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# Question 1

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**Question Type:** MultipleChoice

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What is a Public Sector organisation and what are the main objectives of organisations in the Public Sector? (25 points)

## Options:

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**A-** See the solution in Explanation part below

## Answer:

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A

## Explanation:

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How to approach this question

- For the first part of the question you should look to give a definition of the public sector, think about its characteristics and give so examples e.g. local government, hospitals, libraries.
- For the second part try to explain 4-5 objectives. Try to remain as broad as you can -- think about objectives that all public sector organisations have in common rather than anything very specific to one organisation, what the question is looking for is the higher level,

more broad aims.

## Example Essay

A public sector organization, is a branch of government responsible for providing a wide range of services and functions to citizens and communities. It is funded by taxpayers' money and operates under governmental authority at various levels, including federal, state, and local governments. Public sector organizations can encompass government departments, agencies, authorities, and public enterprises. The main objectives of these organizations are multifaceted, aimed at serving the public interest and ensuring the efficient functioning of society. Examples include hospitals, schools and libraries. In this essay, we will explore the primary objectives of public sector organizations: improving services, achieving value for money, supporting communities and social value, and promoting equality, diversity, and inclusion (EDI).

### Improving Services:

One of the central objectives of public sector organizations is to enhance the quality and accessibility of services provided to the public. These services can range from healthcare and education to transportation and public safety. The focus is on improving the well-being of citizens by ensuring that essential services are accessible, efficient, and responsive to evolving societal needs. For example, public healthcare systems aim to deliver high-quality medical services to all citizens, striving to reduce health disparities and provide equitable care.

### Value for Money:

Public sector organizations are entrusted with the responsible and efficient use of public funds. Achieving value for money is a critical objective, ensuring that taxpayer money is spent wisely and that resources are allocated efficiently. Government agencies are tasked with optimizing budgets, reducing waste, and delivering services in a cost-effective manner. For instance, public infrastructure projects must be designed and executed to maximize benefits while minimizing costs and delays.

## Supporting Communities and Social Value:

Public sector organizations play a pivotal role in supporting communities and generating social value. This objective involves initiatives and policies aimed at fostering community well-being, economic development, and social cohesion. It includes activities such as urban planning, affordable housing initiatives, and community development programs. By focusing on supporting communities, public sector organizations contribute to the overall betterment of society, creating opportunities and improving the quality of life for residents. In the UK it is a legal requirement for all large public sector contracts to consider Social Value, in line with the Social Value Act 2012.

## Equality, Diversity, and Inclusion (EDI):

Promoting equality, diversity, and inclusion is another fundamental objective of public sector organizations. These organizations are tasked with ensuring that all citizens are treated fairly and have equal access to opportunities and services. This objective encompasses anti-discrimination policies, diversity hiring practices, and programs that address societal inequalities. Public sector entities strive to create environments where individuals of diverse backgrounds can thrive and participate fully in public life, regardless of race, gender, age, disability, or other characteristics.

In conclusion, public sector organizations serve as key agents in addressing societal needs and promoting the common good. Their objectives encompass improving services, achieving value for money, supporting communities and social value, and promoting equality, diversity, and inclusion (EDI). By pursuing these objectives, public sector organizations contribute to the welfare and development of society, ensuring that public resources are utilized efficiently and equitably. They play a vital role in shaping the overall well-being and progress of their respective communities and nations.

## Tutor Notes

- The study guide talks about the main objective of the public sector as being 'to improve services'. This is true, but in reality, the public sector may be the only people providing that service. They may be providing a service that the private sector can't or won't because it's simply not profitable. An example is the Forestry Commission which looks at protecting forests and conducting research on forests. No

private sector organisation is going to do that because there's simply no money in it.

- With a lot of public sector organisations there are competing private sector organisations, just look at medical care and the rise of private health insurance. Same with transport. This essay doesn't ask you to talk about this, and it is outside of the scope of the study guide but it's an interesting observation: traditionally the aim of the public sector was to serve the public, nowadays it's actually competing with private sector organisations to do this!

- Social Value Act for anyone who's not familiar: Social Value Act: information and resources - GOV.UK ([www.gov.uk](http://www.gov.uk))

## Question 2

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**Question Type: MultipleChoice**

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Describe the main differences between the three economic sectors: public, private and third. Your answer may make reference to the following: funding, ownership, shares, objectives and administration (25 marks)

**Options:**

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**A-** See the solution in Explanation part below

## Answer:

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A

## Explanation:

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How to approach this question

- Sometimes CIPS give you a steer on how to answer the question. My advice is to follow it. The question says you MAY make reference to the following, but I'd use those hints as a guide for content- a paragraph on each and you're done!

- When you've got a 'may make reference to' hint -- this means you can completely ignore it and do your own thing and bring in your own ideas. May means it's optional, so you wouldn't be penalised for this. However, you have to consider the examiner's mark scheme- it will detail options of stuff you can write for funding, ownership etc. Then there will be a line at the bottom saying something like 'accept other options such as x and y'. This leaves it up to the examiner to decide whether what you've said is relevant. I'd personally not leave it up to chance you get a lenient examiner. If you write what's definitely going to be on their mark scheme, you're more likely to get more points.

Example Essay

The modern economy is a complex tapestry of various sectors, each with its own distinct characteristics and functions. The three prominent sectors are the public sector, the private sector, and the third sector. These sectors differ significantly in terms of their funding mechanisms, ownership structures, objectives, the concept of shares, and their administration.

Firstly, the public sector is predominantly funded by the government through taxation, grants, and other forms of public revenue. Its very existence hinges on the provision of essential services and the fulfilment of societal needs. These organizations are owned by the government, be it at the federal, state, or local level. Unlike the private sector, the concept of shares doesn't apply in the public sector.

Instead, the government allocates budgets to various departments and agencies for public services and projects. The primary objectives of the public sector revolve around the welfare of the citizens, including the provision of education, healthcare, defence, and infrastructure. It is characterized by bureaucratic administration, with decision-making processes subject to governmental regulations and oversight. A prime example is public schools and healthcare systems, which are funded and operated by the government with the primary objective of ensuring universal access to education and healthcare services.

In contrast, the private sector operates on a starkly different paradigm. It is primarily funded by private capital, investment, and profit-seeking activities. Private individuals and corporations own these entities, with ownership shares often represented by stocks. Shareholders invest capital in exchange for ownership stakes and the potential for dividends. The central objective in the private sector is profit maximization, driven by competition in the market. Companies in the private sector are administered by management teams and boards of directors, with decisions guided by market forces. Apple and ExxonMobil are examples of private sector entities, privately owned and publicly traded, with profit motives at their core. Shareholders invest in these companies with the expectation of financial returns.

Lastly, the third sector, often referred to as the nonprofit or voluntary sector, represents a unique economic sphere. It relies on a combination of funding sources, including donations, grants, and earned income, but not taxation. Third sector organizations are not owned by individuals or shareholders; instead, they are governed by boards of directors or trustees. Unlike the private sectors, shares are not applicable in the third sector. These organizations do not seek to distribute profits to owners. The primary objective of the third sector is to serve a social or community purpose, such as addressing societal issues, promoting social change, and providing services that benefit the public. Administration in this sector is overseen by non-profit boards, and it heavily relies on volunteers, philanthropy, and community engagement. For example, the Red Cross operates with the objective of providing humanitarian aid and disaster relief, relying on donations and volunteers to fulfil its mission. Any profits that are made are reinvested into the organisation to further its mission.

