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Supplier Relationships

CIPS L4M6

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Topic Break Down

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Topic 1, Understand the dynamics of relationships in supply chains	165
Topic 2, Understand the main techniques associated with supplier relationship management	51
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QUESTION NO: 1

Gabriel is a procurement manager who wishes to explore a new avenue to procure products for his company. His manager has told him that he should invite internal stakeholders to a meeting to get their feedback. Who should Gabriel invite? Select THREE.

A. end-users

B. legal department

C. customers

D. suppliers

E. employees

ANSWER: A B E

Explanation:

Internal stakeholder engagement ensures that a proposed procurement route reflects the organisation's operational needs, governance requirements and practical experience before a sourcing decision is made. **end-users** should be involved because they understand how the product or service will be used in practice and can define functional requirements, usability needs, service levels and implementation considerations. Their input helps procurement develop a specification that supports the intended business outcome.

The **legal department** is an internal stakeholder because it can identify contractual, regulatory, intellectual-property, liability and data-related considerations that need to be addressed in the procurement strategy and resulting agreement. Early legal involvement helps ensure that the approach is aligned with organisational obligations and risk controls.

employees are also internal stakeholders. They may be affected by the new supply arrangement, contribute subject-matter knowledge, or be responsible for receiving, administering or using the purchased goods or services. Involving relevant employees supports informed requirements gathering and strengthens internal buy-in for any resulting change. CIPS identifies stakeholder relationship management as a core procurement capability, requiring procurement professionals to understand stakeholder needs and engage them appropriately. See the CIPS qualifications framework and the CIPS Global Standard for Procurement and Supply.

QUESTION NO: 2

Which of the following would be the most likely driver for a manufacturing organisation to consider partnership sourcing?

A. The marketplace is stable and costs are decreasing

B. To increase the number of suppliers

C. Product life cycles are shortening

D. Raw material prices are reducing

ANSWER: C

Explanation:

Product life cycles are shortening is the most likely driver because it increases the manufacturer's need for speed, innovation, flexibility, and reliable coordination across its supply base. When products must be developed, launched, revised, and replaced more rapidly, an arms-length transactional relationship can be too slow to support the required response. Partnership sourcing enables closer, longer-term collaboration with a selected supplier, including earlier supplier involvement in design and specification decisions, sharing of demand and technical information, joint improvement activity, and coordinated planning.

These practices can reduce development lead times, improve manufacturability, help resolve technical issues sooner, and support faster adaptation when customer requirements or product designs change. A partnership approach is therefore particularly valuable where the supplier contributes specialist capability, technology, capacity, or process knowledge that affects the buyer's ability to bring products to market quickly. This reflects the L4M6 focus on selecting an appropriate supplier relationship approach according to commercial conditions, supply-market characteristics, and the value that collaboration can create. CIPS identifies supplier relationships as a core procurement and supply capability; see the CIPS Level 4 Diploma and CIPS's supplier relationship resources.

QUESTION NO: 3

Varying levels of commitment is one reason why many partnerships fail. Why is this?

A. It can lead to a lack of trust

B. One party doesn't fulfil their KPIs

C. Sufficient time and resources are put in

D. Less profit is made.

ANSWER: A

Explanation:

It can lead to a lack of trust is correct because commitment is a fundamental behavioural element of an effective supplier partnership. A partnership depends on both organisations consistently investing attention, resources, information, and management support in jointly agreed objectives. When one party appears less committed than the other, the more committed party may question whether its counterpart will honour agreements, share risks fairly, protect confidential information, or sustain improvement activity when circumstances become difficult. This uncertainty erodes trust.

Trust enables the openness, collaboration, and willingness to make relationship-specific investments that distinguish a genuine partnership from a purely transactional arrangement. Once trust weakens, parties are less likely to share useful information candidly or work together to solve problems; they may instead become defensive and focus on protecting their own position. Consequently, differences in commitment can undermine the cooperative relationship needed to achieve mutual long-term value. CIPS describes supplier relationship management as a structured approach to managing interactions with suppliers and developing value through appropriate relationships: CIPS, Supplier Relationship Management. The importance of trust and collaboration in supplier relationships is also reflected in the UK government's Sourcing Playbook.

QUESTION NO: 4

What is the correct order of the stages of team development?

