Abstract. The Procurement Maturity Model (PMM) was developed to assist procurement professionals in implementing procurement best practices as a means to improve organizational performance. The PMM enables users to easily select, in a spreadsheet format, example current practices in order to compare themselves against over 60 best practices. The intent of the model is to provide procurement professionals with practical and actionable practices to improve procurement performance.

Procurement as a Profession. While procurement has been a recognized career field since the days of the World War II materials shortages, there has been a rapid acceleration in recent years pushing procurement toward a full-fledged “profession.” Universities are now offering bachelor’s, master’s, and doctorate degrees in procurement, contracting, or supply chain. The Institute for Supply Management has recently invigorated their premier certification in the form of the Certified Professional in Supply Management, which reflects the expanded knowledge, skills, and abilities needed to be a successful supply management professional. There are also standard terminologies and professional codes of ethics posited by the various procurement-related trade associations. Most telling, employers are increasingly requiring of prospective employees a degree, professional certification, and involvement in the profession, such as speaking or writing. In culmination, procurement organizations are coming under increasing scrutiny to raise their standard of performance.

Factors Affecting Organizational Performance. In the procurement profession, there is a broad set of external factors which directly affect organizational performance: customers, policy, staff, processes, vendors, tools, and organization. Regardless of whether the external factors are enabling or inhibiting, the procurement function must deliver value—usually in the form of cost savings, enhanced vendor performance, and mitigated legal and operational risk.

Traditional Measures of Organizational Performance. For a procurement organization, there are a variety of imprecise means by which to measure performance: customer satisfaction surveys, vendor surveys, employee feedback surveys, achievement of business goals, and the achievement of internal performance metrics. While such efforts to measure performance are admirable, they are materially flawed in that they only compare the elements of an organization against itself.

Benchmarking. To truly gauge organizational performance—and therefore, value—the best measure is to compare an organization against other, best-in-class organizations. The object of such a comparison is to identify “benchmarks,” which represent standards of best practice in measuring areas such as quality, value, or performance. The process of comparing one organization against another and then adopting (or adapting) identified benchmarks to achieve improvements is known as “benchmarking.” Benchmarking identifies where major changes to
enhance performance are required or possible, prioritizes opportunities for improvement, and acts as an incentive to accelerate the cycle of change. Example procurement best practices include:

- Procurement Organization Involved in 95+% of Spend
- Purchase Orders Generated (Electronically) for 80+% of Spend
- 75+% of Spend Flows Through Approved Vendors
- Annual Rfx “Spend Plans” Identify Expiring / Terminating Contracts, Re-bids, and New Purchases
- Industry-relevant Certification Required for Procurement Staff
- Procurement Staff Receive 24+ Hours of Procurement Training Annually
- Use of an Automated Contract Management System (Not Excel-based)
- 80+% of Contract Documents are Executed Using Customer Contract Templates
- 80+% of Contracts Executed Within 30 Calendar Days; 95+% Within 60 Calendar Days

Strategic Planning for Improved Organizational Performance. While some benchmarking may result in improved performance at little or no cost, truly impactful best practices commonly have some sort of adoption cost. Clearly, the value resulting from a desired best practice must exceed the adoption cost. Assuming so, a procurement professional will likely then have the next hurdle of obtaining organizational buy-in (in the form of resources) to implement the desired best practices. To improve the odds of success, the best vehicle to “sell” the investment in best practices is a near-term (three to five year) strategic plan. The strategic plan should be high-level, including summaries of the best practices with corresponding implementing initiatives, with the understanding being that supporting business cases and detailed cost justifications are prepared as a part of annual, tactical business plans. Thus, buy-in is obtained more easily at the strategic level with needed resources (such as budget) obtained on a case-proven basis at the annual, tactical level. An excerpted example of a strategic plan [with explanation in brackets] which seeks to improve organizational performance through the increased use of automation follows:

