



An Introduction to Baselines in Procurement

MAXIMIZING YOUR YIELD



A top-down view of a person's feet standing on a white mechanical scale. The scale has a central dial with markings for 80, 90, and 100. The person is wearing dark pants. The scale is placed on a wooden surface.

Baselines

Procurement has increasingly relied on baselines to define and attain superior performance.

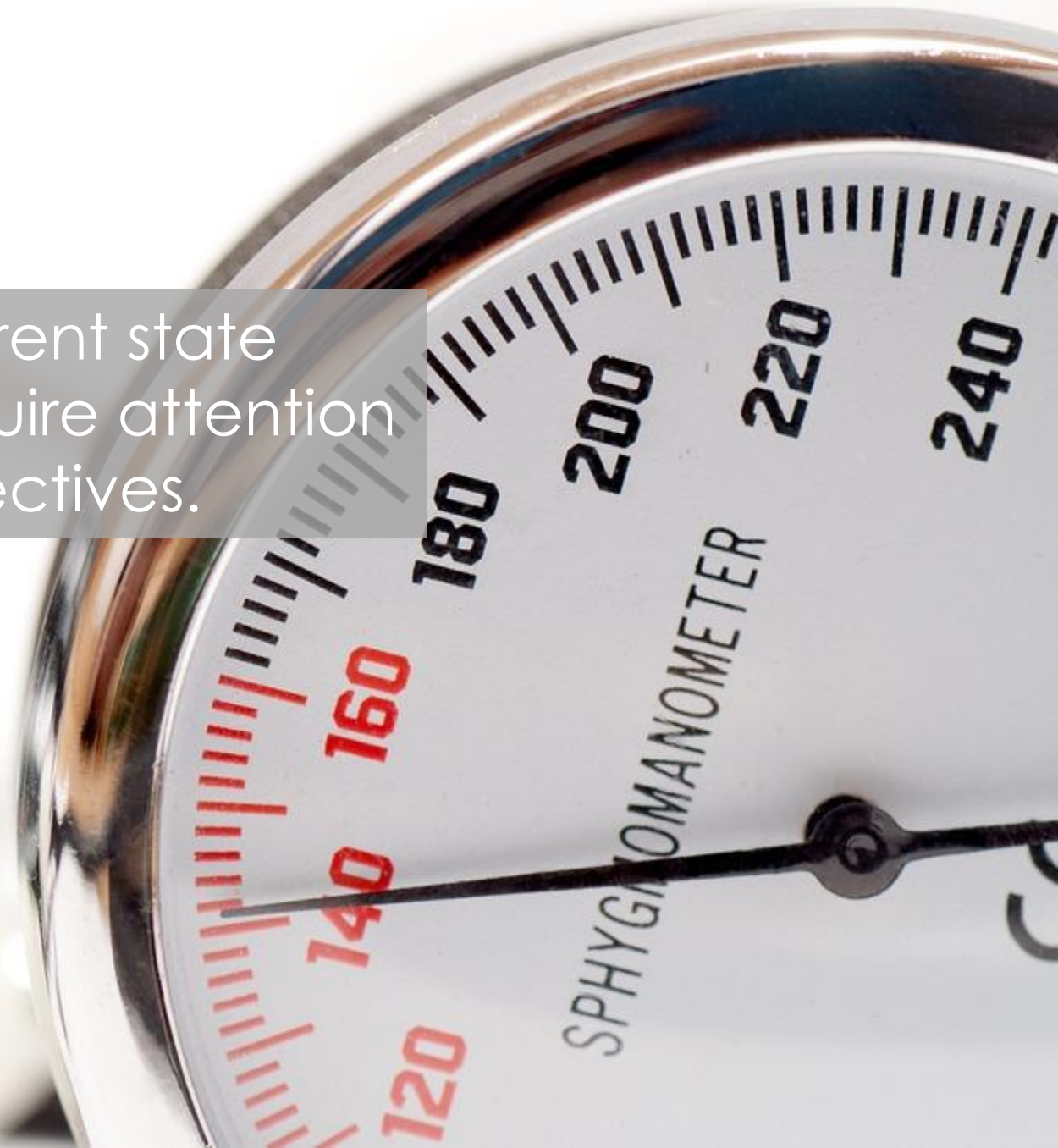
A 3D pyramid of red arrows pointing upwards against a blue sky with white clouds. The pyramid is composed of several layers of arrows, with the top layer being the smallest and the bottom layer being the largest. The arrows are arranged in a way that they appear to be stacked on top of each other, creating a sense of depth and upward movement. The background is a bright blue sky with scattered white clouds.

