Free Questions for L4M1

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Question 1

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 refered 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 suppler, 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 2

Question Type: MultipleChoice

Describe what is meant by the 5 Rights of Procurement (25 points)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach the question

- This question is worth 25 marks so you can imagine what the mark scheme will look like. There are 5 Rights so there will be 5 points for each Right. Naming the Right will be one point, then you have 4 points for a description and example. You should therefore aim to have 4-5 sentences per Right.

- I would recommend using headings for this type of essay- clearly putting your essay into 5 sections for each right. This makes it easy for the examiner to mark.

Proposed Essay structure

- Introduction -- what is meant by the 5 Rights

- Price

- Quality

- Quantity

- Time

- Place

- Conclusion -- why it's important, all rights are equally as important

Example Essay

Procurement revolves around achieving the delicate balance of acquiring goods and/ or services at the right price, quality, quantity, time, and place. This essay explains why these 'Five Rights of Procurement' are important and explains how using this metric can help procurement to make smart choices when they purchase goods or services.

Price:

Firstly, it is important that procurement do not simply seek to find the cheapest option. The First Right is about finding the product/ service at an affordable price that doesn't compromise on quality. Let's say a company is buying office furniture. They might go for a supplier that offers a good balance between cost and quality, ensuring they get good value for their money. Considerations here may include Total Cost of Ownership, the Price Iceberg, and Whole Life Costing. The company therefore may seek to get the best price, but in relation to how long the furniture will last. A cheap chair that will break after one year may not be the best price compared to another chair which will last 10 years.

Quality:

The second right, quality, looks at legal compliance and fitness for purpose. Quality adherence aligns with specifications as well as legislation such as the UK Sale of Goods Act 1979. This helps ensure that items meet their commonly intended purpose and maintains satisfactory condition. Buyers deploy both reactive measures like Quality Control and proactive approaches like Quality Assurance to uphold the stipulated quality. This commitment not only ensures legal compliance but also underpins customer satisfaction, brand reputation, and ethical sourcing policies. An example of quality is an organisation buying a washing machine that conforms to ISO standard 97.060 and has a 2-year warrantee.

Quantity:

The third right, quantity, is a strategic consideration about how much of an item to order. It is connected to efficient inventory management. One tool that procurement can use to ensure they order the right quantity of a product is Economic Order Quantity (EOQ) -- this serves as a tool for finding the equilibrium between stock-holding costs and avoiding stockouts. Market conditions, supply chain dynamics (e.g. JIT / Lean manufacturing), and organizational policies collectively play a pivotal role in determining the right quantity. For example a confectionary manufacturer will need to order the right number of eggs to make cakes- they will need to consider how many eggs they will need in order to make the cakes, but also take into consideration that they may not need them all at once and that eggs can expire. The use of an MRP system is helpful when determining quantities of products to order.

Time:

Time is about getting things when we need them. In the above example, an egg delivery timing for a confectionary manufacturer will be pivotal to making the cakes on time. Other considerations about time include changing market forces and customer demand. The use of forecasting is therefore extremely useful; particularly if there are peaks in demand for a product, such as toys at Christmas. Moreover, organizations need to avoid bottlenecks and production stoppages, so time (including lead time and delivery time) is an important consideration when making orders.

Place:

Lastly, place is about getting things to the right location. Minimizing environmental impact, reducing risks during transit, and optimizing warehousing practices contribute to achieving the right place. This is particularly important for perishable items such as food, and for items which require specific storage conditions such as chemicals. This involves good planning in terms of logistics, minimizing any impact on the environment during transport and a consideration for safety.

In conclusion, the Five Rights of Procurement provide a structured framework for organizations to optimize their sourcing practices. All rights are equally as important and it is the relationship between the Rights which is key. While price, quality, quantity, time, and place form the foundation, evolving models acknowledge additional elements like the Right Relationship with the Supplier. Embracing these principles not only ensures operational efficiency but also promotes

sustainability and ethical conduct throughout the procurement process, contributing to long-term success in a globalized and dynamic marketplace.

Tutor Notes

- The 5 Rights is a big topic in CIPS so do learn them off by heart. It's p. 20 in the study guide.

- The conclusion mentions that additional 'rights' are starting to be introduced into the matrix, this is true and isn't mentioned in this study guide. I believe this starts to come up in Level 5. Just something to be aware of- some people are now talking about other Rights such as finding the right supplier and the right relationship. It's good to know, but not essential for this essay. Neither is knowing the ISO standard for washing machines -- that's certainly not in the book. You can sprinkle in your own knowledge to essays like this, as it demonstrates you're able to apply the theory to real life. Why I remember the ISO for washing machines is a different story....

