

# Policy Statement

# Licensing the procurement and supply profession

# The Profession's Burning Platform

## Licensing the Profession.

**Modern communications and fast changing global trading are fundamentally altering the way business and government is transacted.**

Nowhere is this more prevalent than in procurement and supply chain management. Over recent times this profession has continually increased in significance as boundaries and barriers have eroded to provide a truly global marketplace. There is a sea change in how the Procurement and Supply profession is viewed; how it is held accountable and how it is expected to deliver. In 2012 CIPS examined what the forthcoming 20 years may look like for the profession with the publication of its forecasting document 80:20 Vision. Since then the work hasn't stopped – we continually strive to carve the pathway for the future and this document outlines a significant milestone in our road map for the journey ahead.

As CIPS, the profession's largest body, it is incumbent on us to recognise this change and seek to set a direction - signalling where we need to go and what we 'the profession' will look like. Like most professions, old parameters are changing and there is a need to adapt to survive. Procurement and supply is especially so and in our belief it has reached a significant crossroad.

'Licensing the Profession' is the Institute's policy statement, taking into account the views of senior members and major stakeholders keen to see the profession step up to the unique challenge. It will form the foundation of much of our messaging and activities over the coming period of time.

Two hundred years ago accountancy was strictly regulated because there was a burning platform: incorrect submissions of company accounts led to investor misery and fraud, so the government acted. Our burning platform is the supply risk side getting further out of control and people being harmed. In that sense, this profession is no different to accountancy - in fact you could argue the public good is more directly affected. Poor quality food, modern corporate slavery and procurement fraud affect many more people across the planet and the institute does not believe the issues we hear about on an almost daily basis will ever be solved until this action is complete.

With the hard work and dedication of thousands of procurement and supply chain professionals, our perspective has now changed beyond all recognition, as global companies experience seismic shocks to their earnings and share prices when a supply malfunction occurs.

We have witnessed some unprecedented events in recent years, from natural disasters such as the tsunami, to numerous product recalls based on faulty component parts, to potential fraud and corruption and lack of understanding of supply lines that caused the more recent horse meat scandal in the UK. Accountability for inadequate or exposed supply chains now goes right to the top, with the company's reputation on the line. Good corporate governance demands accountability and to have accountability means the appropriate authority and capability to act.

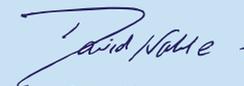
What does all this mean in terms of removing some of the poor practices we are still witnessing across global supply chains – whether it's child labour, inhumane working conditions, forced labour and slavery and not least the ever rising issue of procurement fraud? There is no doubt that the procurement and supply profession has a unique opportunity to meet this challenge and effect real change - stepping up as a professional community.

At the time of writing there is no doubt that many more sourcing and supply catastrophes will occur - whether in the food or retail industries or indeed in any industry where proper care and due diligence has not been exercised.

There is little sign of long term fixes being put in place, aside from the few determined companies who are elevating real investment and importance into the supply side functions. Ultimately it needs real change and because these matters often directly affect the public good, formal 'Licensing' is required.

The increasing globalisation of the world trading patterns means, as Peter Drucker states, 'that success is down to partnerships not ownerships' and that businesses don't compete, it's their supply chains that do, ensuring they build a key competitive edge. Execution, not innovation often becomes the key differentiator in a world where new ideas are rapidly copied and efficient operation is key.

The following policy has been formulated from many and varied discussions with senior stakeholders and has been signed off by our trustees. It forms the core of our ethical trading intent and the backbone of our products and services. Like all such policies, further details will evolve with time but its very essence will remain the same.



**David Noble**  
Group CEO, CIPS • October 2013

# CIPS Policy Statement

The procurement and supply profession must be formally licensed both to protect the public good and to enhance and underpin its significance. This Licence is required by all professionals who are tasked with managing an enterprise's spend. We are calling for:

- A clear focus on personal accountability in procurement and supply management
- Modern day procurement and supply to be carried out by professionally qualified personnel
- Procurement and supply professionals to be able to demonstrate a pre-determined level of competence and understanding that is continually updated
- All enterprises/employers – whether in the public or private sectors – to self-regulate by implementing the Licence
- Government legislation to support this policy
- All bodies representing the profession (NGOs, professional institutes, consultancies etc) to support this policy

## CIPS has a Royal Charter to deliver the following imperatives:

'To promote and develop for the public benefit the art and science of purchasing and supply and to encourage the promotion and development of improved methods of purchasing and supply in all organisations'.

'To promote and maintain for the benefit of the public high standards of professional skill, ability and integrity among those engaged in purchasing and supply'.

'To educate persons engaged in the practice of purchasing and supply by means of examination and other methods of assessment to test the skill and knowledge of persons desiring to enter the Institute'.

