CIPS Level 6 – Professional Diploma in Procurement and Supply

Innovation in Procurement and Supply [L6M8]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question
Q1. Consumer Products Group (CPG) has an extensive and ongoing programme of new product development. A characteristic of the way that CPG works is that all specifications and requirements for major new products are developed by cross-functional teams. Which of the following is most likely to be the reason why CPG prefers to work in this way?

a) To rationalise the supplier base more effectively.

b) To maximise existing internal specialist knowledge. **(Correct)**

c) To gain a broader insight into competitor markets.

d) To ensure all stakeholders have been engaged with.

LO: 1  
AC: 1.1  
Correct answer: B

Q2. Within the area of data analytics, diagnostic analytics is used in procurement and supply for which of the following?

1. To identify anomalies for further investigation.
2. To predict the future workflows and volumes.
3. To determine cause and effect relationships.
4. To set a plan for how issues should be dealt with.

a) 1 and 2.

b) 2 and 4.

c) 3 and 1. **(Correct)**

d) 3 and 4.

LO: 2  
AC: 1.2  
Correct answer: C

Q3. The lifecycle inventory, within lifecycle analysis, focuses mostly on which of the following?

1. Recycled products.
2. Returns.
3. Energy flows.
4. Emissions.

a) 1 and 2.

b) 2 and 4.

c) 3 and 1. **(Correct)**

d) 3 and 4.

LO: 3  
AC: 1.1  
Correct answer: D
Q4. Early supplier involvement can encourage innovation and maintain equal treatment across the supply market. Is this correct?
   a) Yes, ideas from the incumbent supplier should always be obtained separately.
   b) No, often suppliers do not know the type of innovation that is required.
   c) Yes, as long as all supply organisations have the opportunity to participate.
   d) No, it is generally regarded as anti-competitive especially in the public sector.

   LO: 1
   AC: 2.2
   Correct answer: C

Q5. The primary focus of business continuity planning is to prevent risk events from occurring in the first place. Is this correct?
   a) Yes, its goal is to apply risk avoidance techniques on all business processes.
   b) No, its focus is specifically on recovery and maintaining business as usual.
   c) Yes, it incorporates different actions to treat risks before there is any impact.
   d) No, it is an approach to risk assessment so higher impact risks can be evaluated.

   LO: 2
   AC: 2.2
   Correct answer: B

Q6. A design for disassembly approach should prioritise which of the following? Select ALL that apply.
   a) Ensuring discounted cash flows take account of environmental policies.
   b) Making sure all supply chain partners apply clear ethical codes.
   c) Labelling clearly all materials for ease of identification for recovery.
   d) Ceasing use of global supply chains to reduce climate change impact.
   e) Using fastenings so individual components can be easily reused.
   f) Training staff so they understand all stages of the procurement process.
   g) Applying a whole life costing approach to all new asset purchases.

   LO: 3
   AC: 1.2
   Correct answer: C & E
Q7. The philosophy of ‘lean thinking’ is based on the concept of waste elimination by improving in which of the following areas? Select **ALL** that apply.

a) Production waiting times.
b) Vendor rating.
c) External market analysis.
d) Unnecessary processing.
e) Supplier selection.
f) Holding excessive inventory.
g) Analysing historic spend.

LO: 2  
AC: 2.1  
Correct answer: A, D & F

Q8. Consumer Manufacturing Group (CMG) has experienced a significant decline in its market share in recent years. It has implemented an extensive customer research programme and the feedback suggests there are issues with CMG’s approach to quality assurance. It has recruited a new operations director (OD) with a strong pedigree in achieving a high quality focus throughout the organisations where they have worked previously. After settling into their role the new OD gives a presentation to their direct reports entitled ‘CMG’s approach to total quality management (TQM)’. This approach will focus primarily on which of the following principles?

1. Data analytics.
2. Customer focus.
3. Continuous improvement.
4. Lifecycle analysis.

a) 1 and 2.
b) 2 and 3.
c) 3 and 4.
d) 4 and 1.

LO: 2  
AC: 2.1  
Correct answer: B
Q9. The procurement and supply professional must ensure that their organisation's supply chains are sufficiently respectful of the need for and importance of biodiversity. Future generations are dependent on this. Which of the following is an example of behaviour in the supply chain that might adversely impact this goal?

a. Deforestation
b. Water efficiency
c. Multimodal logistics
d. Slavery

LO: 3
AC: 3.2
Correct answer: A

Q10. How might the buyer encourage more innovative bids from the supply market?