A. Forming, storming, norming, performing

B. Forming, norming, performing, storming

C. Storming, forming, performing, norming

D. Storming, forming, norming, performing

ANSWER: A

Explanation:

Forming, storming, norming, performing is the correct sequence in Tuckman's widely used model of group development. In the forming stage, members come together, establish an initial understanding of the task, and look to the leader or one another for direction. Storming follows as individuals begin to express differing priorities, working preferences, and viewpoints; this is a normal part of establishing how the team will operate. During norming, the team develops clearer shared expectations, trust, roles, and practical ways of collaborating. In performing, the team is sufficiently cohesive and focused to work effectively toward its objectives, with members taking responsibility and resolving many issues constructively. This model is relevant to supplier relationship management because procurement professionals commonly work in cross-functional teams, supplier-development groups, and project teams. Recognising the stages helps a team leader set appropriate expectations and provide support that fits the team's current level of maturity. Tuckman later identified adjourning as a further stage for teams that disband once their work is complete, but the four-stage sequence asked for here remains forming, storming, norming, and performing. See the CIPD factsheet on teams and work groups and Tuckman and Jensen's revisiting of group-development stages.

QUESTION NO: 5

Early Supplier Involvement can be described as a collaborative relationship between a buyer and a supplier to develop a new project. Handfield's model describes four different levels of supplier involvement ranging from none to 'black box' (which is when the design is primarily driven by the supplier. What other level features on this model?

A. Blue Box – when the buyer creates the product without input from the supplier

B. Red Box- when the supplier provides legal advice to the buyer on areas such as copywrite

C. White Box – when there is informal integration and the buyer consults with a supplier on a design

D. Grey Box – when the involvement is buyer driven

ANSWER: C

Explanation:

White Box – when there is informal integration and the buyer consults with a supplier on a design is correct. In Handfield's early supplier involvement framework, white-box involvement describes a relatively limited and informal form of supplier participation in new-product development. The buyer retains responsibility and control for the design, but seeks the supplier's knowledge, feedback, technical insight, or advice during the process. This can help the buying organisation make better-informed design decisions, including decisions affecting component suitability, manufacturability, quality, cost, and availability, without transferring formal design responsibility to the supplier.

The model presents supplier involvement as a progression from no supplier involvement through white-box and grey-box arrangements to black-box development. White-box participation is therefore particularly useful early in a project where the buyer wants to consult the market and draw on supplier expertise while continuing to lead the design. It reflects the collaborative purpose of early supplier involvement: using relevant supply-market knowledge before specifications and product decisions become difficult or expensive to change. Handfield and colleagues' work on supplier participation in product development is available via JSTOR. CIPS also identifies supplier relationships and collaboration as core areas within its professional qualifications: CIPS Qualifications.

QUESTION NO: 6

Brian Air is a company that is trying to break into the air transport market. Which of the following could be barriers to entry for Brian Air? Select THREE

A. economies of scale

B. access to capital

C. licences and permits

D. health and safety

E. ethical sourcing

ANSWER: A B C

Explanation:

Economies of scale, access to capital, and licences and permits are material barriers to entering the air transport market. Economies of scale matter because airlines with established route networks, fleets, procurement arrangements, and operating infrastructure can spread substantial fixed costs across a high volume of passengers and flights. A new entrant is unlikely to achieve comparable unit costs immediately. Access to capital is also essential: an airline requires significant upfront and ongoing funding for aircraft acquisition or leasing, maintenance reserves, insurance, systems, airport facilities, staff, fuel, and working capital before routes generate sustainable revenue. Finally, licences and permits are a formal regulatory barrier. Commercial air operations require appropriate operating certification and must meet safety, financial, and technical requirements set by aviation authorities; airlines additionally need permissions and airport access to operate particular services. These requirements can require considerable time, specialist capability, and investment before market entry is possible. CIPS analysis of supply markets recognises that entry barriers may arise from scale economies, capital requirements, and legal or regulatory controls. The UK Civil Aviation Authority explains the requirements associated with obtaining an Air Operator Certificate, while the European Commission describes the common rules governing air-carrier operating licences. See UK Civil Aviation Authority: Air Operator Certificates and European Commission: Air carrier licensing.

QUESTION NO: 7

Which of the following factors would you use to analyse the macro-environment? Select THREE.

A. social

B. cultural

C. political

D. philosophical

E. legislative

ANSWER: A C E

Explanation:

Social, political, and legislative factors are all established dimensions for analysing an organisation's macro-environment. A macro-environment review considers broad external forces that affect markets, supply chains, organisations, stakeholders, and procurement decisions, rather than internal operational circumstances. Social factors cover population trends, demographics, consumer attitudes, lifestyles, social expectations, and changes in workforce patterns. These trends can influence demand, labour availability, supplier practices, and requirements for socially responsible procurement.

Political factors address the influence of governments, public policy, political stability, trade relationships, taxation, public-sector priorities, and interventions that can alter the conditions in which buyers and suppliers operate. Legislative factors examine the laws and regulations that create binding requirements, including areas such as employment, competition, health and safety, environmental compliance, data protection, and contractual practice. Considering these dimensions helps procurement professionals identify external risks and opportunities before they affect sourcing strategy or supplier relationships. This approach is consistent with the macro-environmental analysis expected within CIPS Level Four learning; see the CIPS Level Four Diploma information and this overview of strategic analysis from CIPS.