In conclusion, the public, private, and third sectors represent diverse economic domains, each with its own funding mechanisms, ownership structures, objectives, and administrative models. These sectors play essential and complementary roles in society,

contributing to economic development, public welfare, and social progress. Together, they form the foundation of a balanced and dynamic economic landscape.

#### Tutor Notes

- I've structured this essay with a paragraph on each sector, but you could have done a paragraph on each theme, thus having 5 paragraphs instead of 3. Either approach works.
- You've got 5 things and 3 sectors, that equals 15 marks. If you give an example of each and a strong intro and conclusion, that's full marks.
- See LO 4.1 p. 203 -- there's a cute table with this information on.

## Question 3

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### Question Type: MultipleChoice

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Industry Sectors can be classified as Primary, Secondary and Tertiary. What is meant by an 'industry sector'? Describe the main characteristics of and types of business you will find in these. (25 marks)

#### Options:

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**A-** See the solution in Explanation part below

## **Answer:**

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A

## **Explanation:**

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How to approach this question

- The first question can be a simple introduction with a bit of extra detail. The main 'meat' to your essay is going to be explaining the three sectors, their characteristics and example businesses.
- Aim for three well explained characteristics as a minimum

Example essay

An industry sector refers to a broad category or grouping of businesses and economic activities that share similar characteristics and functions in the production and distribution of goods and services. These sectors are often classified into three main categories: Primary, Secondary, and Tertiary. Here are the main characteristics and types of businesses you will find in each of these industry sectors:

1. Primary Sector:

\* Characteristics: The primary sector involves activities related to the extraction and production of raw materials and natural resources directly from the environment. This sector relies on nature and weather patterns: businesses in the primary sector are highly dependent on natural factors such as climate, weather, soil quality, and geographic location. These factors can significantly impact the productivity

and profitability of primary sector activities. Extreme weather such as floods can severely impact this sector. Moreover there is a seasonality to this sector and many activities in the primary sector require a significant amount of manual labour, particularly in agriculture, fishing, and forestry. However, modern technology has also been integrated into some primary sector activities to increase efficiency.

\* Types of Businesses: a. Agriculture: This includes farming, crop cultivation, livestock raising, and forestry. b. Mining and Extraction. c. Fishing and Aquaculture: Forestry and Logging: Includes the harvesting of timber and related activities.

## 2. Secondary Sector:

\* Characteristic: The secondary sector focuses on the transformation of raw materials and intermediate goods into finished products. The main characteristic of the sector is that it requires high levels of machinery and industrial techniques. There is a reliance on technology. Secondly, the secondary sector adds significant value to the products compared to their raw material form. This value addition is achieved through processing, assembly, and quality control processes. The third main characteristic is standardisation: Manufacturing processes often involve standardization of components and processes to ensure consistency and quality in the final products. Standardization helps in economies of scale.

\* Types of Businesses: a. Manufacturing: This sector includes factories and plants that produce tangible goods such as automobiles, electronics, textiles, and machinery. b. Construction: Involves the building and construction of structures like buildings, bridges, and infrastructure. c. Utilities: Companies providing essential services like electricity, gas, and water supply fall into this category.

## 3. Tertiary Sector:

\* Characteristic: The tertiary sector is also known as the service sector and involves businesses that offer various services to consumers and other businesses. The main defining characteristic of this sector is Intangibility: Services are intangible and cannot be touched or held. They are often experienced directly by consumers through interactions with service providers or through the use of technology. Secondly, High Human Involvement: The tertiary sector relies heavily on a skilled and often highly educated workforce to deliver

services effectively. This can include professionals such as doctors, lawyers, teachers, and customer service representatives. Lastly, Customization: Many services are customized to meet the specific needs and preferences of individual clients or customers. This personalization is a key characteristic of the tertiary sector. For example Legal Advice will always be different depending on the specific needs of the client.

\* Types of Businesses: a. Retail and Wholesale: Businesses engaged in the sale of goods to consumers or to other businesses. b. Healthcare and Education: This includes hospitals, clinics, schools, colleges, and universities. c. Financial Services: Banks, insurance companies, and investment firms are part of this sector. d. Hospitality and Tourism: Hotels, restaurants, travel agencies, and entertainment venues fall into this category. e. Professional Services: Legal, accounting, consulting, and IT services are part of the tertiary sector.

These industry sectors represent the different stages of economic activity, with the primary sector providing raw materials, the secondary sector processing and manufacturing goods, and the tertiary sector offering services and distribution. Together, these sectors form the backbone of an economy, contributing to its growth and development

#### Tutor Notes

- I've gone overboard on naming the types of organisation in the different sectors. You don't have to remember all of these. 3 examples is sufficient to get good marks. I've just named them all so you can see what could be considered a right answer.
- Some people are talking about Quaternary and Quinary Sectors. CIPS is not one of those people, so don't worry if you come across those terms in any further reading. But FYI

1.

\* Quaternary Sector: This sector involves knowledge-based activities, including research and development, information technology, and data analysis.

\* Quinary Sector: The quinary sector comprises high-level decision-making and leadership roles in areas such as government, academia, healthcare, and top-level corporate management.

- LO 4.1 p.196

## Question 4

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**Question Type: MultipleChoice**

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Explain what is meant by the term Inventory Management System? Describe MRP and ERP systems explaining when they are used and the advantages and disadvantages of using them (25 points)

**Options:**

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**A-** See the solution in Explanation part below

**Answer:**

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A

## Explanation:

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How to approach this question:

- Definition of Inventory Management System -- a system, usually a piece of digital software, that helps an organisation manage their inventory. It oversees the process of ordering stock, receiving it, storing it and converting it into finished goods. Used predominantly in manufacturing organisations. MRP and ERP are types of IMS.
- MRP - Material Requirements Planning- this is a planning, scheduling, and inventory control system used to manage manufacturing processes. Most MRP systems are software-based. The aim is to automate and improve the efficiency of ordering and processing raw materials.
- ERP -- Enterprise Resource Planning -- this system uses MRP but also includes other operations such as finance, so allows for budgeting and forecasting, and customer relations. ERP gives an organisation a more holistic overview compared to MRP which just focuses on manufacturing.
- When they are used -- predominantly in the manufacturing industry for the ordering of goods. Not used for services. Used when there is a lot of maths involved in figuring out how much of something to order and when e.g. a chocolate manufacturer who needs to produce 50,000 chocolate bars a day. MRP / ERP helps the organisation know what to order, how much and when. It helps achieve the 5 Rights of Procurement.
- Advantages -- the advantages of MRP and ERP are very similar and in most cases the same: more accurate than manual processes, quicker response times, automated process frees up people to complete more added value tasks, flexibility, has real time information to inform on decision making, improved responsiveness to customers, improved supply chain management, reduction in costs.
- Disadvantages - expensive, complicated, can break down or be hacked (as they're digital systems), only as good as the information put into them. training required to use.

