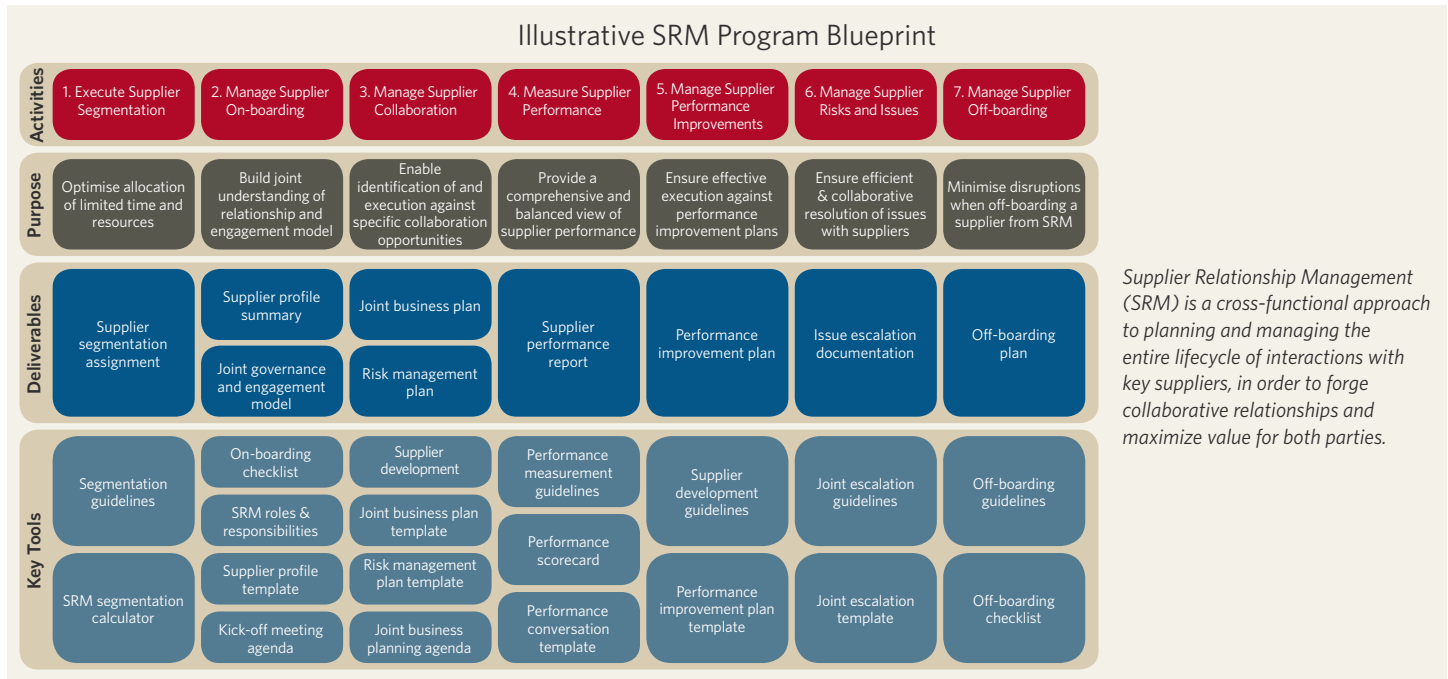


# Supplier Relationship Management

## SRM Program Objectives

- Build stronger relationships and enhanced collaboration with key suppliers, in order to realize increased value from joint collaboration, technology innovation, and improvements in service and support
- Leverage supplier assets and capabilities to generate a competitive advantage (versus only focusing on purchasing goods and services at a lower cost)
- Ensure more structured and focused engagement with key suppliers, in order to become a Customer of Choice



## Key Elements of SRM

### Supplier segmentation

Effective supplier relationship management requires segmentation of suppliers and aligning limited management time and resources with different levels of supplier risk and opportunity. It is important to differentiate between strategic and critical supplier for a given business unit, versus for the overall enterprise.

