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Leadership and Transformation in Supply Management

ISM LEAD

Version Demo

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Topic Break Down

Topic	No. of Questions
Topic 1, Leadership	82
Topic 2, Business Acumen	26
Topic 3, Strategic Sourcing	23
Topic 4, Transformation	20
Total	151

QUESTION NO: 1

A firm hires a new employee to the supply management department. The organization requires new employees to complete a mandatory on-line training system prior to using its enterprise resource planning (ERP) system. After two months on the job, the new employee is still struggling with locating key information in the ERP system. However, the employee has developed a solid rapport with the department and is knowledgeable of the business through various team projects. Given this situation, which of the following would be BEST suited to enhancing the new employee's ERP skills?

A. On-line training

B. Training manuals

C. One-on-one training

D. Shadowing

ANSWER: C

Explanation:

One-on-one training is best suited because the employee's need is specific: applying ERP knowledge to locate the right information efficiently in the course of supply-management work. The required online training has already been completed, and the employee has demonstrated business understanding and positive integration with the team. The remaining performance gap is therefore not general orientation; it is targeted system-use proficiency. Individual instruction allows an experienced ERP user, supervisor, or designated trainer to observe how the employee searches, navigates screens, interprets records, and applies transactions. The trainer can then correct misunderstandings immediately, demonstrate relevant workflows using realistic scenarios, and tailor practice to the employee's actual responsibilities. This also creates rapid feedback loops and permits the employee to ask questions at the precise point of difficulty. Effective workplace learning is reinforced when training is relevant to job tasks, includes active practice, and provides feedback. These features make personalized coaching especially valuable for an integrated, complex business system such as an ERP platform. ISM's competency model emphasizes developing the capabilities needed for effective supply-management performance; focused, role-relevant development directly supports that objective. See the [ISM Supply Management Capability Model] and the [CDC guidance on training and professional development].

QUESTION NO: 2

A supply manager conducts an audit of a supplier for a proprietary material and finds safety deficiencies in the supplier's plant. Which of the following is the FIRST course of action the supply manager should take?

A. Source a substitute product for the proprietary material

B. Notify the supplier of the contract breach and provide a thirty day period to cure

C. Work with the supplier to improve working conditions

D. Qualify an alternate supplier to manufacture the proprietary material

ANSWER: C

Explanation:

Work with the supplier to improve working conditions is the appropriate first action because a supplier audit is intended not only to identify risk, but also to enable corrective action and continuous improvement. Since the material is proprietary, the buying organization has a particularly important interest in maintaining a capable, responsible supply source while promptly addressing conditions that could harm workers, interrupt supply, create legal exposure, or damage organizational reputation. The supply manager should communicate the audit findings, establish expectations for remediation, and collaborate on a corrective-action plan with defined actions, responsible parties, milestones, and follow-up verification. This reflects responsible supply management: using supplier relationships and development efforts to improve performance while upholding safety, ethical, and sustainability expectations. ISM's Principles and Standards emphasize responsible conduct and supply-chain practices that support human well-being and continuous improvement. A structured remediation process also aligns with established occupational-safety practice, under which identified hazards should be corrected through effective controls and ongoing evaluation. The manager should document the findings and monitor progress so that improvement is demonstrable and sustained. See the ISM Principles and Standards and OSHA's safety and health program guidance.

QUESTION NO: 3

XYZ, Inc. is in the due diligence phase of an upcoming merger. The team is involved in assessing the cost synergies that can be realized from the merger. Which of the following can be regarded as potential cost synergies?

I. Reduced competition

II. Sharing of marketing channels

III. Increased purchasing power

IV. Elimination of redundancies

A. II and III only

B. I and IV only

C. I, II, III and IV

D. III and IV only

ANSWER: D

Explanation:

III and IV only is correct because both items directly create opportunities to reduce the combined organization's cost base. Increased purchasing power results when the merged entity aggregates demand volumes and consolidates spend. A larger, more strategic purchasing position can support better supplier pricing, volume discounts, improved payment terms, and lower transaction costs through supplier rationalization. These are classic procurement-led cost synergies that should be examined during merger due diligence, while ensuring that savings assumptions are realistic, contractually attainable, and sustainable.

