

THE
CHARTERED INSTITUTE OF
PURCHASING & SUPPLY®



LEVEL 4

Unit content guide

Foundation diploma in purchasing and supply

The units that make up the award are:

- Effective negotiation in purchasing and supply
- Developing contracts in purchasing and supply
- Measuring purchasing performance
- Managing purchasing and supply relationships
- Purchasing contexts

Revised
content
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LEVEL 4

Foundation 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 Foundation diploma in purchasing and supply is a Level 4 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 4 Foundation diploma in purchasing and supply consists of five compulsory units.

Assessment for each unit is by examination, or if you are a student in the UK there is an option for each unit. If your study centre has been approved you can choose either a closed book examination or a work-based assessment.

If you wish to study for this award it is expected that you will undertake 50 guided learning hours per unit, ie a total of 250 guided hours. The definition of guided learning hours is:

"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 study programme. Additionally CIPS would recommend that you also commit 80 hours per unit of self-study, including wider reading of the subject areas and revision to give yourself the best chance of successful completion of the award.

Below is a lists of the units, their NDAQ reference numbers and CIPS reference codes which are used to identify the units for examination purposes.

LEVEL 4 – FOUNDATION DIPLOMA IN PURCHASING AND SUPPLY NDAQ QUALIFICATION NUMBER 100/6112/5

Effective negotiation in purchasing and supply	D/500/1708	CIPS ref code L4-01
Developing contracts in purchasing and supply	H/500/1709	CIPS ref code L4-02
Measuring purchasing performance	Y/500/1710	CIPS ref code L4-03
Managing purchasing and supply relationships	D/500/1711	CIPS ref code L4-04
Purchasing contexts	H/500/1712	CIPS ref code L4-05

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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
- Business finance
- 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 pre-requisite 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.

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Glossary of terms

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.

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Glossary of terms

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

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

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

BATNA • Best alternative to a negotiated agreement

A negotiation technique that is the measure of the balance of power in a negotiation, for example if other parties need you in order to reach their objectives, your BATNA is strong; your negotiating circumstances are strong. If you want to buy a new car and the same model is for sale at several car dealers, you have a strong BATNA because you can benefit from their competition for your business.

BOOT • Build own operate transfer

A project methodology that ensures the transfer of a project back to the party granting the concession, either with or without cost.

BCA • Benefit cost analysis

A formal process used to help appraise, or assess, the case for a project or proposal often forms part of a business case.

CAPEX • Capital expenditure

Funds used by an organisation to either purchase a new asset or upgrade an existing one, usually high in value.

CLAN • Centre led action Network

A system used to structure procurement, central co-ordination with buying hubs integrated into buying units.

CSR • Corporate social responsibility

CSR means the commitment to 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.

EU • European union

The European Union was created in 1992 following the signing of the Maastricht Treaty. 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 foreign trade

FMCG • Fast moving consumer Goods

Products that have a quick shelf turnover, at relatively low cost and generally little financial investment to purchase.

ICT • Information, communications technology

This is a broad subject concerned with technology and other aspects of managing and processing information, especially in large organisations

Incoterms • International consignment delivery terms

There are 13 Incoterms developed which are intended to make international trade easier and help traders in different countries to understand one another. Using the term enables those reading them to understand who is responsible for risk, transport and costs as well as other issues.

M&A • Merger & acquisition

Refers to the aspect of corporate finance strategy and management dealing with the merging and acquiring of different companies as well as other assets.

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Acronym guide

MRO • Maintenance, repair and operations

Products that repair any sort of mechanical or electrical device or products purchased that form part of a routine preventative maintenance plan.

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.

OPEX • Operational expenditure

Funds used to purchase day-to-day operating goods and services.

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 utilisation of a wide variety of assets and services available 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.

PPA • Post project appraisal

An appraisal process that takes place after the project is complete. The aim is to identify key aspects that enable the transfer of learning. For example, budget planning.

PPP • Public private partnership

A PPP refers to any alliance between public bodies, local authorities or central government, and private companies. PPPs typically involve the joint ownership of a special purpose vehicle established under company law.

P2P • Purchase to pay

A seamless process enabled by technology designed to speed up the process from point of order to payment.

ROI • Return on investment

The analysis undertaken to understand the financial return on an investment.

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.

SSU • Shared services unit

An SSU is an increasingly popular approach where various common activities are managed by a single business unit for the whole organisation. Some of the functions commonly found within an SSU are payroll, human resource reporting, IT, financial analysis/ accounts payable and procurement.

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.

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Acronym guide

The third sector

Voluntary and community organisations such as charities and also social enterprises (social enterprises have social or environmental purposes as central to what they do. They are profit making but rather than maximising shareholder value their main aim is to generate profit to further their social and environmental goals. Examples of social enterprises are The Big Issue and the fair-trade chocolate company Divine Chocolate.

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.

VAE portal • Value added electronic portals

The term as loosely defined to basically cover anything that can be classed as adding value, so for example an intranet portal with an Electronic Requisitioning capability can be classed as a VAE portal as the electronic requisition can be seamlessly transformed in to a purchase order.



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Effective negotiation in purchasing and supply

COMPULSORY UNIT

UNIT CHARACTERISTICS



This unit is designed to provide students with the ability to apply a variety of theories relating to negotiation in respect of preparation, planning and participating in the negotiation process.

