

Cips level-5 exam guidance



CIPS Exam Guidance Unit content guide Advanced diploma in purchasing and supply The units that make up the award are:

- Management in the purchasing function
- Risk management and supply chain vulnerability
- Improving supply chain performance

Plus a choice of two optional units:

- • • Marketing for purchasers
- Storage and distribution
- Operations management in the supply chain

The machinery of government Contracting in the public sector Sustainable procurement Revised content

September 2009 The content (including references, names and acronyms) are correct at the time of publication, June 2009. Copyright CIPS © Advanced diploma in purchasing and supply Introduction The Chartered Institute of Purchasing & Supply qualifications ladder has six levels of awards. For details of the entry requirements for each level, please refer to www.cips.org The CIPS Advanced diploma in purchasing and supply is a Level 5 higher level qualification.

It has been accredited by the Office of Qualifications and Examinations Regulator (Ofqual) and appears on the National Database of Accredited Qualifications (NDAQ). Please refer to www.accreditedqualifications.org.uk The Level 5 Advanced diploma in purchasing and supply consists of three compulsory units. Additionally you must choose two optional units from a choice of six including Sustainable procurement optional unit, launched in September 2009 with first assessment in November 2009. A measure of the amount of input time required to achieve the qualification. This includes lectures, tutorials and practicals, as well as supervised study in, for example, learning centres and workshops. " You will find that study centres vary on the exact format for delivery of the Assessment for each unit is by study

programme. Additionally CIPS examination with the exception of the would recommend that you also Improving supply chain performance commit 80 hours per unit of self when there is a choice for students in study, including wider reading of the the UK.

If your study centre has been subject areas and revision to give approved you can choose either a yourself the best chance of closed book examination or a worksuccessful completion of the award. based assessment. Below is a list of the units, their NDAQ If you wish to study for this award it is reference numbers and CIPS reference expected that you will undertake 50 code which is used to identify the unit guided learning hours per unit, ie a for examination purposes. total of 250 guided hours. The definition of guided learning hours is:

LEVEL 5 – ADVANCED DIPLOMA IN PURCHASING AND SUPPLY NDAQ
 QUALIFICATION NUMBER 100/6113/7 Management in the purchasing function
 Risk management and supply chain vulnerability Improving supply chain
 performance Plus choose two options Marketing for purchasers Storage and
 distribution Operations management in the supply chain The machinery of
 government Contracting in the public sector Sustainable procurement
 K/500/1713 M/500/1714 T/500/1715 F/500/1717 J/500/1718 L/500/1719
 D/500/5371 H/500/5372 CIPS ref code L5-01 CIPS ref code L5-02 CIPS ref
 code L5-03 CIPS ref code L5-10 CIPS ref code L5-11 CIPS ref code L5-12 CIPS
 ref code L5-13 CIPS ref code L5-14 CIPS ref code L5-15 1 Advanced diploma
 in purchasing and supply Glossary of terms Assessment Assessment is the
 way in which CIPS will measure whether or not a student is able to
 demonstrate their knowledge, understanding and ability to apply their

learning in any given situation. An assessment could be an examination, assignment or project.

Business essentials These are commonly occurring themes through the CIPS qualifications, that do not warrant a unit in their own right, but that are important holistically to the learning undertaken within CIPS qualifications. They are areas of importance, innovation and some emerging themes, such as:

- Quality management
- International issues
- Businessfinance
- Information management
- External factors.

Command words Command words are generally verbs that are used to indicate the level of learning undertaken. They tend to be hierarchical in nature. For example, at Level 3, a command word will be ‘demonstrate’ or ‘explain’, whereas a command word at Level 6 will be ‘synthesise’, or ‘critically evaluate’. These words reflect the level of complexity of your learning and ultimately your assessment at that level.

Compulsory units These are units that you must take either through CIPS or an alternative awarding body that constitute necessary knowledge and understanding to fulfil learning requirements for CIPS qualifications.

If you have undertaken equivalent learning or have equivalent related experience to the compulsory units from somewhere else you may either be exempt from learning, or gain accreditation for prior learning or experience.

Entry level This is the point at which you will enter the CIPS qualifications ladder. This entry will be based upon prerequisite knowledge, understanding and experience.

Exemptions Students who have successfully completed certain post-school studies may apply for exemptions from equivalent courses in their programme of study. To earn an exemption from either levels of qualifications or option units within qualifications you should contact

CIPS or see www.cips.org Please note that gaining an exemption, does not mean that you gain an exit award at that level, rather that you bypass that level of learning because of equivalent learning and achievement gained elsewhere.

2 Exit award An exit award is in essence a qualification. CIPS has six exit awards in total

- Introductory certificate in purchasing and supply
- Certificate in purchasing and supply
- Foundation diploma in purchasing and supply
- Advanced diploma in purchasing and supply
- Graduate diploma in purchasing and supply
- Executive diploma in purchasing and supply.

For each qualification you study, you will receive a certificate of achievement confirming your exit award.

Indicative content The knowledge required in order to fulfil the learning objectives and achieve the learning outcomes – in other words what you need to know.

Integrative units Integrative units are intended to help students see connections between all aspects of their learning within a particular level of qualification. For the purpose of CIPS qualifications, awards at levels 3 and 6 will have an integrative unit.

Learning objectives Determines the level of learning you must undertake in order to achieve the learning outcomes.

Level The level determines the complexity of learning, the depth of learning and the comparison of learning with other qualifications. CIPS has qualifications at levels 2 to 7.

The levels are as follows:

- Level 2 Introductory Level – this is for somebody new to the purchasing and supply profession and often in a junior capacity
- Level 3 Junior technical – also potentially new to learning
- Level 4 Operational/junior manager/new to the profession
- Level 5 Manager/specialist role
- Level 6 Senior managers/specialist professional

Level 7 Postgraduate strategic leader The levels are determined by Ofqual, who are the Government regulator for education, and enable a clear understanding nationally of the level of a person's learning and ability in that field.