- Automate Existing Processes [The high-level summary.]
  - Implement an eRFx System to Automate the RFX Process (2011) [This and the subsequent two bullets are the implementing initiatives.]
  - Implement a Contract Risk Level Tracking System (2012)
  - Implement a Vendor Portal that Permits Vendor Qualification and Certificate of Insurance Administration (2012)

The Procurement Maturity Model. The Procurement Maturity Model (PMM) facilitates the process of benchmarking by pre-defining over 60 procurement best practices. The PMM was developed by a large not-for-profit organization that was seeking to improve its procurement organization by comparing itself against best practices. Initially, a broad set of external elements were identified that have a high correlation to procurement performance: customers, policy, staff, processes, vendors, tools, and organization. After a significant amount of research into procurement best practices, key best practices were then associated with each of the external elements. In turn, for each of the key best practices, a range of common current practices were identified. All of these elements, best practices, and current practices were then combined to create a simple spreadsheet model. The model can be easily
manipulated by a user to select a current practice and compare the current practice against the corresponding best practice. The model then performs a gap analysis, identifying and prioritizing measures that the user can undertake to implement best practices and improve organizational procurement performance. The PMM consists of five worksheets:

- Instructions
- Assumptions
- PMM Rating Input and Scores
- Graphed Measurement Area Scores
- Graphical PMM Comparison

The following illustration depicts a section (row) of the PMM Rating Input and Scores worksheet. Each of the columns is explained following the illustration.

<table>
<thead>
<tr>
<th>Measurement Area</th>
<th>Measurement Element</th>
<th>Current Practice</th>
<th>Your Rating</th>
<th>Your Calculated Score</th>
<th>Best Practice</th>
<th>Best Practice Score</th>
<th>Significance of Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Engagement</td>
<td>0. Customers avoid use of procurement department.</td>
<td>2</td>
<td>0.8</td>
<td></td>
<td></td>
<td>Substantial Gap</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Procurement department reactive and demand driven very few RFx projects.</td>
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<td>2. Tendency for procurement department to be reactive; some pro-active involvement with customers, few RFx projects.</td>
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<td></td>
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<td>3. Significant pro-active involvement with customers early in their project cycle; frequent RFx projects.</td>
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</tbody>
</table>

- Measurement Area – Identifies the broad elements of Customers, Organization, Policy, Processes, Staff, Tools, Value, Vendors
- Measurement Element – Further categorizes each Measurement Area into topical classifications
- Current Practice – Represents a choice of current practices; the number corresponding to each current practice represents a numerical rating and not the order of the Current Practice
- Your Rating – The user selects the “number” of the Current Practice that most closely approximates the user’s practice for the Measurement Area / Measurement Element
- Your Calculated Score – Represents a calculation of Your Rating, weighted by a pre-determined level of Measurement Area / Measurement Element importance
- Best Practice – Describes the associated procurement best practice
- Best Practice Score – Represents the score value of the indicated best practice
- Significance of Gap – Based on the difference between Your Calculated Score and the Best Practice Score, a qualitative description of the gap significance is displayed: Substantial Gap, Significant Gap, Minimal Gap, Best Practice Achieved

Once completed, the PMM Rating Input and Scores worksheet provides the user with a prioritized gap analysis (based on the result in the Significance of Gap column) that guides the user in the development of a strategic plan and supporting business cases. Additionally, the user is provided with a graphical representation of the gap analysis by Measurement Area, as illustrated below.
Procurement Maturity Levels. In addition to providing an actionable gap analysis, the Procurement Maturity Model (PMM) graphically plots the subject procurement department against six pre-determined levels of procurement organization maturity: Inhibiting, Performing, Enabling, Optimizing, Best in Class, and World Class. The illustration on the following page depicts the subject procurement department being between the Performing and Enabling maturity levels based on the input provided in the PMM Rating Input and Scores worksheet.
For each of the maturity levels, there are generalizations that represent certain attributes or characteristics of the procurement function. These generalizations are described, by maturity level, in the following illustration.

**REFERENCES**

**Web site reference:**