QUESTION NO: 8

Which of the following are recognised organisational culture types? Select THREE

A. Power

B. Role

C. Person

D. Knowledge

E. Team

ANSWER: A B C

Explanation:

Power, **Role**, and **Person** are recognised organisational culture types in Charles Handy's widely used framework for understanding organisational culture. A power culture centres influence around a dominant individual or small central group, with decisions often made quickly through personal influence and informal networks. This perspective is useful in supplier-relationship management because stakeholders may need to identify where authority genuinely sits, rather than relying only on a formal organisation chart.

A role culture is founded on clearly defined jobs, rules, procedures, and formal authority. It commonly occurs in larger, structured organisations, where responsibilities and reporting lines shape how decisions, approvals, and supplier interactions are managed. A person culture places the individual professional at the centre; the organisation primarily exists to support its members, who retain substantial autonomy. Recognising this culture helps procurement professionals adapt engagement approaches to specialist partnerships and professional-service suppliers.

Handy's model identifies these alongside task culture as its four principal types. Understanding the culture of both buying and supplying organisations supports effective communication, stakeholder mapping, governance, and relationship strategy. See Management Study Guide's overview of Charles Handy's culture model and the CIPD organisational culture factsheet.

QUESTION NO: 9

'tail spend' is a common category used in procurement and describes a category of items. What characteristics do theses items have?

A. High value, low volume

B. High value, high volume

C. Low value, high volume

D. Low value, low volume

ANSWER: C

Explanation:

Low value, high volume is correct. Tail spend is the accumulated expenditure on a large number of relatively low-value purchases, often involving many suppliers and a wide range of non-core or infrequently purchased goods and services. Although each individual transaction has limited financial value, the overall number of transactions can be substantial. This creates a significant administrative workload: requisitions, approvals, purchase orders, invoices and supplier records must all be managed. Consequently, procurement teams seek to make tail-spend buying more efficient through measures such as catalogues, approved supplier lists, purchasing cards, demand aggregation and automated procure-to-pay processes. Effective management also improves visibility of expenditure, supports compliance with procurement policy and reduces the total cost of processing numerous small orders. CIPS guidance on purchasing and supply management emphasises analysing spend to identify opportunities to rationalise suppliers and improve transactional purchasing efficiency; tail spend is a common focus of that analysis. Further background on spend analysis and managing low-value purchasing can be found through CIPS: Spend analysis and UK Government: Purchasing Platform guidance.

QUESTION NO: 10

Which of the following may cause a partnership relationship with a supplier to break down? Select THREE.

A. a lack of trust

B. conflicting objectives

C. failure to share relevant information

D. clear governance arrangements

E. defined responsibilities

ANSWER: A B C

Explanation:

A lack of trust, **conflicting objectives**, and **failure to share relevant information** can all undermine a partnership relationship. Partnerships depend on the parties having confidence in each other's behaviour, pursuing sufficiently aligned objectives and exchanging the information needed for joint planning and problem solving.

Where one party withholds information, pursues only its own short-term interests or fails to meet agreed commitments, the relationship can become increasingly transactional and adversarial. Clear governance and defined responsibilities generally help to prevent, rather than cause, relationship failure. ISO 44001 recognises the importance of alignment, communication and joint management in collaborative relationships: ISO 44001.

QUESTION NO: 11

In the 1990s a company spent a lot of time and money developing a device that you could carry around that could play CDs. The product spent a long time in development but when it was released the sales figures were very disappointing. This was in part due to the fact another product was released at a similar time which had much more developed technology and could play music without the cumbersome size of a portable CD player. Which of the following did the company not consider when developing the product?

A. threat of substitution

B. threat of new entrant

C. rivalry among existing competitors

D. power of buyers

ANSWER: A

Explanation:

threat of substitution is correct because the disappointing sales arose from customers being able to meet the same underlying need—portable music listening—through a different and more attractive technology. In Porter's Five Forces framework, a substitute is not merely another version of the same product: it is an alternative offering that performs the same function or solves the same customer problem. Here, the competing technology delivered music portability in a less cumbersome and more advanced form, reducing the value customers placed on carrying and playing physical CDs. This is precisely the commercial risk created by substitutes: they constrain demand for an existing or proposed product when buyers can switch to an alternative that offers better convenience, performance, or value. During product development, the company should have scanned the market and technology environment for emerging ways customers could access music, rather than assessing demand only for a portable CD-player format. Recognising substitution risk early would support better investment decisions, such as adapting the product specification, reducing development exposure, or pursuing a different technology route. Porter describes substitutes as products or services that perform the same or a similar function by different means in Harvard Business School's overview of the Five Forces. The original framework is set out in Michael Porter's Harvard Business Review article on the five competitive forces.

