CIPS Level 5 – Advanced Diploma in Procurement and Supply

Advanced Negotiation
[L5M15]

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question
Q1. Which of the following is likely to be the best course of action when an important negotiation meeting with a strategic supplier reaches a deadlock?

a. Call a recess
b. Threaten to walk away
c. Read the contract
d. Use forcing techniques

LO: 1
AC: 1.2
Correct answer: A

Q2. A category manager is negotiating with an important supplier and is concerned that progress is too slow. The supplier has already offered a significant pricing reduction. In response, the buyer agrees to modify the specification to suit the supplier's processes. Both have moved further than they had planned. The buyer's response could be described as ...

a. an implied threat
b. a reciprocated concession
c. a take it or leave it reply
d. an authoritative position

LO: 1
AC: 1.2
Correct answer: B
Q3. The CPO of a major organisation has a meeting with a key internal stakeholder who the CPO has not previously met. The CPO is meeting with them to build rapport and to find out the stakeholder’s needs, to ensure these will be satisfied by the future procurement strategy. Which type of question will the CPO be likely to use the most in this situation?

a. Leading  
b. Closed  
c. Direct  
d. Open

LO: 1  
AC: 1.2  
Correct answer: D

Q4. According to recognised theory, which of the following are generally regarded as providing sources of motivation for employees?

1. Technology  
2. Recognition  
3. Policies  
4. Empowerment

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

LO: 3  
AC: 3.2  
Correct answer: C
Q5. Mutual trust is most important in which types of relationships?
   1. Joint venture
   2. Closer tactical
   3. Partnership
   4. Multi-sourced

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

LO: 2
AC: 2.1
Correct answer: B

Q6. A recently appointed category manager has a meeting with an important stakeholder who needs to be influenced. They are of an equivalent seniority level. The category manager is planning to meet them first over a coffee in the staff canteen to get to know them. Is this the right course of action?

   a. No, first meetings should always be more formal
   b. Yes, this will build rapport and make influencing more effective
   c. Yes, buying someone a coffee is a form of bargaining
   d. No, meeting in the staff canteen is unprofessional

LO: 3
AC: 3.1
Correct answer: B
Q7. There has been a significant breach of contract by a supplier. Extensive negotiations over many months have not resolved the issue and the procurement organisation have incurred substantial additional costs as a result of the supplier’s failure. Must the procurement organisation pursue litigation next?

a. Yes, for serious breaches once negotiation has failed the matter must be decided by the courts

b. Yes, because this will ensure the supplier continues to deliver the rest of the contract

c. No, there are likely to be other remedies that could be explored before using the legal process

d. No, the courts will check to see that negotiations have been explored fully first

LO: 3
AC: 3.1
Correct answer: C

Q8. When entering into negotiation with a supplier as a buying team, which of the following should the team consider before the negotiation? Select THREE that apply.

a. What are the roles

b. Who will take minutes

c. When will we rehearse

d. Who will compromise

e. Negotiation review outcomes

f. Contract authority

LO: 1
AC: 1.1
Correct answer: A, B & C
Q9. A negotiation meeting is taking place at the global headquarters of Parr, Loades & Zach (PLZ), a leading marketing agency, and one of its clients, GANV Bank (GANVB). The meeting is between a senior PLZ partner and the marketing director from GANVB. The PLZ partner starts by saying 'Thanks for coming to New York. First things first, I'd like to show you some of things we're doing online for our other clients'. After a short demonstration the PLZ partner says to the GANVB marketing director '.....and I forgot to mention, if you would like us to do the same type of online marketing for GANV you'll need to place a confirmed order with us by the end of the week because our specialist team has very limited capacity'. Which influencing tools is the PLZ partner using?

1. Social proof
2. Reciprocity
3. Authority
4. Scarcity

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

LO: 3
AC: 3.1
Correct answer: D
Q10. Leadership style and supply chain factors can influence employees, their decisions and actions. There are four category heads each with a different style of leadership. They are running team meetings to discuss supply chain issues.

Category 1 – The category head starts the meeting by explaining the challenge and saying ‘so, let’s have a vote on what we should do next’. The issue they are concerned with is how to find out if anyone in the supply chain is giving or taking an inducement to influence another party.

Category 2 – This category manager has already made the decision and starts the meeting saying ‘OK, this is how we’re going to do it’. Their concern focuses on the abuse of power for gain, often for personal gain, within the supply chain.