Example Essay:

## IMS

An Inventory Management System (IMS) is a software application or set of tools designed to oversee and optimize the management of a company's inventory. The primary goal of an inventory management system is to maintain an accurate record of stock levels, streamline the procurement process, and ensure efficient order fulfilment. This system plays a crucial role in supporting businesses by helping them avoid stockouts, reduce excess inventory, and enhance overall supply chain efficiency.

Inventory Management Systems have the following functions: demand management (which assists with forecasting, and helps the avoidance of overstocking), helps to control stock levels (by stating minimum and maximum levels), replenishment of stock in line with policies, allows automatic reordering when stock levels get low, tracks stock movements (e.g. around a warehouse), allows communication with suppliers and end users, and helps increase safety by ensuring stock isn't damaged or deteriorating.

## MRP

MRP stands for Material Requirements Planning, and it is a computer-based inventory management and production planning system used by businesses to optimize the management of materials, components, and finished products in the manufacturing process. MRP is a key component of Enterprise Resource Planning (ERP) systems, focusing specifically on the planning and control of materials and production resources.

MRP systems uses 3 main modules: 1. Master Production Schedule- information on customer orders, forecast orders, customer requirements and stock orders 2. Bill of Materials -- the recipe / breakdown of components of the finished product and 3. Inventory Status File -- tells you the current stock levels.

How MRP works- For example, a customer wants to order a new sof

a. 1. input the customer order into MRP 2. Check finished stock and if there's a sofa, give the customer that sofa. If there isn't a sofa in stock, the MRP system will look at the Bill of Materials- looking at individual materials needed to make the sofa and will order these, factoring in lead times 3. confirm to customer what the lead time is on getting their new sofa, based on delivery time of materials and time to make it.

MRP is a simple system -- it doesn't take into account other business processes and can go wrong due to inaccurate or outdated information.

Advantages of the MRP process include the assurance that materials and components will be available when needed, minimised inventory levels, reduced customer lead times, optimised inventory management, and improved overall customer satisfaction.

Disadvantages to the MRP process include a heavy reliance on input data accuracy (garbage in, garbage out), the high cost to implement, and a lack of flexibility when it comes to the production schedule.

## ERP

This is business management software which is used to collect, store, manage, and interpret data from many business activities. It uses MRP but also includes other operations such as finance, HR and customer services. Therefore it's more powerful than MRP. Where MRP can tell you how much of something to order and what the lead times are, ERP can also consider how many staff are available each day (by looking at holidays and sickness) and factor this into the manufacturing process. It can also produce accurate financial data, manage customer and supplier relationships.

ERP facilitates information flow between all business functions and manages connections to outside stakeholders. SAP and Oracle are examples of ERP systems. There is also ERP II -- this extends the system to include links with suppliers and supply chain stakeholders

One of the primary advantages of implementing an ERP system is the integration of information across various departments. By providing a unified view of an organization's operations, an ERP system ensures that different functions work with synchronized and

consistent data, fostering improved decision-making and collaboration.

Operational efficiency is another significant benefit of ERP systems. Through the automation of routine tasks and streamlined processes, organizations can achieve greater efficiency, reduce manual errors, and enhance overall productivity.

However, one of the primary disadvantages is the high initial implementation costs. Organizations must invest in software licenses, training programs, and customization to align the ERP system with their specific needs. The complexity of ERP systems and potential customization challenges can pose difficulties, requiring expertise and resources for successful implementation.

Resistance to change among employees is a common hurdle when introducing ERP systems. Employees may be hesitant to adopt new processes and technologies, leading to a slower transition period and potential inefficiencies during the learning curve. Organizations also become dependent on ERP vendors for updates, support, and maintenance, and switching vendors can be disruptive and costly.

In conclusion, while MRP and ERP systems offer numerous advantages in terms of operational efficiency, data integration, and strategic planning, organizations must carefully weigh these benefits against the associated challenges. A well-planned and effectively implemented system can contribute significantly to an organization's success, but the decision to adopt such a system should be approached with a thorough understanding of both its advantages and potential drawbacks.

#### Tutor Notes

- This is a really hard topic if you don't have a manufacturing background. The way I think about it is this- imagine you're Cadbury's and you're coming up to Easter. How much sugar do you need to buy and when do you need to buy it in order to make all your Easter Eggs? Hard question right? Well MRP / ERP is the clever software that figures that all out for you. It will tell you how much sugar needs to be bought on what day, in order for the delivery time to be right for manufacturing. It will consider storage costs and how quickly Easter Eggs get made in the factory. It's honestly so clever. Feel free to use that example in your essay. Examples like that show the examiner you understand the topic.



- Although they're fabulous systems, using MRP and ERP systems doesn't guarantee success- at the end of the day they're just software- the key to success is in the accuracy of the data that's inputted into the systems and how the systems are used. That would make a strong conclusion.

- This is a good simple video that explains the topic: What is Materials Requirement Planning (MRP)? (youtube.com) I also like watching How Its Made -- a documentary series about factory life. You can find it on BBC Iplayer. If you don't have a manufacturing background it helps give context to some of these dry subjects like MRP and Just-in-Time manufacturing.

- LO 3.4 p. 175

## Question 5

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**Question Type:** MultipleChoice

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What is a P2P system (5 points)? Explain the impact that using IT systems can have on the way the Procurement department of an organisation functions (25 points).

**Options:**

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**A-** See the solution in Explanation part below

## **Answer:**

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A

## **Explanation:**

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- Definition of P2P - Purchase to Pay or Procure to Pay is the process an organisation takes from ordering a product to paying for it. The main stages of this process are product ordering, supplier requisition to pay, budget authorisation, receipt of delivery, and invoice processing.

- Impact of using IT Systems -- can include the use of these systems: EPOS, barcodes/ RDIF, e-commerce systems such as POs and invoicing, and electronic communications such as email. Impacts can be; increased productivity, quicker processes, higher levels of visibility, increased responsiveness to demands, cost savings, less paper used, supplier relationships are managed virtually rather than in person. Generally the impacts are positive, but you could also discuss some disadvantages or challenges a department might face as the question is quite open.

### Example Essay

A Procure-to-Pay system is a comprehensive solution that automates and integrates the procurement process within an organization, covering the entire lifecycle from requisitioning goods or services to making payments to suppliers.

The P2P process includes the following: a buyer requests an item, they put in a requisition, it is accepted by the supplier, the item is delivered and the item is then paid for. The order of the steps may be different depending on the industry / requirement (e.g. sometimes payment is made before delivery), or sometimes there are additional steps such as getting the requisition approved by a manager.

Nowadays the P2P process is mainly digitalised- orders are made online or via a PO system and payment is made via BACS. It is not common to pay for items in cash or by cheque any more. This digitalisation has had many effects on the way the procurement department functions. The P2P system streamlines and standardizes the purchasing process, enhancing efficiency, transparency, and control.

