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Question 1

Question Type: MultipleChoice

Explain what is meant by Corporate Governance and why having Corporate Governance structures is important. Discuss 2 obstacles which may impede an organisation achieving high levels of Corporate Governance. (25 points)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

- Firstly start with a definition of Corporate Governance -- this means the rules, policies, processes and organisational structures that ensure an organisation adheres to accepted ethical standards, good practices, the law and regulations. It's the systems put in place which directs and controls organisations to do 'the right thing'.

- Then move on to discuss why having this is important -- I'd maybe think of 3-4 examples here such as: protects the interest of shareholders, reduces risk, moral obligations, legal obligations

- The last part of your essay should talk about the 2 obstacles -- describe two from the following list: lack of executive support, poor stakeholder co-operation, lack of clarity and / or resources, having poor IT systems, lack of co-ordination of procurement responsibilities. Because you're only talking about 2 here, you'll need to go into detail about them. So pick 2 you know well. Don't be tempted to talk about more than 2. You won't get extra marks.

Example Essay:

Corporate governance refers to the system of rules, practices, processes, and structures by which a company is directed and controlled. It encompasses the relationships among a company's management, its board of directors, shareholders, and other stakeholders. The primary objective of corporate governance is to ensure that the company operates in an ethical, transparent, and accountable manner, safeguarding the interests of shareholders and promoting long-term value creation. Corporate governance can be defined internally (by shareholders/ managers) or externally (by governments and international standard-setting bodies such as ISO) and is important for all organisations

Corporate governance is needed because you can't assume everyone will act ethically- rules and procedures need to be written down and the organisation needs to have recourse for dealing with behaviour that falls outside of what is accepted. Procurement's role in Corporate Governance includes control over finance and expenditure, ensuring the supply chain is 'clean' (i.e. not involved in unethical business practices such as child labour) and risk management.

Why having a corporate governance structure is important:

- 1) The procurement department has a 'stewardship' role -- it controls large sums of organisation's funds. There are many opportunities to commit fraud, make unethical or biased decisions so it's important that there are corporate governance structures in place to prevent this. It protects the organisation from individuals with bad intent, scandal, and legal repercussions.
- 2) Strong Corporate Governance is required to successfully manage a supply chain. It's important to ensure good relationships- suppliers need to see you as a 'good customer'. If your organisation is seen to be unethical or underhand, suppliers may not want to

work with you.

3) Financial impact -- where corporate governance isn't implemented, there may be financial costs for the organisation. For example, in the Public Sector if a supplier successfully challenges a tender award, the buyer may have to award the value of the tender -- so there's financial impact on a company if corporate governance isn't followed.

Obstacle 1 -- lack of senior management support

Unless there is buy-in from the senior leadership team it will not be possible for departments such as Procurement to implement sound Corporate Governance procedures. Corporate Governance needs to be directed from the top of an organisation to ensure all departments and staff give importance to this. If Senior Leadership are seen not to care about implementing or following Corporate Governance, other staff won't care either. They need to lead by example to ensure the whole organisation 'buys into' the processes.

Obstacle 2 -- Poor IT infrastructure.

For Corporate Governance to be effective, an effective IT system must be implemented. For example, to avoid fraud it's not just necessary to have a written anti-fraud policy, there must be ways of checking that fraud isn't being committed. The way to do this is to have an effective IT system which can flag anomaly payments and procurement activities outside of what is considered 'normal'. Therefore, having a poor IT infrastructure is a barrier to effective Corporate Governance.

In conclusion, corporate governance is essential for building trust among stakeholders and contributing to the overall success and sustainability of a company. Effective governance structures and practices instil confidence in investors, enhance the company's reputation, and foster a culture of responsibility and accountability throughout the organization. Good corporate governance is a cornerstone of sound business management and contributes to the long-term prosperity of the company.

Tutor Notes

- Corporate Governance became a big thing in the 70s and 80s following high profile scandals and the collapse of several companies. Investors were concerned about what companies were doing which led to increased control on the powers of directors and greater transparency of corporate actions.
- Examples of Corporate Governance. Enron is a good real life example you could use: Impact of Bad Corporate Governance - Corporate Fraud and Corruption: A Holistic Approach to Preventing Financial Crises (ebrary.net)
- This is a really good real-life example of Public Sector procurement gone wrong: Flawed nuclear tender sees 100m payout to firms - BBC News
- Adding in some real life examples will take your essay from a Merit result (50-70%) to a Distinction (70% +)
- Another way this topic can come up as a question is describing the elements of corporate governance, or asking what a procurement manager should do when corporate governance is broken/ not followed.
- LO 3.1 p.117

Question 2

Question Type: MultipleChoice

It is important for an organisation to balance achieving Added Value and ensuring processes are compliant. Explain the consequences of focusing on one area over the other and how an organisation can achieve both in its procurement activities (25 points).

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach this question.

- There's many aspects to this question -- make sure you're answering them all:
- Explain what added value is and explain what 'ensuring processes are compliant' means (this could be your introduction) Added Value = achieving more for the same money. May be in producing an item cheaper, or by procuring additional features at no additional cost. Requires innovation and creativity. The focus is on the outcome. Compliant Processes -- this is focusing on the process, rather than the outcome. Ensuring that purchases are made in line with internal and external rules/ procedures. This may be following Standard Operating Procedures, purchasing to strict budgets and the exclusive use of e-procurement tools.
- Explain the consequences of focusing on added value over compliance; can result in maverick spending, less visibility for management, may have additional risks if procuring items without following procedures -- this may have legal and financial repercussions, Time-consuming, May lead to added expenses
- Consequences of focusing on compliance over added value; May foster a silo-mentality, Misses out on flexibility and agility, misses out on collaborative whole life costs reductions, Procurement function becomes rigid, inflexible and inwardly focused

- How both can be achieved; 1) Seek to add value only for certain purchases such as capital-expenditure items and not for others such as stationary. 2) Ensure time is well-spent i.e. focus on added value for purchases where this can be most achieved, and focus on compliance where there is high risks. 3) Review processes regularly to ensure both goals are being achieved 4) Complete 'lessons learned' activities after big procurement activities to advise on future procurement activities- were both Added Value and Compliance achieved? How could this be improved next time?