3 National Qualifications Framework This framework is a government framework, where qualifications that are approved by Government, as being fit for purpose, and meeting the quality criteria, are listed. Qualifications listed within this framework are monitored against a variety of measures to ensure quality of qualification, associated procedures and delivery. Ofqual is the Government regulator for professional bodies such as CIPS, and act as the caretaker of qualifications included in the National Qualifications Framework

Optional units These are units where you have choice and opportunity to specialise in an area of interest.

There is an opportunity to select two optional units at advanced diploma and two optional units at graduate diploma.

Qualifications ladder This ladder represents the hierarchical nature of CIPS qualifications. The ladder has six steps within it. It starts with an Introductory Certificate through to the Graduate Diploma. Each step of the ladder is represented by qualification with an 'exit award'. Statements of practice A goal for attainment, which indicates what you need to know and be able to do to complete your studies in a particular subject area. Each unit has six to seven learning outcomes which outline what you will achieve as a result of your learning in that particular unit.

Student Member who is studying a CIPS qualification. Unit A segment of learning within the CIPS qualifications, which has a value in terms of hours of learning. Each unit is individual, has its own title, rationale and content. A

unit will also have an assessment attached to it in order to demonstrate achievement and conclusion of the learning. Weightings are allocated to each unit, to determine how the learning can be sensibly split. Each unit has a content weighting of 100%. Within each unit, each subject area is given a weighting eg 20% or 25%. This weighting indicates the level of input and learning required by the deliverer and the learner in order to complete the subject area.

However, the weightings do not necessarily reflect the marks that may be allocated to a question in that subject area of the unit.

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Acronym guide

- AIDA • Attention, interest, desire, action AIDA is an acronym used in marketing that describes a common sequence of actions which need to happen when a person is trying to sell a product or service.
- ABC Analysis • Stock categorisation method Application of Pareto's Law of the 80/20 rule: ABC classifications are determined in ascending rank order of all products according to the product classification as a percentage of the total purchasing spend. Ranking can also be by volume, value, weight etc.
- BBS •

Business balanced scorecard Kaplan and Norton (1996) developed balanced scorecard approach to measure performance in organisations adopting a holistic and balanced view looking at performance against four perspectives financial, customer, internal business and earning and growth.

- BCP • Business continuity planning A methodology used to create a plan for how an organisation will resume partially or completely interrupted critical functions within a predetermined time after a disaster or disruption.
- BPR • Business process reengineering The fundamental re-thinking and radical re-design of

business processes. To achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed.

CAD • Computer aided design The use of a wide range of computer based tools that assist engineers, architects and other design professionals in their design activities. CAM • Computer aided manufacturing This is a software process that can directly convert an object (product drawing) into code so that a machine, such as a lathe or milling machine can manufacture the product. COSHH • Control of substances hazardous to health Legislation that requires employers to control exposure to hazardous substances to prevent ill health. CSR • Corporate social responsibility CSR means the commitment to a systematic consideration of the environmental, social and cultural aspects of an organisation's operations.

This includes the key issues of sustainability, human rights, labour and community relations, as well as supplier and customer relations beyond legal obligations; the objective being to create long-term business value and contribute to improving the social conditions of people affected by an organisation's operations. DAGMAR • Defining advertising goals for measured advertising results A model of marketing communications developed for the measurement of advertising effectiveness. 5 Advanced diploma in purchasing and supply Acronym guide ECR • Efficient consumer response The link to make category management an operational reality. Supplier and buyers working together to ensure total consumer satisfaction.

EDI • Electronic data interchange The exchange of documents/information between computers using telephone lines. EFT • Electronic funds transfer

Financial or value transactions carried out between parties by means of computer systems. It can also refer to financial information about transactions being passed. EPOS • Electronic point of sale A system that allows the flow of inventory/products from warehouse to point of sale in the shortest time. ERP - Enterprise resource planning Refers to any software that enables companies or organisations to integrate various functions and programs so that they are all interconnected and have the ability to 'talk' to each other.

EU • European Union The European Union was created in 1992 following the signing of the Maastricht Treaty replacing the European Economic Community and other constituent organisations which were originally established in 1957. Its aim is to create an environment for the free movement of goods, services, labour and capital across the member states. There is also an emphasis on the abolition of trusts and cartels and the development of joint and reciprocal policies on labour, social welfare, agriculture, transport and international trade. FMEA • Failure modes effects analysis Is an easy to use and yet powerful pro-active engineering quality method that helps you to identify and counter weak points in the early conception phase of products and processes. The structured approach makes it easy to use and even for non-specialists it is a valuable tool.

The benefits obtained encompass by and large the investments in time and resources to execute the analysis. ICT • Information, communication technology This is a broad subject concerned with technology and other aspects of managing and processing information, especially in large organisations. IDEF • ICAM DEFinition language IDEF is the shortened

version of ICAM DEFINITION Language. It was an initiative by the US Airforce during the 70s/80s to modernise their technology, specifically the use of computers in manufacturing. ICAM stands for Integrated Computer-Aided Manufacturing and the aim was to make the manufacturing process quicker and more efficient.

ISO • International organisation for standardisation The ISO is not one organisation, but a network of national standards institutes across 150 countries. International standards are created through consensus agreements by each of the national delegations. This provides a common technological language between suppliers and buyers facilitating trade and the transfer of technologies amongst those countries involved.

6 JIT • Just in time Originally a concept imported from Japan, based on the idea that only sufficient quantities should be manufactured or be made available to satisfy customers' immediate needs. Relies on an efficient supply chain for its success.

KPI • Key performance indicator Also known as key success indicators.

They are financial and non-financial metrics used to reflect the critical success factors of an organisation or contract. They are used in business intelligence to assess the present state of business or a contract and to prescribe the next course of action.

MRP • Material requirement planning A product-oriented computerised technique aimed at minimising inventory and maintaining delivery schedules.

MRPII • Manufacturing resource planning MRPII is concerned with almost any resource entering into production, including manpower, machines and money in addition to materials. This is why the word 'resource' is usually substituted for 'requirement' when referring to MRPII.

