

Advanced diploma in procurement and supply

Unit content guide



Introduction

The Chartered Institute of Purchasing & Supply qualifications ladder has five levels of awards. For details of the entry requirements for each level, please refer to www.cips.org. The CIPS Advanced diploma in procurement and supply is a higher level qualification. It has been accredited by the Office of Qualifications and Examinations Regulator (Ofqual) in the UK and appears on the Register of Regulated Qualifications. Please refer to <http://register.ofqual.gov.uk>

The Advanced diploma in procurement and supply consists of three compulsory units. Additionally you must choose two optional units from a choice of three. All units are assessed individually using a range of assessment methods. If you wish to study for the advanced diploma 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.”

If you study at a CIPS study centre, you will find that they may vary on the exact format for delivery of the study programme. Additionally we would recommend that you also commit 70 hours per unit of self-study, including wider reading of the subject areas and revision to give yourself the best preparation for successfully achieving the advanced diploma.

Below is a list of the units, their qualification framework reference numbers and CIPS reference code which is used to identify the unit for Examination purposes.

Advanced diploma in procurement and supply

Qualification number:

Unit Title:

Qualification Number

CIPS Reference

COMPULSORY UNITS

Management in procurement and supply

AD1

Managing risks in supply chains

AD2

Improving the competitiveness of supply chains

AD3

OPTIONAL UNITS

Category management in procurement and supply

AD4

Sustainability in supply chains

AD5

Operations management in supply chains

AD6



Glossary of qualification terms

Assessment

Assessment is the way in which CIPS will measure whether or not a learner is able to demonstrate their knowledge, understanding and be able to apply their learning in a given situation.

Assessment criteria

Assessment criteria specifies the standard that a learner is expected to meet to demonstrate that the learning outcomes of a unit have been achieved.

Business essentials

These are commonly occurring themes through the qualifications, that do not warrant a unit in their own right, but that are important holistically to the learning undertaken within the qualifications:

- business finance
- information technology
- leadership
- legislation
- management
- strategy

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, when studying towards the advanced diploma a command word could be 'evaluate' or 'analyse', whereas a command word for the professional diploma might be

'critically assess', 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 constitute necessary knowledge and understanding to fulfil learning requirements for CIPS qualifications.

Entry level

This is the point at which you will enter the CIPS qualifications ladder. This entry will be based on pre-requisite knowledge, understanding and experience.

Exemptions

Learners who have successfully completed other relevant qualifications may apply for exemptions from equivalent CIPS units in their programme of study. To earn an exemption from a qualification or specific units within CIPS 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.

Exit award

An exit award is in essence a qualification. CIPS has five exit awards in total

- Certificate in procurement and supply operations
- Advanced certificate in procurement and supply operations
- Diploma in procurement and supply
- Advanced diploma in procurement and supply
- Professional diploma in procurement and supply

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

Indicative content

The indicative content is an indication of the knowledge required in order to fulfil the assessment criteria to achieve the learning outcome.

Learning outcome

The learning outcome within a unit sets out what a learner is expected to know, understand, or be able to do as a result of a process of learning.

Ofqual

CIPS is an Awarding Body recognised by Ofqual. Ofqual regulate qualifications, examinations and assessments in England and vocational qualifications in Northern Ireland. It is their duty to ensure all learners get the results they deserve and that their qualifications are correctly valued and understood, now and in the future.

Optional units

These are units where you have choices to specialise in an area of interest. There is an

opportunity to select two optional units at advanced diploma and two optional units at professional diploma.

Qualifications ladder

This ladder represents the hierarchical nature of CIPS qualifications. The ladder has five steps within it. It starts with a Certificate through to the Professional Diploma.

Each step of the ladder is represented by a qualification with an 'exit award'.

Unit

A segment of learning within the CIPS qualifications. 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.

Unit purpose and aims

Unit aims provide additional information about the unit; a succinct statement summarises the learning outcomes of the unit.

Each unit has four to five learning outcomes which outline what will be achieved as a result of learning in that particular unit.

Weightings

Each unit has a number of learning outcomes that are equally weighted for example: If a unit that has four learning outcomes totalling 100%, each learning outcome will be equally weighted ie 25% (100% divided by 4 = 25%).

This weighting indicates the level of input and learning required by the study centre and the learner in order to complete the subject area.

Definition of additional terms used in this guide

API • Application Programme Interface

A set of routines, protocols, and tools for building software applications. A good API makes it easier to develop a program by providing all the building blocks. A programmer then puts the blocks together.

AT Kearney 7 Step Model • A '7 step' Strategic Sourcing approach

A Seven-step process for sourcing information products ranging from online databases and real-time market data to subscription services, primary and secondary market research and other information services.

BPR • Business Process Reengineering

Fundamental rethinking and radical redesign of business processes to achieve organisational improvements.