- You could also have mentioned the following topics;

o price -- using the right currency and incoterm, aggregation of spend, negotiating prices

o quality -- conformance and performance specs

o quantity -- fulfilling retail orders, large order quantities leading to discount

o time -- additional costs of a stockout, impact on relationships and reputation

o place -- additional costs if delivery fails

- This is the type of question you can easily over-write. It's a huge topic and you could easily spend too long on it and not have enough time to answer other questions. So be careful with your timings. You don't need to mention everything above.

- Another way this type of question can come up is as a scenario. E.g. XYZ is a manufacturer of cakes and needs to order eggs. Discuss how XYZ can ensure the 5 Rights of Procurement when ordering Eggs.

Question 3

Question Type: MultipleChoice

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:

A- See the solution in Explanation part below

Answer:

A

Explanation:

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 4

Question Type: MultipleChoice

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

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

- 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 5

Question Type: MultipleChoice

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:

A- See the solution in Explanation part below

Answer:

A

Explanation:

- 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

Question Type: MultipleChoice

Describe the main differences between a traditional procurement approach and supply chain management approach to buying (25 points)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

- The question is asking you to explain the following:

- With this type of question you would be expected to discuss 3- 5 differences, giving examples.

Example Essay Structure

Introduction -- explain what is meant by 'procurement' and 'SCM' -- procurement is the traditional

way and is to do with purchasing goods, SCM is the new way which is a more multifaceted way of securing goods and is the result of longer, more complex and more globalised supply chains.

Paragraph 1 -- the objectives of each approach (5 Rights vs added value)

Paragraph 2 -- the approach (reactive buying vs proactive ordering)

Paragraph 3 - the way of working (silo working vs cross-functional working)

Paragraph 4 -- the relationships with suppliers (transactional vs collaborative)

Conclusion -- There are many differences between the two approaches, and different companies may favour one over the other depending on their specific circumstances. E.g. small organisations that make low value and low risk purchases may take a traditional procurement approach and large multi-national organisations may require a SRM approach due to the volume of suppliers and com-plexities of the supply chains.

Example essay:

Procurement and Supply Chain Management (SCM) represent two distinct approaches to acquiring goods, reflecting the evolution of purchasing practices. Procurement, the traditional method, in-volves the straightforward purchase of goods. In contrast, SCM is a more intricate approach, born out of longer, more complex, and globalized supply chains. This essay explores the main differences between these two approaches, highlighting their objectives, methods, ways of working, and suppli-er relationships.

In the traditional procurement approach, the focus is on achieving the '5 Rights' -- getting the right goods, in the right quantity, at the right quality, for the right price, and at the right time. This en-sures efficiency in the purchasing process. On the other hand, SCM goes beyond these basic objec-tives, aiming to add value to the entire supply chain. This might involve developing strategic rela-tionships with suppliers, ensuring sustainability, and aligning with broader organizational goals. For example, a company employing a traditional procurement approach might emphasize getting the lowest price, while an SCM approach could involve working with suppliers to enhance product in-novation or reduce environmental impact.

Secondly, the traditional procurement approach is often reactive, responding to immediate needs or demands. Companies using this method typically make purchases as required, without a long-term strategy. In contrast, SCM involves proactive ordering, anticipating future needs and trends. For instance, a company employing SCM might engage in demand forecasting, allowing for better plan-ning and inventory management. This proactive approach helps prevent stockouts, reduce costs, and enhance overall supply chain efficiency.

Moreover, traditional procurement often involves silo working, where different departments operate independently. The procurement team may not collaborate closely with other departments like pro-duction or marketing. In SCM, there's an emphasis on cross-functional working, breaking down de-partmental barriers for a more integrated approach. For example, an SCM team might work closely with production to ensure materials are aligned with manufacturing schedules, fostering efficiency and minimizing disruptions.

Lastly, in traditional procurement, the relationship with suppliers is transactional -- focused solely on the exchange of goods for money. Conversely, SCM promotes collaborative relationships, emphasiz-ing long-term partnerships. A company using SCM might work closely with suppliers to improve processes, share information, and jointly address challenges. For instance, an SCM approach might involve collaborating with suppliers to implement just-in-time inventory systems, leading to cost savings and improved responsiveness.

In conclusion, the differences between traditional procurement and SCM are substantial and nu-anced. While a traditional procurement approach may suit smaller organizations with low-value and low-risk purchases, larger multinational companies with complex supply chains often find SCM more suitable. Understanding these differences allows companies to tailor their approach based on their unique circumstances, emphasizing the importance of flexibility and strategic alignment with organizational goals in the ever-evolving landscape of buying and supply chain management.