MSP • Managing successful programmes Managing Successful Programmes comprises a set of principles and processes for use when managing a programme. It is founded on best practice although it is not prescriptive. It is very flexible and designed to be adapted to meet the needs of local circumstances.

NAO • National Audit Office The National Audit Office is totally independent of Government and has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which government departments and other public bodies use their resources.

NHS • National Health Service Founded in 1948, this organisation provides the majority of healthcare in the UK. NHS services are largely “ free at the point of delivery,” paid for by taxes.

Employing well over one million people, the NHS is the largest employer in Europe and one of the largest employers in the world.

OGC • Office of Government Commerce OGC is an independent office of the Treasury. Together with its executive agency OGC buying solutions, OGC works with public sector organisations to gain the best possible value for money from procurement in support of the Government’s efficiency target. OGC supports initiatives that encourage better supplier relations, sustainable procurement, the benefits of utilising smaller suppliers and the potential of eprocurement, and represents the UK at the European Union (EU). OGC also supports major programme and project management, which involves complex procurement.

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OPC • Operations planning and control The activities undertaken that ensure all required resources within an organisation are managed effectively to produce products/services right through to the delivery of the

product/service to the customer. OPT • Optimised product technology This is a computer-based technique and tool originated by Eliyahu Goldratt. In principle, it aids production scheduling systems to fulfil the pace of production during the most heavily loaded resources such as bottle-necks.

PAC • Public Accounts Committee The Committee of Members of Parliament appointed to examine and report on the accounts of government departments and other public bodies. The accounts are audited by the Comptroller and Auditor General, whose reports on the accounts form the basis for the Committee's examination of departmental Accounting Officers and subsequent reports.

PARETO A principle which states that ' in any series of elements to be controlled, a selected small factor in terms of the number of elements almost always accounts for a large factor in terms of effort' see also ABC analysis.

(Source: adapted from The official dictionary of purchasing & supply by HK Compton and DA Jessop). PASA • Purchasing and Supply Agency (NHS) The NHS Purchasing and Supply Agency is an executive agency of the Department of Health, established in 2000. The role of the agency is to act as a centre of expertise, knowledge and excellence in purchasing and supply matters for the health service. The Agency is an active participant in the ongoing modernisation of purchasing and supply in the health service, and contracts on a national basis for products and services which are strategically critical to the NHS.

It also acts in cases where aggregated purchasing power will yield greater economic savings than those achieved by contracting on a local or regional basis. PDCA PDCA stands for Plan-do-check-act and is a four-step problem-

solving process typically used in quality control. Also known as the Deming cycle. PESTLE • Political, economic, social, technological, legal, environmental An analytical tool that aids organisations developing strategies by helping them understand the external environment in which they operate now and in the future. PFI • Private finance initiative An agreement that promotes partnership between both private and public sectors which enables the utilisation of a wide variety of assets and services in the private sector.

The objective is to improve the quality and quantity of public sector capital products and also to provide more efficient public services. PPP • Public private partnership Any alliance between public bodies, local authorities or central government and private companies to produce capital projects or deliver public services. 8 PRINCE2 • Projects in a controlled environment A process based approach for project management providing an easily tailored and scalable method for the management of all types of projects. Each process is defined with its key inputs and outputs together with the specific objectives to be achieved and activities to be carried out. PRINCE2 is Crown copyright.

SLA • Service level agreement A service level agreement is a document which defines the relationship between two parties: the provider and the recipient. This is clearly an extremely important item of documentation for both parties. If used properly it should: • Identify and define the customer's needs • Provide a framework for understanding • Simplify complex issues • Reduce areas of conflict • Encourage dialogue in the event of disputes • Eliminate unrealistic expectations. SMART • Specific, measurable,

achievable, relevant, time framed Is a mnemonic used in project management at the project objective setting stage. It is a way of evaluating if the objectives that are being set are appropriate for the individual project.

SMEs • Small and medium sized enterprises A small firm is an independent business, managed by its owner or part-owners and with less than 50 employees. A medium sized company must meet thresholds for annual turnover and have fewer than 250 employees. SWOT • Strengths, weaknesses, opportunities, threats This is a strategic planning tool used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture or in any other situation requiring a decision.

. TQM • Total quality management Is a set of systematic activities carried out by the entire organisation to effectively and efficiently achieve company objectives so as to provide products and services with a level of quality that satisfies customers, at the appropriate time and price.

TUPE • Transfer of undertakings (protection of employment) Legislation that aims to ensure that an employee whose company is taken over has his existing conditions respected by his new employer. They also apply in some cases for work transferred to contractors. This includes hours of work, pay, pension entitlement and so on. 9 Advanced diploma in purchasing and supply Management in the purchasing function COMPULSORY UNIT UNIT CHARACTERISTICS This unit is designed to enable students to manage their own area of responsibility within an organisation's internal supply chain, in line with the overall strategic business plan and the operational plan for the purchasing function. Students should be able to implement operational plans for their own area of responsibility to achieve objectives set out in their plan.

In doing so they should be able to employ a range of resources, including human, physical and financial, and manage and delegate tasks effectively. This unit is about managing the expectations of the stakeholders that are directly involved in the student's own area of responsibility and will provide them with management techniques to help them to involve others, be innovative, consultative, influential and persuasive in order to achieve targets effectively. This unit at level 5 is concerned with the day to day management responsibilities within the purchasing function and wider organisation and appropriate links and understanding of the relevant theories.

STATEMENTS OF PRACTICE On completion of this unit, students will be able to:

- Evaluate the challenges facing managers in dynamic and changing organisations
- Analyse the characteristics of different organisational structures and cultures
- Use a range of techniques to support and implement justifiable management decisions
- Formulate plans to effectively manage work groups and teams
- Propose processes and systems to enable the successful implementation of change programmes to maximise purchasing efficiency and effectiveness
- Assess the impact of current legislation relating to employment and equality upon purchasing and supply activities.