Summary

Despite popular thinking, baselines are more than spreadsheets of expenditure data.

Summary

Baselines help define the current state and identify areas which require attention to fulfill strategy and key objectives.



Summary

A hand is shown holding a glowing globe. The globe is surrounded by several interlocking gears, also glowing. The background is a blue network of nodes and lines, suggesting a digital or data environment. The overall theme is technology and data.

With the proliferation of big data, blockchain, artificial intelligence, and other automation technologies, the role of baselines has become crucial.

A close-up photograph of a person's hands typing on a silver laptop keyboard. The person is wearing a light-colored sweater and a watch with a brown leather strap. A black cup is visible on the desk to the left. In the foreground, there is a notebook with a yellow sticky note and a black pen. The background is a blurred wooden surface.

Summary

In addition, there are new and enhanced skills needed to ensure one's baselines are leading practice.



How is a baseline used to help drive benefits and savings?

Client

- June 2021: Launched formal SRM program – invested \$25,000 to launch, e.g., tools and talent
- July 2021: “You need to capture a Baseline” – ignored
- January 2024: “Our suppliers/stakeholders love it!”
- March 2024: “Unless we show savings, we will need to pull back on SRM”



How is a baseline used to help drive benefits and savings?

Client

- March 2024: “Unless we show savings, we will need to pull back on SRM” – Risks
 - ROI on \$25,000 will be deemed negative
 - Reputation risk with stakeholders/suppliers
 - Actual savings unrecognized, mitigated risks ignored



How is a baseline used to help drive benefits and savings?

Client

- January 2015: Launched Category Management
- Baselines to be captured – but **not** captured:
 - Percentage of spend under a Category
 - FTEs working on the Category
 - Value for Money generated on the Category



How is a baseline used to help drive benefits and savings?

Client

- January 2018: Corporate Merger/Acquisition
- Acquiring firm (A) had baselines, target firm (B) “never got around to capturing the baselines”
- CPO of merged firm - came from A or B?



How is a baseline used to help drive benefits and savings?

A focal point

- Commitment and consensus
 - Team members, stakeholders, and others
- Visibility
- Transparency
- Automated / Big Data and Blockchain



How is a baseline used to help drive benefits and savings?

On our project:

- Our portfolio of risk registers adds up to \$20 million
- We change our template language related to indemnification
- Our risk portfolio increases to \$25 million
- What value are we capturing for the \$5 million?



How is a baseline used to help drive benefits and savings?

On our project:

- Our accounts payable ledger is \$100 million
- Payment terms are Net 30, but we are changing to Net 60
- What value does this represent? What is the interest on \$100 million for 30 days?



How is a baseline used to help drive benefits and savings?

On our project:

- Our market basket of MRO purchases is \$30 million and includes 15,000 SKUs
- If we consolidate to 10,000 SKUs, how will that impact our annual expenditures?
- How does that compare to other customers?

A row of vintage telegraph keys mounted on a blue wall. The keys are made of brass and have black handles. Each key has a small white label attached to its base. The keys are arranged in a line, receding into the distance. The background is a textured blue wall with some small square panels.

Summary

What are key value levers which procurement practitioners use to create and use world-class baselines?

Key value levers

Common KPIs

- With Suppliers: Number of suppliers, supplier defect rate, supplier stability, on-time delivery, DEI
- Staff: Spend-per employee, training and development time, retention rates, DEI, internal client satisfaction
- Organizational: Spend under management, internal SLAs, stakeholder enablement, on-time payment

A close-up photograph of several wooden letter blocks on a green surface. In the foreground, five blocks are arranged in a row to spell out the word 'RISK'. Behind them, another row of blocks spells out 'ISSUES'. Other blocks with letters like 'O', 'I', 'S', 'D', 'E', 'A', 'M', 'A', 'R' are scattered around. In the background, an orange tray holds more letter blocks.

What are five risks and shortcomings commonly found in baselines?

A close-up photograph of wooden letter blocks on a green surface. Some blocks are in an orange tray, while others are scattered. The letters visible include M, A, R, N, O, Y, R, I, S, D, K, F, and A. The lighting is soft, creating gentle shadows.

