The New Age of Procurement and Supply

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Group Chief Executive CIPS

Chartered Institute of Purchasing & Supply
Leading global excellence in procurement and supply
The Global Agenda

<table>
<thead>
<tr>
<th>Issues emerging from economic upturn</th>
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<tr>
<td>The Scramble for raw materials</td>
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<td>Greater focus on ethical behaviour</td>
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<td>Acceleration of technological progress eg 3D printing</td>
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<tr>
<td>Increased supply chain compliance</td>
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<tr>
<td>Demographic change</td>
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<td>Shifts in the economic centre of gravity</td>
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# Shifts in Economic Power

**GDP at Purchasing Power Parity (PPP) rankings**

<table>
<thead>
<tr>
<th>Rank</th>
<th>GDP at PPP</th>
<th>Rank</th>
<th>GDP at PPP</th>
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2010 Edition

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CEOs big issues

PWC 17th Annual survey (1,344 CEOs)

Key messages

3 transformative trends
1. Harnessing technology change to creative value
2. Understanding how to serve increasingly demanding customers
   - Citizens assuming the journalist mantle
   - Product to ‘client need’ strategies
3. Capitalising on demographic shifts to develop tomorrow’s workforce
   (Shanghai GDP = Holland GDP)

What can our profession do?
1. Collaborative networks ‘eco-system’ of partners
2. Supply risk & brand exposure controlled through supply chain professionalisation
3. The ‘global profession’ developing common capabilities and outcomes
Key trends

- Revenues have increased by 31%.
- EBITDA has increased.
- Revenue per employee has increased.
- Number of employees has increased by only 11%.

The increase in revenues and underlying profitability are linked to greater use of suppliers.

"Corporate virtualisation" is set to continue. Suppliers form a critical part of today’s business.

- Reducing non-labour costs by 1% increases EBITDA by 4.1%.
- Reducing labour costs by 1% increases EBITDA by only 0.7%.
The coming dilemma

- An estimated $3trillion is sitting on balance sheets waiting to be spent
- Inventory levels are at an all time low
- Lead times in the electronics industry are on the rise (Dec 13 data)
  - Atmel 24 wks
  - Fujitsu 20 wks
  - Toshiba 24 wks
- Stock allocations are looming
Our Profession’s Evolution

1st AGE
- Profession in own right
- Professional Body Standards

2nd AGE
- Creating Value
- Upstream Category Management
- Leverage / Savings

3rd AGE
- Strategic Supply Networks
- Smart Alliances
- Enterprise Development
- An Ethically Accountable Profession

First Industrial Revolution 19th Century

Second Industrial Revolution 20th Century Mass Production

Third Industrial Revolution 21st Century

PROFESSIONS IMPACT

TIME

CIPS
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New Environment - New Situation

Informer
- Quals
- Training
  - Cost Management
  - Sourcing

Influencer
- Corporate Certification
- Corporate Award
- PMI
  - Category Management
  - Upstream Procurement
  - SRM

Shaper
- The Global Standard
- Licensed
- Chartered
- Ethical trading
- Risk index
- Sustainability index

PROFESSIONS IMPACT

PRCHASING → PROCUREMENT → SUPPLY CHAIN

STAKEHOLDER EXPECTATION

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Global Procurement & Supply Community

Biggest % of the global community is CIPS

Total community 2,545,642 in G20 & OECD countries
We must define our Boundaries

- Supply Financing
- Post Contract Management
- Defining Enterprise through partnership
- Mergers and Acquisitions

Own & occupy this space
The Burning Platform

**Ethics & Transparency**
- 29.8m people are forced to live in slavery around the world today
- Every day 6,000 people around the world die from work-related accidents or diseases
- Integrity in food supply chains is at a low

**Fraud**
- Corruption adds 10% to the cost of business and 25% to public procurement in developing countries
- More than US $1 trillion are paid in bribes annually

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Driving blind??

How much visibility of supply and capacity information do you have across your suppliers and logistics partners?

Without full visibility of the supply chain, organisations are at risk of:

- unknowingly acting illegally
- reputational damage
- potential supply disruption
- increased costs

No Visibility
Little to no Tier 1 supplier visibility

49%

Some Visibility
Limited Tier 1 supplier visibility, but not Tier 2 and beyond

32%

Enhanced Visibility
Tier 1 supplier visibility and some Tier 2 supplier visibility

9%

Complete Visibility
Tier 1,2, and beyond supplier visibility

4%

49%

32%

9%
CONSTANTLY CHANGING

- Supply chain falters, rocks of malpractice emerge
- Silt build up = need for increased vigilance
Licensing the Profession
Leading global excellence in procurement and supply

**Licensing the Profession – Road Map**

**Public Demand for Cheap Goods**
- Horsemeat → Fraud and corruption
- Bangladesh → Poor labour practices
- Slavery → Corporate slavery

**Who is accountable?**
Should company directors be accountable / responsible (liable?) for their supply chains?

**Public / Corporate Question**

- **Yes**
  - Public
  - Corporate

- **No**

“creating the debate”

- Strong PR

**What does this look like?**
Licensing the Profession – Framework

**Advanced Professional ‘Licence’** (self-regulated) (eg Chartered)

**Professional ‘Licence’** (self-regulated) (eg MCIPS)

**Pre – ‘Licence’** (self-regulated)

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**Global Standard**

**Journey to Licensed**

**Licensed**

**CIPS Membership and Community Segments**

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**CIPS Vehicles**

- Chartered
  - Exec Diploma
  - Master Practitioner
  - Corporate Award
- Experiential
  (+ Ethics Test + CPD)

**MCIPS**

- Professional Diploma
- Corporate Award
- MER/Experiential (Ethics Test)

**Other Vehicles**

- Accreditation of MBA’s
- ISM (CPSM) (+ top-up)
- Accredited Degrees

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**Other Professions**

**Knowledge Product**

**Ethics Test**

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**CIPS**

Leading global excellence in procurement and supply
“Promote and maintain for the benefit of the public high standards of professional skill, ability and integrity among all those engaged in purchasing and supply”
The Public Good

A procurement and supply profession open to all, for the benefit of all

United Nations

Negotiation Challenge

Global Public Sector Partnership with NIGP

Foundation Academies

Graduate Intern Programme

Access for all
Supporting the disadvantaged
The best and brightest
Young people

www.cipsfoundation.org

The Public Good

Leading global excellence in procurement and supply
The Future