10 LEARNING OBJECTIVES AND INDICATIVE CONTENT 1.

THE CHALLENGES OF MANAGEMENT (Weighting 20%) 1. 1 Define the term management and differentiate management from leadership

- Definitions of management: Fayol, Mintzberg, Drucker, Brech and Cole
- Management: planning, co-ordinating, controlling and motivating staff
- Management styles
- Leadership perspectives and styles: Hersey and Blanchard,

Tannenbaum and Schmidt, Kotter, Lewin. 1. 2 Identify the key stakeholder groups who impact directly on the purchasing function, analyse their potential impact and explain how to manage their expectations effectively • Stakeholders: employees, customers, shareholders, suppliers, government, lenders, trustees, elected members • Identifying and fulfilling stakeholder/customer needs: good products and service, return on investment, quality, price and measurable outcomes • Working within ethical codes of conduct and practice • Expectations: on time, within budget, meeting terms and conditions. 1. 3 Evaluate the key roles and functions of managers in the purchasing and supply function • Ensuring value for money/quality at the lowest price (purchaser) • Advising and recommending suitable purchasing and supply systems • Building good relationships within the purchasing and supply chain • Management of resources (human, financial, materials, equipment) to be effective in the role • Policy development. 1. Compare and contrast the diverse purchasing management practices of the private and public sectors • Tendering • Recommended suppliers • E-commerce: internet, e-auctions, e-catalogues, electronic data interchange (EDI) • Outsourcing • Authority levels (ie purchase orders) • Relationship building • Payment terms and other contracting arrangements. 11 1. 5 Create a set of rules for ethical behaviour • What are ethics? • CIPS ethical codes • Corporate Social Responsibility (CSR). 1. 6 Propose ways of reporting effectively to senior management and securing top level support and sponsorship for initiatives and implementation of plans • Keeping your stakeholders informed • Building a business case • Report writing: structure, content and making it interesting • Effective meetings • Presenting your plans. 2. 0 ORGANISATION STRUCTURES AND CULTURE (Weighting 20%) 2.

Evaluate the importance of organisational structure to the development and performance of organisations • Rationale/background: industrial revolution to modern day • Choice of different structures to aid management • Organisational structures: conflicts between control and empowerment, autonomy and entrepreneurship • Power. 2. 2 Evaluate the nature and scope of organisational structures and the implications of such structures for the purchasing function: • Flat • Functional • Matrix • Geographical • Local • Regional • National • International • Global • Centralised/de-centralised. 2. 3 Assess and evaluate methods of job design for purchasing roles • Identifying responsibilities, associated tasks and priorities • Updating existing roles: via job description and person specification • Training needs analysis • Competency frameworks • Role mapping. 2. Define the term ‘ culture’ and assess different models of culture which may exist within organisations • Definitions and terms associated with culture • How organisational culture impacts on behaviour, values and assumptions • Organisational influences of company politics, power, bureaucracy, rules and standards of behaviour • Models of cultural strength, masculine/ feminine societies, cultural values and individualism/ collectivism. 12 2. 5 Evaluate methods and formulate plans for managing effectively in international or crosscultural organisations • Stages of planning • Methods: managerial and leadership styles, approaches, communication and media channels • Evaluation process of research (primary and secondary), conducting pilot schemes, gathering feedback from staff and choosing most successful option • Considerations: cultural diversity, existing structures, codes of conduct, differing goals and expectations. 3. 0 MANAGEMENT DECISION MAKING (Weighting 15%) 3. Evaluate and apply a range of tools to make effective management choices

and decisions • Problem and decision making process • Pareto analysis, Ishikawa (fishbone) diagram, strengths, weaknesses, opportunities, threats (SWOT), decision making trees, cost/benefit analysis, risk evaluation, paired comparison analysis • Balanced Scorecard (BBS).

3. 2 Explain how to formulate, implement and monitor operational plans for the purchasing and supply function to achieve organisational objectives • Aligning plans with strategic objectives/direction of organisation • Agreeing objectives and targets: reducing defects, improving lead times, reducing costs • SMART principles • Importance of and ways to involve the team in the planning process • Monitoring systems and processes including annual and periodic reviews • Reporting structures.

3. Evaluate the resource requirements for the implementation of operational plans for the purchasing function • People as a resource • Financial resources • Physical resources • Time.

13 4. 0

MANAGING WORK GROUPS AND TEAMS (Weighting 25%)

4. 1 Evaluate the concept of authority, delegation and accountability when managing the purchasing function • Understanding of key concepts: taking ownership, decision making, empowerment and responsibility • Reasons: workload, prioritising, developing individuals and the team, minimising blame and achieving results • Goodtime management • The delegation process.

4. 2 Assess techniques for building, motivating and managing successful teams within the purchasing and supply function • What is a team/group? Stages of team development: Tuckman and Jensen • Team Roles: Belbin, Schutz, Holland, Cattell • Building a balanced team • Motivational determinants: innate drive, desire, fulfilling need • Satisfying individual and team needs: praise, rewards, recognition, responsibility, promotion, pay • Building relationships through leadership, with trust, fairness, equal opportunities,

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ethics and respect. 4. 3 Assess the sources of conflict which may arise within the purchasing function • Disagreement about needs, goals, values, priorities and interests • Poor communication • Lack of trust in leadership • Lack of direction • Lack of clarity in role • Scarcity of resources • Interpersonal and hygiene factors. 4. 4 Explain how to build relationships and encourage integration with other parts of the business • Changing perceptions of purchasing (from process to advisory) • Advocates for the profession/business • Consultancy • Adding value. 14 4. 5 Evaluate techniques to deal with conflict within teams and between individuals in the purchasing and supply functions • Consultation • Mediation • Negotiation • Arbitration • Dispute resolution (including discipline and grievance). 4. 6 Assess the benefits of a systematic approach to recruitment, appraisal, training and development • High calibre of staff • Recognition of achievement • Conducting appraisals/personal development reviews (PDRs) • Identification of development needs • Providing appropriate training to meet individual's role needs • Retention • Contented workforce • Maintaining high levels of performance. 5. MANAGING CHANGE (Weighting 20%) 5. 1 Evaluate the causes of organisational change and analyse their potential impact on the organisation • Globalisation • Competition • Growth • Diversification • Performance • Technology • Practical analysis using political, economic, social, technological, legal and environmental (PESTLE), SWOT and Lewin's model: forces for change. 5. 2 Differentiate between the need for fundamental and incremental change in organisations • Sector characteristics and dynamics • Take-overs, mergers and embracing cultural changes • Response to market demand • Quality and continuous improvement • Meeting customer requirements. 5. Formulate plans to

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overcome human resistance to change and to implement change successfully within the purchasing and supply function • Psychological barriers • Physical barriers • Achieving commitment from staff • Staff involvement • Devolving responsibility • Monitoring results.