Elimination of redundancies is also a core cost synergy. Combining organizations often reveals duplicate activities, roles, facilities, technology platforms, suppliers, and administrative processes. Integrating these overlapping capabilities can lower selling, general, and administrative expenses as well as operating costs. A sound synergy assessment quantifies the recurring savings, identifies one-time integration costs, assigns accountable owners, and establishes the timeline needed to capture value. ISM's supply-management framework emphasizes leveraging spend and supplier relationships to improve value and total cost outcomes, which supports assessing combined purchasing power as a synergy source. Further merger-integration guidance on evaluating and capturing synergies is available from McKinsey and procurement principles are outlined by the Institute for Supply Management.

QUESTION NO: 4

A company's supply management department operates within a risk management framework using ISO 31000:2018. The supply management department reviews strengths, weaknesses, opportunities, and threats and establishes a risk matrix for its threats. Based on ISO 31000:2018, is this sufficient to identify risk and focus?

A. Yes, as the department has documented the likelihood and severity of the chance or probability of loss.

B. No, as the department must also develop a risk matrix for opportunities.

C. No, as threats are not relevant to ISO 31000:2018 certification.

D. Yes, as the department is employing the best practices for risk management.

ANSWER: B

Explanation:

"No, as the department must also develop a risk matrix for opportunities." is correct because ISO 31000 treats risk as the effect of uncertainty on objectives. An effect may be negative, positive, or a combination of both. Consequently, an effective risk-management process must identify and assess uncertainty that could hinder supply-management objectives as well as uncertainty that could help achieve them or create value.

A threats-only matrix provides useful visibility into potential losses, disruptions, compliance failures, supplier issues, and other adverse outcomes. However, it does not provide an equally structured basis for prioritizing favorable uncertainties, such as strategic supplier innovation, cost-reduction potential, resilience improvements, market opportunities, or improved service outcomes. Evaluating opportunities through a consistent likelihood-and-impact approach supports informed prioritization, resource allocation, and risk treatment decisions that align with organizational objectives.

ISO 31000 emphasizes integration of risk management into decision-making and value creation, rather than limiting risk activity to loss prevention. Applying a matrix or comparable assessment method to opportunities therefore helps the department establish the balanced risk focus expected by the standard. See the ISO 31000:2018 overview and the ISO 31000 guidance from ISO/TC 262.

QUESTION NO: 5

To promote contracts it has established for discounted office supplies, VWX's supply management department spends significant time and resources creating a consolidated online catalog for use by all divisions. A large portion of these resources are put toward a catalog aggregator tool, which consolidates supplier catalogs into a single format. After several years of use, VWX's internal customers find the combined catalog hard to search, and say it does not provide enough information on the items they need to purchase. Currently, all of the office supply contractors produce their own online catalogs, which can be tailored to client requirements.

To encourage a greater volume of purchases through discounted contracts, which of the following is the BEST course of action for VWX's supply manager to take?

A. Urge top management to mandate usage of the combined catalog by all personnel

B. Increase awareness and training for the combined catalog

C. Work with the internal customers to discuss alternatives and develop a plan

D. Negotiate for a lower software license cost for the catalog aggregator tool

ANSWER: C

Explanation:

Work with the internal customers to discuss alternatives and develop a plan is the best course because contract compliance and preferred-supplier utilization depend on an effective purchasing experience for the people who actually requisition office supplies. The reported problems are specific usability and information-quality gaps: users cannot readily locate items and do not have sufficient product detail to make purchasing decisions. Supply management should therefore engage those stakeholders to identify the required search functions, content attributes, approval needs, and workflow requirements, then evaluate practical alternatives. These may include improving the aggregated catalog, tailoring supplier-hosted catalogs, or using an integrated approach that preserves contracted pricing while providing a more usable interface.

A jointly developed plan gives VWX a sound basis for prioritizing changes, assigning responsibilities, piloting the solution, and measuring outcomes such as catalog adoption, spend through discounted agreements, search success, and user satisfaction. This is consistent with ISM's emphasis on stakeholder relationship management and on using supply-management processes that create organizational value. Meaningful stakeholder involvement also supports change adoption because the resulting solution reflects operational requirements rather than simply imposing a technical tool. See ISM's Supply Management Capabilities Model and its overview of supply management.