The integration of Information Technology (IT) systems has a profound impact on the functioning of the Procurement department within an organization. This digital transformation brings about significant improvements in efficiency, transparency, collaboration, and decision-making processes. Some of the key impacts include:

- Raised productivity -- using IT systems results in quicker processes and they're often more accurate and consistent than humans doing the tasks manually. For example, an electronic requisition system can flag when a requisition isn't completed properly (e.g. part of the requisition is missing or a supplier name has been spelled incorrectly). When doing this manually the errors may not be spotted.
- Innovation -- the use of IT means new avenues can be explored in terms of new product markets and new supply chains. Without the use of IT, procurement may be limited to working with local suppliers or those they can find in the phone book. Using IT systems such as e-auctions and even just the internet to complete research, opens up more opportunities to make purchases. This could involve working with international supply chains and result in cost savings for the business.
- Improved business processes -- the use of IT means there is more transparency as everything is recorded and it is easier for managers to oversee. This results in less risk exposure for the business, particularly in fraud. The use of IT also standardises processes which makes it easy for everyone to know what to do.
- When IT is used, there is an increased responsiveness of the procurement function -- it allows for 24/7/365 ordering compared to making purchases in person in a shop which may only be open 9-5. Moreover , there are paperless communications when IT is used-- this has a positive environmental impact

- Supplier Relationship Management (SRM) - IT systems support Supplier Relationship Management by providing tools to assess and manage supplier performance. This can include logging KPIs and tracking supplier performance. SRM functionalities enhance communication, collaboration, and visibility into supplier relationships.

In summary, the integration of IT systems into the Procurement department transforms traditional practices, making processes more streamlined, data-driven, and strategically focused. The impact is not only on operational efficiency but also on the ability of the procurement function to contribute strategically to the organization's overall objectives.

#### Tutor Notes

- The word impact is quite vague. I've mainly talked about advantages but you could discuss the impact that the use of IT has had on the department, not just in how it functions, but in how it is perceived. IT has professionalised the procurement industry as a whole- it's no longer seen as 'purchasing' but as a vital function within a business that contributes to added value and strategic goals.

- You could also talk about the impact it's had on ways of working. The use of IT has allowed for innovative procurement and manufacturing techniques such as Just-In-Time. The use of IT also ends silo-working, instead allowing for more collaboration with other business departments and the supply chain as a whole.

- LO 3.4 P. 171

## Question 6

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**Question Type:** MultipleChoice

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Explain the following terms: outsourced procurement, shared service unit (SSU) and consortium procurement. What are the advantages and disadvantages of each approach to procurement? (25 points)

### **Options:**

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**A-** See the solution in Explanation part below

### **Answer:**

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A

### **Explanation:**

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How to approach this question:

- There are 3 terms and an advantage and disadvantage for each you need to talk about. So that's 9 things. Out of 25 points you can see you'll probably only get 1-2 points for each aspect of the question. That shows you the level of detail you need to include -- not that much!

- In terms of structure feel free to use headings and bullet points for this one

Example Essay

Outsourced procurement, shared service units (SSUs), and consortium procurement are distinct approaches to managing procurement activities within organizations. Each method carries its own set of advantages and disadvantages, catering to different organizational needs and circumstances.

**Outsourced Procurement:** Outsourced procurement involves engaging a procurement consultant or an external organization to provide advice or handle the entire procurement process on behalf of the company. The advantages of outsourced procurement are that it frees up internal resources, allowing them to focus on other tasks. The expertise and skills brought by external consultants can also fill gaps in the organization's capabilities. Moreover, this approach is flexible, adapting well to irregular procurement needs. However, drawbacks include a potential loss of control, higher costs, the need for an additional management layer, and the risk of losing intellectual property (IP).

**Shared Service Unit (SSU):** A Shared Service Unit is an internal procurement support function within an organization that various divisions can access for assistance, resembling the outsourcing concept but within the organizational structure. The advantages of SSUs lie in potential cost savings, the ability to aggregate demand, and the establishment of common standards and processes across the company. The expertise utilized is internal, providing a sense of familiarity. The disadvantage is that measuring the success of an SSU can be challenging, and there is a risk of stifling innovation. The unit may also be perceived as remote from end users, and procurement processes might be slower due to serving multiple departments.

**Consortium Procurement:** Consortium procurement involves a collective effort where separate organizations join forces to purchase goods, thereby increasing their bargaining power. The advantages of this approach are in the aggregated demand, resulting in more economical purchases. Pooling knowledge and expertise within the consortium enhances the collective capabilities of its members, providing a sense of safety in numbers. However, disadvantages include a potential loss of individual organizational power, prolonged decision-making processes within the consortium, challenges in responding quickly to demands, and the potential hindrance to small and medium-sized enterprises (SMEs) competing if demand is aggregated.

In conclusion, organizations must carefully consider their specific needs, priorities, and the nature of their procurement requirements when choosing between outsourced procurement, SSUs, or consortium procurement. Each approach offers unique benefits and challenges, and the decision-making process should align with the organization's overall goals and strategies.

Tutor Notes:

- I've named lots of advantages and disadvantages for each of the models. 1-2 advantages and disadvantages of each is all you need to secure you the marks. Remember you only have 35 minutes to write this. A danger with this type of question is spending too long on one aspect of the question and running out of time to answer the rest of it.
- A good idea is to pace yourself and give yourself 10 minutes per term (outsourced, SSU and consortium) then 5 minutes at the end to review and edit your response.
- Some further details you may wish to include:
  - Outsourced procurement -- this is often used when the organisation doesn't have the expertise to procure the item they need. This often happens for complex / technical procurements or highly regulated industries. An example may be a housing provider who runs a block of flats where the lift has just broken down and cannot be fixed. They need to procure a new lift but have no idea how to write a specification for this as they don't have the technical knowledge of how lifts work. Hiring a consultant who is experienced in tendering for lifts, although expensive, may actually save money by reducing the risk of procuring the wrong thing.
  - SSU -- a Shared Service Unit acts as a support function for the organisation. This is described in Porter's Value Chain- all other departments can call on the SSU when they require assistance. The SSU is responsible for managing its own costs, employs its own resources and may have contractual agreements with other divisions. The main aim of the SSU is to add value. SSUs are common in large organisations where the core activities don't revolve around procurement (such as finance and service industries).

- Consortium -- Consortium buying is encouraged in the public sector in order to maximise value for money. Consortia can create their own Frameworks. There is a risk that large consortia can abuse their dominant market position.

- LO 3.3 p. 161

## Question 7

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**Question Type:** MultipleChoice

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Discuss 3 areas of regulation relating to competition that a procurement professional should be aware of (25 points)

**Options:**

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**A-** See the solution in Explanation part below

**Answer:**

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A

**Explanation:**

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How to approach this question

- This question is very vague. Sometimes CIPS do this. It allows for you to be a bit more free in your response, but can also be quite stressful because you don't 100% know what they're after.
- For this question we're looking at competitions, so full tenders where lots of suppliers are invited to bid for an opportunity. This means the type of things we could be discussing include; IP, cartels, merger controls and monopolies.

Example Essay

Procurement professionals operate within a legal framework that regulates competition, aiming to ensure fair business practices and prevent anti-competitive behaviour. Three critical areas of regulation related to competition that procurement professionals should be aware of include intellectual property, cartels, and merger controls.