5. 4 Identify and analyse the current legislation relating to employment and equality of opportunity in organisations • The Equal Pay Act 1970 (as amended) • Employment Act 2002 and Dispute Resolution Regulations (2004) • Health and Safety at Work Act 1974 • EU Employment Directives, TUPE, equal treatment, working time, young people • Disability Discrimination Acts 1995 & 2005 • Employment Equality (Age) Regulations 2006 and amendment Regulations 2008 • Sex Discrimination Act 1975 and Amendment Regulations 2008.

5. 5 Evaluate the impact of ecommerce and technology on the management of organisations and people, and in particular the benefit to the purchasing function • Intranet • Knowledge management systems • Management Information System (MIS) / Marketing Information Systems (MkIS) • Flexible working arrangements • Telecommunications • e-sourcing • e-procurement.

5. 6 Identify ways to monitor and control the impact of the change process on the performance of the supply chain and assess their effectiveness • Budget • Project measurement • Benchmarking • Auditing • Employee and stakeholder reactions • Appropriate communication programmes involving third parties internal changes.

5. Assess the importance of managing continuity of performance whilst implementing change and explain how to do this • The importance of maintaining a ‘business as usual’ approach for managing supply • The process of internal handover from one individual/team to another • How a supplier implementation programme is organised, including the potential

benefits of a trial/pilot period and ramp-up/rampdown phases • How existing suppliers can be managed and incentivised to see out the full terms of their contracts without disruption to supply or service levels. 16 Advanced diploma in purchasing and supply Risk management and supply chain vulnerability

COMPULSORY UNIT UNIT CHARACTERISTICS This unit is designed to enable students to undertake risk analysis and a variety of risk assessments relating to different aspects of purchasing and supply and to implement a range of appropriate risk management tools and techniques.

Students will use a variety of risk assessment tools and techniques designed to provide a detailed analysis of supply chain situations, including legal, corporate social responsibility (CSR), ethical, health and safety, financial, international, innovation and a variety of other potential risk scenarios. The scope covers both the proactive identification and avoidance of risk, as well as provision for post-event recovery initiatives. By the end of the unit students should be able to:

- demonstrate a good knowledge and understanding of risk awareness and an effective approach to risk management
- apply a variety of tools and techniques, in a diverse range of contexts, to proactively establish the level of risk presented and to recommend ways of avoiding, mitigating or managing those risks.

STATEMENTS OF PRACTICE On completion of this unit, students will be able to:

- Analyse the nature and scope of risks for the organisation
- Assess the sources of risks and the likely impact of those risks upon the organisation
- Plan and implement an appropriate risk management process in order to protect the organisation's interests
- Explain how supplier appraisals, pre-qualification of suppliers and contract monitoring can help to mitigate risks
-

Evaluate systems for testing risks and monitoring them accordingly • Apply risk management principles to various purchasing and supply management scenarios • Evaluate the application of a range of techniques to mitigate risk proactively and to reduce the consequential losses in the instance of a risk event occurring • Explain how the use of sound negotiation approaches and techniques help to ensure better business value by reducing risk and vulnerability.

17 LEARNING OBJECTIVES AND INDICATIVE CONTENT

1. 0 UNDERSTANDING THE NATURE OF RISK IN PURCHASING AND SUPPLY (Weighting 25%)

1. Define the terminology used in risk assessment and management • Definition of risk with use of examples • How risk has a direct impact on an organisation's success and how risk can be directly related to cost • Key terms: hazard, risk, risk event, exposure, loss direct, indirect and consequential - mitigation, avoidance, assessment, management, force majeure and acts of God • The differences between risk, vulnerability, exposure and loss, as well as understanding the range of management actions available • What is meant by a risk appetite and use of practical examples to show how this applied.

1. 2 Distinguish between direct physical loss (eg disrupted supply) and indirect consequential loss (eg reputation) • Key types of loss that may occur: financial, reputational, environmental, health, safety, welfare and lost opportunities.

1. 3 Analyse potential sources of risk to organisations of both internal and external origin • Internal and external hazards and risks • Range of risks that might occur within the workplace • Analysis of external environment factors using the PESTLE tool • The likely impact on the organisation and its appetite for risk • Basic quantification methods for measuring.

1. Analyse and explain the use of segmentation and business tools to reduce supply chain vulnerability •

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Segmentation tools to help assess and manage supply chain risk appropriately (eg Kraljic Model, Boston Matrix, Pareto Principle, KPIs, Spider web or appropriate alternatives) • How you would take a different approach to purchasing from a critical or bottleneck market to that of a leveraged or acquisition market • Management of different products or services within an organisational portfolio • Definition of supply chain vulnerability, supply failure and supplier failure • How to map a typical supply chain and identify potential sources of supply vulnerability • The potential impact of supply and supplier failure • Range of mitigating activities that a purchaser could use when looking to protect against supply or supplier failure. 18

1. Distinguish between strategic, operational and project based areas of risk • Examples of how to define risk at the strategic, operational and/or projectbased level • Range of risk mitigation methods at each level • How risk can be bounded and also how, if unmanaged, it can have knock-on consequential impacts on other areas of an organisation. 1. 6

Evaluate the role of an organisation's stakeholders in risk management • The roles and responsibilities of an organisation's risk function in relation to other functional areas • The impact of a risk event at the functional level • The benefits of a crossfunctional team when assessing, preventing and minimising risk • The role of purchasing to mitigate against potential losses to the whole organisation from risk events • The merits of taking a consistent approach across the organisation to the assessment of risk. 1. Evaluate how effective risk management can have positive benefits for organisations • Reduction in levels of threat • Reduced exposure to uncertainty • Higher risk opportunities being successfully pursued or mitigated • Successful anticipation of shocks or other risk events • Crises being avoided or mitigated • Successful application of contingency

or business continuity plans • Disaster recovery planning and implementation • Limited or no reputational or public relations damage • Securing supply and mitigation of supply chain vulnerability • Improved decision and policy making • Increased customer and stakeholder satisfaction • Improved organisational co-ordination with service and delivery partners.