QUESTION NO: 12

Which of the following are considered part of the '5 Rights of Procurement'? Select THREE.

A. place

B. quality

C. cost

D. focus

E. time

ANSWER: A B E

Explanation:

The correct selections are **place**, **quality**, and **time**. The five rights provide a practical framework for defining procurement's core objective: obtaining the required goods or services at the right quality, in the right quantity, at the right time, from the right source or place, and at the right price. "Place" concerns ensuring that supply is delivered to, or available at, the required location, which is especially important where operational continuity depends on materials reaching a particular site. "Quality" means the purchase meets the specification and is fit for its intended purpose; this includes the agreed technical, performance, and compliance requirements. "Time" addresses availability when the organisation needs the requirement, taking account of lead times, delivery schedules, and the consequences of delay. Together, these rights support effective value delivery by aligning what is bought and how it is supplied with the organisation's actual operational need. CIPS describes procurement and supply as the process of acquiring goods, services, and works from external sources, with requirements and supplier performance needing to be managed appropriately. See CIPS: Procurement and supply and CIPS Qualifications.

QUESTION NO: 13

Which of the following statements are true of a market place which is considered a 'perfect competition'? Select TWO.

A. there are no barriers to entry

B. suppliers are selling differentiated products

C. competition is at its highest level possible

D. competition is not strong

ANSWER: A C

Explanation:

Perfect competition is an economic market model in which a large number of buyers and sellers trade homogeneous, or indistinguishable, products. A central characteristic is freedom of entry and exit: firms can enter when they see an opportunity to earn profit and can leave without material restrictions when trading conditions are unfavourable. Therefore, "there are no barriers to entry" correctly identifies a defining condition of a perfectly competitive market. In practical procurement analysis, entry barriers may include licensing restrictions, high capital requirements, exclusive access to distribution, intellectual-property protection, or entrenched supplier power; the absence of such barriers supports strong competitive pressure.

"Competition is at its highest level possible" is also correct because individual suppliers are price takers: no single supplier has sufficient market power to set a price independently of the market. With many rival suppliers offering equivalent products, customers can readily compare and switch between sources, which constrains prices and encourages efficiency. Perfect competition is primarily a theoretical benchmark rather than a description of most real markets, but it is useful for assessing supplier power, buyer choice, and market attractiveness. See Encyclopaedia Britannica's overview of perfect competition and OpenStax's explanation of perfect competition.

QUESTION NO: 14

In public sector procurement, tenders are advertised with CPV codes, which provide a reference to describe the product or service being tendered. What does CPV stand for?

A. Condensed Procurement Vocabulary

B. Common Procurement Vocabulary

C. Complete Procurement Vocabulary

D. Clear Procurement Vocabulary

ANSWER: B

Explanation:

Common Procurement Vocabulary is correct. CPV is the European Union's standardised classification system for describing the subject matter of public procurement contracts. It provides a single, consistent vocabulary that contracting authorities can use when publishing notices and that economic operators can use to identify relevant opportunities. Each requirement is assigned a numerical code, supported by a corresponding description; the main vocabulary identifies the type of works, supplies or services being procured, while supplementary vocabulary may provide additional detail about characteristics or context. Consistent use of CPV codes improves the transparency and searchability of procurement notices, helping suppliers locate tenders relevant to the goods, services or works they offer. This supports fair competition by making opportunities more readily discoverable across contracting authorities and, where applicable, across borders. The legal basis and structure of the CPV are set out in Regulation (EC) No 2195/2002, which established the Common Procurement Vocabulary, and the UK's procurement notice guidance also identifies CPV as a classification used to describe a contract's subject matter. See [Regulation (EC) No 2195/2002] and [UK Government guidance on procurement notices].

QUESTION NO: 15

What is collaborative inertia?

A. the concept that the value and performance of two companies combined will be greater than the sum of the separate individual parts

B. A situation when the apparent output from collaboration is considerably less than expected

C. When a partnership is unable to create new ideas

D. Where a third party is invited to join a partnership.

ANSWER: B

Explanation:

Collaborative inertia is "A situation when the apparent output from collaboration is considerably less than expected." It describes a partnership in which the parties invest time, meetings, governance effort, and other resources, but the results achieved do not match the anticipated benefits of working together. In a supplier-relationship context, this can arise when organisations have not aligned their objectives, decision-making is slow, responsibilities are unclear, or the relationship lacks the trust and practical mechanisms needed to turn joint intentions into delivered value. The term is commonly associated with the work of Professor Chris Huxham on collaborative advantage: collaboration can produce added value, but it may also become difficult and unproductive, creating inertia rather than progress. For procurement professionals, recognising collaborative inertia is important because relationship management should be assessed against outcomes such as innovation, service improvement, risk reduction, and total value—not merely the existence of meetings or a formally collaborative agreement. A useful starting point for understanding the underlying concept is the publisher information for Huxham and Vangen's work on collaborative advantage at [SAGE Publishing]. CIPS also identifies supplier relationships as a core area of procurement and supply practice in its [Level 4 Diploma] materials.