Students will undertake activities such as cost and market analysis, using information to support the planning of negotiation with suppliers to achieve value for money (VFM). Students should also apply their knowledge of various legal implications affecting negotiations.



Negotiating is often a finely balanced activity which also involves managing a range of complex relationships, and students should be prepared to manage effectively those relationships, avoiding conflict while maintaining the balance of power.

By the end of this unit, students should be able to plan and prepare how to undertake negotiations, and also to understand how they would be able to assess effectiveness.

STATEMENTS OF PRACTICE

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

- Plan and prepare for negotiations
- Apply a range of negotiation theories in order to achieve set outcomes
- Differentiate between a range of persuasion tools and techniques
- Explain the different approaches required when negotiating in different settings
- Understand how to analyse negotiation performance.

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Foundation diploma in purchasing and supply

Effective negotiation in purchasing and supply

LEARNING OBJECTIVES AND INDICATIVE CONTENT:

1.0 PLANNING AND PREPARING FOR NEGOTIATIONS

(Weighting 25%)

1.1 Analyse the different phases of negotiation:

- Preparation
- Open
- Test
- Move
- Agree
- Finalise the deal.

1.2 Identify and evaluate information required to understand the supplier organisation:

- Supplier information (supply, demand, timings, costings, budgets, readiness, capacity, account management structure)
- Competitor information, for example supplier competitors
- Oligopoly/monopoly/duopoly.

1.3 Analyse market information to support negotiation:

- PESTLE
- SWOT
- Supply and demand.

1.4 Assess any legal information and implications for the purchase and supply of goods that might impact upon negotiations

- Sale of Goods Act
- Caveat emptor
- Negotiating terms and conditions
- Penalties and damages
- Unfair Contract Terms Act.

1.5 Undertake a risk assessment of conditions that might impact on the negotiation process

- Win-lose, win-win and win perceived win
- Generating variables and alternatives
- Risk assessment matrix.

2.0 FINANCIAL TOOLS FOR NEGOTIATIONS

(Weighting 25%)

2.1 Identify and calculate elements of fixed and variable costs associated with supply

- Fixed costs
- Variable costs
- Suppliers' perspectives on fixed and variable costs
- Open-book costing.

2.2 Identify and calculate direct, indirect and standard costs

- Difference between direct and indirect costs
- Standard costs
- Actual costs
- Budget costs.

2.3 Identify total costs and margins

- What total costs are
- What is meant by 'margins'
- Suppliers' margins versus market pricing.

2.4 Undertake a break-even analysis

- How to demonstrate break-even through economic charts
- Modelling using break-even
- Suppliers' perspectives on break-even
- Buyers' perspectives on break-even.

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Effective negotiation in purchasing and supply

3.0 THE NEGOTIATION PROCESS

(Weighting 25%)

3.1 Determine the objectives and strategies for negotiation meetings

- Integrative versus distributive negotiation
- Negotiation strategies
- Developing ranges and targets
- Best alternative to a negotiated agreement (BATNA).

3.2 Identify and explain the key elements of effectively managed, resourced and timed negotiations

- Opportunities for conditioning
- Room layout/surroundings
- Psychology surrounding away or at home
- The supplier's position.

3.3 Establish the bargaining position of the supplier

- Parameters for negotiation terms and conditions (purchaser or supplier)
- Who is attending the meeting, why and the level of authority they hold
- Positions and interests
- Power base
- Strength of the purchaser versus the supplier
- Size of the organisation.

3.4 Evaluate a range of persuasion methods and tactics used in negotiation

- Threat, emotion, logic, compromise and bargaining
- Tactics
- Creating negotiation leverage
- The psychology of concessions.

3.5 Explain how to follow up negotiations and finalise the deal

- Informal and formal ratification
- How to evaluate the negotiation process and recommend improvements
- The importance of reviewing the ongoing relationship, including requirements and necessities, to re-negotiate at appropriate intervals.

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Effective negotiation in purchasing and supply

4.0 UNDERSTAND EFFECTIVE BEHAVIOUR FOR NEGOTIATION

(Weighting 25%)

4.1 Evaluate the relative importance of verbal and non-verbal communications in negotiation situations

- Reducing the potential for conflict
- Sales influencing tools
- The other person's perspective
- Body language
- Behavioural techniques.

4.2 Identify and explain how to apply the attributes of a good negotiator to effective negotiations

- Interpersonal sensitivity
- Characteristics of a skilled negotiator
- The emotionally intelligent negotiator
- How to improve negotiation capabilities.

4.3 Evaluate the effect of effective listening and questioning skills in the negotiation process

- Different types of questions
- Effective listening
- Timing of questions.

4.4 Analyse and explain different negotiation practices in international cultures

- Culture and negotiation
- Body language
- Barriers to international negotiation.

4.5 Analyse and explain the features of effective negotiation by telephone and email

- Factors effecting telephone negotiation
- Factors effecting email negotiation
- Good practice when negotiating by telephone/email.

4.6 Identify and evaluate the key features of effective negotiation with internal customers across the organisation

- Listening to the internal customer's perspective
- Rapport building techniques
- Dealing with difficult customers
- Concessions and the impact on purchasing.