CAD • Computer-aided design

Computer-based systems for product design that may incorporate analytical and "what if" capabilities to optimise product designs.

CAM • Computer-aided manufacturing

Computerised systems in which manufacturing instructions are downloaded to automated equipment or to operator workstations.

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.

EMAs • Eco-management and audit scheme

The Community eco-management and audit scheme (EMAS) aims to promote a continuous improvement of the environmental performance of European organisations, together with providing the public and interested parties with information.

ERP • Enterprise Resource Planning

Enterprise Resource Planning (ERP) System: A class of software for planning and managing "enterprise-wide" the resources needed to take customer orders, ship them, account for them and replenish all needed goods according to customer orders and forecasts. Often includes electronic commerce with suppliers. Examples of ERP systems are the application suites from SAP, Oracle, PeopleSoft and others.

ETI • Ethical Trading Initiative

The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and voluntary organisations. They work in partnership to improve the lives of poor and vulnerable workers across the globe that make or grow consumer goods – everything from tea to T-shirts, from flowers to footballs.

FIDIC • Fédération Internationale Des Ingénieurs-Conseils (French for) International Federation of Consulting Engineers

FIDIC is the International Federation of Consulting Engineers known for its range of standard conditions of contract for the construction, plant and design industries. The FIDIC forms are the most widely used forms of contract internationally, including by the World Bank for its projects.

FLO • Fair trade labelling organisations international

Standards and certification body for the fair trade movement.

HRM • Human Resources Management

Management of the Human Resources function broadly responsible for personnel policies and practices within an organisation.

ILO • International Labour Organisation

The ILO is the international organisation responsible for drawing up and overseeing international labour standards. It is the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes promoting decent work for all.

IPR • Intellectual property rights

Is a general term for different types of ideas, protected by different legal rights. The six intellectual property rights consist of, confidential information, trademark, copyright, registered design, design right and patent.

ISO • International Standards Organisation

An organisation within the United Nations which develops and monitors international standards, including OSI, EDIFACT, and X.400.

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.

KPIs • Key performance Indicators

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 orientated computerised technique aimed at minimising inventory and maintaining delivery schedules.

NEC • The New engineering contract

The New Engineering Contract of which the Engineering and Construction Contract (ECC) forms a part, is a suite of standard form construction contracts created by the Institution of Civil Engineers.

P2P • Purchase to pay

Refers to the business process that cover activities of requesting, purchasing, receiving, paying for and accounting for goods and services.

Poka Yoke

Poka Yoke (mistake-proof): The application of simple techniques that prevent process quality failure. A mechanism that either prevents a mistake from being made or makes the mistake obvious at a glance.

RFI • Request for Information

A document used to solicit information about vendors, products, and services prior to a formal RFQ/RFP process.

RFQ – Request for quote

RFP – Request for proposal

SA8000 • Social Accountability International Standard

SA8000 was the first auditable social standard and creates a process that is truly independent. Representatives of trade unions, human rights organisations, academia, retailers, manufacturers, contractors, as well as consulting, accounting, and certification firms, by consensus, cooperated to develop the SA8000 Standard.

Socio-technical

A socio-technical system is a collection of people, projects, processes and products that engage in an exchange relationship with one another.

SOX • Sarbanes-Oxley Public Accounting and Investor Protection Act

A United States federal law enacted on July 30, 2002 to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes.

STEEPLE • Social, Technological, Economic, Environmental, Political, Legal, European (or International)

An analytical tool extending PEST to also include, Environmental, Legal and European (or International) factors that can impact on Procurement and Supply.

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.

Taguchi Method

A method of analysing quality problems developed by Genichi Taguchi of Nippon Telephone and Telegraph. It involves removing variability and the effects of causes instead of the cause, and focuses on robust process and product design and the identification of after-sales costs.

The 5 S Methodology • Sort, systemise, shine or sweep, standardise, and sustain

5S Program: A program for organising work areas. Sometimes referred to as elements, each of the five components of the program begins with the letter “S.” They include sort, systemise, shine or sweep, standardise, and sustain.

In the UK, the concept is converted to the 5C program comprising five comparable components: clear out, configure, clean and check, conformity, and custom and practice.

Six Sigma

Six Sigma is a term coined to stress the continuous reduction in process variation to achieve near-flawless quality.

UN • United Nations

The United Nations is an international organisation. It consists of 51 countries committed to maintaining international peace and security, developing friendly relations among nations and promoting social progress, better living standards and human rights.

WFTO • World Fair Trade Organisation

The WFTO is a global authority on Fair Trade and represents Fair Traders from grassroots through to the G8.

XML • Extensible Mark-up Language

A computer term for a language that facilitates direct communication among computers on the Internet.

**UNIT PURPOSE
AND AIM(S)**

On completion of this unit, candidates will understand different approaches to the management of individuals and groups or teams within organisations.