- these three should form the main body of your essay. Above are many ideas you could explore, you won't have time to talk about all of them so pick a couple that resonate with you

Conclusion -- the balance is important

Example Essay

Added value refers to the extra worth or enhancement a company provides to a product, service, or process that goes beyond the intrinsic value inherent in the initial input. It represents the additional benefits or features that make a product or service more desirable to customers, often justifying a higher price or distinguishing it from competitors. Procurement often look to achieve added value in procurement activities but achieving this whilst remaining compliant (adhering to established laws, regulations, standards, and internal policies) can be tricky. Achieving a delicate equilibrium between pursuing added value and ensuring stringent compliance in procurement activities is pivotal. This essay explores the consequences of emphasizing one area over the other and outlines strategies for organizations to successfully navigate the dual goals of attaining added value and maintaining compliance.

Consequences of Focusing Solely on Added Value:

Prioritizing added value without due consideration for compliance can expose an organization to a myriad of risks. One notable consequence is the potential compromise of regulatory requirements and legal standards. For instance, if a procurement team is solely driven by obtaining cost-effective solutions or innovative products, they may inadvertently overlook compliance with industry-specific regulations, leading to legal ramifications and reputational damage.

Moreover, an exclusive focus on added value may neglect crucial ethical considerations. An organization, in pursuit of cost savings or improved efficiency, might engage with suppliers that violate ethical standards or engage in unethical business practices such as modern day slavery. Such associations can tarnish the organization's reputation, eroding the trust of stakeholders and customers alike.

Consequences of Overemphasizing Compliance:

Conversely, a hyper-focus on compliance without adequate consideration for added value can result in missed opportunities and suboptimal outcomes. Strict adherence to procedural norms and regulations might lead to an overly bureaucratic procurement process, hindering innovation and stifling the organization's ability to adapt swiftly to market changes.

Furthermore, an excessive emphasis on compliance might limit engagement with suppliers, stifling creativity and potential breakthroughs. For instance, a procurement team rigidly adhering to compliance protocols might miss out on collaborating with smaller, innovative suppliers that could offer unique and value-added solutions.

Strategies for Achieving Both Added Value and Compliance:

To navigate the delicate balance between added value and compliance, organizations can adopt several strategic approaches. First and foremost, an organization should establish clear procurement policies and procedures that incorporate both compliance requirements and avenues for seeking added value. This ensures that all procurement activities align with regulatory standards while leaving room for innovation.

Effective supplier management plays a pivotal role in achieving this balance. By thoroughly vetting and categorizing suppliers based on their ability to deliver value and comply with regulations, organizations can strategically align their procurement activities. For example, suppliers that have a proven track record of compliance can be trusted with critical components, while those offering innovative solutions may be engaged for projects that prioritize added value.

Leveraging technology is another essential strategy. Implementing advanced procurement software that integrates compliance checks and offers analytics for value assessment can significantly enhance the efficiency of procurement processes. Automated systems can streamline due diligence, ensuring that suppliers meet compliance standards while providing insights into their potential to deliver added value.

Additionally, fostering a culture of collaboration within the procurement team and across organizational departments is crucial. Encouraging open communication enables different stakeholders to contribute insights on compliance and added value. Cross-functional collaboration ensures that procurement decisions align with broader organizational goals and values.

In conclusion, the strategic balancing act between achieving added value and ensuring compliance in procurement is indispensable for organizational success. By recognizing the consequences of favouring one area over the other and adopting a holistic approach, this safeguards against risks but also positions the organization for sustained growth and competitiveness in the ever-evolving business landscape.

Tutor Notes:

- Examples highlight that you understand the material you have studied and can apply it to real life scenarios. You could take a certain industry or organisation and explain the consequences for them of focusing on one over the other. E.g. In the construction industry it is very important that organisations achieve compliance in their procurement activities. This includes ensuring there are robust contracts in place and that legislation such as CDM and Health and Safety is followed. When procuring a construction contract the danger of focusing on Added Value over compliance is that this may result in key legislation being forgotten which leads to legal proceedings against the buyer. For example, if the buyer procures a construction contract without fulfilling the responsibilities outlined in the CDM and H&S regulations, this can result in huge fines for the company and potential jail time for senior management.
- The risk of focusing on compliance over added value may be in missing out on alternative proposals. For example, if a buyer is procuring a construction project of a new hospital and they focus too much on compliance, they may not engage in Early Supplier

Involvement or cross-functional working which may bring up alternative ideas such as different ways the hospital could be built. The alternative ideas may result in higher quality or cost savings which are missed by the buyer. This results in a more costly, or lower-quality hospital being built.

- Overall, what CIPS are testing you on here is that you understand that the procurement department should aim to achieve both -- it's a balancing act between compliance and added value and this could be viewed as a pendulum- it's important not to swing too heavily in one direction. That's actually a really good metaphor -- feel free to use that in your conclusion!

- study guide p. 114

Question 3

Question Type: MultipleChoice

What is meant by a structured procurement process? (10 marks) Why is this important? (15 marks).

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

- Definition of 'structured procurement process' -- when an organisation provides a sequence of actions / steps to take to get the outcome (the procurement of an item). This involves an organisation providing guidelines and instructions of how things should be done. Basically following a step-by-step process.
- Why this is important -- Ensures all tasks that need to be done are done, maintains consistency, prevents conflict and suboptimal behaviour, improves efficiency, better managerial control, compliance (with laws and standards), assists with continuous improvement, may result in time/ cost savings, reduces risks such as fraudulent spending.

Example essay:

The first part of the question is worth 10 points, so you could include a few of the following points. It would also be good to include examples:

- Structured procurement involves creating rules on how procurement should be done
- This is in contrast to reactive / maverick spending
- May come about due to company policy, external regulations or through trying to achieve Competitive Advantage
- Examples include an organisation having set procedures for ordering items of different spend- e.g. Procurement Assistants can purchase items up to 500. Items between 500-1000 require a manager's approval and anything over 1000 requires a written Business

Case in order to procure

- Structures Procurement Processes will usually also include the use of a designated e-procurement tool. E.g. an organisation may insist that all tenders use a certain online system and that invoices are sent via X system within 30 days.

The second part of the question is worth slightly more points, so spend more time on this. You could put each of the reasons why it is important in a separate paragraph. Also use examples where you can;

- Ensures all tasks that need to be done are done- having structured processes means having a step-by-step guide to how to procure. This means activities are well co-ordinated and there are no gaps, no duplications of effort and no conflicting efforts. It may involve assigning different people in the team different roles e.g. someone makes the requisition and someone else approves it. It also means that nothing is forgotten.

- Maintains consistency- having standardised processes means each procurement exercise follows the same process. This may include using a standard template for a requisition or ITT. Where there is consistency, this results in time being saved and less mistakes being made as everyone (including supply partners) is familiar with the processes.

