
The Opportunity. The ability to manage supplier relationships in a consistent, formalized program is a growing practice among corporations of all sizes, across all industries. As the opportunity to reduce costs by negotiating with suppliers diminish, businesses must turn to other alternatives to increase profitability and productivity without sacrificing quality. In order to assess an organization’s capabilities with respect to supplier relationship management, the Supplier Management Group has developed a Supplier Relationship Management Maturity Model. This model provides methods for assessing and developing capabilities that enhance an organization’s ability to manage its suppliers successfully, consistently, and predictably; in order to accomplish the mission of the organization and improve organizational effectiveness.

Objectives. How does a company effectively manage supplier relationships and improve spend visibility, cost containment, productivity gains and optimization of resources as a result of that management? What are the best practices in this quest of relationship management excellence? Those are the questions we pondered as we worked through the development of the maturity model.

There are multiple companies across diverse industries participating on the model development team, giving us a wealth of processes, practices and philosophies to draw upon.

The team identified five categories to measure:

- Spend visibility
- Supplier segmentation
- Collaboration
- Performance
- Risk management

These categories are measured across five levels of maturity:

- Limited/None
- Need identified
- Implemented
- Utilized
- Leveraged
<table>
<thead>
<tr>
<th>Spend Visibility</th>
<th>Supplier Segmentation</th>
<th>Collaboration</th>
<th>Performance</th>
<th>Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilizing SRM</td>
<td></td>
<td>Lifecycle management across contracts, relationship, technology and innovation.</td>
<td>Publish scorecards and metrics. Conduct performance reviews with suppliers on a timely basis.</td>
<td>Contingency plans in place. Detailed risk management plan with anticipated scenarios.</td>
</tr>
<tr>
<td>Implemented SRM</td>
<td>Spend visibility contributes to the SRM strategy consistently and aligns with the strategic sourcing goals.</td>
<td>Suppliers segmented and expectations communicated to the suppliers. Internal stakeholders aligned with segmentation.</td>
<td>Business culture aligned, two way interaction between stakeholders. Satisfaction surveys and 360s in place for data gathering.</td>
<td>Weight factors applied to risks. Develop contingency plans.</td>
</tr>
<tr>
<td>Need Identified</td>
<td>Understand supply base with relation to spend and use this knowledge in segmentation process. Contributes to strategic sourcing plan.</td>
<td>Suppliers segmented and expectations communicated to the suppliers. Internal stakeholders aligned with segmentation.</td>
<td>Business culture aligned, two way interaction between stakeholders. Satisfaction surveys and 360s in place for data gathering.</td>
<td>Weight factors applied to risks. Develop contingency plans.</td>
</tr>
<tr>
<td>Limited/None</td>
<td>Data gathering and spend analysis being completed; possible vendor master scrub if needed.</td>
<td>Defined “status” (e.g. preferred, key, strategic) with explicit criteria for each tier. Potentially using a tiering tool.</td>
<td>External stakeholders identified; satisfaction surveys and 360s in development for data gathering.</td>
<td>Develop Key Performance indicators, decide on frequency of evaluations. Obtain stakeholder buy-in.</td>
</tr>
<tr>
<td></td>
<td>No visibility into supplier data; vendor master not cleansed; spend analysis not completed.</td>
<td>No formal segmentation in place. Internally and externally supplier “status” is unknown.</td>
<td>Stakeholders/executive sponsors not identified. Reactive participation and little strategic interaction with only internal stakeholders.</td>
<td>No action plan in place for any risk management, not aware of all potential risks.</td>
</tr>
</tbody>
</table>

The model is intended to assist companies, regardless of industry, in assessing their supplier relationship management efforts. The model highlights the key elements for each category at each level, creating a roadmap from the inception of a program to the “world class” maturity. There are multiple examples of SRM programs from several of the group members, as well as external research that contributed to the final product.

**Bibliography**

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Corporate Executive Board, 2004, maximizing Vendor Management ROI

IACCM Capability Maturity Model; IACCM 2007; [www.iaccm/maturity](http://www.iaccm/maturity)

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