QUESTION NO: 16

Mendelow's Stakeholder Matrix categorises stakeholders into four groups and provides insight into how these stakeholders should be managed. What is a limitation to using this Matrix to categorise stakeholders?

A. Nowadays, Stakeholders fall into more than four categories

B. The Matrix doesn't consider the power these stakeholders have

C. The Matrix doesn't consider whether the stakeholder is for or against the activity

D. The categories are hard to remember

ANSWER: C

Explanation:

The Matrix doesn't consider whether the stakeholder is for or against the activity is correct. Mendelow's Stakeholder Matrix maps stakeholders according to two dimensions: their level of power and their level of interest in a particular activity, project, or organisational decision. This is useful in supplier and stakeholder relationship management because it helps procurement teams decide the appropriate degree of communication, engagement, and monitoring for each stakeholder group.

However, a position on the power–interest grid does not reveal a stakeholder's attitude to the proposed activity. Two stakeholders may have comparable power and interest, while one actively supports the initiative and the other intends to resist it. Understanding that attitude is essential when developing an engagement plan, anticipating conflict, identifying potential advocates, and deciding whether further consultation or relationship-building is needed. Therefore, the matrix should be supplemented by stakeholder analysis that considers support, opposition, influence networks, and the reasons underlying stakeholders' views. CIPS emphasises identifying stakeholders' interests and managing their expectations as part of effective stakeholder engagement. See the CIPS Level 4 Diploma overview and the Association for Project Management's stakeholder management guidance.

QUESTION NO: 17

Ranjit Singh is carrying out a procurement exercise for medical gases and has been advised that this is a restricted marketplace. A marketplace may be restricted for which of the following reasons?

The marketplace is heavily regulated by governments and legislation

Existing suppliers within the marketplace offer excellent services

There are many suppliers already in operation within the marketplace

High financial investment is required to enter the marketplace

A. 1 and 2 only

B. 2 and 3 only

C. 1 and 4 only

D. 2 and 4 only

ANSWER: C

Explanation:

1 and 4 only is correct because a restricted marketplace is characterised by significant barriers to entry that constrain the number of capable, eligible suppliers. Extensive government regulation and legislation can create such a barrier where potential suppliers must obtain licences, meet technical and safety standards, demonstrate compliance, and maintain formal approvals before they may supply. This is particularly relevant to medical gases, as their manufacture, storage, transport and handling involve substantial safety and quality controls.

High financial investment can also restrict a market. Supplying medical gases may require specialised production or filling facilities, cylinders or bulk storage assets, distribution fleets, testing equipment, trained personnel, and robust quality-management systems. The capital required, together with the time and capability needed to establish compliant operations, makes entry difficult for new providers. Consequently, the buying organisation may face a smaller supply base and need to understand supplier capacity, dependency and continuity risks when developing its sourcing strategy.

This reflects the economic principle that regulation and capital requirements are structural barriers to entry, influencing the intensity of supplier competition and buyer leverage. Further background on barriers to entry is available from Encyclopaedia Britannica, while the regulatory context for medical gases is outlined by the UK Medicines and Healthcare products Regulatory Agency.

QUESTION NO: 18

Which of the following are effective ways of building trust with a strategic supplier? Select THREE.

A. Honouring agreed commitments

B. Sharing relevant information in a timely way

C. Dealing openly with problems

D. Withholding all performance information

E. Changing requirements without consultation

ANSWER: A B C

Explanation:

Honouring agreed commitments, **sharing relevant information in a timely way**, and **dealing openly with problems** are effective ways to build trust. Trust develops when both parties demonstrate reliability, communicate appropriately and behave constructively when performance issues arise. A buyer should share information that enables the supplier to plan and perform, such as realistic demand forecasts, material changes to requirements and relevant operational risks, while protecting commercially sensitive information. Addressing problems openly supports joint problem solving and reduces the likelihood that issues will be concealed until they become more serious. Trust does not mean abandoning contractual governance; clear responsibilities and performance measures remain important. ISO 44001 provides a framework for collaborative business relationship management. See ISO 44001: Collaborative business relationship management systems.