4.7 Evaluate personal effectiveness in negotiations in different contexts

- Reflecting on performance
- Feedback mechanisms
- Looking ahead to improvement and development.



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Foundation diploma in purchasing and supply

Developing contracts in purchasing and supply



COMPULSORY UNIT

UNIT CHARACTERISTICS

This unit is designed to help students to gain an appreciation of the legal and commercial issues of contractual arrangements entered into between organisations. The unit provides an underpinning knowledge of the legalities of the formation of contracts as well as the key ingredients of any commercial arrangement - a specification, the contractual terms and relevant key performance indicators.

Students will be able to differentiate between a range of contractual terms and apply them, demonstrating an understanding of how they affect both direct and indirect expenditures. Students will also be able to describe and apply processes used for tendering from external suppliers through to contract award.

STATEMENTS OF PRACTICE

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

- Explain the use of specifications, performance measures and contract terms for procurements of products and services from suppliers
- Discuss a range of legal aspects in relation to the contracting process
- Understand and apply the legalities linked to the formation of contracts
- Explain the impact of both implied and express terms in contracts
- Differentiate the remedies for breaches of contracts; and draft terms to cover such risks
- Appraise and discuss the legal and relationship issues arising through the use of tendering procedures, including e-tendering, and the application of EU procurement directives
- Discuss the practices that can be adopted for contract review and award.

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Developing contracts in purchasing and supply

LEARNING OBJECTIVES AND INDICATIVE CONTENT

1.0 THE DEVELOPMENT OF COMMERCIAL AGREEMENTS

(Weighting 20%)

1.1 Analyse the role of the procurement function in setting up agreements for purchased goods and services

- Categories of expenditures on goods and services
- The types of products and services that are typically purchased by organisations, such as purchases for resale
- Capital equipment, sub-contracted work, facilities, information communications technology (ICT) and maintenance, repair and operations (MRO) items.

1.2 Define the requirement for the procurement of goods, services and works

- The five rights of purchasing
- Achieving a balance between the objectives: right time versus right cost
- The use of specifications, performance measures and contractual terms in supply agreements.

1.3 Analyse and describe the impact of specifications on achieving value for money

- The functions of a specification
- The types of specification
- Choosing the most appropriate type of specification for the purchase decision.

1.4 Define how and when to apply key performance indicators in agreements

- The development of performance measures that can be applied to commercial agreements
- Examples of performance measures
- Developing targets for supplier performance.

2.0 THE FORMATION OF CONTRACTS

(Weighting 25%)

2.1 Analyse the legal requirements for the formation of a contract

- Offer
- Acceptance
- Consideration
- Intention to create legal relations
- Capacity
- The contractual promise
- The distinction between framework agreements and call-off contracts.

2.2 Evaluate the legalities and commercial considerations linked to the battle of the forms

- The exchange of suppliers' and purchasers' terms in the contract formation process
- Counter-offers and acceptance
- Precedent set by case law on contract formation
- The creation of e-contracts.

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Developing contracts in purchasing and supply

2.3 Identify and evaluate the legal aspects relating to the formation of contracts in international trade

- International law
- The Vienna Convention 1980 (Uniform Law for International Sale of Goods (1980))
- The choice of applicable law and jurisdiction
- Arbitration
- The use of INCOTERMS.

2.4 Identify standard model form contracts and explain their uses and applications

- The use of model form contracts
- Examples of model form contracts such as CIPS, the New Engineering Contract, Joint Contracts Tribunal.

3.0 CONTRACTUAL TERMS

(Weighting 35%)

3.1 Analyse the effectiveness of a supply agreement

- Contractual obligations
- Contract termination.

3.2 Define and describe different contract terms and explain their impact on any breach of contract

- Conditions
- Warranties
- Innominate terms.

3.3 Define and apply key legislation relating to contracts

- Implied terms in Sale of Goods Act 1979 (as amended)
- Implied terms in Supply of Goods and Services Act 1982
- Unfair Contract Terms Act 1977
- Contracts (Rights of Third Parties) Act 1999.

3.4 Analyse standard contract terms for indemnities

- Intellectual property rights
- Insurances
- Accidents and damage
- Third parties.

3.5 Analyse and describe the use of a range of express contractual terms

- Liquidated damages
- Guarantees
- Passing of property
- Sub-contracting and assignment
- Payment
- Transfer of undertakings and protection of employment regulations
- Confidentiality.

3.6 Analyse the use and the content of contractual terms for purchased goods and services

- Purchasers' and suppliers' standard contracts
- The differences between purchasers' and suppliers' terms.

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Developing contracts in purchasing and supply

3.7 Analyse and explain how the provision for amendments, change, review and renewal may be incorporated in contracts

- Contract duration
- Dispute resolution
- Default and termination clauses
- Variation and change control
- Contract renewal.

4.0 LETTING CONTRACTS

(Weighting 20%)

4.1 Analyse the stages of the procurement process underlining the tendering process

- The stages of the procurement process
- The principles of tendering
- The use of pre-qualification and evaluation criteria
- Post-tender negotiation
- Contract award
- Contract transition arrangements.

4.2 Identify and describe relevant European Union (EU) procurement directives

- The objectives of the EU procurement directives
- Supplies, services, works and compliance
- Coverage of the directives - the thresholds
- The consolidated procurement directive
- Open, restricted, negotiated and competitive dialogue procedures
- Award criteria
- Debriefing.