Intellectual Property (IP):

Intellectual property encompasses creations of the mind, such as inventions, designs, and brand names, protected by law. In the context of procurement, understanding intellectual property is essential when dealing with suppliers' products, technologies, or services that may involve intellectual property rights.

Procurement professionals must be aware of the intellectual property rights associated with the goods or services they are procuring. This includes respecting patents, trademarks, copyrights, and trade secrets owned by suppliers. Due diligence is crucial to ensure that the products or services being procured do not infringe on the intellectual property rights of others, requiring verification of legal ownership and legitimacy. An example of something procurement should look out for include ensuring goods are authentic and not counterfeit.

Cartels:

Cartels involve agreements between competitors to control prices, manipulate markets, or restrict competition. For procurement professionals, it is imperative to be vigilant and avoid engaging in or unintentionally supporting cartel activities. Procurement professionals should refrain from participating in anti-competitive behaviour, such as bid-rigging or price-fixing, which are common cartel activities. This involves not colluding with suppliers or competitors to manipulate procurement processes. Maintaining open and fair competition is essential, ensuring that procurement processes remain transparent, competitive, and free from attempts to distort market dynamics, thereby preventing the formation of cartels and promoting a level playing field.

One notable example involved the construction industry in the UK. In 2019, the Competition and Markets Authority (CMA) fined three major suppliers to the construction industry for participating in a cartel. The companies, which supplied concrete drainage products, were found to have coordinated their behaviour to share markets, fix prices, and rig bids. The investigation revealed that these companies had breached competition law by engaging in anti-competitive practices that limited competition and negatively impacted customers. The fines imposed were part of the CMA's efforts to deter and penalize such cartel behaviour, emphasizing the importance of fair competition in procurement. The Directors of the companies have also been banned from undertaking the role of Director of any company for 12 years.

#### Merger Controls:

Merger controls are regulations overseeing the consolidation of companies, mergers, and acquisitions to prevent monopolistic practices and protect fair competition. Procurement professionals need to be aware of these regulations, especially when dealing with suppliers undergoing mergers or acquisitions.

Staying informed about mergers and acquisitions within the supplier base is crucial. If a key supplier undergoes such changes, it may impact the stability of the supply chain or alter market dynamics. Procurement professionals need to be aware of potential changes in supplier relationships, pricing structures, or product/service availability resulting from mergers. Engaging in proactive risk management and contingency planning is necessary to mitigate any negative impacts on procurement operations.

Mergers are actively watched in the UK by the Competition and Markets Authority, and where rules are broken, the CMA can intervene and even prevent mergers from happening. A notable example of this was the attempted merger between JD Sports and Footasylum -- the companies were fined millions of pounds for exchanging information and attempting to collude and distort the marketplace.

In conclusion, procurement professionals play a crucial role in navigating these regulatory landscapes effectively. Understanding intellectual property, avoiding cartel activities, and staying informed about merger controls contribute to fostering fair and transparent competition within the marketplace.

### Tutor Notes

- The construction example of a cartel can be found here [Supply of precast concrete drainage products: civil investigation - GOV.UK \(www.gov.uk\)](#) but feel free to use your own!

- The JD/ Footasylum one is here: [JD Sports and Footasylum fined 4.7m for competition breach - BBC News](#). Basically, the CMA got involved because the two firms were sharing private information and having secret meetings, with the intention that they could combine. The CMA thought it was super dodgy and that it would distort the trainer / footwear market in the UK so they fined the companies and told them to stop it.

- The study guide is a bit light on this topic, so I would do a bit of extra research and have an example in your back pocket for if you need it. P. 142

If you want an example of IP issues- Shein is a great company to look at- ['They took my world': fashion giant Shein accused of art theft | Art and design | The Guardian](#)

## Question 8

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**Question Type:** MultipleChoice

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What is meant by the term 'centralised procurement'? (10 points) Explain 2 forms of Hybrid Procurement Structures (15 points).

### Options:

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**A-** See the solution in Explanation part below

### Answer:

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A

### Explanation:

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- This is essentially two mini essays, so you can do them completely separately if you like.

1) Definition of centralised procurement -- when an organisation has a designated procurement function which makes purchases on behalf of other teams. When departments need to make a purchase, they would do this by approaching the procurement department who would purchase the item they need. This is in contrast to devolved procurement where departments can make purchases themselves.

2) of 2 forms of hybrid structures- there's a couple in the study guide you can pick from -- consortium, shared services, lead buyer and outsourced. In the old syllabus they used to discuss SCAN -- Strategically Controlled Action Network and CLAN = Centre Led Action Network. This has been removed from the new syllabus, but I don't think it would be wrong to use SCAN and CLAN in this essay if you wanted to. However they are more complicated than the others and if you can talk about other models instead I'd definitely go for that.

Example Essay:

Centralized procurement refers to a procurement strategy where an organization consolidates its purchasing activities into a single, central department or unit. Instead of allowing individual departments or divisions within the organization to independently manage their procurement processes, centralized procurement involves the concentration of these activities under a unified structure.

Key features of centralized procurement include:

- 1) **Single Procurement Authority:** In a centralized procurement system, there is a designated procurement authority or department responsible for handling all purchasing decisions. This central entity has the authority to negotiate contracts, select suppliers, and make procurement-related decisions on behalf of the entire organization.
- 2) **Streamlined Processes:** Centralized procurement aims to standardize and streamline procurement processes across the organization. This can include the establishment of uniform procurement policies, procedures, and documentation to ensure consistency and efficiency.
- 3) **Economies of Scale:** By consolidating purchasing power, centralized procurement allows organizations to leverage economies of scale. Bulk purchases, standardized contracts, and negotiations with suppliers on a larger scale can lead to cost savings and more favourable terms.
- 4) **Improved Coordination and Communication:** Centralized procurement enhances coordination and communication within the organization. With a centralized structure, there is better visibility into overall procurement activities, allowing for improved collaboration,

information sharing, and strategic planning. Moreover, this centralized control helps manage risks, ensure transparency, and monitor adherence to ethical and legal standards.

5) Consolidated Supplier Relationships: Centralized procurement enables the organization to consolidate its relationships with suppliers. This can lead to stronger partnerships, better negotiation positions, and improved collaboration with a select group of suppliers that meet the organization's needs.

6) Strategic Decision-Making: Centralized procurement allows organizations to make strategic decisions at a higher level. This includes aligning procurement strategies with overall organizational goals, optimizing the supply chain, and contributing to broader business objectives.

An example of centralised procurement would be in a hotel chain with several hotels across the UK. In a centralised procurement function there would be one team responsible for ordering everything for all of the hotels, rather than allowing the individual hotels to buy things themselves. Premier Inn is an example of a company that uses this structure- it allows them to buy stock in bulk and ensures that all hotels have the same equipment so customers expectations are always met.

Centralized procurement is often contrasted with decentralized procurement, where individual departments or business units manage their procurement independently (i.e. each hotel would buy their own supplies). The choice between centralized and decentralized procurement depends on various factors, including the size and structure of the organization, the nature of its operations, and the specific goals it aims to achieve through its procurement processes.