19 1. 8 Assess risks involved with using technology • Reliance on technology • Security • Hackers • Fraud • Storing of vital documents and materials.

2. 0 RISK MANAGEMENT PROCESSES AND STRUCTURES (Weighting 25%)

2. 1 Develop a risk management strategy • Example of an appropriate supply chain risk policy • How to define objectives and content for a risk management strategy • How an organisation's appetite for risk may affect the risk policy • The purpose of a risk management strategy and a risk management framework • The key components of a risk management strategy • The key implications of the Turnbull report.

2. 2 Formulate an effective risk management process in the context of an organisation's strategic objectives and a dynamic external environment • Key stages of a risk management process; risk identification, risk analysis, risk evaluation, risk treatment and risk reporting • Methods for identifying, assessing and quantifying risks • Classification of risk within the organisational context • A risk report and the role of a board risk committee • How identified risks should be monitored and reviewed.

2. 3 Evaluate the probability of a risk occurring in particular circumstances, the possible consequences and the potential range of mitigating actions required • Definition of probability in relation to the occurrence of a risk event • How the likelihood of a risk occurrence will affect the approach to risk management • Application of the use of historic statistical data in predicting

the likelihood of future risk occurrences • Identification of a range of operational risks and assign a probability to each one • Prioritisation of key risks with explanation as to how resources might be allocated appropriately to mitigate such risks.

20 2. Analyse the resources required for effective risk management and for building a risk aware culture within organisations • Responsibility of everyone in an organisation • Definition of risk awareness and the benefits of awareness • Description of an appropriate communication programme to promote risk awareness • How different functions can work together to reduce risk • Promotion of a risk awareness culture among key elements of the supplier base • How suppliers can assist in the promotion of risk awareness.

2. 5 Propose ways in which third party supplier resources are used to reduce risk and mitigate losses during a risk event • Range of supply solutions for mitigating losses in the aftermath of a risk event: insurance, loss adjusting, alternative accommodation, disaster recovery plus restoration and recovery services • Appropriate methods of purchasing and paying for disaster recovery services both during a risk event and in the normal run of business • Incentives to retain specialist services at times of national disaster, including flood and hurricane damage.

2. Develop an appropriate risk register for the purchasing and supply function • Definition of a risk register and the benefits of having one • Outline of key components of a risk register • The process of maintaining and reviewing a risk register • Design of a basic risk register for the purchasing and supply function • Procedures for monitoring and managing the key risks identified.

2. 7 Evaluate insurance as a financial means of risk protection • The insurance service including the role of the broker and the insurer • How insurers use the reinsurance market to spread their risk • The key stages to

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resolve a claims event • Definition of captive or self insurance with description of its practical application • The merits of an organisation self-insuring and the types of risk that this might include • The relative merits of captive self-insurance. 21

2. Identify and apply a range of qualitative and quantitative risk identification and analysis techniques to ensure better decision quality in reviewing alternatives for a superior project outcome • Scenario analysis and planning • Auditing • Decision tree analysis • Fault tree analysis • Dependency modelling • External environment analysis • Assumption • Identification frameworks. 3. 0 MANAGING RISK AND VULNERABILITY (Weighting 50%)

3. 1 Develop appropriate solutions to mitigate the inherent risk in the following supply chain issues: • Supplier appraisal, selection and management • Project failure (eg capital procurement – investment appraisal) • International sourcing • Implementation of new technologies • Corporate social responsibility (CSR) including ethical, environmental and health and safety issues • Public sector procurement. 3. Evaluate and apply monitoring and control techniques for testing risk on an ongoing basis: • Internal audits • Interdepartmental exchanges • External experts: advisers, mystery shoppers, research companies and the police • Use of benchmarking to assess and mitigate external risk • Use of competitive intelligence • Quality systems, Total Quality Management (TQM), quality inspection and quality control. 22

3. 3 Develop contingency plans designed to overcome risk situations • What is meant by a contingency plan • The key components of a business continuity plan (BCP) and disaster recovery plan and how such plans are put into practice • Key contingency measures used by a BCP: telephone cascades, emergency and fire wardens, use of IT systems to help coordinate activities,

use of alternative accommodation and back-up information technology systems • The benefits of business continuity planning from an operational, financial and reputational perspective. 3. Analyse specific key risks and exposures in purchasing and supply and identify appropriate mitigating actions • Contractual failure, consequential loss and provision for remedies • Supplier insolvency, monitoring and guarantees • Quality failure, nonconformity and corrective action • Project failure, project planning principles and corrective action • Security of supply, contingency planning, stock holding and alternative sources of supply • Technology failure, impact on supply, use of back-up systems and disaster recovery • Security, theft and damage • Fraud, accounting and payment exposures, conflicts of interest, purchasing ethics and codes of conduct • Product liability, reputational damage, consumer confidence • Appropriate negotiation strategies to reduce future contract risk and supply chain vulnerability to enhance long term business value • Key steps in negotiation planning for success • Strategic approach and negotiation techniques • Best practice methodology • Tactics and standpoints • Behaviours of successful negotiators • Contractual issues and remedies • Dispute resolution alternatives. 23 Advanced diploma in purchasing and supply Improving supply chain performance

COMPULSORY UNIT UNIT CHARACTERISTICS Achieving success within the supply chain involves a complex range of variables, which can frequently be dependent on one another for the success of the supply chain. This unit is designed to enable students to use a range of techniques and strategies to develop and improve supplier performance in order to achieve

competitiveness, efficiency and profitability within the supply chain. By the end of this unit, students will be able to measure and evaluate the effectiveness of supply chain performance. They will be able to identify innovative development of systems to improve the performance of the supply chain, and make justifiable recommendations for implementation in order to aid the effectiveness of the supply chain.