4.3 Analyse and explain the legal issues associated with e-tendering

- Supplier databases
- Electronic tender systems
- Electronic notice systems.

4.4 Describe how to review the outcomes of contracts and explain how to respond to problems

- Contract management
- Contract review
- Improving the contracting process.



LEVEL 4

Foundation diploma in purchasing and supply

Measuring purchasing performance

COMPULSORY UNIT

UNIT CHARACTERISTICS

This unit is designed to help students to measure the effectiveness of the supply chain and its contribution to the competitiveness of the organisation.

By the end of this unit, students will be able to apply a range of measurement techniques in order to monitor the performance of suppliers at organisational, functional and individual levels, how they perform financially versus target, compliance to contract/specification, and potential risks that they may present. Students will also understand how the performance of purchasing departments and individual buyers can be measured and how targets for improvement can be formulated.

STATEMENTS OF PRACTICE

On completion of this unit students should be able to:

- Explain how measuring performance in supply chain activities fits into the overall management process of an organisation
- Evaluate the benefits of implementing a well-structured approach to measuring organisational, functional and individual performance
- Categorise types of performance measures that are available to supply chain managers
- Appraise measures that can be used to improve supplier performance
- Employ accounting techniques and ratios to measure supplier's efficiency
- Evaluate targets as a means of improving the performance of the purchasing function and individual buyers.

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Measuring purchasing performance

LEARNING OBJECTIVES AND INDICATIVE CONTENT

1.0 MEASURING THE PERFORMANCE OF THE PURCHASING AND SUPPLY FUNCTION

(Weighting 40%)

1.1 Evaluate the role and importance of measuring performance:

- Its relationship to the organisation's management decision-making process
- Its link to the organisation's mission and strategic goals/objectives
- The contribution made to the process of continuous improvement and continuity of supply
- The importance of performance measurement for control purposes
- Its role in the purchasing management process
- The advantages and disadvantages of performance measurement for the purchasing function.

1.2 Explain the benefits of value-added solutions

- Savings resulting from improved performance
- Reducing inventory costs and administration
- Extending payment and warranty terms
- Using consignment stock
- Improving operational efficiency.

1.3 Identify and explain the information required to perform purchasing activities and how to measure purchasing performance

- Departmental versus strategic goals of the organisation
- Resource requirements
- Costing, pricing, inventory management
- Supplier/vendor information
- Product/service specifications.

1.4 Analyse the types and categories of key performance measures available to organisations including:

- Contributions to profitability - savings, service and inventory
- Basic workload control
- Infrastructure and competency.

1.5 Analyse and explain the methods that an organisation's purchasing and supply function can use to manage and reduce inventory costs

- Economy: achieving best value for money. Managing the cost of the supply operation
- Efficiency: use of appropriate inventory management systems/techniques.
- Effectiveness: level of service provided by the inventory function to its end users.

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Measuring purchasing performance

1.6 Analyse and explain how the use of information technology may help in the acquisition of purchase and supply performance data

- The use of appropriate management information systems to collect data for stock control and costs
- Databases for recording/storing supplier/vendor information
- Stock movement/monitoring systems, including point-of-sale data capture and delivery details
- Statistical database for quality monitoring purposes.

2.0 MEASURING THE PERFORMANCE OF THE SUPPLIER

(Weighting 30%)

2.1 Analyse key areas associated with supplier selection

- The key stages in the buying process
- The variables considered when making the purchasing decision.

2.2 Explain the importance of measuring a supplier's performance and distinguish from supplier appraisal

- Supplier appraisal: assessment of supplier capability to control quality, quantity and price
- Supplier performance: comparison against a standard, performance on previous orders and against other supplier's performances.

2.3 Evaluate the impact of supplier performance on an organisation's quality and productivity

- Good suppliers allow an organisation to perform efficiently and effectively.
- Issue of right-first-time-every-time.
- Lower costs of operation
- Poor suppliers adversely affect performance. Knock-on effect of sub-standard goods and services, plus untimely deliveries all add cost to an organisation.

2.4 Analyse and explain a range of measures which may be used to develop sustained improvement of supplier performance:

- Carter's model of performance measurement, the balanced scorecard (*Kaplan and Norton 1996*), Plan–Do–Check–Act (PDCA) cycle (*Shewhart 1939, Deming 1986*)
- Vendor rating calculations.

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Measuring purchasing performance

2.5 Evaluate the importance of close and frequent buyer-supplier communication and of its importance for supplier performance

- Demand-supply chain relationships
- Inter-organisational partnering and long-term commitment
- Benefits relating to working together: cost reduction, joint product and service development, joint performance measurement and appraisal.

2.6 Employ appropriate financial and accounting tools to assess organisational efficiency

- Cash flow analysis
- Use of appropriate ratios – activity ratio, liquidity ratio, working capital – to assess organisational efficiency
- Identification of supplier fraud.

2.7 Analyse the use of performance measurement as a tool for supplier relationship development

- Measurement as a motivating factor for both parties
- Mutual opportunities to create understanding to improve performance
- Positive approach to relationship building and continuous improvement
- Identification of weaknesses and problems.

2.8 Analyse qualitative supplier performance measures

- Research and development activity
- Conformance to international industry standards and benchmarks
- Cultural adaptation.