In order to develop expertise in developing and fulfilling organisational and functional objectives in procurement and supply, it is essential that candidates gain a wider appreciation of theories and techniques that relate to managing people involved with the procurement and supply function.

Management in procurement and supply

LEARNING OUTCOMES

1.0 Understand the development of management and organisational behaviour

1.1 Explain the main aspects of organisational behaviour

- The behaviour of people
- The process of management
- The organisational context in which the process of management takes place
- Organisational metaphors
- The psychological contract: individual and organisational expectations
- Interactions with the external environment

1.2 Evaluate the main influences that shape organisational behaviour

- The individual
- The group
- The organisation
- Societal influences and the wider environment
- The cultural environment and methodologies for assessing cultural types

1.3 Analyse the origins of management and organisational behaviour

- Classical approaches to organisational behaviour and management
- The development and application of scientific management
- Bureaucracy in organisational design and structure
- The human relations approach

1.4 Analyse the main contemporary approaches to management and organisational behaviour

- Organisations as a 'socio-technical' system
- The systems approach to organisational behaviour
- The contingency approach
- Postmodernism in organisations

2.0 Understand the main approaches to managing individuals involved in the procurement and supply function

2.1 Analyse how the different behavioural characteristics of individuals can impact on their management in the procurement and supply function

- Understanding the differences among individuals
- Uniqueness and similarities between individuals
- Idiographic approaches to the development and measurement of individuals
- Emotional intelligence
- Diversity in organisations
- Managing diversity

2.2 Analyse how the different learning styles of individuals in the procurement and supply function can impact on their management

- Learning as a formal and spontaneous process
- Explicit and tacit knowledge
- Cognitive theories of learning
- Approaches to knowledge management

2.3 Evaluate the main approaches to motivation in the management of individuals involved in the procurement and supply function

- The meaning of motivation
- Extrinsic and intrinsic motivation
- Frustration-induced and constructive behaviours
- Content theories of motivation
- Process theories of motivation
- Equity and goal theories of motivation

2.4 Analyse the major factors that can influence job satisfaction among individuals involved in the procurement and supply function

- The dimensions of job satisfaction
- Alienation at work
- Approaches to job design, enlargement and enrichment
- Flexible working arrangements



3.0 Understand the main approaches to managing work groups or teams involved in the procurement and supply function

3.1 Evaluate the importance of work groups or teams for effective performance in the procurement and supply function

- Groups, teams and teamwork
- Group values and norms
- Formal and informal groups

3.2 Explain the stages of development of work groups or teams in the procurement and supply function

- Reasons for the formation of groups/teams
- The work environment: size of the group, capability of the members, the nature of the task, physical setting, communications and the use of technology
- Theories on the stages of group/team development

3.3 Evaluate the characteristics of effective work groups or teams in the procurement and supply function

- Characteristics of an effective work group
- Perspectives on team roles
- Stages of group dynamics and development
- Self- managed work groups/teams
- Virtual teams and remote working
- The benefits of cultural diversity

3.4 Analyse the nature of role relationships in work groups or teams in the procurement and supply function

- The stakeholders of a procurement and supply function
- Role congruence and incongruence
- Intra group/team cohesion and conflict
- Positive and negative outcomes from conflict
- Behaviours to reduce conflict
- Developing effective groups/teams



4.0 Be able to develop a plan for the main aspects of human resource management for the procurement and supply function

4.1 Explain the importance of human resource management in the procurement and supply function

- Definitions of human resource management (HRM)
- HRM policies, activities and functions
- HRM as a shared organisational responsibility

4.2 Identify the skills and knowledge requirements for personnel in the procurement and supply function

- Job analysis and job skills
- Identifying knowledge and skills for roles
- Human capital management

4.2 Develop a recruitment and selection plan to meet the skills and knowledge needs of the procurement and supply function

- Drafting job descriptions
- Screening and assessing candidates to meet requirements
- The interview process
- The use of IT software solutions in recruitment
- The regulatory aspects of the employment of personnel in the procurement and supply function
 - Forms of discrimination and harassment
 - Legislative regulation on employment practices

4.4 Prepare a plan for training and development of personnel in the procurement and supply function

- Cost and benefits of training
- Methods, delivery and evaluation of training
- Training needs analysis
- The application of personal development plans
- Performance review and appraisal

**UNIT PURPOSE
AND AIM(S)**

On completion of this unit, candidates will be able to appraise a variety of tools and techniques to

- Establish the level of risk in supply chains
- Recommend ways of avoiding, mitigating or managing those risks.

This unit is designed to enable candidates to undertake risk analysis and apply a range of appropriate risk management tools and techniques in supply chains.

