



ISM LEAD Practice Questions

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Question 1

Question Type: MultipleChoice

XYZ is a US firm engaging in work on a project within a country identified as a war zone. The organization must purchase basic necessities such as bottled water for consumption in the office and out in the field. The local supplier of these commodities requires a surcharge for protection of the bottled water when it is delivered to the buying organization's site. Given this situation, which of the following is the BEST course of action for XYZ to take?

Options:

- A- Report the supplier to the local authorities so the appropriate action can be taken, and notify the United States Embassy of the supplier
- B- Acquiesce to the supplier's demand for the surcharge, irrespective of the organization's basic principles embodied in its policies and procedures
- C- Adapt as necessary to the environment while maintaining the organization's basic principles embodied in its policies and procedures
- D- Refuse to do business with any supplier that does not follow the established standards expected of a buyer-supplier relationship in the United States

Answer:

C

Explanation:

In a situation where XYZ is working in a war zone and faces a surcharge from a local supplier for the protection of bottled water, the best course of action is to adapt as necessary to the environment while maintaining the organization's basic principles embodied in its policies and procedures.

Adaptation to Local Conditions: Operating in a war zone requires flexibility and adaptation to local conditions, which might include paying surcharges for safety and security.

Maintaining Principles: While adapting, it is crucial to uphold the organization's core values and principles, ensuring that any actions taken do not compromise ethical standards and policies.

Balancing Risks: This approach balances the practical need to operate effectively in a challenging environment with the importance of maintaining organizational integrity and compliance.

Kotter, J.P. (1996). *Leading Change*. Harvard Business Review Press.

Northouse, P.G. (2019). *Leadership: Theory and Practice*. Sage Publications.

Question 2

Question Type: MultipleChoice

A subsidiary of a medical equipment company buys raw materials from suppliers contracted through the central commodity management group, which is located at corporate headquarters. The president of the local woman-owned merchants association contacts the firm's supply manager and asks why the firm does not support the local economy, as some of the raw materials are available from nearby woman-owned suppliers. Which option best is the BEST way for the supply manager to address this concern?

Options:

- A- Explain that sourcing policies are set by corporate headquarters
- B- Discuss purchasing social responsibility with supply management staff at headquarters
- C- Request authority to contract locally for a portion of the requirements
- D- Refer the question to senior management and ask them to contact the association

Answer:

B

Explanation:

Addressing concerns about local economic support and diversity requires discussing purchasing social responsibility with the supply management staff at headquarters. This approach aligns the company's sourcing practices with broader corporate social responsibility (CSR) goals. By engaging in this discussion, the supply manager can advocate for the inclusion of local, woman-owned suppliers, thereby supporting the local economy and diversity initiatives. This step is proactive and demonstrates the firm's commitment to social responsibility, which can enhance its reputation and community relationships.

Carter, C. R., & Jennings, M. M. (2004). The Role of Purchasing in Corporate Social Responsibility: A Structural Equation Analysis. *Journal of Business Logistics*.

Porter, M. E., & Kramer, M. R. (2006). Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*.

Question 3

Question Type: MultipleChoice

A corporation's supply management organization is working with the information technology (IT) department to review its spend categories and identify opportunities for improvement. Which of the following will likely be of GREATEST interest to the firm's senior management?

Options:

- A- Reduced acquisition costs for IT products and services
- B- Quarterly business reviews with key IT suppliers
- C- Supplier scorecards for key IT suppliers
- D- Increased use of local suppliers of IT hardware and services

Answer:

A

Explanation:

Senior management is typically most interested in strategies that lead to cost savings and increased profitability. Reduced acquisition costs for IT products and services directly impact the bottom line by lowering expenses and improving the organization's financial performance. While other aspects like supplier scorecards and quarterly reviews are important for maintaining quality and relationships, cost reduction is usually the primary concern for senior management as it has immediate and measurable financial benefits.

Monczka, R. M., Handfield, R. B., Giunipero, L. C., & Patterson, J. L. (2015). Purchasing and Supply Chain Management. Cengage Learning.

Johnson, P. F., & Flynn, A. E. (2015). Purchasing and Supply Management. McGraw-Hill Education.

Question 4

Question Type: MultipleChoice

A firm's supply manager issues a new set of procurement policies. Shortly thereafter, the supply manager learns that a former team leader is giving department employees instructions in conflict with updated policies. The former team leader is well-respected, and the department

employees are beginning to question whether the supply manager's new policies are correct. Which of the following is the FIRST step the supply manager should take to address this situation?