	Approved Market Competitive Suppliers	Preferred Suppliers	Emerging Partners	Transformational Partners
Operating Unit	No benefit for managing supplier at division or corporate level		Potential to become strategic — primary relationship with a single operating unit; executive sponsor and development plan	
Division		Division level contract — coordinated contracting, purchasing, and scorecards at division level	Potential to become strategic — relationships with multiple operating units; senior executive sponsor and development plan	Potential for transformational impact on a single division; integrated business planning and governance
Corporate		Corporate level contract — coordinated contracting, purchasing, and scorecards at division level		Potential for transformational impact for multiple divisions; integrated business planning and governance

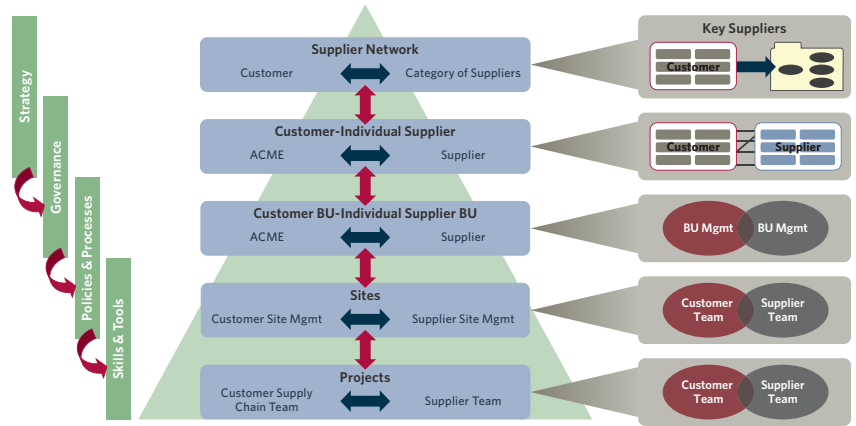
Illustrative Supplier Segmentation Framework

### Supplier engagement

SRM seeks to elevate engagement and relationships with strategic suppliers. The supplier engagement model for each supplier will vary depending on the outcome of the segmentation process. This will affect supplier performance measurement, the level and frequency of executive engagement, the timeframe over which results are achieved, and the strategic nature of joint activities discussed with the supplier.

## Supplier governance

Through SRM, interactions with suppliers are conducted in a way that maximizes the value of supplier relationships while optimizing the use of limited resources. Each supplier involved in the SRM program should be assigned a supplier account team that will provide strategic direction and support SRM initiatives. This team will work closely with internal clients and functional groups that interact with the supplier.

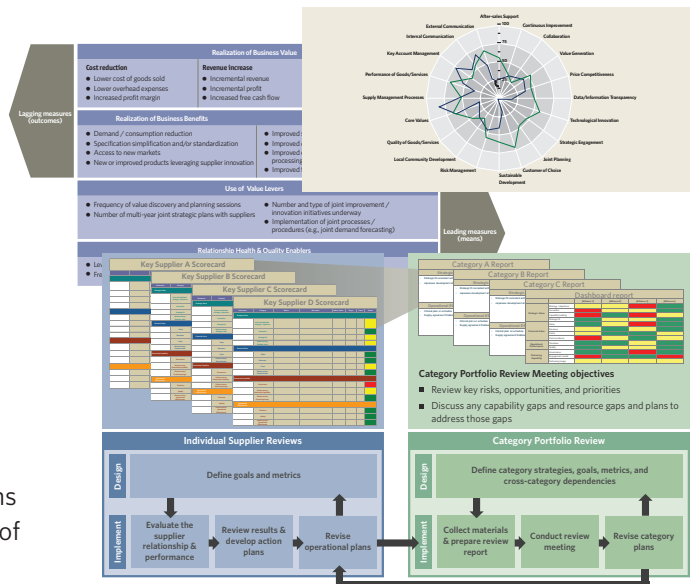


## Joint business planning

Together, representatives from both organizations will analyze the entire scope of their relationship to identify breakthrough opportunities and drive continuous improvement. This joint planning serves to supplement existing short-term project-based planning, and provides a mechanism through which both organizations can identify strategic opportunities that may deliver significant returns both in the short and long-term.

## Two-way performance measurement and management

A scorecard and performance measurement process measures day-to-day operational performance and longer term strategic and financial value, as well as the quality of the working relationships with key suppliers. At the conclusion of each performance measurement cycle, stakeholders at both companies meet to jointly analyze the data, diagnose, and develop action plans to address any areas of underperformance and celebrate and discuss how to build on successes.



## Illustrative Engagement Frequency

The schematic below illustrates a typical cadence of key supplier relationship management (SRM) activities, as well as the connections across different levels of activity. The specific frequency and timing of activities with a given supplier will likely vary.