QUESTION NO: 6

As part of a firm's global cost reduction strategy, a supply manager has been asked to lead a team of purchasing professionals from several different countries. Because of the wide variety of cultures represented on the team, it will be MOST important for the supply manager to

A. implement a cloud-based collaboration tool

B. schedule calls at times convenient for all members

C. determine and focus on the need for the team

D. focus on selecting team members of similar ages

ANSWER: C

Explanation:

determine and focus on the need for the team is correct because a clearly defined purpose creates a unifying framework for professionals working across national, organizational, and cultural boundaries. In a global cost-reduction initiative, team members may differ in communication norms, decision-making expectations, attitudes toward hierarchy, and approaches to conflict. Establishing why the team exists, what business result it must achieve, and how each member's expertise contributes gives everyone a common point of reference despite those differences.

A supply manager should translate the overall strategy into a shared charter: a defined scope, measurable cost or value objectives, responsibilities, decision rights, and expected ways of working. This shared purpose supports alignment, commitment, and accountability while allowing the leader to adapt communication and engagement methods to the cultural needs of individual team members. It also helps the group prioritize enterprise-wide outcomes rather than local preferences or functional interests. ISM's supply management capability framework identifies leadership, stakeholder engagement, and strategic alignment as essential capabilities for supply management professionals. Guidance on global teamwork likewise emphasizes a compelling shared direction as a core condition for effective cross-cultural collaboration. See ISM's Supply Management Capability Model and Harvard Business Review's guidance on global teams.

QUESTION NO: 7

An employee with a disability has been having erratic, unexplained absences from work. The department supervisor counsels the employee, explaining that the absences are affecting productivity and performance. The employee responds by claiming protection under the U.S. Americans with Disabilities Act (ADA). Which of the following is TRUE with regard to this situation?

A. Neither the employee's absences nor work performance is protected by the ADA.

B. The employee's absences are protected by the ADA, though work performance is not.

C. The employee's disability-related absences may require reasonable accommodation under the ADA, but the employee must still meet job-related performance standards.

D. The employee's absences and work performance are protected by the ADA.

ANSWER: C

Explanation:

The employee's disability-related absences may require reasonable accommodation under the ADA, but the employee must still meet job-related performance standards is the most accurate statement. The ADA protects qualified individuals with disabilities from discrimination and requires an employer to engage in an interactive process when it becomes aware that a medical condition may be affecting attendance or work. Depending on the circumstances, unpaid leave, a modified schedule, or another attendance-related adjustment can be a reasonable accommodation. The employer may seek limited medical information needed to establish that the employee has a covered disability and that the requested accommodation is needed because of that disability.

Protection is not automatic merely because an employee has a disability. The absence must be connected to the disability, the accommodation must be reasonable, and it must not create an undue hardship for the employer. Further, an employee remains responsible for performing the essential functions of the position, with or without reasonable accommodation, and is subject to legitimate performance standards that are applied consistently. The supervisor should therefore avoid assuming either that all absences are unprotected or that all attendance and performance expectations must be waived, and should refer the matter through the organization's accommodation process. See the EEOC's reasonable-accommodation guidance and the EEOC overview of disability employment rights.

QUESTION NO: 8

A firm's human resources (HR) department would like to expand a successful training program but does not have funding to do so. The firm's supply manager believes that strategic sourcing of other HR spend categories can reduce costs to provide funding for the training program. Which of the following influencing tactics should the supply manager use FIRST in order to convince HR to employ strategic sourcing?

A. Liking

B. Cooperation

C. Logic

D. Emotion

ANSWER: C

Explanation:

Logic is the appropriate first influencing tactic because the HR department has a specific, business-focused objective: finding sufficient funding to expand a training program that has already demonstrated success. The supply manager can build a persuasive case by analyzing HR's addressable spend, identifying categories appropriate for strategic sourcing, estimating attainable savings, and showing how those savings could be redirected to the training initiative. This creates a clear connection between the stakeholder's priority and the proposed sourcing action.

A logical approach also makes the recommendation credible and easier for HR leaders to evaluate. Relevant evidence can include baseline spend, supplier and price benchmarking, demand requirements, total-cost considerations, sourcing implementation costs, expected savings timing, and any service-level protections required for HR operations. Presenting assumptions transparently enables a collaborative decision based on measurable value rather than merely asking HR to change its purchasing approach. Strategic sourcing is fundamentally an analytical, cross-functional process for aligning supply decisions with organizational objectives and achieving value. ISM describes supply management as a strategic organizational function at ISM Supply Management, while the value of evidence-based persuasion is consistent with the principles summarized by Influence at Work.