#### Consortium Procurement Model:

The consortium procurement model is characterized by the collaboration of multiple organizations forming a joint group (the consortium) to engage in collective buying activities. Typically composed of entities from the same industry or sector, these organizations unite their resources, expertise, and purchasing power to pursue shared procurement objectives. The consortium leverages this collective strength to negotiate contracts, conduct bulk purchases, and benefit from economies of scale, resulting in cost savings and increased operational

efficiency. The UK University sector is an example of Consortium activities- many universities come together to 'group buy' items as this brings about many benefits.

The main benefit of this form of hybrid procurement model is the increased negotiating power and leverage derived from combining the purchasing volumes of participating entities. This often results in more favourable terms, competitive prices (through bulk purchases), and improved conditions with suppliers. Additionally, consortium buying allows organizations to share resources, knowledge, and expertise, fostering a collaborative environment that enhances overall procurement capabilities. By working together, consortium members can collectively address challenges, negotiate strategically, and navigate the procurement landscape more effectively.

However, consortium buying is not without its challenges. A potential disadvantage lies in the complexity of managing a collaborative procurement structure, involving coordination among diverse entities. Achieving consensus on procurement strategies, vendor selection, and contract terms may require considerable effort and compromise. Additionally, individual organizational needs and preferences within the consortium may differ, posing challenges in aligning priorities. It is essential to strike a balance between centralized decision-making and accommodating the specific requirements of each consortium member. Furthermore, the success of consortium buying relies heavily on effective communication and trust among participants. Any breakdown in communication or lack of trust could hinder the collaborative process, impacting the overall efficiency and success of the consortium's procurement endeavours.

Overall, while consortium buying offers notable advantages, its effectiveness is contingent on careful management of collaborative dynamics and effective communication strategies.

#### Shared Services Procurement Model:

In the shared services procurement model, various departments or business units within a single organization converge under a centralized procurement function. Rather than individual units managing their procurement independently, a dedicated shared services centre is established to provide procurement-related services across the organization. This model facilitates streamlined processes, ensures consistency through standardized procedures, and capitalizes on economies of scale.

One key benefit is the potential for cost savings through economies of scale. By centralizing procurement, the organization can negotiate bulk purchases and standardized contracts, leading to better terms and prices. This consolidation of purchasing power enables the organization to optimize its resources and achieve overall cost efficiency. Additionally, centralized procurement allows for streamlined processes, standardized procedures, and better control over procurement activities. It promotes consistency, reduces redundancy, and ensures adherence to organizational policies and compliance requirements.

However, there are also potential disadvantages to centralized procurement. One notable challenge is the potential for reduced flexibility in meeting the unique needs of individual departments or business units within the organization. Centralization may lead to standardized approaches that might not be well-suited for all units, potentially impacting their specific requirements. Furthermore, the centralization of decision-making can result in increased bureaucracy and longer decision-making processes, potentially slowing down procurement activities. Additionally, there may be resistance from decentralized units that are accustomed to managing their procurement independently. Striking a balance between centralized control and accommodating the diverse needs of various units is crucial for the success of centralized procurement.

In conclusion, both the consortium and shared services procurement models represent strategies to enhance efficiency, realize cost savings, and optimize procurement processes. While the consortium model involves collaboration with external entities, the shared services model centralizes procurement functions within a single organization. The choice between these models depends on the unique goals, structure, and requirements of the organizations involved, each offering distinct advantages in the pursuit of effective procurement management.

Tutor Notes:

- This is from LO 3.3 p.161 onwards. There's quite a bit of information on these hybrid models so there's many ways it can come up as a question. There are different types of consortium, which I didn't go into in the above essay because it wasn't asked for as part of the question, but I'd familiarise yourself with this. Also with the pros and cons of each model, and think about when an organisation may choose this type of model.



## Question 9

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**Question Type:** MultipleChoice

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Mo is the new Head of Procurement at Manufacturer X. Manufacturer X is a small organisation which creates bespoke robots for clients. Their supply chain is complex, sourcing many components from various suppliers. Mo has joined the company at a pivotal time of growth. The company wishes to expand the procurement department and formalise its policies. Discuss 5 areas that Mo should consider when drafting the department's policies and manuals (25 points).

**Options:**

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**A-** See the solution in Explanation part below

**Answer:**

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A

**Explanation:**

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How to approach this question

- Remember as you're preparing an essay plan that this is a case study question, meaning everything has to relate back to Mo and Manufacturer X. So for the 5 areas- think about how this would be applicable for a robotics manufacturer. CIPS don't expect you to know anything about robotics so if you talk about KPIs for suppliers- just make them up- as long as they sound right-ish that's all that matters.
- Areas you could talk about include: competition, ethics, KPIs, quality, supplier appraisal, supplier evaluation, sustainability, transparency

### Example Essay

Mo, stepping into the role of Head of Procurement at Manufacturer X during a pivotal period of growth, faces the task of expanding the department and formalizing its policies. In this intricate landscape of a small organization creating bespoke robots, five crucial areas demand Mo's careful consideration in the drafting of departmental policies and manuals: competition, ethics, quality, supplier evaluation, and sustainability.

Firstly, competition. As Manufacturer X navigates growth, Mo must establish transparent guidelines for competitive bidding processes. It is imperative to ensure fairness in supplier selection and implement strategies for cost competitiveness without compromising quality. Encouraging innovation and collaboration with suppliers becomes a strategic approach to gain a competitive edge in the market. Mo should be careful that his policies do not favour any suppliers over others and that consideration is given to allowing SMEs to bid for work.

Secondly, Ethics. Mo needs to develop an explicit code of ethics guiding procurement professionals in their interactions. This should emphasize honesty, integrity, and fair treatment. Additionally, establishing due diligence procedures to ensure suppliers adhere to ethical business practices, especially concerning labour and environmental standards is important. Moreover, whistleblower protection mechanisms should be put in place to encourage the reporting of ethical concerns without fear of reprisal.

Thirdly, Quality considerations. Given the bespoke nature of the robotics industry and the necessity of maintaining high standards for customer satisfaction, Mo must define and communicate stringent quality requirements to suppliers, emphasizing adherence to specifications and standards. The establishment of robust inspection and testing procedures at various stages of the supply chain is

crucial, ensuring consistent component quality. Developing contingency plans and protocols for addressing quality issues promptly, including collaboration with suppliers for continuous improvement, should be integrated.

With the organization's growth, a systematic approach to supplier evaluation becomes paramount. Mo needs to develop a comprehensive evaluation framework, including criteria such as financial stability, reliability, and past performance. Implementing a supplier scorecard system is essential for tracking and assessing supplier performance over time. Moreover, fostering strategic relationships with key suppliers to promote collaboration, innovation, and long-term partnerships becomes a strategic imperative.

Lastly, Mo should consider sustainability, in particular environmental awareness and the promotion of sustainable practices into the supply chain for long-term viability. Developing sustainability criteria for supplier selection, considering factors such as environmental impact, social responsibility, and ethical sourcing, is imperative. Encouraging suppliers to adopt environmentally friendly practices and certifications, such as ISO14001 or Fair Trade, becomes crucial. The integration of sustainability goals into procurement key performance indicators (KPIs) is essential for tracking progress and demonstrating the organization's commitment to corporate responsibility.