- Prevents conflict and suboptimal behaviour- in organisations that use structured procurement processes everyone does the same. This means there is no conflict (e.g. one person doing things one way and another person does it differently and arguing which way is best). It also means no one can do procurement 'wrong' -- there are written guides and procedures to follow. This is particularly helpful for new starters.

- Efficiency -- time and money can be saved where there are standard procedures as people don't have to plan each procurement activity individually. Structured Procurement Processes may also involve completing bulk orders and co-ordinating activity within the organisation which means less orders are placed over the year and efficiency savings can be made. For example, a factory may create an order of cleaning products once a quarter, compared to ordering products just as and when they are required. This will save time of the procurement department overall throughout the year and allows them to focus on other more value-adding tasks.

- Better managerial control -- Managers have more oversight when using structured procurement. There are clear rules as to when managers need to be involved and provide sign-off. This visibility makes it easier for managers to make decisions and allows for early intervention where someone needs assistance. It will reduce maverick spending and fraudulent spending. For example, it is much harder to provide kick-backs to suppliers when there are clear processes and audit trails and managers have visibility over all processes.
- Compliance (with laws and standards) -- particularly in the Public Sector there are rules and regulations regarding procurement practices. Using standardised processes allows organisations to demonstrate compliance with appropriate legislation. It also protects them from 'challenge'. This is when a bidder who is unsuccessful challenges the decision to award a contract to someone else. Using a structured procurement process allows the organisation to demonstrate that they procured the item correctly and the challenge is unfounded.

Tutor Notes

- This topic isn't as well explained in the new study guide as it used to be. It's all pretty obvious stuff but the language is slightly different. The guide now talks about 'compliance with processes' and the benefits this brings. Which is exactly the same as why do you follow a structured process. This is on p. 114.
- If you're feeling clever, you could mention the difference between Public and Private Sector- e.g. a private organisation may use standardised processes for efficiency and cost savings, whereas a public sector organisation may use it more for compliance purposes.

Question 4

Question Type: MultipleChoice

What is the purpose of a CSR policy? What elements should it contain and how can a buyer evaluate a potential suppliers CSR policy?
(25 points)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach this question

- There are three questions within this question. The purpose could be your introduction, and then take two big sections in the main body of your essay for the elements and how to evaluate it.

Example Essay

A Corporate Social Responsibility (CSR) policy serves as a formal commitment by a company to conduct its business in a socially responsible and sustainable manner. The purpose of a CSR policy is to outline the organization's dedication to ethical practices, environmental stewardship, and social contributions. It reflects a company's commitment to going beyond mere profit generation and actively engaging in initiatives that benefit society and the environment.

Elements of a CSR Policy:

1. Ethical Business Practices:

* Clearly articulated principles on fair business dealings, anti-corruption measures, and adherence to ethical standards in all operations.

2. Environmental Sustainability:

* Commitments to minimize environmental impact through sustainable practices, energy efficiency, waste reduction, and responsible sourcing of materials.

3. Social Responsibility:

* Efforts to contribute positively to the community, which may include support for education, healthcare, poverty alleviation, or other social initiatives.

4. Labor Practices:

* Fair and ethical treatment of employees, including non-discrimination, fair wages, safe working conditions, and respect for workers' rights.

5. Supply Chain Responsibility:

* A commitment to ensuring that suppliers and partners adhere to similar ethical and CSR standards, promoting responsible practices throughout the entire supply chain.

6. Transparency and Accountability:

* Open disclosure of CSR initiatives, performance, and impacts, demonstrating a commitment to transparency and being accountable for CSR goals.

7. Stakeholder Engagement:

* A pledge to engage with and consider the interests of various stakeholders, including employees, customers, communities, and shareholders, in decision-making processes.

Evaluating a Supplier's CSR Policy:

Assessing a potential supplier's CSR policy involves a comprehensive examination of key factors to ensure alignment with ethical and responsible business practices:

1. Policy Content:

* Review the content of the CSR policy to ensure it covers a broad spectrum of social, environmental, and ethical aspects. A comprehensive policy reflects a commitment to holistic CSR practices.

2. Alignment with Industry Standards:

* Check if the CSR policy aligns with industry-specific standards and best practices. Adherence to recognized standards, such as the Global Reporting Initiative (GRI) or ISO 26000, indicates a commitment to global CSR norms.

3. Performance Metrics:

* Evaluate whether the supplier includes measurable performance metrics in their CSR policy. Clear objectives and key performance indicators (KPIs) demonstrate a commitment to continual improvement and accountability.

4. Stakeholder Engagement:

* Assess how the supplier engages with stakeholders. A robust CSR policy should involve stakeholders in decision-making processes and demonstrate an understanding of their concerns.

5. Supply Chain Responsibility:

* Check if the supplier extends CSR principles to its supply chain. This involves ensuring that suppliers and partners adhere to ethical, environmental, and social standards, contributing to a responsible and sustainable supply chain.

6. Transparency and Reporting:

* Look for transparency in reporting. A supplier that openly communicates about its CSR initiatives, achievements, and challenges indicates a commitment to accountability and transparency.

7. Continuous Improvement:

* Evaluate if the supplier emphasizes a commitment to continuous improvement in its CSR policy. This indicates a dynamic approach to addressing emerging challenges and staying ahead of evolving CSR expectations.

By thoroughly examining these aspects, a buyer can gain insights into a potential supplier's commitment to corporate social responsibility and make informed decisions that align with their own CSR objectives and values.

Tutor Notes

- Students often ask if they can use bullet points in their essays. Many tutors say no, but the answer is actually more nuanced than that. I've purposefully written the above in bullet points to show you how it can be done effectively. Bullet points are fine, providing you're using full sentences and it makes sense as a stylistic choice. It's not a good option if you're just going to list things without context. Then

it can be hard to follow. I've personally used bullet points in essays and done really well. There's no rule against it. You've just got to make sure you're doing it 'right'.