Tutor Notes

- This question is taken from learning outcome 1.1.1 (p2 onwards). The new study guide has drasti-cally simplified the information on this topic compared to the old syllabus (the table above comes from the old syllabus). This may be good news for students in that you don't need to know as much, but I do wonder if the study guide gives students enough 'content' to write an essay on the subject.

- If a question is to come up from LO 1.1 it would be likely be something like: definitions and dif-ferences between procurement and SCM, difference between a supply chain and a supply network, elements of SCM, or how to add value in the supply chain.

Question 7

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 8

Question Type: MultipleChoice

What is 'supply chain management'? Outline the drivers, advantages and disadvantages of using this approach within the Procurement Department of an organisation (25 points)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach the question

- There are 4 main components to this question that you will have to answer, so my advice is to first write down subheadings for your essay so you don't miss any out: definition of supply chain management, drivers, advantages and disadvantages

- The question also brings up 2 concepts -- supply chain management and tiered supply chains, it would be good to include a definition of both of these.

- Because of the number of things you'll have to write, you don't need to go into lots of detail -- one paragraph per section will be enough.

Proposed Essay Structure

Intro -- what is supply chain management and what is a tiered supply chain

P1 -- drivers

P2 -- advantages

P3 -- disadvantages

Conclusion -- supply chains are complex due to globalisation

Essay Ideas:

- Definition of supply chain management = Making something available in response to a buyer's requirements. The transformation of goods from raw material into an end product (input > conversion > output)

- Drivers = Cost, Time/ Speed, Reliability, Responsiveness, Transparency, Globalisation

- Advantages = reduced costs by elimination of waste, improved responsiveness to customer requirements, joint-ventures with supply partners leading to innovations, tech sharing, improved communication leads to faster lead times for product development

- Disadvantages = needs considerable investment and internal support, closer relationships may be risky (IP, loss of control), issues in fairly distributing gains and risks

(you don't need to talk about all of these- pick 1 or 2 you feel you know the best and focus on that)

Example Essay

Supply Chain Management (SCM) is the arrangement of processes involved in the production and distribution of goods / services - from the origin to the end consumer. In simple terms, it's taking a raw product and transforming it into an end product that a consumer would purchase. For example taking a potato from a farmer, giving it to a manufacturer to make into chips and sending these to retailers to be sold. SCM relies on close relationships between the parties in the supply chain and adds value to the product at every stage. A Tiered Supply Chain is a specific configuration within SCM that involves multiple levels of suppliers and sub-suppliers. A buyer will work with a small amount of Tier 1 suppliers who will in turn work with their own suppliers. In a tiered system there can be many, many layers of suppliers who all ultimately work towards creating the same product. This essay aims to delve into the drivers, advantages, and disadvantages associated with implementing a complex supply chain, such as the Tiered Supply Chain model.

The main drivers of using a tiered supply chain are often rooted in the pursuit of efficiency, cost-effectiveness, and flexibility. By consolidating suppliers into distinct tiers, organizations can streamline their management processes, reduce complexity, and enhance overall supply chain performance. Additionally, tiered supply chains are often employed in response to the global nature of modern business, accommodating the need to source materials and components from various regions while maintaining a manageable and responsive supply network.

One of the advantages of a Tiered Supply Chain is the streamlined management of suppliers. In this model, there are fewer direct suppliers to oversee, simplifying the coordination and communication processes. This can lead to increased efficiency and responsiveness as organizations deal with a smaller, more manageable pool of suppliers. The consolidation of suppliers in a tiered system may also result in potential cost savings and improved collaboration with a select group of trusted partners.

However, the complexity of a Tiered Supply Chain brings disadvantages. One significant drawback is reduced visibility. As the supply chain extends across multiple tiers, organizations may struggle to have a comprehensive view of the entire process. This lack of visibility can lead to challenges in tracking and responding to potential disruptions. Moreover, ethical risks emerge when companies have limited oversight over lower-tier suppliers, potentially exposing organizations to issues such as labour exploitation, environmental concerns, or violations of ethical standards.

In conclusion, supply chain management has evolved into a complex discipline due to the forces of globalization and consumer demands for speed and quality. The Tiered Supply Chain model, driven by these factors, presents both advantages and disadvantages. While managing fewer suppliers can enhance efficiency, the trade-off includes diminished visibility and increased ethical risks. Organizations must carefully evaluate the specific needs of their operations and weigh the benefits against the challenges when deciding whether to adopt a Tiered Supply Chain. In this intricate landscape, the ability to balance complexity and efficiency becomes paramount for

sustained success in the global marketplace.