Options:

- A- Demote the former team leader for undermining the supply manager's authority
- B- Meet with the former team leader to discuss the concerns and reinforce the new procedures
- C- Contact human resources to engage a mediator
- D- Issue written reprimands to the former team leader and to any of the employees involved

Answer:

B

Explanation:

Identify the Issue: The former team leader is providing instructions that conflict with the newly issued procurement policies, leading to confusion and questioning among employees.

Importance of Addressing the Issue:

The former team leader is well-respected, so direct confrontation or punitive measures (such as demotion or written reprimands) could lead to further division and loss of morale.

Effective leadership involves addressing concerns and clarifying misunderstandings through communication.

First Step:

Meet with the Former Team Leader: This step allows the supply manager to understand the former team leader's perspective, address any concerns or misunderstandings, and reinforce the importance and rationale behind the new procedures.

Reinforces the authority of the supply manager while showing respect for the former team leader's experience and status.

Outcome:

A constructive meeting can lead to the former team leader becoming an ally in implementing the new policies.

Helps in gaining the confidence of the department employees by showing that their concerns are being addressed.

Leadership principles from John C. Maxwell's "The 21 Irrefutable Laws of Leadership"

Conflict resolution strategies from Kenneth Thomas and Ralph Kilmann's "Thomas-Kilmann Conflict Mode Instrument"

Question 5

Question Type: MultipleChoice

Which of the following requires a working knowledge of payback and net present value?

Options:

- A- Indirect (MRO) budget
- B- Direct materials and services budget
- C- Purchasing and supply operating budget
- D- Capital expenditures budget

Answer:

D

Explanation:

A working knowledge of payback and net present value (NPV) is required for managing a capital expenditures budget. These financial concepts are essential for evaluating the profitability and financial viability of capital projects. Leadership and transformation management documents emphasize the importance of financial acumen in making informed decisions about significant investments. Understanding payback periods and NPV helps supply managers assess the return on investment and make strategic decisions that align with the organization's long-term goals. Reference highlight that proficiency in these financial tools is critical for managing capital expenditures effectively.

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Question 6

Question Type: MultipleChoice

A supply management audit finds that sole source purchases have increased significantly due to the inexperience of the sourcing team, and that the waiving of competition is not justified in many cases. This has resulted in increased costs, as well as noncompliance with organizational policies requiring competitive solicitations. Which of the following is the BEST way to rectify this situation?

Options:

- A- Train staff in solicitation policies and practices
- B- Report noncompliance to management in user departments
- C- Improve audit procedures to identify problem areas sooner
- D- Make sole source review a key performance indicator (KPI)

Answer:

A

Explanation:

Issue Identification:

Increased sole source purchases due to inexperience of the sourcing team.

Noncompliance with competitive solicitation policies leading to increased costs.

Rectifying the Situation:

Training Staff: Provides the sourcing team with necessary knowledge and skills to understand and follow solicitation policies, reducing the likelihood of noncompliance.

Reporting Noncompliance: Addresses the issue after it occurs but does not prevent future occurrences.

Improving Audit Procedures: Helps identify issues sooner but does not directly address the root cause (lack of training).

Making Sole Source Review a KPI: Encourages monitoring but does not equip the team with the knowledge to comply.

Conclusion: Training staff in solicitation policies and practices addresses the root cause by ensuring the sourcing team is well-informed and capable of complying with competitive solicitation requirements.

Procurement training programs and resources from the National Institute of Governmental Purchasing (NIGP)

Best practices in procurement and supply chain management from the Chartered Institute of

Procurement & Supply (CIPS)

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Question 7

Question Type: MultipleChoice

A manufacturing company has been experiencing a number of human resource problems. Many employees feel they are underutilized given their skill sets. The firm

is concerned that if it loses some key leaders, it will be at risk. The company is looking to attract and retain more employees that embody the company's values. Given all these factors, which of the following is the BEST course of action for the firm to take?

Options:

- A- Create a corporation-wide succession plan
- B- Establish a mentor program
- C- Employ an outside recruitment firm
- D- Conduct a gap analysis of all job functions

Answer:

A

Explanation:

Given the human resource problems, the best course of action for the firm is to create a corporation-wide succession plan.

Succession Planning: This involves identifying and developing internal people with the potential to fill key business leadership positions in the company. It ensures continuity and stability within the organization.

Employee Development: A succession plan helps in recognizing and nurturing the skills and potential of current employees, addressing the issue of underutilization and preparing them for future roles.

Risk Mitigation: By planning for succession, the company reduces the risk associated with losing key leaders, ensuring that there are qualified and prepared candidates ready to step into critical roles.

Rothwell, W.J. (2010). Effective Succession Planning: Ensuring Leadership Continuity and Building Talent from Within. AMACOM.

Charan, R., Drotter, S., & Noel, J. (2010). The Leadership Pipeline: How to Build the Leadership Powered Company. John Wiley & Sons.



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