2.9 Describe ways of measuring supplier achievement of service levels:

- Cost of initial purchasing measure
- On-going levels of performance in carrying out the service: quality, after-sales service, price, consistency of performance.

3.0 MEASURING THE PERFORMANCE OF THE BUYER

(Weighting 30%)

3.1 Define and explain the benefits of a well-managed and structured approach to measuring an individual's performance including:

- Investors in People (IIP) guidelines and structure
- Performance against target assessments
- Planning for improvements
- Using personality profiling to ensure that purchasing staff are appropriate to their role.



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Measuring purchasing performance

3.2 Explain how appraisal and evaluation techniques can be employed to measure and improve performance:

- Periodic reviews
- Informal and formal appraisals.

3.3 Analyse and explain how individual components of a purchasing role link to the overall objectives of the organisation

- Contribution of individuals to an organisation's profitability
- Management of basic workload
- Development of purchasing infrastructure.

3.4 Analyse and explain how an individual's knowledge, expertise and skills can be developed to the benefit of both that individual and the organisation

- Individual benefits: level of responsibility, job satisfaction, career progression, skills development
- Organisational benefits: better-trained workforce
- Improved productivity and profitability
- Competitive advantages.

3.5 Evaluate and explain the use of a range of techniques to analyse the training needs of individual buyers:

- Job profiles
- Key objectives
- Performance measures
- Appraisals.

3.6 Explain how to measure individual performance against pre-set targets

- Cost reduction
- Profitability
- Productivity.

3.7 Compare the relative performance measures of the buyer with those of his/her respective suppliers

- Key measures of supplier performance: competency, commitment, capacity, control
- Key measures of buyer performance: skill and knowledge, plus contribution to an organisation's goals and targets.



LEVEL 4

Foundation diploma in purchasing and supply

Managing purchasing and supply relationships

COMPULSORY UNIT

UNIT CHARACTERISTICS

This unit is designed to enable students to focus on developing and managing effective relationships, old and new, within the supply chain.

Students will be able to review and develop existing relationships and identify opportunities for establishing new relationships that will enhance the performance of the supply chain, while exploring the benefits and risks of establishing such relationships.

By the end of this unit, students will be able to apply a range of tools and techniques to manage relationships, and explain how to exploit opportunities in order to maximise the effectiveness of the supply chain.

STATEMENTS OF PRACTICE

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

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- 
- Review the effectiveness of existing relationships and identify potential areas for growth and diversification in the supply chain
 - Examine supply chains and appraise key relationships and growth opportunities
 - Apply a range of techniques for supplier selection and assessment, for the provision of goods and services
 - Appraise procedures to support the outsourcing of services
 - Explain the use of a range of interpersonal and communication techniques required to develop personal effectiveness in relationships
 - Identify supply chain problems and propose resolutions
 - Explain how to monitor and review supply chain relationship effectiveness.

LEVEL 4

Foundation diploma in purchasing and supply Managing purchasing and supply relationships

LEARNING OBJECTIVES AND INDICATIVE CONTENT

1.0 THE CONTEXT OF RELATIONSHIPS IN SUPPLY CHAIN MANAGEMENT

(Weighting 30%)

1.1 Classify and describe the range of relationships that may exist within supply chains

- Definition of relationships in the context of supply
- Overview of internal and external relationships.

1.2 Evaluate the contribution of appropriate and well- managed relationships in achieving co-operation and collaboration between buyers and suppliers

- The relationship spectrum
- Adversarial
- Arm's length
- Transactional
- Closer tactical
- Single sourced
- Strategic alliance
- Partnership
- Co-destiny.

1.3 Evaluate or analyse the challenges in managing effectively the relationships between purchasers and suppliers:

- Supply positioning model
- Supplier preferencing model
- The reasons for changing the way in which a relationship operates
- Managing risk in commercial relationships
- Buyer and supplier behaviour in relationships
- Market management matrix.

1.4 Define the natural life cycle of supply relationships and analyse the position of specific relationships in their life cycle

- The concept of the relationship life cycle
- The stages of the relationship life cycle
- Linking the relationship life cycle to the relationship spectrum
- Understanding your position in the relationship life cycle.

1.5 Differentiate between lean and agile supply philosophies on supplier relationships

- Traditional supply philosophy
- Lean supply philosophy
- Agile supply philosophy.

1.6 Analyse and explain the corporate social responsibility (CSR) and ethical, technological, legal and environmental constraints on relationship development

- Component parts of CSR
- The case for CSR
- The case against CSR
- CSR and supplier development.

1.7 Evaluate the relationship between internal and external stakeholders in the supply chain and propose ways of maintaining objectivity within the relationships

- Ways of maintaining objectivity in relationships
- Services versus manufacturing supply chain relationships
- Technical specialists versus purchasing specialists.

1.8 Evaluate the role of culture and relationship values within supply networks

- Organisational culture
- Relationship values and behaviours
- Managing buyer and supplier perspectives on values and behaviours.

LEVEL 4

Foundation diploma in purchasing and supply

Managing purchasing and supply relationships

2.0 ASSESSING AND SELECTING SUPPLIERS

(Weighting 25%)

2.1 Formulate objectives for relationships with suppliers

- The impact of internal and external stakeholders on supplier selection
- The impact of internal suppliers on supplier selection
- The external supplier's view of the selection process
- Manufacturing and service supply chains
- Upstream and downstream supply chain activities.