QUESTION NO: 19

Value for money in the private sector is concerned with what?

A. Getting the best price possible

B. Shareholder profit and business benefit

C. Ensuring taxpayers' money is spent wisely

D. Getting the best quality possible

ANSWER: B

Explanation:

Value for money in the private sector is concerned with **shareholder profit and business benefit**. Procurement decisions in a commercial organisation should support the organisation's overall objectives, including sustainable profitability, competitiveness, operational performance, risk management and the value delivered to owners or shareholders. It is therefore not simply a matter of achieving the lowest purchase price or obtaining the highest specification. Instead, procurement evaluates the appropriate balance of whole-life cost, quality, fitness for purpose, service, risk and expected commercial return. A sourcing decision that costs more initially may still represent better value if it improves reliability, reduces lifecycle costs, protects supply continuity or enables revenue generation. This links value for money directly to the business case and to benefits realisation: the purchase should contribute measurable value to the organisation and ultimately support returns for its shareholders. CIPS describes procurement and supply as contributing to organisational success through the delivery of value and benefits, rather than treating price as the sole measure of success. See the CIPS strategic procurement resources and the UK government's Green Book guidance on appraisal and value for the wider principles of evaluating costs, benefits and value.

QUESTION NO: 20

Which of the following are important elements of supplier relationship governance? Select THREE.

A. agreed relationship objectives

B. named representatives from both organisations

C. a planned schedule of review meetings

D. an agreement that performance data will not be shared

E. no documented decision-making authority

ANSWER: A B C

Explanation:

Agreed relationship objectives, **named representatives from both organisations**, and **a planned schedule of review meetings** are important elements of supplier relationship governance. Governance establishes how the relationship will be directed, monitored and improved. It clarifies who is responsible for decisions, how information will be shared and when performance, risks and opportunities will be reviewed.

For a strategic supplier, governance may operate at operational, tactical and executive levels. The level of formality should reflect the value, risk and importance of the relationship. Regular review meetings and clearly assigned contacts help ensure that problems are addressed promptly and that improvement opportunities are not missed.

QUESTION NO: 21

Which of the following statements explains the 'relationship spectrum' concept in supply chains?

A. The broad range of business activities that are undertaken to support collaborative commercial relationships

B. The range of market appraisal tools that help buyers to negotiate a suitable type of commercial relationship

C. The range of relationships that a buyer could use to classify its supplier base, which will be beneficial and drive value for the business

D. The broad range of business activities that embrace both internal and external commercial relationships

ANSWER: C

Explanation:

The range of relationships that a buyer could use to classify its supplier base, which will be beneficial and drive value for the business is correct because the relationship spectrum is a supplier relationship management concept used to identify the appropriate level of engagement for different suppliers. Rather than treating every supplier in the same way, a buyer assesses the importance of the supply, relative risk, potential value, dependency and the scope for collaboration. Suppliers can then be positioned along a continuum, from relatively transactional, arm's-length arrangements through more collaborative relationships to close strategic partnerships.

This classification helps procurement teams match relationship-management effort, governance and resource investment to the supplier's significance. For strategically important suppliers, closer collaboration may support innovation, continuity, improvement and mutual value creation. For lower-risk or routine purchases, a more proportionate transactional approach may be appropriate. The spectrum therefore supports supplier segmentation and enables the organisation to manage its supply base in a way that contributes to value, performance and risk management. This aligns with the CIPS Level 4 Supplier Relationships module's focus on approaches to supplier relationship management and the selection of suitable relationship models. See CIPS Advanced Certificate in Procurement and Supply Operations and CIPS guidance on supplier relationship management.

QUESTION NO: 22

Which of the following are examples of ways in which businesses can add value? Select THREE that apply.

A. Through delivering excellent service

B. Creating a win-win price

C. Product features and benefits

D. Reducing customer service levels

E. Investing in customers

F. Offering convenience

ANSWER: A C F

Explanation:

Businesses add value when they provide benefits that customers recognise and that strengthen the overall proposition beyond the basic item or service purchased. **Through delivering excellent service** adds value by making the customer's experience reliable, responsive and easy to manage. Service quality can differentiate otherwise similar offerings and support satisfaction, retention and long-term relationship value. **Product features and benefits** add value where the offering delivers useful functionality, improved performance, quality, usability or outcomes that meet customer requirements more effectively. Procurement and supply professionals should understand these differentiators when specifying requirements and evaluating whole-life value rather than considering price alone. **Offering convenience** also creates value because it reduces the time, effort or complexity a customer faces in obtaining, using or receiving support for an offering. Convenient ordering, delivery, access, availability and support can therefore be meaningful sources of competitive advantage. These examples align with CIPS learning on creating value through procurement and supply relationships, including consideration of customer requirements and value rather than simply transactional cost. See the CIPS Level 4 Diploma in Procurement and Supply and CIPS' overview of procurement and supply management.