STATEMENTS OF PRACTICE On completion of this unit, students will be able to:

- Evaluate the organisational procedures and techniques that can be used in developing and improving a range of supplier performance areas
- Set performance standards to which supply chain strategies should aspire
- Develop an integrated approach to the implementation of supply chain activities which are designed to maximise competitive advantage and reduce risk exposures
- Propose systems and techniques to achieve best practice and enhance customer service for all stakeholders.
- Propose and justify different negotiation, processes, strategies and styles for a given range of situations
- Discuss the contribution that ICT can make to supply chain business processes.

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LEARNING OBJECTIVES AND INDICATIVE CONTENT

1. 0 DEVELOPING AND IMPROVING SUPPLIER PERFORMANCE (30% weighting)

1. 1 Develop source-related activities so as to inform and provide value to other functional areas in the organisation, in line with the overall objectives of the organisation

- The business requirements for supply, and document in an appropriate way: specification, service level agreement (SLA)
- The reasons for using cross-functional teams to determine business requirements and conduct stakeholder consultations
- The need to align supply chain activities to the

organisational strategy • The need to maintain a degree of supply-chain flexibility to respond to changing needs The need for purchasing to provide customer service to other functional areas and the tools and techniques to implement such engagement and consultation, regular management reporting, helpdesk solutions, consultative style • How purchasing, as a function, can add demonstrable value to the business; cost reduction, risk mitigation, security of supply, enhanced service, improved quality and supplier innovations • How purchasing can use its supply-market knowledge to assess and report risks, threats and/or supply chain vulnerabilities in an accurate and timely manner • An appropriate communications programme that keeps other functional areas informed about purchasing-related activities and adds value to their own areas of responsibility. 1. Develop appropriate KPIs to improve supplier performance • The purpose of supplier KPIs in the improvement of supplier performance • How a supplier KPI is developed and measured • The need for base-lining existing performance prior to the development of supplier KPIs • A range of potential supplier KPIs, including price effectiveness, cost savings, service enhancements, quality measures and improvements, innovation and risk/compliance • The implications of a supplier failing to meet KPIs and appropriate management controls to assist compliance; service credit/debit regimes, incentivisation and gain share models • Penalty clauses, liquidated damages, increased/decreased share of business etc • How a supplier's performance can be audited to ensure KPIs are accurately reported • The various processes of benchmarking and how benchmarking can be used to generate stretching KPIs. 25 1. Analyse purchasing activities and explain how to manage them to assure an organisation meets its objectives • The benefits

to the organisation of robust supplier selection and evaluation • The range of appropriate supplier selection and evaluation techniques designed to achieve business requirements • The methods of monitoring and measuring supplier performance • Information on how purchasing can influence the quality delivered from suppliers • How purchasing can contribute to an organisation's approach to total quality management • Process improvement models, and how they can be used in a purchasing context to bring benefit to an organisation • A typical purchasing planning cycle and how purchasing activities need to be aligned to organisational plans • How purchasing can contribute to fiscal planning activities • Ways in which purchasing assists research and development by third party suppliers and collaborators • How should vendors be rated to demonstrate a positive contribution to the business's performance? • How cross-functional teams can help purchasing deliver better results for a business.

1. Evaluate and explain the importance of developing and managing external contacts with the supply market • Reasons for developing and managing external contacts within the supply chain • Definitions of: innovation, market research, supplier analysis, market intelligence, competitive intelligence (and others) • Definition of reverse engineering • The process of supply market research/analysis • How to develop an appropriate relationship with third party research and analysis organisations • Business reasons to conduct supply market research • Appropriate processes for testing and evaluating supply innovations • The processes of benchmarking and how they can be used to gain market information • The ways in which purchasing can contribute to production forecasts.

26 1. Propose ways to develop new and existing suppliers and improve their performance • The processes and benefits of supplier

appraisal and selection • The processes and benefits of vendor rating and feedback • The terms value analysis, value management and value engineering • The ways in which suppliers can work with an organisation to improve productivity, efficiency and quality and the role of purchasing in facilitating these processes • The meaning of supplier adoption and the process for adopting a new supplier and the key stages in implementation that are needed to switch supply • The meaning of sunk and switching costs • Practical reasons why some organisations will not switch supply, despite potential benefits • The process of trialling and piloting new innovations • The follow-on processes required to implement a new supply innovation; user acceptance and controlled roll-outs • How suppliers can be managed and developed to contain supply-related risks and reduce supply chain vulnerability. 1. Devise appropriate supplier management organisational models in both the centralised and decentralised purchasing function, and demonstrate how other functional areas might interact in these models • The relative merits of single point of contact versus multiple touchpoints for managing supplier relationships effectively • The role of purchasing as a facilitator of supplier relationships • The purpose and potential benefits of a crossfunctional approach to managing supplier relationships • The role and responsibilities of executive sponsors of supplier relationships • The advantages, disadvantages and arrangement of a decentralised purchasing function. • The concept of a lead buyer and how this might operate for different types of supply. 27 1. Describe appropriate leadership styles to support supplier development • Key factors to encourage a supplier to develop and improve the delivery of goods and services • The relative merits of selling and telling • Various types of supplier incentive and their relative

merits • How a gainshare model works and potential problems with the concept • Appropriate circumstances for purchasing to take a directive approach to supplier development and those required for a facilitative approach • The need for consistent measures of progress when developing suppliers • The need for purchasing to communicate supplier development internally within an organisation. 1. Identify the critical elements of supplier development • Respective roles and responsibilities of those involved in supplier development, including those of executive sponsors • The need for continuous improvement and methods for achieving it • The need for creating and fostering a team-working collaborative environment both internally and externally with the suppliers • The role of innovation councils • The relative merits of joint problem solving with suppliers • Process improvement techniques; TQM, Six Sigma and business process re-engineering • Gainshare models for innovation and process improvement • The meaning of breakthrough value creation and how this can be achieved in a supply chain context • The need for policy creation and compliance. 2. 0