Managing risks in supply chains

LEARNING OUTCOMES

1.0 Understand the nature of risk affecting supply chains

1.1 Analyse the main risks that can impact on supply chains

- Definition of risks, hazards, exposure and risk appetite
- Positive and negative consequences of risk
- Direct and indirect losses
- Internal and external sources of risk
- Categories of risk: financial, strategic, operational and hazard
- Risks from the wider environment: STEEPLE - social, technological (failure including cyber risks and crime), economic, environmental, political, legislative and ethical (labour standards and sourcing aspects)

1.2 Analyse the main methods for eliminating corruption and fraud in supply chains

- The nature of fraud in organisations and supply chains, why fraud takes place and different types of fraud
- The nature of bribery and corruption in organisations and supply chains
- The different types of corruption
- Legislation affecting bribery and corruption
- The use of ethical codes including the CIPS Ethical Code
- Corporate governance including corporate accountability to stakeholders
- The Sarbanes-Oxley regulations

1.3 Analyse the main operational risks in supply chains

- Contract failure
- Financial risks such as currency, supplier cash flow and insolvency
- Quality failure
- Security of supply
- Technology
- Logistics complexity
- Risks in outsourcing and offshoring

1.4 Evaluate the main risks in supply chains that can impact on organisational corporate social responsibility and sustainability standards

- Defining corporate social responsibility and sustainability
 - Assessing corporate risks and risks associated with brands
 - Standards for sustainable procurement (including the United Nations (UN), International Labour Organization (ILO), and the Ethical Trading Initiative (ETI) standards)
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2.0 Understand how effective project management can mitigate risks in supply chains

2.1 Analyse the main risks in supply chain projects that are addressed by effective project management

- Definitions of a project and project management
- Achieving a balance between cost, quality and time
- The causes of risks in projects
- Relationships with contractors and allocating risk in projects and in the outsourcing of work or services

2.2 Compare project life cycle models that can mitigate risks in supply chains

- Staged models for project life cycles
- Initiation and defining projects and risks
- Project planning
- Project organisation and implementation
- Measuring, monitoring, control and improvement
- Project closure

2.3 Evaluate the contribution that project planning can make to managing risks in supply chains

- Planning: identifying activities, estimating timings and costings
- Sequencing activities
- Applying critical path analysis
- Developing Gantt charts and baselines

2.4 Evaluate how the organisation, implementation, monitoring and control of projects mitigate risks in supply chains

- Organising and assigning work packages
 - Determining the needs of personnel
 - Health and safety issues in the workplace
 - Establishing performance review mechanisms
 - Implementing remedial actions
 - Issuing change control orders
 - Project closure
 - Obtaining client acceptance
 - Conducting audits/ learning from experience
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3.0 Understand the main processes in managing risk in supply chains

3.1 Analyse the use of contractual remedies for managing risks in supply chains

- Indemnities and liabilities
- Ownership of IPR (Intellectual Property Rights)
- The use of force majeure clauses
- Clauses for testing, inspection and acceptance
- Global sourcing considerations and ensuring compliance to standards
- Model Form Contracts such as NEC (New Engineering Contract) and FIDIC (The International Federation of Consulting Engineers) provisions for the use of risk registers, notices and compensation events

3.2 Analyse the use of outsourced third parties in risk management in supply chains

- The use of outsourced third party providers for credit rating and other business services
- The use of outsourced third party providers for auditing risks in supply chains
- The use of outsourced third party providers for disaster recovery services

3.3 Evaluate the use of insurances for protection against risks in supply chains

- The use of insurance in hedging against risks
- The main categories of insurance: employers and public liability, professional indemnity, product liability and trade credit
- Legal principles of insurance
- Underwriting and claims

3.4 Analyse the use of contingency plans to overcome risks in supply chains

- The implications of a contingency plan
- The components of a business continuity plan and disaster recovery plan

4.0 Be able to propose risk management strategies to mitigate risks in supply chains

4.1 Analyse the use of probability and impact assessments to manage risks in supply chains

- Methodologies for assessing the probability and impact of risk
- Vulnerability assessments
- Collating statistical evidence of risks
- The use of probability theory
- Assessing the probability of events using the normal distribution
- The binomial and poisson distributions

4.2 Develop a risk assessment and a risk register to mitigate risks in a supply chain

- The use of templates for risk assessments and risk registers
- Completing risk assessments and risk registers
- Engaging stakeholders in the development of risk assessment and registers

4.3 Explain the development of a risk management culture and strategy to improve supply chains

- International standards for risk management such as ISO 31000 and ISO 28000
- The risk management process
- External reporting of risks in corporate accounts
- Resources required to achieve improved risk management in supply chains

4.4 Develop a strategy to mitigate risks in supply chains

- Developing risk management strategies to mitigate risks
- Preparing a contingency plan
- Preparing a business continuity plan and disaster recovery plan

**UNIT PURPOSE
AND AIM(S)**

On completion of this unit, candidates will be able to assess a range of processes that help achieve improvements in business performance through its supply chain.