- CSR policies are only briefly mentioned in LO 2.4 but it does come up as quite a big topic in other parts of the syllabus so is worth knowing. You could mention some examples of big companies and what their stance on CSR is. A good one to look at is The Body Shop.
- The study guide references Carroll's Pyramid -- this would be great to include in your essay Carroll's CSR Pyramid explained: Theory, Examples and Criticism (toolshero.com) p.112

Question 5

Question Type: MultipleChoice

Explain, with examples, the advantages of a Procurement Department using electronic systems (25 marks)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

- Mention of some of the following benefits with at least one example provided against each; cost savings, time savings, more efficient, higher levels of transparency, easier to access historical records to inform upon decision making, mitigates risks such as fraudulent spending, easier to track spend against budgets, ensures compliance with regulations, provides 'real-time' information, paperless communications (so more environmentally friendly), assists in Supply Chain Management and integration with supply partners.
- I'd suggest 5 is a good amount to aim for

Example Essay

Procurement stands to gain numerous benefits from the adoption of electronic systems. These electronic tools and systems bring efficiency, accuracy, transparency, and cost-effectiveness to the procurement process. Here are several compelling reasons why procurement should leverage electronic systems:

Cost savings -- the use of electronic tools saves organisations money. Although there is an initial cost outlay, over time the systems will save the organisation money. For example the use of e-procurement tools can save money by accessing a wider pool of suppliers. For example, when using an e-sourcing portal, a tender may reach a larger number of suppliers- this makes the tender more competitive thus driving down prices. Compared to traditional methods such as phoning suppliers for prices, the use of electronic portals encourages suppliers to 'sharpen their pencils' and provide the best prices in order to win work. Money is also saved as communication is digital (so there is no costs for paper and postage).

Time savings -- electronic tools automate a lot of processes which saves time. An example of this is e-requisitioning tools where orders can be placed automatically by a piece of technology when quantities of a material reach a certain level. For example, in a cake

manufacturing organisation they may use an MRP system which calculates how many eggs are required per day. The machine knows that when the company only have 50 eggs left, a new order needs to be issued to the supplier. The MRP system (e-requisitioning system) therefore saves time as the Procurement department doesn't have to manually pick up the phone to place the order with the supplier- it is done automatically.

Access to higher levels of information - e-Procurement gives you centralised access to all your dat

a. You can access the system to look at historical purchases with ease compared to having to dig through folders and filing cabinets. For example, an electronic PO system will hold details of all historical POs, this means if someone has a question about a PO that was raised 4 months ago, finding the information is much easier and quicker. Some systems may also be able to provide analytical data such as changes to spend over time, or which suppliers a buyer spends the most money with. This higher level of information can help inform upon future decision making. For example, if the organisation wishes to consolidate its supplier base it would look through historical data provided by the electronic system to find out which suppliers are used the least and remove these from the 'pre-approved supplier list'. This level of data might not be available in manual systems.

Better budget tracking -- using electronic systems allows for real-time information to be collected which allows Procurement Managers to see where spend is compared to forecasts and budgets. An example of this is in the use of Pre-Payment Cards -- rather than giving staff members petty cash to make transactions and having to chase this up and collect receipts and change, a pre-payment card usually comes with an online portal where a manager can see what has been purchased and the remaining budget on that card for the month. A manager may be able to see for example that a member of staff has spend 300 of their allotted 500 monthly allowance.

Higher levels of transparency and control -- using E-procurement tools allows an organisation to track who is ordering what. For example, an e-requisitioning tool may allow Procurement Assistants to make purchases up to 500 but set an automatic escalation if they try to buy something of higher value. This allows for Management to have greater levels of visibility and more control over spending. Another example of transparency and control is in the use of e-sourcing tools to run a competitive tender exercise. All communication between the buyer and suppliers is tracked on the system and award letters can be sent via the system too. This reduces the risk of

information being lost.

Environmental benefits- the use of e-procurement tools means that there is less paperwork involved. For example, rather than creating a physical PO which needs to be signed by a manager, an electronic system can allow a manager to sign-off the purchase by clicking a button. This means there is no requirement for the document to be printed. This saves paper and thus has a positive on the environment. Using electronic systems may help an organisation achieve their environmental targets.

In conclusion there are numerous benefits for procurement to adopt e-procurement tools. Depending on the sector and requirements of each individualised company, some advantages may be more pertinent than others, but it is undeniable that technology is helping to shape the industry into a value adding function of organisations.

Tutor Notes

- With an essay like this you could use subheadings and number the advantages if you like. It's a good idea to do one advantage per paragraph and using formatting really helps the examiner to read your essay.

- study guide p.108

Question 6

Question Type: MultipleChoice

What is an electronic system? Describe the following: e-requisitioning, e-catalogues, e-sourcing, e-payment technologies (25 marks)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach this question:

- Your response will need 5 definitions. For 25 points that means 5 points per section so think about the level of detail you'll need to include. It would be 5 points for electronic system (i.e. your introduction and conclusion), and then do a paragraph on each of the technologies. In the description you could talk about why it's used and the advantages, and give some examples if you know any.
- Definition of electronic system -- a system which uses some form of technology and automates a procurement process than would otherwise have been completed manually.
- E-Requisitioning -- a way of ordering goods or services. Includes the use of integrated ordering systems such as: ERP/ ERP II / MRP / MRP II
- E-Catalogue- an electronic display of what goods can be ordered. A simple example of this may be a supplier displaying the goods they offer on their website and the prices to purchase the goods.

- E-Sourcing -- this involves the early stages of the tender process- using an electronic portal to find a supplier and / or conduct a tender exercise.

- E-Payment -- the P2P part of the cycle (procure to pay) -- may involve electronic POs and Invoices, BACS, CHAPS and SWIFT payment systems, and the use of Purchasing Cards

Example essay:

Electronic systems, commonly referred to as E-procurement, is the business-to-business or business-to-consumer purchase of goods or services, typically using the Internet or other information/ networking systems such as ERP systems. It has developed in the past 20 years as technology has improved and replaces time-consuming manual processes and is now considered the 'norm'. Electronic systems and e-procurement can be used throughout the entire supply chain- not just between a single buyer and supplier. Examples of electronic systems including the following:

E-requisitioning

This is often used in manufacturing organisations to order raw materials. An electronic 'bill of materials' is created and stock levels are automatically updated. As materials get used and a pre-determined level is reached, this triggers a new order which is placed via an e-requisitioning system such as MRP. It is a technological version of the traditional kan-ban (2 bin) system. E-requisition tools are often cloud-based. It helps buyers simplify the buying process, track orders and provides higher levels of visibility on spend. The main disadvantage to this technology is that it requires technology interfacing between the buyer and supplier, which may be expensive.

E-catalogues

This is a digital or online version of a catalogue- a document that details what you can buy and at what price. There are two main types -- buy side catalogues and sell side catalogues. A buy-side catalogue is an internal system used by a buyer which hosts a list of pre-approved suppliers from whom purchases can be made. It may include details of commonly bought items and the prices. The use of this

reduces maverick spending and ensures consistency in purchases (e.g. whenever lightbulbs need to be ordered, the same lightbulbs are ordered so the office lighting is consistent). A sell-side catalogue is provided by a supplier and details what they offer- it often includes prices, any discounts for bulk buying and may also let buyers know of availability (e.g. the website may say only two items remaining). This may be as simple as a price list on their website, available for anyone to view.