1. Use output focused specifications
2. Apply international standards
3. Allow variant bids more often
4. Focus on the local supply market

a. 1 and 2
b. 1 and 3
c. 2 and 4
d. 3 and 4

LO: 2
AC: 2.3
Correct answer: B

Q11. Automotive Group (AG) is under pressure to reduce its reliance on external finance. The CPO has suggested introducing JIT. Is this likely to help AG achieve its goal?

a. No, JIT is more focused on cost reduction
b. No, JIT will have no impact on financing requirements
c. Yes, JIT will reduce working capital requirements
d. Yes, JIT will reduce AG’s need for long-term debt

LO: 2
AC: 2.2
Correct answer: C
Q12. Taxation and Revenues (T&R) is a large public sector body. It is a central government department and is responsible for the management and collection of the country’s taxes. It has a large property estate and as a result its procurement team has a significant portfolio of contracts to manage.

As a contract manager, which of the following would be useful tools to incentivise supplier innovation over the duration of the contract?

1. Gainshare arrangement
2. Liquidated damages
3. Service credits
4. Bonus payments

a. 1 and 2
b. 2 and 3
c. 3 and 4
d. 1 and 4

LO: 2
AC: 2.3
Correct answer: D

Q13. Artificial Intelligence (AI) has which of the following uses? Select ALL that apply

a. Visual perception
b. Volume forecasting
c. Speech recognition
d. Experiential learning
e. Language translation
f. Fraud detection and prevention
g. Building organisational culture

LO: 2
AC: 2.1
Correct answer: A, B, C, E & F
Q14. A major organisation adopts a category management approach. Each category head is currently undertaking a detailed review. The aim and priority area, for each category, are set out below:

Category 1 – the aim is to build long-term and mutually beneficial relationships with supply chain partners. The priority is to focus on incentives to drive performance over the agreed term.

Category 2 – the aim is to obtain views from the market prior to developing the specification and making other procurement related decisions. The priority is to identify bidders which should be shortlisted for more detailed evaluation.

Category 3 – the aim is to form a small cross-functional group of internal stakeholders to generate ideas. The priority is to ensure that all final bids are from suppliers that meet the procurement organisation’s minimum standards for financial and technical competence.

Category 4 – the aim is to leverage input from a small number of selected vendors. The priority is to help develop the process under which the procurement organisation will have sufficient interest from the market to ensure there is adequate competition for contracts.

Category 5 – the aim is to increase customer input. The priority is to identify factors that will enable the procurement organisation to choose the best supplier within a competitive process.

You are required, for each category, to recommend an appropriate tactic to achieve the category manager’s aim and suggest what the priority area of focus should be. Choose from these options and drag and drop your answers into the table below. [10 marks]

You will need to use some options more than once

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<thead>
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<th>Tactic</th>
<th>Priority area</th>
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<tr>
<td>Early supplier involvement</td>
<td>Bidding</td>
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<td>Focus group</td>
<td>Contract management</td>
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<td>Innovation council</td>
<td>Selection</td>
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Q14 Continued ...

LO: 1  
AC: 1.2  
Correct answer:

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Q15. Power Production Group (PPG) is an energy company. It is accepted that many of PPG’s suppliers are far more advanced than PPG in terms of sustainability. The CPO is keen to leverage this knowledge and expertise from the market and knows PPG will need to adopt a different approach to specification development. The CPO has already recommended a new approach in this respect to ensure supplier innovation is maximised. The CPO also wants PPG to adopt a different way of working with its top 5% of suppliers. PPG accepts that it needs to operate on a truly win/win basis with these suppliers. These suppliers have all agreed to sign up to a new method of performance management under which there is an equal focus on a number of important elements – financial, innovation, sustainability and risk management. Within the sustainability measure the CPO is keen on ensuring there is focus throughout the supply chain and within PPG on the entire end-to-end process, stating that ‘we need to ensure the highest standards of sustainable practice at every stage from raw materials to end of use’. The CPO is also keen on improving efficiencies at PPG and to this end wants lower transaction processing costs relating to the company’s low value/low risk spend, which is around 50% by volume. The specifications are clear and there are several suppliers for these contracts.

Q15 i) The CPOs recommended approach to specification writing is likely to focus on which of the following?
   a. Input specifications
   b. Conformance specifications
   c. Output specifications
   d. Technical specifications

LO: 1  
AC: 1.1  
Correct answer: C

Q15 ii) Which of the following describes the new way of working with PPG's top suppliers?
   a. Collaboration
   b. Outsourcing
   c. Networking
   d. Joint venture

LO: 1  
AC: 1.2  
Correct answer: A
Q15 Continued ...

Q15 iii) The performance management approach is based on which of the following?
   a. Key performance indicators  b. Target prioritisation
   c. Relationship management  d. Balanced scorecard

   LO: 1
   AC: 1.4
   Correct answer: D

Q15 iv) The quote from the CPO is referring to which of the following?
   a. Supply chain analysis  b. Life cycle analysis
   c. Market analysis  d. Stakeholder analysis

   LO: 3
   AC: 3.1
   Correct answer: B

Q15 v) Which of the following would be a solution in respect of the 50% of PPG's spend items?
   a. Multi-sourcing  b. E-tendering
   c. E-auction.  d. Partnership sourcing

   LO: 1
   AC: 1.3
   Correct answer: C