This unit is designed to help candidates understand a range of techniques to improve the competitiveness of organisations in supply chains.

Improving the competitiveness of supply chains

LEARNING OUTCOMES

1.0 Understand the dynamics of supply chains

1.1 Compare supply chains, supply network and supply chain management

- Defining supply chains, supply networks and supply chain management
- The use of supplier tiering and network sourcing

1.2 Analyse the added value to organisations that can be achieved through effective supply chain management

- Improving quality
- Reducing prices and total costs
- Reducing time to market and achieving deliveries to required timescales
- Creating innovation
- Reducing risk and supply chain vulnerability

1.3 Analyse the relationship between organisational infrastructure and process management in supply chain management

- Theoretical perspectives on added value
- Aspects of organisational infrastructure: culture, organisational structure and systems
- Process management: the sourcing process in procurement and managing stages of the process
- Process mapping techniques
- Value chain analysis

1.4 Compare the main approaches to improving supply chains

- The spectrum of relationships in a supply chain
 - The collaborative model of supply chain management: partnering and strategic relationship management
 - The competitive model of supply chain management
 - The outsourcing of work or services
 - Off shoring, global procurement and low cost country sourcing
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2.0 Understand the main methodologies that can improve supply chains

2.1 Compare the main approaches to total quality management for supply chain improvement

- Defining quality
- Approaches to quality: quality inspection, quality assurance and total quality
- Quality versus risk
- The contributions of leading writers on total quality
- The importance of relationships in quality management

2.2 Analyse the use of the main statistical methods to achieve supply chain improvement

- Collating data for performance measurement
- Developing key performance indicators (KPIs) on aspects of supply performance
- Analysing data and an introduction to statistics
- The use of the normal distribution
- Developing statistical process control
- The 6 sigma improvement methodology
- Creating continuous improvement

2.3 Critically appraise the main processes that can be used for supply chain improvement

The main processes including:

- The use of just in time (JIT) supply processes
- The application of JIT in the service sector
- The development of lean thinking and lean supply
- Lean thinking compared with agile
- The 5 S methodology

2.4 Explain how business process re-engineering (BPR) and benchmarking can be used for supply chain improvement

- The development of business process re-engineering (BPR)
- BPR in contrast to total quality
- The use of benchmarking in supply chains

3.0 Be able to develop a plan to achieve competitive advantage in supply chains

3.1 Evaluate the main sources of competitive advantage

- Competitive advantage based on lowest cost of supply
- Competitive advantage achieved through sources of differential advantage such as innovation, range of products, brand image and customer care

3.2 Formulate pricing arrangements that can be agreed in supply chains to achieve competitive advantage

- The use of fixed pricing, variable pricing and cost plus arrangements
- The use of open book costing and cost transparency
- The use of incentivisation in pricing and gainshare (risk/reward) mechanisms

3.3 Produce an analysis of cost reduction activities for a supply chain to achieve competitive advantage

- Supplier rationalisation and aggregation of requirements
- The risks and benefits associated with single sourcing arrangements
- Negotiating reductions in prices and costs
- Collaborative and competitive models of supply
- Value analysis and value engineering

3.4 Develop a plan to promote greater collaboration in supply chains to achieve competitive advantage

- Strategic versus operational suppliers
 - Creating partnership sourcing arrangements
 - Building trust with suppliers
 - The relationship life cycle
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4.0 Understand the main techniques for supplier development to improve supply chains

4.1 Assess the use of cross functional working to achieve improvements in supply chains

- Cross functional involvement in the development of specifications and requirements
- Simultaneous engineering

4.2 Evaluate main techniques to promote the development of innovation in supply chains

- Collaboration with suppliers and customers to promote improvements in innovation
 - Early supplier involvement
 - The role of innovation councils
 - Supplier forums and associations
 - The use of technology transfer
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4.3 Explain the developments in technology that can be applied to promote improvements in supply chains

- Forms of eprocurement
- Ecatalogues
- Esourcing
- P2P (purchase to pay) systems
- Data integrity and integration between organisations in a supply chain
- XML (extensible markup language) and the use of application programming interfaces (APIs) and other integration tools
- Developments in technology such as cloud computing, open source software and convergence of technology platforms

4.4 Explain the application of relationship assessment for supplier development

- The use of joint performance appraisal systems
- The use of relationship assessment methodologies
- The use of balanced scorecards



**UNIT PURPOSE
AND AIM(S)**

On completion of this unit, candidates will be able to develop plans to improve competitiveness by the application of systematic approaches to the management of both direct and indirect organisational expenditures.

This unit focuses on differing approaches or methodologies for strategic sourcing and category management, demonstrating the role of the procurement and supply chain specialist in leading these approaches.