QUESTION NO: 23

In the public sector, there are many sources of information that a buyer can use to identify a suitable supplier. Which of the following could be used? Select THREE

A. Intranet

B. Tradeshows

C. OJEU

D. Internal stakeholders' knowledge

E. Procurement Platforms

ANSWER: B D E

Explanation:

Tradeshows are a useful supplier-identification source because they enable buyers to survey the market, meet potential suppliers directly, compare offerings and capabilities, and gather current intelligence on sectors, products, and innovation. This early market engagement can help a public-sector buyer develop a realistic understanding of available supply before beginning a formal procurement process.

Internal stakeholders' knowledge is also valuable. Budget holders, technical users, contract managers, and operational teams may have relevant experience of the market, including knowledge of suppliers that have performed successfully in similar requirements. Their input helps the procurement team define the requirement and identify credible areas of supply, while maintaining appropriate governance and equal-treatment obligations.

Procurement Platforms can provide structured supplier information, including supplier profiles, category coverage, qualification data, framework participation, and opportunities to identify organisations capable of meeting a requirement. Public buyers should use such market intelligence to inform sourcing and then conduct any required competition transparently. CIPS describes procurement and supply practice as involving market analysis and supplier sourcing, while the UK government's central digital service for public procurement information illustrates the role of online procurement systems in supplier discovery and engagement. See CIPS Level 4 Diploma and Find a Tender.

QUESTION NO: 24

Which of the following factors would you use to analyse the macro-environment? Select THRE

E.

A. social

B. cultural

C. political

D. philosophical

E. legislative

ANSWER: A C E

Explanation:

The correct factors are **social**, **political**, and **legislative**. These are recognised macro-environmental dimensions within the STEEPLE framework, which procurement professionals can use to identify external conditions that may affect supply markets, organisations, contracts, and supplier relationships. Social factors cover population trends, demographics, consumer behaviour, workforce expectations, and societal attitudes that can influence demand and labour availability. Political factors concern government priorities, public policy, political stability, trade relations, taxation direction, and state intervention, all of which may alter sourcing risk or market access. Legislative factors address laws and regulations that organisations and suppliers must observe, such as employment, competition, health and safety, environmental, import/export, and data-related requirements. Considering these dimensions helps a procurement team anticipate risks and opportunities before they affect supplier performance or commercial arrangements. CIPS identifies external-environment analysis as an important part of understanding the context in which procurement and supply operates; STEEPLE provides a structured way to do this. Further background on the procurement profession is available from CIPS Qualifications, and guidance on using PESTLE-type external analysis is available from CIPD's PESTLE analysis factsheet.

QUESTION NO: 25

The Managing Director of XYZ Ltd has asked the Procurement Manager to support the engineering team and ensure a new product design is suitable for volume manufacturing. The Procurement Manager arranged a series of meetings with suppliers and its internal development team, the XYZ manufacturing department, and research and development department to get their feedback on the proposed design. What are the activities undertaken by XYZ Ltd called?

Early supplier involvement

Benchmarking

Cross-organisational involvement

Subcontracting

A. 1 and 2 only

B. 3 and 4 only

C. 2 and 3 only

D. 1 and 3 only

ANSWER: D

Explanation:

The correct answer is **1 and 3 only**. The activity described is early supplier involvement because XYZ Ltd brings suppliers into the design process before the product has been finalised. Suppliers can contribute specialist knowledge about materials, components, process capability, tooling, lead times, quality risks and design-for-manufacture considerations. Their early input helps ensure that the proposed product can be produced reliably and economically at the required volume, rather than discovering manufacturing constraints after the design is fixed.

The scenario also demonstrates cross-organisational involvement. Procurement coordinates feedback from the internal development team, manufacturing department and research and development department. This is a cross-functional approach: colleagues with distinct operational, technical and commercial perspectives jointly assess whether the design can meet business requirements and be manufactured successfully. Collaboration at this stage supports concurrent product development and reduces the risk of costly late design changes, delays and avoidable quality issues. CIPS identifies early supplier involvement and cross-functional working as important approaches for obtaining supplier expertise and improving sourcing and product-development outcomes. See CIPS: Supplier relationships and CIPS: Procurement topics and skills.

QUESTION NO: 26

A low level of trust between parties can often lead to partnership relationships being unsuccessful and failing. Which of the following supports the protection of commercially sensitive information between both parties and can help to retain trust?