Category 3 – This category manager is very relaxed. After some general discussion and a coffee they say to team members ‘We all know the issue – you decide how to tackle it’. They have been informed by an independent third party of possible supply chain activities which amount to deliberate deception with the specific intention of gaining an advantage.

Category 4 – This category manager opens the meeting with a question ‘Let me know what you think we should do about this’. He goes on to explain that some supply chain behaviours are not aligned with the procurement organisation’s own moral principles.

You are required to match each leadership style and supply chain factor to each category, based on the descriptions provided.

Choose from these options and drag and drop your answers into the table below. [8]

You can only use each option once.

<table>
<thead>
<tr>
<th>Supply chain factor</th>
<th>Leadership style</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribery</td>
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Learning outcome (LO)    Assessment criteria (AC)    The correct answer is listed below each question
Q10 Continued ...

LO: 1
AC: 1.4
Correct answer:

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Q11. Which of the following is most typically a direct benefit of team negotiating compared to negotiating individually?

   a. Ability to influence the other party.
   b. Ease of choice of location.
   c. Involvement of experts.
   d. Can set a range of targets.

LO: 1
AC: 1.1
Correct answer: C

Q12. An experienced procurement manager (PM) is preparing for an upcoming negotiation with a supplier. There is an existing contract that still has three more years to run. The PM is hoping to achieve a 5% saving and is prepared to reduce the scope of the specification in an attempt to influence the supplier. Which of the following must the PM do as a priority before the negotiation to ensure this approach will be successful?

   a. Check the supplier’s annual financial statements and important ratios.
   b. Consult with key internal stakeholders to understand their requirements.
   c. Challenge the plan to reduce the spend by 5% because there is an existing contract.
   d. Contact the supplier and commit to them about making concessions at the meeting.

LO: 1
AC: 1.2
Correct answer: B
Q13. Which of the following are examples of ‘open’ questions?
   1. Can you deliver all aspects of our specification in full and on time?
   2. How do you plan to meet our requirements for the new product?
   3. Will you be able to generate the savings we need within the timescale?
   4. What might be the impact of the weather on your performance?

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

   LO: 1
   AC: 2.3
   Correct answer: B

Q14. Demonstrating which of the following to the other party is the most important when attempting to build honesty in a working relationship?
   1. Trust.
   2. Logic.
   3. Integrity.
   4. Leadership.

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

   LO: 2
   AC: 1.1
   Correct answer: C
Q15. The use of clear contractual terms and conditions will avoid any issues when dealing with a supplier based in another country within another continent. Is this correct?

   a. Yes, because the documentation will clearly establish everything about the relationship.
   b. No, because there are likely to be cultural differences between the parties to deal with.
   c. Yes, because a contract will ensure that issues will never arise in the relationship.
   d. No, because it is not possible to agree terms and conditions with an international supplier.

LO: 2  
AC: 2.6  
Correct answer: B

Q16. Creating an effective alliance should always be the goal of the procurement professional in every negotiation with a supplier. Is this correct?

   a. Yes, the aim of all parties should always be to achieve a win/win.
   b. No, the approach is only valid in competitive negotiations.
   c. Yes, this will ensure that a reasonable compromise is reached.
   d. No, only where it is considered to be the most suitable approach.

LO: 3  
AC: 1.2  
Correct answer: D
Q17. Conflict might arise between the two negotiating parties due directly to which of the following? Select the TWO that apply.

a. Regular communication.
b. Partnership working.
c. Personality clash.
d. The need to summarise.
e. Different perceptions.
f. Common interests.

LO: 3
AC: 1.3
Correct answer: C & E

Q18. Supplier motivations will typically include which of the following on all contracts? Select the THREE that apply.

a. Be paid quickly.
b. Retain the business.
c. Reduce service standards.
d. Encourage open competition.
e. Earn an acceptable margin.
f. Vary the specification.

LO: 2
AC: 1.4
Correct answer: A, B & E
Q19. A procurement professional (PP) is preparing for a negotiation with one of the organisation’s most important suppliers. Due to staff turnover, the supplier has experienced some minor performance issues but has promised to resolve these soon. The contract is approaching the end of year three and has a further seven years left to run, with the option of an extension of a further two years. The contract is very high value and is viewed by the procurement organisation as high risk with equally high complexity. Which of the following will be the most important for the PP to concentrate on during the negotiation?

1. Separate the people from the problem.
2. Win the negotiation at all costs.
3. Be prepared to compromise on key points.
4. Focus on interests and not on positions.

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

LO: 2
AC: 2.2
Correct answer: D