E-sourcing

This is a tool that helps a buyer find the most suitable supplier. Examples include e-tendering websites where a buyer can host a competition to find a supplier. E-auctions are also a type of e-sourcing tool. The tool (often a website) hosts all of the tendering documents and allows for buyers and suppliers to communicate during the tender process (for example if there are any clarifications needed on the specification). Using this tool allows for transparency and equal treatment, but also saves time in completing the tender exercise. PQQs can be automated and some e-sourcing tools include the use of Artificial Intelligence which can 'read' tender submissions and automatically exclude suppliers who do not fulfil the required criteria.

E-payment technologies

These are methods to pay for goods and services that replace the need for cash and cheques. Examples include online bank transfers, electronic Purchase Orders and Invoices and the use of Pre-Payment cards. These act like credit cards for employees to use when they need to buy supplies. For example, if you have a maintenance team that frequently need to purchase low-value items like screws and paint, you could issue the team with a Pre-Payment card with a certain limit (e.g. 500/ month) so they can buy what they need. The company will then automatically be sent a monthly invoice for all of the purchases. This saves time from having to issue the maintenance team with petty cash for the purchases and allows for greater visibility over spend (e.g. how many screws are typically bought per year?). Another typical use is for staff travel.

In conclusion, procurement teams benefit significantly from leveraging electronic tools, including e-requisitioning, e-catalogues, e-sourcing, and e-payment technologies. The adoption of these electronic tools brings about various advantages that enhance efficiency,

transparency, cost-effectiveness, and overall effectiveness in the procurement process. Moreover E-procurement tools has helped develop the procurement function into a professional and respected function and allows for a more pro-active rather than reactive approach to purchasing.

Tutor Notes:

- Fun Fact! In the public sector, it is mandated that electronic systems are used in procurement (Public Contract Regulations 2015) as this helps to achieve the objectives of transparency and equal treatment. Where manual systems are used, it is easy to manipulate the tender process. For example, a buyer could read some tender submissions before the deadline for submission and no one would know, but with an electronic system this is impossible as it locks evaluators out until the deadline has passed and all bidders have submitted their responses. (note PCR 2015 is being replaced in 2024- details are still TBC but the above fun fact will still remain in the new legislation- they're definitely still going to make it compulsory).

- You could also mention the names of systems if you know any. For example, e-sourcing tools include MyTenders.com and Delta E-Sourcing. PO / Invoice systems include Sage, Xero and QuickBooks.

- The question doesn't ask for advantages of using these technologies but you could mention this in your answer. Just be sure that this isn't the focus of your response- the question asks specifically for you to DESCRIBE the systems so detailed s and examples are where you will secure the most points.

- p.108

Question 7

Question Type: MultipleChoice

Jan is a Contracts Manager at ABC Ltd and has recently awarded a contract to XYZ Ltd. Describe how she can manage the contract and supplier, detailing ways of monitoring performance and adding value for ABC Ltd (25 marks)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach this question:

- There

are 4 sections to this essay, so before you start writing I'd make a couple of notes on each of the points. Then build those notes into separate paragraphs. Your notes may look like this:

How to manage the contract -- ensuring contract is fit for purpose, holding XYZ to their responsibilities, ensuring ABC are also fulfilling their responsibilities, issuing contract variations if required, planning for contingencies.

- How to manage the supplier -- ensure the right relationship is in place (transactional vs collaborative), communication -- open and honest, ensure there is mutual trust and understanding of each other's goals/ objectives.
- Ways of monitoring performance -- use KPIs / SLAs, Supplier Scorecard, Vendor Rating, feedback from customers
- How to add value for ABC -- increasing efficiencies (e.g. less product defects), improved quality, assisting with Value Engineering exercises, reduction in time and costs (e.g. through improved processes such as ordering), the supplier delivers 'extras' for ABC such as training to staff at no additional cost.
- Ensure each paragraph refers to Jan, ABC and XYZ. The question doesn't state what the businesses are buying/ selling so you can use this as an opportunity to provide examples: 'if ABC are procuring raw materials from XYZ such as metal, an effective way to manage performance would include If they are procuring a service, it may be more beneficial to use methodology'

Example Essay

Jan, the Contracts Manager at ABC Ltd, plays a pivotal role in ensuring the success of the recently awarded contract with XYZ Ltd. Efficient contract and supplier management involves careful planning, communication, performance monitoring, and the continuous addition of value. Here's how Jan can navigate these aspects:

In terms of contract management, Jan must ensure that the terms and conditions of the contract are 'fit for purpose,' aligning with the specific needs and complexity of the procurement. For instance, a simple goods procurement may necessitate a concise document, while more intricate projects like engineering endeavors may require a detailed contract such as a JCT or NEC contract. Additionally, Jan should vigilantly manage the contract during its lifespan, addressing any potential 'scope creep' that might necessitate amendments. If the contract lacks provisions for such changes, Jan may need to initiate the creation of a new contract to accommodate evolving needs

Clear delineation of responsibilities and contingencies is crucial in the contract to ensure accountability and preparedness for unforeseen circumstances. The inclusion of Key Performance Indicators (KPIs) and damage clauses, where appropriate, adds a layer of clarity and

accountability to the contractual relationship. Planning for contingencies involves having backup strategies in place, especially considering potential challenges that may arise during the collaboration with XYZ Ltd. For example, having other suppliers she can call upon if XYZ fail to deliver on an order.

Turning to supplier management, Jan's role involves fostering a positive and productive relationship with XYZ Ltd. This includes regular meetings to discuss progress, achievements, and future plans. A mobilization meeting is particularly important to ensure a strong start to the contract. Subsequent monthly or quarterly meetings provide a platform to review performance retrospectively and plan for the future. Additionally, effective communication is paramount, with Jan ensuring that both organizations regularly communicate, particularly regarding urgent issues that may require immediate attention. This proactive communication can occur through various channels, such as email or phone calls, facilitating a swift resolution of any emerging concerns.

Trust and honesty form the bedrock of the relationship between ABC Ltd and XYZ Ltd. Jan should work towards fostering mutual trust through both formal and informal activities, recognizing the importance of a transparent and cooperative partnership

In terms of performance monitoring, Jan can employ Key Performance Indicators (KPIs) and Service Level Agreements (SLAs) to track performance regularly. These metrics should not be viewed as one-off activities but rather as ongoing tools for assessing and ensuring that performance aligns with expectations. Clear communication regarding the consequences of failing to meet these targets, such as the implementation of a Performance Improvement Plan or potential contract cancellation, is essential for maintaining accountability. Regular performance meetings between ABC Ltd and XYZ Ltd provide an opportunity to discuss achievements, setbacks, and any necessary adjustments. Beyond quantitative metrics, surveys and feedback from customers can provide qualitative insights into performance.