2.2 Evaluate and apply techniques for supplier appraisal and selection

- Supplier appraisal techniques
- Vendor rating
- Supplier auditing.

2.3 Evaluate the effectiveness of the assessment process

- Supplier appraisal deliverables
- Measuring the supplier appraisal process
- Effect of supplier appraisal upon relationship development
- Supplier appraisal in the context of the relationship cycle.

2.4 Evaluate the constraints on supplier selection within the public sector

- Legislation affecting supplier selection
- Supplier selection routes available to the public sector
- The buyer's perspective on selection legislation
- The supplier's perspective on selection legislation.

2.5 Analyse the role of reciprocal trading in purchasing relationships

- Definition of reciprocal trading
- Examples of organisations' policies on reciprocal trading
- Managing reciprocal trading in the selection process
- The impact of reciprocal trading on relationships during and after the selection process.

2.6 Analyse and explain how to mitigate against the potential risks of a change of supply source

- Risks of change
- Cost of change
- Mitigation of risk and cost
- Communication and stakeholder management.

LEVEL 4

Foundation diploma in purchasing and supply Managing purchasing and supply relationships

3.0 MANAGING OUTSOURCED RELATIONSHIPS

(Weighting 15%)

3.1 Develop and apply procedures for undertaking an outsourcing exercise and maintaining effective outsourced relationships

- The definition of and difference between service contracts, sub-contracting, outsourcing and insourcing
- The outsourcing decision-making process
- The outsourcing process
- Legal implications of outsourcing.

3.2 Explain how performance should be managed in outsourcing exercises

- Managing the outsourcing contract
- Establishing and implementing performance measures
- Monitoring performance measures
- Understanding why some organisations are insourcing.

3.3 Evaluate the impact of outsourcing on relationships between customers and providers

- Outsourcing relationships and the relationship spectrum
- Outsourcing relationships and partnerships
- How to manage change in an outsourced relationship.

4.0 DEVELOPING AND MANAGING RELATIONSHIPS WITH SUPPLIERS

(Weighting 30%)

4.1 Identify the causes of conflict in supply relationships and select appropriate methods for their resolution

- The positive and negative roles of conflict
- Conflict factors
- Conflict factors related to the types of relationships in the relationship spectrum
- Stakeholder management and conflict.

LEVEL 4

Foundation diploma in purchasing and supply Managing purchasing and supply relationships

4.2 Evaluate the impact of both power and dependency on the management supplier relationships

- Power versus dependency
- Relationship issues resulting from power and dependency
- Managing power and dependency.

4.3 Analyse the role of transparent communications between purchasers and suppliers in the effective management of supply relationships

- Stakeholder communication
- Communication tools and techniques in the context of supplier management
- Transparency: open-book costing.

4.4 Appraise the use of e-purchasing on supply relationships

- E-purchasing and the relationship spectrum
- E-purchasing and supply situations
- Appropriateness of e-tools and their effect on relationships
- Suppliers' perspective of e-purchasing
- Stakeholders' perspective of e-purchasing.

4.5 Appraise the relationship aspects of international supply contracts

- Factors affecting international supply contracts
- Managing risk in international relationships
- Factors affecting performance measurement and ongoing monitoring
- International supplier development.

4.6 Evaluate a range of techniques to develop stronger relationships between purchasers and suppliers

- Supplier development opportunities
- Supplier development versus supplier relationships
- The stakeholder and supplier development.

4.7 Explain a range of techniques for managing multi-tiered supply relationships

- Performance measures and their impact on the different parties within the supply chain, that is manufacturers, retailers, service providers
- The importance of measuring relationship development across the supply chain
- Difficulties involved in measuring performance across the supply chain
- The buyer and supplier perspectives on performance measurement.



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Foundation diploma in purchasing and supply

Managing purchasing and supply relationships



4.8 Evaluate a range of measurement tools to assess the performance of suppliers and the strength of relationships between purchasers and suppliers

- Executive sponsorship
- Account management
- Continuous improvement programmes
- Service level agreements
- Key performance indicators
- Relationship assessment tools
- Feedback mechanisms.

4.9 Review the circumstances in which supply relationships end, and select appropriate methods for their termination and, where appropriate, determine ways of retrieving and retaining the relationship

- Resolving disputes
- Using the contract to terminate a relationship
- Maintaining a supply relationship post-conflict
- Ways of retrieving and retaining the relationships.

4.10 Analyse the relationship challenges of multinational suppliers in the context of a global supply chain

- Barriers to successful ongoing relationship management
 - Multinational organisations as customers in local and national supply chains
 - Multinational organisations as suppliers in local and national supply chains
 - The positive impact of multinational organisations in developing economies.
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LEVEL 4

Foundation diploma in purchasing and supply

Purchasing contexts

COMPULSORY UNIT

UNIT CHARACTERISTICS

This unit is designed to consolidate the learning from all four units in the CIPS Foundation diploma in purchasing and supply. This unit is designed to enable students to apply the fundamental principles of purchasing and supply in a variety of different contexts, including a range of private sector organisations, including multi-nationals and small/medium sized enterprises (SMEs), plus the public sector; national and local government; the NHS; and the third sector. Students will be able to consider the procurement cycle as it applies to a diverse range to purchased products and services including raw materials, commodities, components, utilities and services, both domestically and in an international context.