MAXIMISING COMPETITIVENESS (30% weighting) 2. Explain how to manage systematic organisational efforts to create and maintain networks of competent suppliers and to develop their capabilities to meet competitive challenges • Why and how suppliers are segmented • The key characteristics of each segment of the supply base • Tier 1: strategic, high value-add, high risk, innovative • Tier 2: regular purchases, medium-high value, framework agreements • Tier 3: commodity items, one-off purchases, little relationship or value-add • The need for a consistent supplier management process and the key components it might contain • The benefits of supplier rationalisation. 28 2. 2 Evaluate and explain different

ways in which to manage and maintain effective communications between an organisation and suppliers in the development, presentation and transfer of quality specifications for the assurance of compliance • The process of crossfunctional involvement in the development of a specification and the specific role for purchasing • Supplier involvement and the key benefits and potential drawbacks to an organisation • Some of the key principles of communicating effectively to suppliers • The benefits of supplier forums and supplier associations • Risk transfer issues and management techniques. 2. Explain ways in which to manage cost reduction for organisational efficiency and provide added value to customers • A typical purchase cost reduction programme and how such a programme is developed • The benefits of volume (time and/or quantity) contracts and systems contracts • The relative merits of stockless purchasing and just-in-time (JIT) • How customer-driven supply chain innovations can be developed and the role of purchasing in creating and establishing effective supply • The balance between cost efficiency and quality/risk issues. 2. 4 Plan and develop a wellstructured approach to measuring the performance of suppliers • The development of joint performance appraisal systems • Use of cross-functional teams from both organisations to monitor, review and analyse results on a periodic basis • The use of both quantitative and qualitative measures • Use of 360-degree feedback • Supplier business continuity plans (BCP). 9 2. 5 Analyse different supply markets and conditions, and develop proposals for the revision of associated operational processes, in conjunction with suppliers and logistics functions • Benchmarking benefits, limitations and approaches • The benefits of documenting the key steps in a supply chain process flow and typical ways in which this is achieved; ICAM DEFinition language (iDEF)) •

The role of business process re-engineering in improving the supply chain for inbound logistics and materials flow • The process of lean supply and the arguments for and against (Lamming/Cox). 3. 0 ADVANCED NEGOTIATION IN THE SUPPLY CHAIN (20% weighting) 3. Evaluate different negotiation strategies, styles and levels in different supply chain contexts and formulate appropriate strategies for negotiation within and across the supply chain • The basic tenets of the negotiation process and the key behaviours required to negotiate effectively in a variety of purchasing contexts • The need for teamwork and clear team roles in negotiation • The role of trust in negotiation for both new and long-standing supplier relationships • Open-book negotiations and their relative merits • The role of negotiation and associated aspects in dispute resolution • Issues of risk and reward and how these may be managed in negotiation. 3. Analyse and explain how to manage the negotiation process in line with organisational objectives • How a negotiation campaign is designed and developed and the key considerations required in doing so • How the business requirements for supply need to be reflected in the detailed negotiation plan • How corporate policy and/or organisational objectives may affect the negotiation plan in terms of behaviour, targets, timescales and/or scope • Key ethical considerations when leading a negotiation. 3. 3 Explain advanced negotiation techniques • Transactional analysis • Game theory • Advanced non-verbal and psychological techniques for influencing • Building and maintaining rapport • Negotiating in the context of established long-term collaborative relationships. 30 4. 0 IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF THE SUPPLY CHAIN (20% weighting) 4. 1 Describe how to develop and implement appropriate information and knowledge sharing

systems between purchasing departments and suppliers to provide benefits to both parties • Reduced production cycle times • Improved solutions to operational differences/difficulties including planning • Improved inter- and intrasite communications • Improved product development • Reduced selling efforts • Long-term security of the business • Reduced risk exposure to supply chain failure.

4. 2 Analyse the application of technology to automate and streamline key operational processes within the supply chain (both internal and external to the organisation) • Information flow and use of supply-side extranets • e-sourcing and electronic ordering/payments: on-line catalogues, electronic point of sale (EPOS), electronic fund transfer (EFT) • Automated purchase-to-pay systems • Automated payments, accounting and reconciliation • Use of an extranet to include cross-functional representatives both internally and externally • Reduction of fraud and payment error risks • Planning, monitoring and control systems.

4. Evaluate and explain the benefits of automated processes and information flows and their impact on the supply chain performance • The benefits of automated supply chain processes: reduced cost, improved communication, reduced error, reduced lead time, higher accuracy, greater quality, improved supplier relations, real-time information, reduced fraud, management information and feedback • The benefits of automated processes and the information gained from them for suppliers and their businesses • How and why suppliers might choose to invest jointly with the purchaser in automation of the supply chain • Extranets and how in practice they work with a supply base • The benefits of automated purchase-to-pay systems • The importance, nature and contribution of ICT to knowledge management.

31 Advanced diploma in purchasing and supply Marketing for purchasers OPTIONAL UNIT UNIT

CHARACTERISTICS This unit is designed to provide students with an appreciation of the basic principles of marketing so they can interact more effectively with marketing colleagues within their organisation.

It provides an insight into the role of marketing within an organisation and sets out marketing's relationship with purchasing and other business functions. Students will be introduced to concepts, tools and techniques that are widely used by their marketing colleagues. It will help purchasing students to understand the terminology of marketing and to identify ways that they can contribute more effectively towards their organisation's marketing efforts. The unit is applicable to students working for organisations in all sectors (including not-forprofit/third tier sectors) and geographic territories. Where appropriate, international marketing aspects are considered.

By the end of the unit students should be able to evaluate and apply marketing tools and techniques in a range of contexts, and to understand how marketing contributes to key business objectives, in particular growth in inco