Tutor Notes

- Definition of supply chain management is from p.5

- Drivers, advantages and disadvantages p.9

- This topic used to be much more in depth in the old syllabus and has been drastically simplified in the new study guide. The guide is actually quite light on this topic stating simply that ''globalisation and localisation are both drivers of using supply chain tiering''. If you don't work in manufacturing, or an industry that uses supply chain tiering, this concept may be a bit alien to you and I'd recommend doing a little extra research. The best example of supply chain tiering is in car manufacturing- and that would be a good example to use in an essay. Some additional links for research:

- Supplier Tiers: What's The Difference Between Tier 1, Tier 2, and Tier 3 | PLANERGY Software

- Sustainable Sourcing - Definition, Examples, Benefits & Best Practices (brightest.io)

- https://youtu.be/fs1rDgBQy1M

Question 9

Question Type: MultipleChoice

What is meant by Stakeholder Mapping? Describe a tool that can be used by a Procurement Professional to map the stakeholders at their organisation (25 points)

Options:

A- See the solution in Explanation part below

Answer:

A

Explanation:

How to approach this question:

- Define stakeholder mapping -- completing an analysis of the stakeholders of an organisation and dividing them into categories depending on certain characteristics. This is often represented

visually on a graph or matrix.

- Describe a Stakeholder mapping tool -- the most common tool is Mendelow's Stakeholder Matrix so I would recommend using this one. It is explained in detail in the study guide. However, the question is open so you could choose to describe another tool such as Edgar's Stakeholder Position Analysis if you so wished. You wouldn't be wrong choosing this, but honestly, I'd just go for Mendelow. You can't go wrong with Mendelow. Because the Matrix has 4 sections you can imagine you'd get 5 points for the definition of stakeholder mapping, and 5 points for each of the quadrants of the matrix.

Essay Plan:

Introduction - The reason why stakeholder mapping is important is because interests and expectations of stakeholder groups will be different and possibly conflicting. Mapping this allows an organisation to see the variety and decide on an appropriate management style for each stakeholder group.

Paragraph 1 - Mendelow's Power / Interest Matrix maps stakeholders based on their influencing power and the strength of their motivation to use that power. It uses a 2x2 grid and defines power as high or low and interest and high or low. It then provides four strategies for managing the stakeholders based on which quadrant of the grid the stakeholder falls into. These 4 categories are:

Paragraph 2 - Keep satisfied -- high power but low interest. If the stakeholder becomes dissatisfied or concerned their interest may peak. Examples include regulatory bodies, shareholders, senior management. The best approach is to keep them up to date so they are informed of what is going on, but do not burden them with information they do not need.

Paragraph 3 - Manage Closely -- AKA Key players -- includes major customers, key suppliers, partners, senior management. These stakeholders need to know everything that is going on and approve of what is going on. The recommended strategy is early involvement and participation, and integrating their goals with yours. This group requires regular communication and meetings. You should take their opinions on board.

Paragraph 4- Monitor -- minimum effort required -- this is the low priority group as they have low power and low interest. Includes small volume suppliers and other organisational functions with no direct interest in your activities. This group does not need to receive regular communication.

Paragraph 5 - Keep informed - high interest, but low power. If they're not kept in the loop and understand the need for decisions, they may lobby together to protect their interest if they feel threatened. Employee groups, suppliers and community groups may be in this category. This group should receive regular communication.

Conclusion - Mendelow created the matrix in 1991 and it is still used today. It is a popular management tool due to its simplicity. It's important to notes that stakeholders can move through the matrix- it isn't stagnant. For example, at the beginning of a project a manager in another department may be classed as 'low priority' because they are seen to have no interest and no power in the project. However, as the project progresses the manager may become

interested. They will then transfer into the keep informed category. Therefore, the matrix should be redone regularly throughout the lifetime of a project to capture any movements. The matrix should also be redone for each individual project -- it cannot be assumed that a stakeholder who had interest in one project would be interested in another.

Tutor Notes

- The above essay plan is basically the entire essay, I got carried away. The only thing you'd need to add into that is an example of a stakeholder for each of the sections! (e.g. the CEO is high power, but low interest stakeholder for the procurement department. He/ She doesn't care about the day to day operations but should be kept informed of any big news). For your examples you could use your own place of work.

- At level 4 you don't have to analyse the model, you just have to be able to memorise it and repeat it. Mendelow comes up again at Level 5 and 6 in a bit more detail. If you want to score super bonus points you could mention in your conclusion that the main disadvantage of Mendelow's Matrix is that it doesn't take into consideration the stakeholder's position on the project -- whether they're for it or against it. Therefore, it doesn't provide the full picture or provide much help on how to manage stakeholders. E.g. two stakeholders might both be in 'manage closely' section, but one is for the project and the other against -- they'd need to be handled very differently!

- Study guide p. 65

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