This unit will tackle the different challenges faced by a wide range of organisations and sectors as they strive to achieve value for money (VFM), good quality, effectiveness and competitiveness within the broader supply chain.

Successful students will be able to apply sound principles of purchasing and supply management to a diverse range of sectors and organisations utilising knowledge from across all of level 4, and will be able to employ and develop transferable best practice where appropriate.

STATEMENTS OF PRACTICE

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

- Identify the procurement cycle as it applies to a variety of different organisations and contexts
- Recognise the transferability of the fundamental principles of purchasing and supply management
- Appraise the need for different approaches to purchasing in differing organisations and contexts
- Recognise good practice procurement processes and consider how they can be adapted and transferred to other contexts
- Compare the diverse legal and regulatory environments in which procurement activity takes place
- Discuss the ethical implications of purchasing in different contexts
- Evaluate centralised versus decentralised purchasing structures
- Explain how to implement requisitioning and call-off to end users in decentralised value added electronic-portals (VAEs).

LEVEL 4

Foundation diploma in purchasing and supply

Purchasing contexts

LEARNING OBJECTIVES AND INDICATIVE CONTENT

1.0 UNDERSTANDING DIVERSE ORGANISATIONS, CONTEXTS AND SITUATIONS

(Weighting 50%)

1.1 Evaluate the different objectives of public, private and third sector organisations and the different environments in which they operate

- Ownership and control
- Sources of finance, financial structures and governance
- Resource issues
- Legal and regulatory environments
- Contrasting business objectives
- Importance of corporate social responsibility.

1.2 Appraise the different types of private sector organisations and the differing demands that they place on those managing the provision of goods and services

- Different forms, including limited companies, plcs and limited liability partnerships
- Formation and cessation of private sector firms
- Regulation of private sector and impact on purchasing
- Impact of profit motive on purchasing activities
- Transactional activity such as mergers and acquisitions (M&A) together with the role of the Competition Commission
- Specific types of private sector organisations and influences on purchasing function:
 - Manufacturing
 - Engineering
 - Fast moving consumer goods (FMCG)
 - Retail
 - Technology
 - Services.

1.3 Review the different types of public sector organisations and explain the variety of approaches taken to the purchase and supply of goods and services

- Different types of public sector organisation, such as central government, local government and government agencies
- Regulation of public sector and impact on purchasing
- Concept of best value, balancing conflicting objectives and priorities
- Multiple forms of stakeholder and their influences.

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Foundation diploma in purchasing and supply

Purchasing contexts

1.4 Review the different types of third sector organisations

- Different types of third sector organisations
- Regulation of voluntary and not-for-profit organisations and impact on purchasing
- Importance of corporate social responsibility (CSR).

1.5 Evaluate the context of the purchasing function and different purchasing situations

- Purchasing as a discrete organisational function within the supply chain
- Relationship between the purchaser and a supply market
- The various functional models for purchasing: centralised, decentralised, centre-led action network (CLAN), lead buyer/business partnering and matrix structure
- Typical division of roles and responsibilities within purchasing
- The part-time purchaser
- Customers of the purchasing function
- Merits of internal versus external outsourcing of supply
- Role of a shared services unit (SSU) and how it can be measured for effectiveness
- Merits of consortium buying with other independent organisations.

2.0 RECOGNISING THE NEED FOR DIFFERENT APPROACHES TO PURCHASING DIFFERENT TYPES OF GOODS AND SERVICES

(Weighting 50%)

2.1 Analyse and explain different types of product and customer requirements

- The difference between customers and consumers
- Contribution of purchasing to customer satisfaction
- How customer feedback is collated and used
- The contrast/difference between consumer products and industrial products
- Key requirements in goods for resale
- Regulatory framework for protection of consumers
- Impact of corporate social responsibility (CSR) on consumer confidence.

LEVEL 4

Foundation diploma in purchasing and supply

Purchasing contexts

2.2 Identify and explain different methods of purchasing

- Classification of supply chains, tiered supply, managed services and the role of an agent
- The purchasing cycle, its key stages and its relative transferability
- Importance of cross-functional teams, varying cross-functional requirements and the impact of this on purchases
- Methods of purchase:
 - Spot-buying and one-off purchases
 - Low value orders including use of purchasing-cards
 - Typical purchase-to-pay (P2P) methods
- Long-term supply relationships
- Framework agreements and call-off arrangements
- Projects: how scoped, purchased and paid for
- Merits of competitive tendering: the key stages, appraisal and evaluation of tenders, and merits of e-tendering
- Good practice and its application to purchasing including benchmarking
 - Consumables
 - Call-off orders.

2.3 Analyse and explain different ways of purchasing raw materials and commodities

- The key differences between direct and indirect purchasing
- Methods of purchasing raw materials and commodity items and key considerations; finance and the futures markets
- Contribution of purchasing to the bottom-line
- Purchasing for stock
- Purchasing for production
- Key considerations when purchasing perishable items.