A. A non-disclosure agreement

B. An authorised business case

C. Early supplier involvement

D. A business continuity plan

ANSWER: A

Explanation:

A non-disclosure agreement is the appropriate mechanism because it formally defines information that must be kept confidential, the permitted purposes for using it, the parties' handling obligations, and the circumstances in which disclosure may be allowed. In a supplier relationship, each party may need to share commercially sensitive material such as pricing structures, forecasts, product designs, technical know-how, customer information, or business plans. Agreeing confidentiality protections before or during those exchanges gives both parties assurance that the information will not be used improperly or disclosed outside the relationship. This provides a clearer basis for open communication and collaboration, both of which are important for retaining trust in a partnership. A well-drafted agreement should also specify practical controls, including who may access confidential information, how it must be protected, how long the duty of confidentiality lasts, and the return or destruction of information when the relationship ends. CIPS identifies confidentiality as an important consideration when managing information within supplier relationships. Further guidance on protecting confidential business information is available from the UK Intellectual Property Office: https://www.gov.uk/guidance/protect-your-ideas. The UK government also provides guidance and a template for confidentiality agreements at https://www.gov.uk/government/publications/non-disclosure-agreements.

QUESTION NO: 27

Which of the following are advantages of partnering?

A. Supply chain consolidation

B. Continual improvement

C. Hard to displace

D. Prioritization of transactions

ANSWER: A B

Explanation:

Supply chain consolidation and continual improvement are recognised advantages of a partnering approach. Partnering involves a structured, longer-term, collaborative relationship in which the buyer and supplier align objectives, share relevant information, and jointly manage performance. This level of cooperation can enable supply chain consolidation: the parties can rationalise interfaces, reduce duplication, coordinate planning, and concentrate spend and relationship-management effort with strategically capable suppliers. Consolidation is most valuable where it improves visibility, consistency, and joint control of supply-chain activity rather than simply reducing the number of suppliers.

Continual improvement is also enabled because partners establish shared measures, regular performance reviews, improvement plans, and mechanisms for resolving issues. The relationship therefore supports ongoing work on quality, cost, delivery, process efficiency, risk management, and innovation, rather than treating each purchase as an isolated transaction. ISO 44001 describes a framework for collaborative business relationships that supports the development and management of such mutually beneficial arrangements. CIPS likewise presents supplier relationships as a core area of professional procurement practice. See ISO 44001: Collaborative business relationship management systems and CIPS Qualifications.

QUESTION NO: 28

In which procurement process is a PQQ not issued?

A. Open

B. Restricted

C. Competitive Procedure with Negotiation

D. Competitive Dialogue

ANSWER: A

Explanation:

Open is correct because it is designed as a single-stage tender procedure. Any interested supplier may submit a tender in response to the invitation to tender, without first completing a separate pre-qualification questionnaire (PQQ) or passing through a distinct supplier-selection stage. The contracting authority may still state proportionate conditions of participation and specify requirements that tenderers must meet, but these are addressed within the open tender process rather than through a prior PQQ shortlisting exercise.

In CIPS procurement practice, the key distinction is that an open procedure gives the market direct access to the tender opportunity. This can support transparency and broad competition where the procurement requirement is sufficiently clear and the buyer can evaluate all compliant tender submissions efficiently. The tender documentation should therefore communicate the specification, award criteria, contract terms, and submission instructions clearly, enabling suppliers to prepare complete bids from the outset.

The UK government's guidance describes the open procedure as one in which any supplier may submit a tender: Tendering for public sector contracts. Further procedural context is available in the Public Contracts Regulations 2015, regulation 27.

QUESTION NO: 29

Which of the following are examples of internal stakeholders of a manufacturing repair organisation? Select TWO that apply.

A. Bank manager

B. Finance director

C. Trade union managers

D. Maintenance engineers

E. Shareholders

ANSWER: B D

Explanation:

Internal stakeholders are people or functions that sit within the organisation and whose work, decisions and objectives directly contribute to its performance. The finance director is an internal stakeholder because they are part of the organisation's leadership structure and are responsible for financial governance, budgeting, investment decisions, cost control and the allocation of resources. These responsibilities can directly affect procurement priorities, repair capacity and supplier-related decisions.

Maintenance engineers are also internal stakeholders. In a manufacturing repair organisation, they carry out or support the technical work needed to inspect, maintain, diagnose and repair equipment. Their operational knowledge is especially important when defining requirements, assessing service quality, identifying risks, and providing feedback on the suitability and reliability of supplied parts or services. Procurement should engage such internal users early, so that sourcing decisions reflect technical and operational needs as well as commercial considerations.

CIPS describes stakeholder management as identifying and engaging parties with an interest in, or influence over, procurement activity. Internal stakeholders commonly include senior management, finance and operational or user departments. See the CIPS stakeholder management overview and the CIPS Level 4 Diploma information.