Finally, Jan can contribute to the partnership's success by focusing on adding value. This involves going above and beyond the contractual obligations, such as delivering products more efficiently at no additional cost or improving operational efficiencies. Encouraging XYZ Ltd to participate in Value Engineering exercises and engaging in Early Supplier Involvement to shape and define future requirements would be a good example of this. Additionally, providing 'add-ons' or 'extras' outside the contractual framework, such

as training for ABC Ltd staff, further enhances the value derived from the partnership.

In conclusion, Jan's role as Contracts Manager extends beyond the initial awarding of a contract- rather her role involves strategic contract and supplier management throughout the lifetime of the professional relationship. By ensuring the contract is well-suited for its purpose, fostering a positive relationship with the supplier, monitoring performance effectively, and consistently adding value, Jan contributes to the success of the collaboration between ABC Ltd and XYZ Ltd. This comprehensive approach sets the stage for a mutually beneficial and enduring partnership.

Tutor Notes:

- A case study question like this in the real exam is likely to come with more details. They often come with lots and lots of details to be honest, talking about what XYZ supplies to ABC and the names of the people involved. The case study usually gives you some good clues as to what the examiner will be looking for you to include, so do read them carefully.

- You don't have to include much 'theory' on case study questions -- the important thing is to reference Jan as much as possible. BUT you could throw in a cheeky mention of the Kraljic matrix. The approach to managing the contract and supplier would depend on the type of item supplied by XYZ -- e.g. if it is a bottleneck item the supplier may need to be handled differently to if it is a routine item. You could also mention KPIs and objectives as being 'SMART' - Specific, Measurable, Attainable, Relevant, and Time-Bound

- study guide p.86-90 / p.94 / p.96 -98

Question 8

Question Type: MultipleChoice

In the supplier selection part of the Procurement Cycle, what criteria can a Procurement Manager use to ensure they award to the best supplier? (25 points)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach this question:

- This is quite an open question and there are many different things you could mention. One way to approach it would be to use Carter's 10 Cs- discuss a couple of these. OR just give a couple of criteria in different paragraphs. Some ideas include: Supplier financial status, Reputation / References, Quality, Availability, CSR Policies / Ethics / Environmental considerations, Accreditations, Added Value. This list is not exhaustive.
- If you're going for Carter's 10 Cs you could name a couple of these: competency, consistency, capability, control, cost, cash, clean, communication, culture, commitment
- I don't think either approach is better or worse. Choose the criteria you know the most about and write about those.

- The question doesn't tell you how many criteria to name, so you have to make a judgement call here. I would aim for 5-6. But if you can only remember 4 that's fine. The main thing they're looking for is that you explain for each one 1) what it is 2) how procurement can check 3) why procurement would look at that criteria 4) an example. If you do too many you risk not going into enough detail on each. It's a balance. 5 is always a good number to aim for if the question doesn't state.

Example Essay

In the procurement cycle, the supplier selection phase is a critical juncture that demands consideration. Procurement Managers shoulder the responsibility of identifying and awarding contracts to suppliers who not only meet immediate needs, but contribute to the long-term success of the organization. This essay explores various criteria a Procurement Manager can employ to ensure the selection of the best supplier: financial stability, reputation, quality, availability, CSR policies, and added value.

Financial stability is a foundational criterion in supplier selection. Assessing a supplier's financial status involves a multifaceted evaluation, with liquidity and gearing ratio taking center stage. The acid test, comparing short-term assets to liabilities, offers insights into a supplier's ability to settle debts promptly, with a ratio exceeding 1 indicating financial health. Meanwhile, the gearing ratio, reflecting the proportion of capital funded by loans, aids in gauging financial risk, with a ratio below 50% considered low-risk. Relying on published Profit and Loss statements and income statements, along with financial credit checks from platforms like Dun and Bradstreet, empowers Procurement Managers to make informed decisions. This financial scrutiny is imperative to avoid entering contracts with suppliers facing imminent financial struggles, safeguarding against potential disruptions to the supply chain.

Reputation and references are another pivotal criterion. Seeking references from previous contracts allows Procurement Managers to gauge a supplier's track record in successfully delivering on similar commitments. Independent reviews and informal market inquiries supplement this information, providing a holistic understanding of a supplier's performance. However, caution is advised in overreliance on past performance, as variables like personnel changes or contract scale differences may impact outcomes. Recognizing that past shortcomings may have been addressed internally further emphasizes the need for a balanced approach to reference evaluation.

Thirdly, Quality. Beyond the product itself, considerations extend to the supplier's technological capabilities, manufacturing processes, and relevant accreditations such as ISO 9001. Physical visits to supplier sites may be warranted, especially for products like raw materials where samples can be requested. Adhering to recognized safety standards and assessing factors like fire retardancy ensures that the quality of manufactured goods aligns with established benchmarks.

Next, Availability is another important criteria to consider. Procurement Managers must evaluate a supplier's capacity and capability to meet specific requirements. Inquiries about existing contracts and flexibility in response to demand fluctuations provide insights into a supplier's commitment and responsiveness. Assessing the supplier's workload and the significance of the buyer in their client portfolio helps determine the level of attention and service the buyer can expect. A buyer may wish to avoid working for a supplier who is already stretched very thinly with other contracts.

Corporate Social Responsibility (CSR) policies and ethical considerations have gained prominence in supplier selection. Beyond legal compliance, Procurement Managers may scrutinize a supplier's history for convictions or negative press related to corruption, bribery, or fraud. The presence of a Modern Slavery Policy and Environmental Policy, along with relevant accreditations like ISO14001 or Fair Trade certification, attests to a supplier's commitment to ethical and sustainable practices. Procurement would likely seek to appoint a supplier who's CSR vision aligns with their own company's.

Lastly, added value is an important criteria to consider. This is particularly so for Public Sector Organizations governed by the Social Value Act. In addition to meeting contractual requirements, suppliers may offer knowledge sharing, training, improved processes, or contribute to social value by employing local community members or providing apprenticeships. This criterion aligns procurement decisions with broader organizational goals, enhancing the overall impact of supplier relationships and benefitting the local community.

In conclusion, a careful combination of financial scrutiny, reputation assessment, quality evaluation, availability considerations, CSR policies, and added value analysis forms the bedrock of effective supplier selection in the procurement cycle. Procurement Managers, armed with a holistic understanding of these criteria, should seek not only to fulfil immediate needs, but also consider the long-term impact of supplier appointments.