Category management in procurement and supply

LEARNING OUTCOMES

- 1.0 Understand approaches that can be adopted to develop strategic sourcing and category management for a mix of procurement expenditures**
- 1.1 Critically compare strategic sourcing, category management and conventional sourcing processes**
- The stages of a conventional sourcing process
 - Defining strategic sourcing and category management
 - Transactional and strategic sourcing activities
 - Differentiating account management and category management
- 1.2 Assess the mix of expenditures that strategic sourcing and category management processes can be applied to**
- Expenditures that are related to direct costs
 - Expenditures that are related to indirect costs
 - Applying Pareto analysis to expenditures and key suppliers
- 1.3 Critically compare the main models for the adoption of strategic procurement, strategic sourcing and category management**
- Models of strategic procurement such as the CIPS purchasing and supply model
 - Models of strategic sourcing such as AT Kearney's 7 step model
 - Models of category management such as CIPS category management model
 - Analysis of similarities and differences between models for strategic procurement, strategic sourcing and category management
- 1.4 Analyse the main technical and behavioural skills for the implementation of approaches to strategic sourcing and category management**
- Technical skills such as financial management and cost analysis, supply chain analysis, supply base research, sourcing processes, risk management, legal aspects and negotiation
 - Behavioural skills such as communication, influencing, working with teams, cross functional working and acting as a change agent

2.0 Be able to create a plan for a strategic sourcing or category management process

2.1 Evaluate data for the development of a strategic sourcing or category management process

- Historical and forecasted data on categories of spend
- Demand patterns for category groups
- Current contracts with suppliers and terms that are being applied
- Reviews of existing relationships and performance
- Market trends

2.2 Interpret the requirements for initiating and preparing the introduction of a strategic sourcing or category management process

- Producing category hierarchies for both direct and indirect expenditures
- Applying portfolio tools to map the categories of expenditures
- Creating total cost models for category management
- Conducting stakeholder needs analysis
- Forming cross functional teams and preparing responsible, accountable, consultative and informing roles within the team
- Reviewing the implications of existing legislative requirements and standards

2.3 Assess supply market factors in the development of a strategic sourcing or category management process

- Analysing industry dynamics, competitiveness and pricing behaviour
- Analysing financial data on potential suppliers
- Using requests for information (RFIs) to assess market factors
- Reviewing STEEPLE, SWOT and market share/growth factors that influence categories
- Conducting impact assessments of CSR/ sustainability factors
- Conducting supply chain and value chain analysis
- Analysing supplier perceptions

2.4 Create a sourcing plan including its priorities in the development of a strategic sourcing or category management process

- Assessing switching costs and make versus buy criteria
- Assessing sourcing options such as the length of agreement and the numbers of suppliers under single, dual or multiple sourcing options
- Assessing the procurement process to deliver planned changes
- Developing risk mitigation plans

3.0 Be able to develop an implementation plan for strategic sourcing or category management process

3.1 Analyse the use of plans for the implementation of strategic sourcing or category management process

- Involving stakeholders in the sourcing decision
- Creating evaluation criteria
- Finalising specifications and contractual agreements
- The use of confidentiality agreements

3.2 Critically compare routes to market for the implementation of a strategic sourcing or category management process

- The use of competition or direct negotiation to source suppliers
- Devising invitations to tender, quotation and requests for proposals
- The use of reverse auctions
- The use of joint proposition improvement

3.3 Develop decision criteria that can be applied for the implementation of a strategic sourcing or category management process

- Define relationship management and governance structures
- Confirm segmentation approach and relationship profiles
- Confirm transaction process
- Using staged gate reviews

3.4 Develop an implementation plan for a strategic sourcing or category management process that could be presented to stakeholders

- Gaining stakeholder buy in to sourcing and category strategy
- Creating presentations on strategy plans

4.0 Understand the main aspects of performance improvement for strategic sourcing or category management processes

4.1 Explain arrangements for the mobilisation, start up and transition to achieve performance improvement through the execution of strategic sourcing or category management processes

- Engaging users for initiating contract arrangements
- Planning for the effective startup of category plans
- Contract transition arrangements

4.2 Propose arrangements for contract management and supplier relationship management to achieve performance improvement through the execution of strategic sourcing or category management processes

- Responsibilities for contract management
- Operational performance and strategic levels of contract and supplier management
- Obtaining feedback from stakeholders
- Benchmarking performance
- Creating performance improvement

4.3 Develop performance measures that can be applied to achieve performance improvement through the execution of strategic sourcing or category management processes

- Templates for gauging feedback on performance
- Creating performance measures to assess success of the category process
- Reviewing improvements to the category management and strategic sourcing process

4.4 Identify exit arrangements that can be applied in the execution of strategic sourcing or category management processes

- The use of disaster recovery plans
- Dealing with risks and supply chain volatility
- Creating exit arrangements

**UNIT PURPOSE
AND AIM(S)**

On completion of this unit, candidates will be able to understand approaches to help achieve sustainability.