In conclusion, Mo's strategic focus on competition, ethics, quality, supplier evaluation, and sustainability is pivotal in laying the foundation for a procurement department that not only supports Manufacturer X's growth, but also aligns with its values and industry standards. This approach positions the organization for success in the dynamic landscape of bespoke robot manufacturing.

#### Tutor Notes

- This question is taken from P. 146 -- note the question is on policies not strategy. These are slightly different concepts, but they do overlap. Policies are black and white- we do this and we don't do that. Strategies are about what the company wants to achieve. They're future orientated, where as a policy is about what we do now. So a policy may include sustainability, but strategy may talk about reducing pollution.

- CIPS could also ask you to talk about procurement strategies such as achieving cost reductions, environmental issues etc. These are also on p.146

## Question 10

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**Question Type:** MultipleChoice

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Explain the impact that having a Corporate Governance Framework can have on the policies and processes of the procurement department (25 points)

**Options:**

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**A-** See the solution in Explanation part below

**Answer:**

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A

**Explanation:**

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A basic response would include:

- What a Corporate Governance Framework is - the system of rules, practices and processes which directs and controls a company. Corporate Governance refers to the way in which companies are governed and to what purpose.
- Impact this has on policies and processes -- means the procurement department follows regulatory mechanisms (e.g. financial regulations, Codes of Practices), has a checks and balances system (such as auditing), uses e-procurement technologies, vets staff and suppliers, has a clear segregation of duties etc.

This is a very open question and there are so many correct answers. In fact, it's quite hard to give a wrong answer to this question -- as long as your response explains a policy or process that a procurement department can have that ensures they're following Corporate Governance -- that's right!

A good response may mention:

- Corporate governance is in essence a 'toolkit' that allows an organisation to effectively manage itself, ensuring that its policies and procedures are compliant with legislation and are ethical. It also ensures that the company meets its objectives.
- The impact Corporate Governance has on the procurement department will be in mandating the ways in which goods and services are procured and in the general ways of working of the procurement department.
- In your response you should mention 5 (ish) different ways Corporate Governance would impact on how procurement do their job.

Examples include:

- Ethical Conduct -- corporate governance ensures that the company is operating in a legal and ethical way. This influences the processes Procurement will do and the type of suppliers they will engage with. This may also be in their approach to relationships and negotiations- seeking out collaborative relationships with suppliers rather than looking to exploit them. For example, an organisation that

does not have a Corporate Governance structure may look to take advantage of suppliers and achieve the lowest cost possible at the expense of the supply chain and local community. An organisation that has strong Corporate Governance would work with suppliers, developing the relationships and thinking long-term about the impact on the local community. The organisation may therefore prioritise standards such as Fair Trade over price, and this would be reflected in the way tenders are evaluated by the procurement department.

- Use of Checks and Balance system- Corporate Governance ensures strong financial controls are implemented throughout the organisation. For the procurement department this may result in purchases being made to strict budgets (rather than just spending whatever they want), and business cases being written up and approved before the organisation spends a large amount of money on a single item. Another impact may be in the use of audits. For example, peer reviewing tenders and contract awards to ensure all members of the Procurement Team are following internal processes correctly.

- Anti-fraud prevention mechanisms. An important area of Corporate Governance is ensuring the organisation is free from fraud and corruption. This impacts on Procurement's policies and processes as it will mean scrutinising tenders and who is being awarded contracts. It may result in high levels of Due Diligence being completed on suppliers before entering into contracts and providing a whistle-blowing service for staff to report issues.

- Security measures- this will be to protect the organisation from risk. It may include the procurement department vetting new staff by completing background checks. It may also involve the segregation of procurement duties so that no individual has too much power. E.g. one person raises the requisition and another person approves the purchase. Security may also be in ways of working such as password protecting documentation and limiting access to confidential information.

- Use of a Purchasing Policy Manual -- this provides operational guidance on procurement policies and procedures to all staff members. It may detail things like who has permission to order what, who the Delegated Purchasing Authority (DPA) is and the roles and responsibilities of the team.

An excellent response may also include

- Reasons why Corporate Governance Frameworks impact on procurement policies and practices. This could include reasons of accountability, reputation and risk management, procurement's links with other departments.
- You could also look at what processes would look like with Corporate Governance compared to without it (with CG = rule driven, autocratic but organisation is protected from risk. Without CG = laissez-faire, everyone does whatever they like, very risky)
- You could also provide further examples, either real life or hypothetical. Investopedia has some great information and examples you could use: Corporate Governance Definition: How It Works (investopedia.com)

## Question 11

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**Question Type: MultipleChoice**

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Describe the CIPS Code of Conduct providing examples of how an organisation can ensure compliance with the standard (25 points)

**Options:**

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**A-** See the solution in Explanation part below

**Answer:**

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A

## **Explanation:**

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How to approach this question:

- This is the type of question you either know or you don't. You can't really guess it. So do memorise it. There's not really a shortcut here.
- The CIPS Code of Conduct is an ethical standard and framework which is used profession-wide. The purpose is to standardise ethics across the profession.
- There are 5 aspects to the Code of Conduct: enhance and protect the standing of the profession, promote the eradication of unethical business practices, maintain integrity in all business relationships, enhance proficiency and stature of the profession and ensure full compliance with law and regulations.

Example Essay:

The Chartered Institute of Procurement & Supply (CIPS) Code of Conduct is a comprehensive set of principles and standards that guide the ethical conduct of procurement and supply professionals. Adhering to this code is crucial for maintaining integrity, transparency, and responsible behaviour within the procurement profession. Here's an overview of the CIPS Code of Conduct along with examples of how organizations can ensure compliance with these standards:

1 - Enhance and protect the standing of the profession.

This means don't bring the profession into disrepute by your actions, don't accept gifts or offers of hospitality and to be aware that behaviour outside work reflects one's reputation as a professional. An organisation can implement training programs to educate procurement professionals about the importance of maintaining high standards of professionalism and integrity in their interactions with



suppliers and stakeholders.

## 2 - Promote the eradication of unethical business practices.

This means fostering awareness of human rights, fraud and corruption issues in business relationships, responsibly managing business relationships if unethical practices come to light, undertaking due diligence (in respect to forced labour, fraud, corruption) and continually develop one's own personal knowledge of ethical issues. Promoting the eradication of unethical business practices requires a comprehensive and proactive approach from organizations. This involves having a strong CSR policy, having whistleblowing protection and reporting mechanisms, and conducting due diligence on the supply chain.

## 3 - Maintain integrity in all business relationships.

An organisation can show compliance with this by; rejecting improper business practices, never using authority for personal gain, declaring conflicts of interest, giving accurate information, not breaching confidentiality, striving for genuine, fair and transparent competition and being truthful about skills and experience. An example of this is for an organisation to sever ties with unethical businesses. One notable example of a retailer terminating a relationship with a supplier due to ethical reasons is the case of H&M and its decision to cut ties with a Chinese yarn producer in Xinjiang province. H&M, a global fashion retailer, announced in early 2021 that it would no longer source cotton from Xinjiang due to concerns over forced labour and human rights abuses associated with cotton production in the region.

