value that both the organization and its stakeholders gain, they lead to a sustainable business model, which then brings economic, social and environmental value to the organization.

5. CONCLUSION

The paper presents the principle of relationship management within the quality management system and the importance of the principle itself in creating value in the organization. To create economic, environmental and social value in the organization, it is necessary to create a sustainable business model, which will be recognized by all stakeholders. A prerequisite for creating a sustainable business model is the creation of shared value of the organization and its stakeholders. Organizations in communication and analysis of their stakeholders can create a shared value that will then affect the competitiveness of the organization.

The research identified the importance of managing relationships with all stakeholders that are of great importance for the business of the organization. At the center of the value creation model is relationship management, because without forming a strong relationship with stakeholders, organizations are unable to be sustainable. The organization is affected by a number of stakeholders of different strengths and influences, so organizations must identify all stakeholders, as well as their strength and influence (positive or negative).

As stated by Iso.org (2015), relationship management increases the organization's ability to create value for stakeholders through the sharing of resources and competencies, but it is crucial to emphasize the importance of creating value with stakeholders and use the knowledge and competencies of stakeholders to create shared values. The emphasis of the value creation model is on the interdependence and collaboration of the organization and stakeholders.

The presented Stakeholder value creation model can be expanded through future research and elaborate in more detail on individual categories of stakeholders and their impact, as well as the concept of sustainability and the requirements presented through the mentioned concept.

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