Tutor Notes

- A 'good' scoring answer (50-70%) will explain the criteria well and give examples. If you're looking for a distinction level answer (70% +) you could also mention advantages, disadvantages and risks associated with each of the criteri

a. For example, when looking at references and reputation it's important to know that a supplier would only ever provide a good reference to you, they would never tell you of a contract that failed. Another example is that financial data may be skewed- a supplier may have a low score if they are just starting up or have recently remortgaged a property. It's therefore important to get a commentary as well as the figures / scores.

- You could also mention that criteria could be weighted e.g. more importance given to quality than financial status and also consider how easy or difficult it would be to get the information e.g. a supplier may say they have lots of availability to deliver the service you require, but they may just be saying this to win business. How do you know for sure?

- Social Value Act isn't in this syllabus. If you work in Public Sector procurement it's something you'll be very familiar with. If you don't or you're outside of the UK do not worry about this. I've just included it to show how you can bring in your own knowledge to questions like this. You could think of particular criteria that's important to your industry and write about that. The Social Value Act: What is it, and why is it important? (samtaler.co.uk)

- Study guide p.77

Question 9

Question Type: MultipleChoice

Describe 3 stages of the sourcing cycle that occur in the post-contract award stage (25 marks)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach the question

Your answer should provide details on 3 of the following:

- Contract Award and Implementation
- Warehouse Logistics
- Contract performance and Improvement
- Supplier Relationship Management
- Asset Management

Because the question is only asking for 3 stages, you're going to have to go much more into detail for each stage, giving lots of information about why each stage is important and examples. You could consider thinking of an example procurement you have done recently and explaining the stages for that. Or you could take a hypothetical procurement too. Either will get you the same marks. Pick the three that you can write the most about.

Essay Plan

Introduction -- explain that sourcing of goods and the role of Procurement doesn't end once a contract is signed. There is ongoing management and processes which must be carried out to ensure success.

Paragraph 1 -- Contract Performance and Improvement

- * This is about ensuring contract obligations are fulfilled. Contract administration includes P2P procedures, database management, budgeting / costs monitoring, reporting and dispute resolution
- * Procurement's role may be in managing contract performance through the use of SLAs and / or KPIs. This can be done via reporting, using a Supplier Scorecard and meeting regularly to discuss.
- * It's important KPIs are measured and that there are consequences for failing to meet them. An example of consequences could be using a Performance Improvement Plan.
- * Contract Management also includes updating the contract where required -- e.g. issuing variations to contract and updating the change control log
- * Another important aspect of this is ensuring the costs remain within scope of the budget
- * Contract performance can be compared if you have several suppliers delivering the same goods- could use a Factor Rating Method.

- * Performance could be measured against several criteria such as on time deliveries, response time of supplier, number of complaints.

Paragraph 2 -- Supplier Relationship Management

- * There is a difference between managing the contract and managing the supplier relationship. It's possible to have excellent contract performance and a terrible relationship. However, the two are generally linked- where there is a good relationship, the contract often performs well.
- * The supplier management approach depends on where the relationship falls on the relationship spectrum (e.g. transactional or collaborative)
- * This involves; maintaining regular contact with the supplier, motivating the supplier, working collaboratively with them (e.g. on performance issues or resolving any disputes)
- * Incentivising the supplier leads to collaboration and mutual support
- * To assess or rank suppliers you could use a vendor rating method or supplier evaluation forms
- * Supplier relationship management may involve investing in the supplier- e.g. through training or technology sharing

Paragraph 3 -- Asset Management

- * Includes creating a post contract 'lessons-learned'
- * Assessments should be carried out to determine if business requirements have changed, whether the agreement is still required and fit for purpose, what can be learnt from the process and how improvements can be incorporated next time.

- * This is the final stage of the Procurement Cycle and takes us back to the start of cycle, which begins again when the item needs to be reprocured
- * Whole life costing should be considered at this stage: this is the total cost of ownership over the life of an asset. The concept is also known as life-cycle cost (LCC) or lifetime cost, and is commonly referred to as 'cradle to grave' or 'womb to tomb' costs.
- * Generally used on large purchases such as machinery and vehicles. Full Asset Management may not necessary for direct cost items such as raw materials incorporated into final goods.
- * Considerations may include; costs of running the asset, how long it will perform, insurance, maintenance, opportunity costs, disposing of the asset.
- * Also consider environmental and social impacts of the procurement.

Conclusion -- it is important that procurement are involved at every stage of the cycle, not just in the pre-award stages. Procurement can add value at every stage.

Tutor Notes

- Depending on the examples you choose to use, you could talk about how the type of item procured could impact on the different stages. For example, high risk purchases may require more contract management than low risk purchases, and capital expenditure items such as new machinery may require more attention to the Asset Management stage.
- You could also think about how procurement adds value at each of the stages.
- Study guide p. 79

Question 10

Question Type: MultipleChoice

Explain 5 stages of the sourcing cycle that occur in the pre-contract stage (25 points)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach this question:

- The Sourcing Cycle is the first half of the CIPS Procurement Cycle and includes these steps:

- 1) Define Business Need
- 2) Market Analysis + Make vs Buy

- 3) Develop Strategy and Plan
- 4) Pre-Procurement Market Testing
- 5) Develop Documents and Specification
- 6) Supplier Selection
- 7) Issue Tender
- 8) Bid Evaluation
- 9) Contract Award and Implementation

Your response should detail 5 of these. It is a good idea to pick the ones you know most about and where there is more to write about. You won't get any extra points for naming more than 5 so focus on getting as much detail down about 5, rather than explaining more of them.

Essay Plan

Introduction -- explain what the sourcing cycle is -- the stages of the procurement cycle before a contract is signed. It describes the steps an organisation will take to source/ procure goods or services.

Paragraph 1 -- Define the business need

* How is the need identified? E.g. by end user, stores department, ERP system.