## 4 - Enhance proficiency and stature of the profession.

Activities which would demonstrate compliance with this includes: Continual development of knowledge and skills, fostering the highest standards of competence in staff members at the organisation and optimising the responsible use of resources. For procurement staff, this could involve becoming MCIPS qualified, and even once qualified, completing routine CPD (Continued Professional Development) to ensure their knowledge and skills remain updated and relevant. They should also strive to share their knowledge with the wider organisation.

5 - Ensure full compliance with law and regulations.

An organisation can demonstrate compliance with the standard by proving they: follow the law in all countries they do business in, fulfilling all contractual obligations and following the CIPS guidance on professional practice. Compliance can include aspects of fiduciary responsibility such as paying the correct level of tax and filing returns on time, as well as compliance to legislation such as the Health and Safety at Work Act 1974 and the Equalities Act 2000.

In conclusion, the CIPS Code of Conduct is a voluntary standard for organisations to follow but it sets a high standard for the industry. By following the CIPS Code of Conduct organisations can enhance their reputation and levels of trust among stakeholders, as well as being reassured that following these clear ethical guidelines contribute to a positive workplace culture, boosting employee morale and commitment by fostering a sense of shared values.

Tutor Notes:

- Under the previous syllabus CIPS asked this question a lot. If you memorise one thing from the study guide I'd recommend it be this. Even if it doesn't come up as a stand-alone question, you can work it into more general essays about ethics- so it is useful to know.

- For a top score, try to give deep examples. So where you have said 'responsibly managing business relationships' you could explain what this means in practice-- by ensuring fair contract terms are put in place, holding suppliers to account when they do something wrong and not exploiting smaller suppliers. Where you have said 'complete Due Diligence' you could mention that this would be completed before awarding a contract to a supplier and would involve looking at a supplier's history and supply chain to ensure that they have not been involved in any crimes (fraud etc) or unethical behaviour (such as polluting the environment). The more in depth you go, the more you show the examiner your understanding, and the higher you'll score.

- p. 137 or here: [Cips Code of Conduct](#) | CIPS Note the study guide talks on p. 132 about the CIPS Code of Ethics, which is slightly different. The Code of Conduct is the main one to learn.

## Question 12

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**Question Type:** MultipleChoice

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What is a Code of Ethics? What should an Ethical Policy Contain? What measures can an organisation take if there is a breach of their Ethical Policy? (25 points)

### Options:

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**A-** See the solution in Explanation part below

### Answer:

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A

### Explanation:

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- Firstly give a short definition of Code of Ethics: a document that sets out moral principles or values about what is right and wrong.
- What an Ethical Policy should contain: Condition of workers, Environment, H+S, Discrimination, Gift / Bribery Policy, Whistleblowing, Confidentiality, Fair Dealings, Declaration of Conflict of Interests. You won't have time to go into depth on all of these, so pick a few

where you want to give an example.

- Measures to take if there is a breach: depending on what the breach is and who breached it this could include: education/ training, sanctions, blacklisting, reporting to authorities, publicise the issue, use a performance improvement plan, issue warnings, dismissal.

Example Essay:

A code of ethics is a formal document or set of principles that outlines the values, ethical standards, and expected conduct for individuals within an organization. It serves as a guide for employees and stakeholders, shaping their behaviour and decision-making to align with the organization's ethical framework. It may take the form of a Mission Statement, Core Values, Specific Guidelines or established reporting mechanisms. The purpose of the Code is to establish standards, promote integrity, mitigate risks and build trust- with both internal and external stakeholders.

A Code of Ethics may contain the following:

- Condition of workers -- stating what the company will provide to the employees to make sure the environment is safe. This could include the physical environment but also hours worked, opportunities for breaks etc. Depending on the sector it could detail shift patterns, expectations regarding overtime and compensation.

- Environment -- this section would discuss compliance with legislation regarding pollution, disposal of waste materials etc. Depending on the company's goals- they may have higher commitments to the environment than those imposed by the government. Additional commitments may include NetZero targets or the use of renewable sources of energy.

- H+S- Health and Safety. Ensuring that the working environment is free of hazards and that workers have the training and equipment they need to complete the work safely. E.g. PPE

- Discrimination- a promise not to discriminate based on any characteristic. Aligns with the Equalities Act. Policy should include how the company would handle situations, for example if an employee reports an issue of discrimination or harassment. This may involve the use of a whistleblowing hotline or details on how to contact HR.
- Gift / Bribery Policy -- this area of the code of conduct would explain whether the company allows staff members to receive gifts (e.g. from suppliers) and the processes to complete if they do (e.g. return the item, complete an internal document, donate the gift to charity). Different companies and industries will have different rules surrounding this, the Public Sector is much more likely to reject gifts from suppliers for example.
- Declaration of conflict of interests- this explains what staff should do if there is a conflict. For example if they are running a tender and their father owns one of the suppliers who is bidding for the work. The conflict of interest policy will explain what the person should do, how to report it and have mechanisms in place to ensure that nothing untoward could come of the situation. This may be having another member of staff mark the tender to ensure unbiasedness.

#### Measures to take in case of a breach

A response to a breach will depend on who breached the policy -- whether this is an employee or a supplier. It will also depend on the severity of the breach.

Remedies for a supplier breach could include: education / training if the breach is minor. Supplier development if the relationship with the supplier is very important (for example if there are no other suppliers the buyer could turn to) and the breach is minor. If the breach is major such as fraud or misappropriation of funds, a buyer could look to issue sanctions, claim damages and dismiss the supplier. There could be options to claim liquidated damages if this is included in the contract. For very serious offenses the buyer may blacklist the supplier- never use them ever again and could also report the issue to the police if the breach is also criminal (e.g. modern slavery or fraud).

Remedies for an employee breach could include: for minor breaches training may be required, particularly if it was a junior member of the team and it was an innocent mistake like forgetting to fill out a form when they received a Gift. The employee could be carefully monitored and put on an Improvement Plan. If internal issues are found, such as several staff are breaching the Code of Ethics, senior management could look to review policies to make sure issues are being flagged and responded to in the best way. Employees who fail to follow the Ethical Policy, either through routinely failing to adhere to it or through a major breach could be dismissed from the organisation. There would need to be strong evidence of this.

In conclusion it is important for all organisations regardless of size of industry to have an Ethics Policy. Sharing the code of ethics with staff is a fundamental step in embedding ethical principles into the organizational culture. Regular communication and training reinforce these principles, fostering a shared commitment to ethical behaviour across all levels of the organization.

#### Tutor Notes

- In an essay like this it's always a good example to use examples. They can be hypothetical -- you don't have to know any company's Ethics policy off by heart. E.g. If a supplier breached a buyer's Ethical Policy by employing Child Labour in their factories, an appropriate measure for the buyer to take would be to cancel the contract and find another supplier. This is because not only is Child Labour illegal, the buyer will not want to be associated with this supplier as it will have negative repercussions on their image. The best response would therefore be to distance themselves from the supplier.
- Code of Ethics and an Ethics Policy are the same thing. Just different language. The terms can be used interchangeably
- Study guide p. 128

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