This unit explores the concept and initiatives in sustainability which includes aspects of corporate social responsibility. It includes the impact on communities and society, environmental aspects of sourcing, ethical trading and working standards. The alignment of sustainable goals within supply chains has both global and local dimensions and is a developing area for organisational commitment, procedures, systems and practices.

Sustainability in supply chains

LEARNING OUTCOMES

1.0 Understand the impact of sustainability in supply chains

1.1 Critically assess the main implications of sustainability in supply chains

- Definitions of aspects of sustainability such as corporate social responsibility, responsible procurement and environmental purchasing
- The reasons for the focus on sustainability
- The risks and rewards of sustainability
- The development of sustainable procurement policies

1.2 Critically assess the main drivers of globalisation in supply chains

- Use of STEEPLE analysis to explain the drivers of globalisation
- Competitive advantage through global sourcing
- Globalisation and low cost country sourcing

1.3 Critically assess the main cultural and social issues in supply chains

- Language and cultural barriers
- Labour standards and forced working
- Wages and social security payments
- Inequalities of workers
- Health and safety standards

1.4 Explain the potential conflicts that may arise between the needs of stakeholders in supply chains

- The profit motive and the search for low cost sourcing
- Demand management and the need for urgent orders
- Short term commercial gains versus long term availability of supplies

2.0 Understand initiatives and standards to improve sustainability

2.1 Analyse how the major labour codes can help to achieve improved sustainability in supply chains

- Standards set by the United Nations (UN) and the International Labour Organisation (ILO)
- The role of the UN and ILO in pursuing improved sustainability
- Labour codes of conduct such as the Ethical Trading Initiative (ETI) and the Agricultural Ethical Trading Initiative (AETI), Social Accountability International's standard SA8000
- Social Accountability International (SAI) and the standard SA8000

2.2 Analyse how the leading standards on environmental purchasing can help to achieve sustainability in supply chains

- The role of the International Organisation for Standardisation (ISO) and the environmental standard ISO 14001
- The European Union's Eco-Management and Audit Scheme (EMAS)
- Other standards for environmental purchasing produced by standards organisations
- Industry standards and standards set by organisations

2.3 Analyse how leading standards can achieve improved fair trade

- The World Fair Trade Organisation (WFTO) and its principles and charter of fair trade
- Fairtrade Labelling Organisations International (FLO) and global fair-trade organisations
- Fair trade standards that effect the workplace and producers


2.4 Critically assess the main principles that will help achieve responsible procurement to help promote sustainability

- The implications of responsible procurement
- The responsible use of power in supply chains
- Managing conflicting priorities
- Reducing operational financial and reputational risks

3.0 Understand the process of incorporating sustainability into the sourcing process

3.1 Critically assess how sustainability can be incorporated into contract specifications

- Taking account of social, ethical, environmental and economic considerations in specifications
- International, regional and local standards for specifications
- The benefits of using standards
- Developing market knowledge

A lush, green forest scene with a wooden path leading through dense vegetation, including large ferns and palm-like plants. The path is made of wooden planks and leads into the forest. The vegetation is dense and vibrant green, with large ferns and palm-like plants. The lighting is bright, suggesting a sunny day. The overall atmosphere is peaceful and natural.

**Good to see a lengthy sentence
broken up using bullet-points –
greatly improves readability.”
Diversity Specialist**

3.2 Critically assess how sustainability can be incorporated into contract terms

- Pricing and payment terms and the use of pre-payments for cash flow
- Community benefits arrangements in contracts
- Allowing for lead times and the management of capacity
- The use of fair and transparent terms that reward performance

3.3 Evaluate how sustainability can be incorporated into supplier selection

- Checking suppliers understanding of codes of practice and standards
- Recognition of trade unions and collective bargaining arrangements
- The use of international framework agreements
- Creating weighted evaluation criteria that takes account of social, ethical and environmental issues
- Shortlisting suppliers based on objective criteria

3.4 Evaluate how sustainability can be incorporated into supplier performance measurement

- Social, ethical and environmental targets
- Setting Key Performance Indicators (KPIs) on sustainability
- Obtaining feedback from suppliers on performance measurement
- Using balanced scorecards

4.0 Understand the importance of compliance with standards to achieve sustainability in supply chains

4.1 Analyse how the levels of complexity in supply chains impact on compliance with standards for sustainability

- Mapping supply chains
- The use of sub-contractors by suppliers
- Portfolio analysis that measures sustainability risk and the importance to the organisation
- Portfolio analysis that measures sustainability risk and scope for improvement

4.2 Evaluate how indicators of desired behaviours can support compliance with standards for sustainability in supply chains

- Monitoring performance
- Feedback from suppliers on purchasing processes that help achieve compliance to standards for sustainability
- Subjecting sourcing strategies to independent review
- Accountability for achieving social, ethical and environmental standards