* Procurement should challenge this -- is it really necessary? Suggest alternatives -- this could be a key source of added value

- * Put together business case / requisition / project initiation document
- * What type of purchase? Straight rebuy, modified rebuy, new purchase
- * Decide on what type of specification would be best - Conformance vs performance specification
- * This stage may include early supplier involvement

Paragraph 2 -- Market Analysis and Make vs Buy Decision

- * Create an Analysis by segmenting the market by buyer, product, distribution channel, geography, customer market etc.
- * Make vs Buy - use Carter's Matrix to decide whether the organisation should make vs buy.
- * Also consider outsourcing at this stage

Paragraph 3 -- Documents and Specification

- * Draft documents. These may include a RFQ or ITT, a specification and a proposed form of contract
- * Specification may be conformance or performance based
- * A contract sets out the roles, rights, responsibilities and obligations of the parties and shows intention to enter into 'legal relations'
- * This stage defines the 'offer' which becomes binding once other party accepts
- * Documentation may also include proposed KPIs and SLAs

Paragraph 4 -- Supplier Selection

- * For a new purchase, supplier selection is very important - investigation should be proportionate to the value of the procurement. For rebuys or low-risk purchases you could use the same supplier or a list of pre-approved suppliers.
- * You can locate potential suppliers by; catalogues, websites, trade registers, market exchanges and review sites, trade or industry press, fairs and conferences, networking and recommendations/ referrals.
- * You can shortlist suppliers by sending out a pre-qualification questionnaire. This adds value by reducing wasted time / costs / risks to entering into a contract with the wrong supplier.
- * Other criteria for supplier selection include using Carter's 10 Cs (competency, consistency, capability, control, cost, cash, clean, communication, culture, commitment), the supplier's financial standing (e.g. liquidity and gearing), references and considering their CSR policy.

Paragraph 5 -- Issue Tender

- * Competitive bidding should only be done when there's sufficient time and resources available, there's sufficient suppliers in the marketplace, they're keen to win business (ie that there's appetite for competition) and there is a strong specification
- * Best practice is to issue tenders electronically as it ensures equal treatment of suppliers and transparency
- * Consider open vs closed procurement processes
- * Use a cross-functional team -- particularly when marking responses

Conclusion -- you could mention here that different sourcing activities may require more or less effort at each of the stages e.g. procuring a new item may require more market analysis than a re-buy.

Tutor Notes:

- If you want to add in extra details, you could think about ways procurement can add value at each stage
- In the old syllabus, CIPS were a bit obsessed with Michael Porter. In the Market Analysis bit you could talk about using Porter's 5 forces (buyer and supplier power, threat of new entrants, threat of substitutions, supplier rivalry) and Porter's 3 generic strategies for competing (cost leadership, differentiation, niche segment). This has been removed from the study guide so it's not essential to know this for this module, but if you've seen it before it's a nice one to throw in.
- You could also mention that there are differences between the public and private sector procurement at the different stages. E.g. Public Sector requires open competitions for contracts of a certain value and must follow the rules set out in Public Contract Regulations -- the private sector doesn't have such strict regulations so there is much more flexibility in how tenders are completed. Also in the public sector, the evaluation criteria needs to be agreed beforehand and presented in the ITT- not the same for the private sector.
- Study guide p.71

Question 11

Question Type: MultipleChoice

Describe the main stages of the CIPS Procurement and Supply Cycle (25 points)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to respond to this question:

- Include as many of the stages as you can, but it's not vital to remember them all. You should aim to remember at least 8 of the 13 steps.
- The steps are; Define Business Need, Market Analysis + Make vs Buy, Develop Strategy and Plan, Pre-Procurement Market Testing, Develop Documents and Specification, Supplier Selection, Issue Tender, Bid Evaluation, Contract Award and Implementation, Warehouse Logistics, Contract performance and Improvement, Supplier Relationship Management and Asset Management

Essay Plan:

Introduction - Explain what the CIPS Procurement and Supply Cycle is- a tool to be used by procurement professionals which tracks a procurement exercise from inception to close. It's helpful as it ensures procurement exercises are done correctly and steps are completed in the right order.

- Describe (briefly) what happens at each stage of the cycle, giving examples. You should put each stage into a separate paragraph. It's also a good idea to name the stages in chronological order. Some ideas of things you could mention include:

- 1) Define Business Need and Develop Specification - Identify what the need is, what type of purchase, put together a business case and outline the requirements
- 2) Market Analysis and Make vs Buy Decision -- analyse the market using market segmentation (e.g. by buyer, product, geography etc) or use Porter's 5 Forces (buyer and supplier power, threat of new entrants, threat of substitutions, supplier rivalry). Looks at if what you want to procure is actually available.
- 3) Develop Strategy / Plan -- you could use a STEEPLE and SWOT analysis. Consider if this is the right time to procure. Create timelines and budgets.
- 4) Pre-Procurement Market Testing - consider stakeholder engagement, supplier engagement, new / upcoming legislation, currency fluctuations, market, competitor actions. Is this the best time to procure? Will it be successful?
- 5) Develop Documentation / Creation of Contract terms- firm up the requirements and create the formal documents for the tender exercise. This may be a RFQ or ITT. Define the offer. Include KPIs.
- 6) Supplier Selection -- May not be required for rebuys but an important step for new buys. May use a list of pre-approved suppliers or this may be going out to the open market. You can shortlist suppliers by sending out a pre-qualification questionnaire.
- 7) Issue Tender - Electronically, consider whether to use an open vs closed procurement exercise
- 8) Bid / Tender Evaluation -- Very flexible for companies in the private sector but there are guiding principles for doing this for public procurement; transparency, equal treatment, proportionality. Often considers both price and quality.
- 9) Contract Award and Implementation- Organisations may have different processes for different values (e.g. large purchases may need senior management approval, but under 500 just needs a manager's signature). May require post-award negotiation. Contract is drafted and signed.

10) Warehouse Logistics and receipt -- includes POs and Invoices. Battle of the Forms. Goods Inwards = receiving and inspecting goods- may use quality control.

11) Contract performance review - ensuring contract obligations are fulfilled includes P2P procedures, database management, budgeting / costs monitoring, reporting and dispute resolution.

12) Supplier Management -- will depend on the relationship but includes; contact / meetings with the supplier, motivating / incentivising the supplier, working with them on performance issues, ensuring KPIs are met.

13) Asset Management / End of Life- considers TCO, ongoing maintenance and costs, insurance and warranties and disposal of the item once it has reached the end of its life.

Conclusion -- The CIPS Procurement Cycle is cycle rather than process as it is a continuous loop and needs constantly emerge. It never ends. New buys are more likely to follow all the stages of the cycle, rebuys may skip steps

Tutor Notes:

- Often steps 11 and 12 are confused or merged together but they are different. It's possible to have great contract management and a poor supplier relationship i.e. the contract is working effectively and the supplier is delivering in line with the contract BUT the relationship may be fraught with tension and the buyer and supplier don't like each other.

- To get a high score I would include examples of all of the stages, but remember you only have 45 minutes to answer the question, so balance detail with timing so you don't overwrite

- The procurement cycle is on p. 70 or you can download it here: [Procurement Supply Cycle | CIPS](#)

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