2.4 Analyse the differences between purchasing services as opposed to purchasing goods

- Key differences between a product and a service
- A range of services: legal, professional, human resources, advertising and media, facilities management, IT, maintenance, repair and operations (MRO) and finance
- Key requirements when specifying a service to be purchased
- Operation and merits of managed services
- Managing service level agreements.



LEVEL 4

Foundation diploma in purchasing and supply

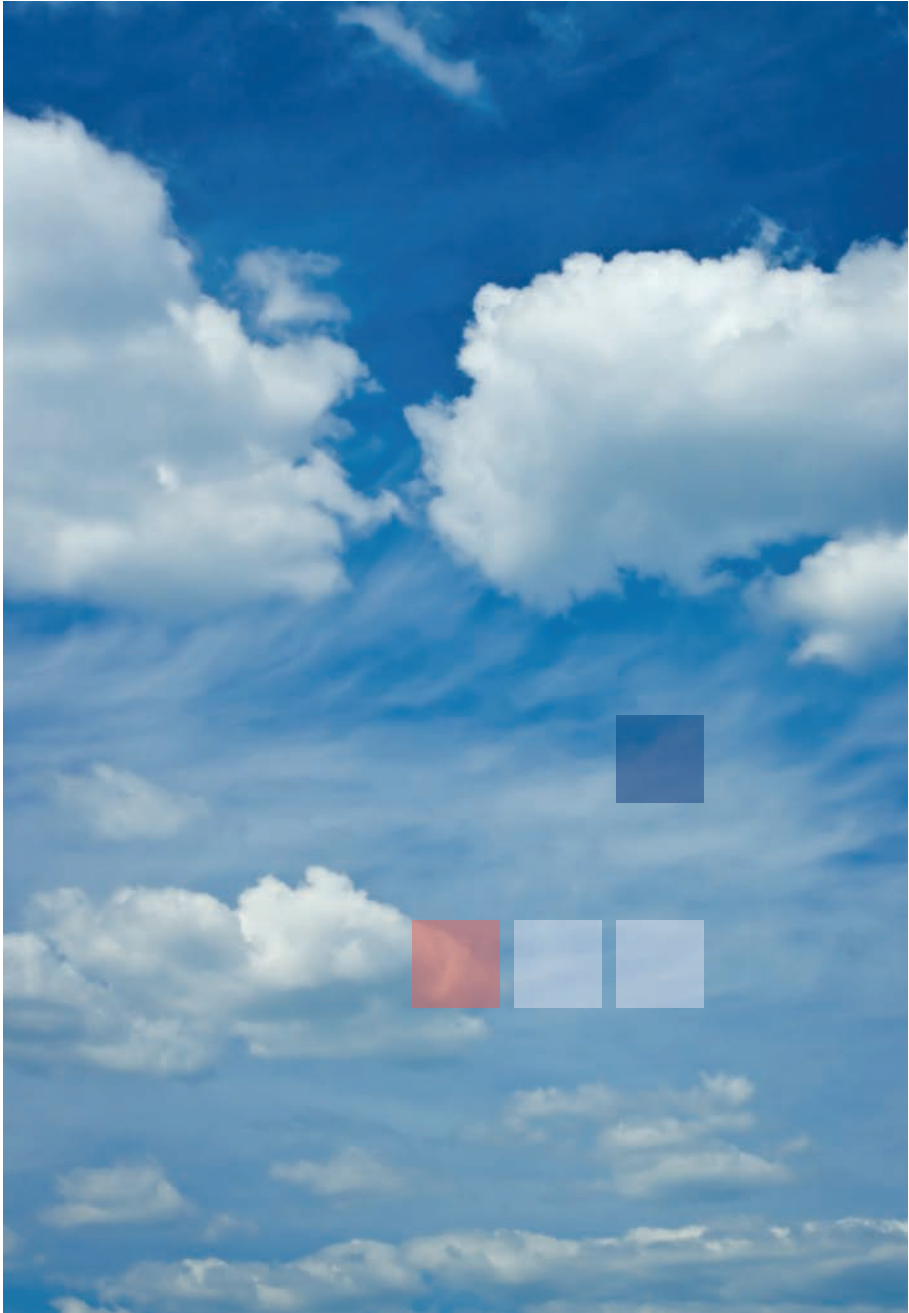
Purchasing contexts

2.5 Analyse and explain purchasing and financing capital expenditure items

- Key differences between operational and capital expenditure
- A range of Capital Expenditure (CAPEX) items
- Financing considerations; benefit/cost analysis (BCA), investment, return on investment (ROI), break-even, post-project appraisal (PPA) and whole-life costing
- Public and private funding initiatives; private financial initiative (PFI), public private partnership (PPP), build-own-operate-transfer (BOOT)
- A simple budgeting cycle
- Economic factors of financing including inflation and interest rates.

2.6 Analyse and evaluate the drivers for international purchasing, factors and organisations that affect international trade and the impact on the purchasing function

- Key drivers for globalisation and standardisation
 - The organisations which affect international trade including the World Trade Organisation, World Bank, International Chamber of Commerce and European Union
 - International trade zones, tariffs and international trading agreements
 - Modes of transport and shipping regulations
 - Incoterms
 - Reasons for sourcing internationally, including market expansion and competitiveness
 - Key considerations when sourcing from another country
 - Impact of international standards
 - Relative merits of off-shoring.
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