# What happens next?

We have always delivered to our Royal Charter...

**...but as the world is changing at such a dramatic speed - CIPS believe the time is now right to call for the Procurement and Supply profession to be licensed.**

All this adds to the simple logic that if procurement and supply is the competitive differentiator then the function's performance is critical to success. Here then is the dilemma, as it asks a great deal of the procurement and supply professionals who once were rigidly defined in their roles and whose boundaries are expanding prodigiously. A sporting analogy being that we have been trained as goalkeepers when we now need strikers with all the attendant skill sets, not least the ability to influence at senior levels. Above all we have to take ownership and be given accountability for our actions.

As an end to end process, we must now redefine and communicate the value add of the profession. We must ensure that its practitioners are up to date with latest thinking and best practice and can extend their skill set where necessary to become specialists and not just procurement and supply generalists.

What does this mean? It means the standardisation of both development and practice, having a skills pathway and standardisation of processes.

It means being assessed to a capability standard and for all to work to standards of practice and ethics that ensure the best possible outcomes at all times. It means the step beyond MCIPS and gives us the ability to be accountable for our actions.

There is no doubt that this is a major stake in the ground and offers a new era for our profession requiring a significant undertaking from all involved. The individual professional will play the central part in taking ownership of skills and practice development – supported by CIPS. But we are also demanding a wake-up call on behaviours – those of the individual, the organisation and suppliers.

We see this as presenting the next stage of both the profession and the professional's journey. CIPS views MCIPS as the heartland of the professional procurement practitioner – it's the Licence to operate and will always remain so. But for this profession to evolve there has to be the next step in formalising senior level skill sets and behaviours where the operating knowledge or theory is demonstrated in use. It means a fully regulated profession where standards will rise along with the confidence to meet the increasing challenges it faces.

# What happens next?

The aim is that this in time will lead to the creation of a Chartered Member Grade which, along with other activities will form the basis for the Licence to Practise that will need to be regularly maintained by a demonstration of up to date skills and knowledge.

CIPS recognise that 'self-regulation' is always preferable in effecting real change in mature trading environments. However, with the significant 'public good' impact, we also recognise that this programme will require government intervention to ensure standards are met.

The Bangladesh fire and the horse meat scandal demonstrated what can happen where accountability and standards of procurement and supply practice are lacking, where tight margins and the wrong measurements govern decisions, overriding procurement and supply managers saying that source decisions are incorrect.

Today Procurement and Supply has its burning platform and CIPS believes that if we act now we can continue to thrive. A true Licence for the profession, where both company performance and public good are protected is now essential and the institute is putting this policy at the heart of everything it does. Such a licence will professionalise the function encouraging and attracting the best.

## WHAT DOES THIS MEAN FOR PROCUREMENT

We can't state strongly enough that MCIPS remains the core standard – it is what we will be referring to as a licence to operate. This journey is about building on MCIPS not detracting from it. The route leading from MCIPS to obtain the Licence to Practise will be down to the individual concerned and the organisation within which they operate. It recognises that the skill set at the senior end of this profession needs to develop further so it can meet the changing demands it is faced with.

# The next steps

## ACCOUNTABILITY, OWNERSHIP AND REWARD

**CIPS believes that the growth and empowerment of this profession starts with the individual.**

As a collective community we have a loud and powerful voice but as individuals we can also effect change. CIPS members all sign a CIPS Code of Conduct which expects them to behave in a certain ethical manner and therefore will become a core component of any Licence.

Sadly we recognise that procurement professionals often face dilemmas and are witness to unethical practices. In that instance the Licence will serve as a means to challenge that behaviour and report it to the appropriate authorities and, if necessary, 'whistle blow'. Each individual licence holder will be accountable for their licence. They have the ability to challenge poor practice by using their own individual licence as a reason not to proceed with the requested action.

**This policy outlines where CIPS believes the Profession needs to be in future years. It is aspirational and we have a lot of work to undertake to make it a reality. However, the journey starts here and various activities are already underway.**

Working with high profile individuals, CIPS will be lobbying at government level as well as engaging with senior high level business influencers, to ensure the message is heard and acted upon across the global business community. We are already in discussion with a number of CEOs of major multinational organisations who are fully behind this proposition.

CIPS is committed to this journey but needs to ensure its procurement and supply community helps to shape it. For this to happen we will need the collective voice of the profession. CIPS Congress, as a representative body will be heavily involved in the next stages of the process. We encourage all to engage with us, let us know your thoughts and opinions and become part of this profession's future; email us at [licensing@cips.org](mailto:licensing@cips.org) or start the debate on one of CIPS' official social networks via CIPS.org using #CIPSLicence.

**CIPS 2013**

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