QUESTION NO: 9

A supply management organization has acquired a spend-analysis tool to support its transformation agenda. Early reports show that the same supplier appears under multiple names and that several spend categories have been coded inconsistently. Senior management wants to use the reports immediately to set savings targets. Which of the following should the supply manager do FIRST?

A. Validate and improve the underlying supplier and category data

B. Set savings targets immediately and correct the data after negotiations begin

C. Train users on the tool's reporting functions before reviewing data quality

D. Ask suppliers to submit new pricing before reconciling duplicate supplier records

ANSWER: A

Explanation:

Validate and improve the underlying supplier and category data is the appropriate first action because conclusions from spend analysis are only as reliable as the data used to produce them. Duplicate supplier records and inconsistent category coding can overstate supplier fragmentation, obscure total spend, misclassify demand, and lead to unrealistic savings targets.

The supply manager should establish data-governance responsibilities, normalize supplier names, review category-taxonomy rules, and document data limitations before using the analysis for strategic commitments. The tool may still provide useful preliminary insight, but senior-management targets should be based on sufficiently reliable information.

Training users on report navigation or immediately conducting supplier negotiations would not correct the identified data-quality problem.

QUESTION NO: 10

DEF, Inc. is finalizing a contract to have its head office refurbished. Within its budget of $1.2 million there is a general risk fund of $30,000. The building is old, and the electrical wiring drawings do not appear up to date. The total project bid from Supplier X is $1 million. This includes a fee of $20,000 for updating electrical wiring drawings and the contractors' risk fund of $100,000, half of which is for building-related issues, and half of which is for electrical issues.

DEF decides to assume the risk of electrical issues. What is the contract price paid to Supplier X?

A. 5950,000

B. $900,000

C. 51,000,000

D. $930,000

E. $950,000

ANSWER: E

Explanation:

$950,000 is the correct contract price. Supplier X's $1,000,000 bid contains a $100,000 contractor-held risk fund, with $50,000 specifically allocated to electrical issues. When DEF elects to assume electrical-issue risk, Supplier X no longer needs to include that $50,000 electrical contingency in its contract price. The price is therefore calculated as $1,000,000 less $50,000, resulting in $950,000.

The $20,000 fee for updating the electrical wiring drawings remains in the contract price because it is an identified scope activity that Supplier X will perform; it is not an electrical-risk contingency. Similarly, DEF's separate $30,000 general risk fund is part of DEF's overall project budget and does not change the agreed supplier contract price. This distinction reflects sound supply-management practice: the party assuming a risk should retain or fund the associated contingency, while the contract price should reflect the risk allocation agreed by the parties. ISM's standards emphasize managing supply risk and aligning contractual arrangements with organizational objectives; see [ISM Principles and Standards]. For the related project-risk principle of assigning ownership and planning responses, see the [Project Management Institute's risk management guidance].

QUESTION NO: 11

Members of a cross-functional team have each had a chance to present their ideas. Afterwards, the members discuss these ideas in detail, on occasion arguing and testing one another. After this process is complete, the team can move on to which phase of team formation?

A. Forming

B. Norming

C. Storming

D. Performing

ANSWER: B

Explanation:

Norming is the appropriate next phase. The described detailed discussion, argument, and testing of one another's ideas reflects the productive conflict and challenge associated with the storming phase of Tuckman's group-development model.

Once the team works through that conflict, members begin establishing shared expectations for how they will collaborate, communicate, make decisions, and resolve disagreements. This transition is norming.

In norming, the team develops greater trust and cohesion, clarifies individual responsibilities, and aligns around common goals. For a cross-functional supply-management team, this is particularly important because participants may bring different functional priorities, terminology, and performance measures. Moving into norming enables those differing perspectives to be integrated into agreed working practices and a coordinated approach to the team's assignment. The team can then build the stability needed for sustained, effective execution. Tuckman's original work identifies the developmental progression of groups through forming, storming, norming, and performing; an overview of the model is available from West Chester University, and the original article is indexed by APA PsycNet.

QUESTION NO: 12

A service manager is reviewing the operational risk of communicating with field engineers on site. The reliability of each component is as follows:

Engineers' cellular phone reliability: 85%

Cellular network reliability: 97%

Service manager's cellular phone reliability: 85%

What is the reliability of the communications?