4.3 Evaluate the capabilities of third party organisations to promote compliance with standards for sustainability in supply chains

- Sourcing third parties for auditing services
- Assessing the competences of third party organisations for the provision of audit services
- The difficulties with duplications of codes and audits

4.4 Critically assess how relationships with suppliers should deal with infringements of standards for sustainability

- Raising awareness of standards
- Involving workers in workplace matters
- Creating corrective action plans and supplier development programmes
- Escalating problems and exit arrangements

Operations management in supply chains

LEARNING OUTCOMES

1.0 Understand the concept and scope of operations management in supply chain organisations

1.1 Analyse the role and activities of operations management in organisations

- Definitions of operations and operations management
- The extent of operations management in organisations
- Operations management in different types of organisations

1.2 Critically assess the objectives and strategies of operations management

- From implementing to supporting to driving strategy
- The stages of development of operations strategy
- The performance objectives of operations management (quality, speed, dependability, flexibility and cost)
- Top down and bottom up perspectives of operations strategy
- Order - qualifying and order - winning objectives of operations management

1.3 Evaluate main operations processes

- The 'input - transformation - output' model of operations management
- The dimensions of operations processes (volume, variety, variation and visibility)
- The activities of operations processes

1.4 Analyse the application of operations management across different supply chains in the main sectors

- Operations management in manufacturing, services, retail, construction, and public sector supply chains
- The impact of operations management on global sourcing
- Examples of operations management in different supply chains

UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will be able to explain plans, designs, processes or systems for the improved control or improvement of operations.

This unit is designed to enable those involved in procurement and supply to appraise the main techniques that improve organisations' operations.

Operations management refers to the process of converting input resources into the outputs of products or services that occur across a wide range of sectors such as in manufacturing, construction, retail, services and public sectors.

2.0 Understand aspects of the design of operations management in supply chain organisations

2.1 Analyse the main techniques for process design and technology

- Job design
- Scientific management and method study
- Ergonomic workplace design and behavioural approaches to job design
- Sustainability in designs and technology
- The volume – variety effect on process design and process types
- Process mapping

2.2 Analyse the main techniques for product or service design

- The product – process matrix
- The stages of creating products or services (concept generation, concept screening, preliminary product or service design, evaluation and improvement)
- Sustainability in the designs of products and services
- Computer aided design systems (CAD) and computer aided manufacturing (CAM)
- Quality function deployment
- Value engineering and value analysis
- Simultaneous engineering and simultaneous development

2.3 Analyse the main techniques for supply network design

- The supply network perspective
- Configuring the supply network
- Aspects of vertical integration- outsourcing versus insourcing
- Location decisions in supply network design

2.4 Critically compare layout and flow designs in operations management

- The types of layout (such as fixed position, functional, cellular and product) for products and services
- Selecting a layout type
- Computer aided functional layout design
- Cycle times of product layouts

3.0 Understand capacity planning and control in operations management in supply chain organisations

3.1 Analyse the main techniques that can be applied to planning and control in operations management

- The difference between planning and control
- Achieving balance between planning and control
- Responding to demand
- Loading, sequencing and scheduling

3.2 Explain the main techniques that can be applied to capacity management

- Defining capacity
- Capacity constraints
- Planning and controlling capacity
- Forecasting demand fluctuations
- Measuring capacity
- Capacity planning through level capacity plans, chase demand plans or demand management

3.3 Analyse the use of Materials Requirements Planning (MRP) and Manufacturing Resource Planning (MRP II) systems technology for planning and control in operations management

- Master production scheduling
- Bills of materials
- Inventory data
- MRP calculations
- The limitations of MRP systems

3.4 Analyse the use of Enterprise Resource Planning (ERP) systems technology for planning and control in operations management

- Defining ERP
- The origins of ERP
- The structure of a common ERP system
- Web integrated and supply chain integrated ERP systems



4.0 Understand the main improvement methodologies that can be applied in operations management

4.1 Analyse the main tools for improving performance in operations management

- The use of performance measurement in operations management
- Setting performance targets
- Benchmarking in improving operations management
- Building continuous improvement
- The use of business process re-engineering

4.2 Explain the main techniques in failure prevention and recovery that can be applied in operations management

- Measuring failure and the impact of failure
- Mechanisms to detect failure
- Failure mode and effect analysis
- Improving process reliability
- Maintenance and approaches to maintenance
- Failure distributions
- Business continuity

4.3 Evaluate the role of total quality management in operations management

- Approaches to total quality management
- The differences between total quality and quality assurance
- The work of pioneers of total quality management (such as Deming, Juran)

4.4 Analyse the main techniques for quality improvement that can be applied in operations management

- Diagnosing quality problems
- The use of statistical process control
- Variation in process quality
- The Taguchi loss function
- Poka Yoke
- The six sigma approach to quality improvement

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