What are five risks and shortcomings commonly found in baselines?

1. Contract and Communication Risks: Ambiguous contract terms, ineffective communication can lead to **contractual disputes**

A close-up photograph of wooden letter blocks on a green surface. Some blocks are arranged to spell out 'RISK' and 'DATA ANALYSIS'. In the background, an orange tray holds more letter blocks, including 'M', 'A', and 'R'.

What are five risks and shortcomings commonly found in baselines?

2. Internal Process Risks:

Inadequate inspection/testing, lack of training, and insufficient **data analysis** can result in quality issues.



What are five risks and shortcomings commonly found in baselines?

3. Operational Risks:

Inefficient processes, information silos, supply chain disruptions, compliance missteps, and lack of visibility into supplier performance can negatively affect business continuity, and profitability.



What are five risks and shortcomings commonly found in baselines?

4. Quality Risks:

Quality risks in procurement can lead to increased costs, loss of productivity, damaged reputation, and regulatory non-compliance.

Factors contributing to **quality risks** include supplier-related risks, specification and design risks.

A close-up photograph of several wooden letter blocks scattered on a green surface. Some blocks are in an orange tray, while others are on the surface. The letters are in various orientations, including 'M', 'A', 'R', 'C', 'O', 'Y', 'R', 'I', 'S', 'D', 'E', 'F', 'I', 'A', 'U', 'S', 'D', 'I', 'A', 'E', 'F', 'I', 'A', 'E'.

What are five risks and shortcomings commonly found in baselines?

5. Reputation Risk

Lack of accuracy, integrity, objectivity leads to **skepticism for this and future** baselines

e.g., Greenwashing is impacting ESG overall



Mitigation - focus on:

- Diversifying the supply chain
- Implementing quality controls
- Negotiating favorable contract terms
- Strengthening cybersecurity measures
- Ensuring regulatory compliance
- Establishing clear communication channels
- Conducting thorough planning



What is the process of building a baseline and ensuring it is fit for purpose?

Example – Risk Baseline in a Procurement



What is the process of building a baseline and ensuring it is fit for purpose?

Procurement baselines play a **crucial** role in risk management:

- Risk management baselines provide a **reference point** for identifying, assessing, and managing risks throughout the procurement lifecycle.

What is the process of building a baseline and ensuring it is fit for purpose?

Risk Identification

- **Focus** on scope, schedule, cost, quality, resources, risks, and assumptions
- Provide a comprehensive risk **snapshot**
- Identify risks **early** in the procurement cycle
- Provide a **clear understanding** of the procurement objectives and constraints



What is the process of building a baseline and ensuring it is fit for purpose?

Risk Assessment

- Identify and **assess** procurement risk against established criteria
- Allow a **structured** evaluation of potential procurement risk
- Consider **impact** on scope, schedule, cost, other procurement parameters



What is the process of building a baseline and ensuring it is fit for purpose?

Risk Monitoring and Control

- Serve as a **benchmark** against actual progress
- Facilitate **ongoing risk monitors** throughout the procurement cycle
- Enable timely **interventions** to mitigate/manage risks, stay on track



What is the process of building a baseline and ensuring it is fit for purpose?

Adapt/Respond to Change – Ensure Continued Fit for Purpose

- Give procurement a **reference point** as it adapts to change
- Help one **understand deviations** from the original plan
- Craft **responses** to unforeseen risks/changes - project success

What is the process of building a baseline and ensuring it is fit for purpose?

A procurement baseline for supply chain risk:

- A foundational risk management **tool**
- A structured **framework** for procurement to identify, assess, monitor, control, and respond to risks which must be managed

Summary

What is the ROI of baseline management?

ROI

How are you measuring your investment?

ROI

How are you measuring your return/benefits?

What are the investments and benefits?





What are the investments and benefits?

- Investments
- Benefits



How Does This Apply to Your Situation?

What opportunity can you identify in your role?

Questions...



Summary

- How is a baseline used to help drive benefits/savings?
- What are key value levers which procurement practitioners use to create and use world-class baselines?
- What are five risks and shortcomings commonly found in baselines?
- What is the process of building a baseline and ensuring it is fit for purpose?
- What is the ROI of baseline management – what are the investments and benefits?



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