A. 81%

B. 70%

C. 85%

D. 60%

ANSWER: B

Explanation:

70% is the communications reliability, assuming the two phones and the cellular network operate independently and that all three components must function for a successful communication. This is a series-system reliability calculation: the probability that the complete communications path works is the product of the probability that each required element works. Converting the stated percentages to decimals gives 0.85 for the engineer's phone, 0.97 for the cellular network, and 0.85 for the service manager's phone. The calculation is $0.85 \times 0.97 \times 0.85 = 0.702225$. Expressed as a percentage, this is 70.2225%, which rounds to 70%.

This calculation is appropriate for operational-risk analysis because a call cannot be completed through this specified path unless both endpoint devices and the intervening network are available. It also illustrates how dependencies in a service chain can reduce end-to-end reliability below the reliability of any individual component. The result is an estimate based on the usual independence assumption; a real assessment could refine it with observed outage data, common-cause failures, coverage variations, and alternative communication channels. For reliability concepts and series-system modeling, see the NIST Engineering Statistics Handbook and the Reliability Analytics Toolkit overview of series systems.

QUESTION NO: 13

The supply manager for a decentralized supply management organization is looking to transition the department's current buyers into category managers. The supply manager wishes to make these changes with minimal organizational disruption. Which of the following arrangements would BEST accomplish this goal?

A. A center-led purchasing organization, with the new category managers reporting to the supply manager and assigned to their original locations

B. A matrix organization, whereby each category manager reports to both the head of the location and the supply manager

C. A decentralized reporting structure, where the supply manager controls processes through annual goals and objectives assigned to each category manager

D. A project organization, where category managers are assigned by priorities based on greatest aggregate spend and business

ANSWER: A

Explanation:

A center-led purchasing organization, with the new category managers reporting to the supply manager and assigned to their original locations, best supports a low-disruption transition. A center-led model provides enterprise-level direction, governance, category strategy, and accountability through the supply manager, while allowing personnel to remain embedded at the sites where they already understand stakeholders, operating requirements, suppliers, and local workflows. Retaining the category managers' original locations avoids an immediate physical reorganization and preserves established working relationships, which reduces resistance and maintains continuity of service during the role change.

At the same time, direct reporting to the supply manager enables the organization to develop consistent category plans, apply common sourcing and supplier-management practices, aggregate demand where appropriate, and measure performance across locations. This is aligned with the supply-management objective of creating value through coordinated strategy while still recognizing that decentralized business units often need local responsiveness. The arrangement therefore changes the buyers' responsibilities and strategic alignment without requiring a disruptive full centralization of the workforce. ISM identifies category management as a strategic supply-management capability in its professional standards and competency framework; see ISM CPSM certification information and ISM certification and training resources.

QUESTION NO: 14

The staff profile at IHG, Inc., a U.S. company, reveals the following:

Age Range20-2930-3940-4950-5960 - over

Male15151520

Female11100

Age Range20-2930-3940-4950-5960 - over

Caucasian10141420

Hispanic41100

African American21100

Due to expanding operations, IHG has decided to conduct a search for a new junior level purchasing professional. In the past, the company advertised positions on its web site, and while this was successful, it did not yield a very diverse applicant pool.

Which of the following should the company do when seeking applications for this new position?

A. Advertise the position in the professional purchasing channels, and ensure that the ad states a minority candidate will be selected for the position

B. Advertise the position through the company website, as this has proven successful in the past, and ensure the criteria are tailored to select the best person for the job

C. Advertise the position in channels that will encourage female, Hispanic, African American and aged applicants, and ensure the ad states that a minority candidate will be selected for the position

D. Advertise the position in channels that will encourage female, Hispanic, African American and aged applicants, and ensure the criteria are tailored to select the best person for the job

ANSWER: D

Explanation:

Advertise the position in channels that will encourage female, Hispanic, African American and aged applicants, and ensure the criteria are tailored to select the best person for the job. This approach directly addresses the organization's stated recruitment need: its prior website-only approach generated applicants but did not generate a sufficiently diverse pool. Broadening outreach to channels used by underrepresented groups expands access to qualified talent and supports a more inclusive sourcing strategy. At the same time, selection criteria must remain based on the actual knowledge, skills, abilities, experience, and other job-related requirements needed for a junior purchasing role. This preserves a fair, merit-based hiring process while allowing IHG to improve the diversity of the candidate pipeline. U.S. Equal Employment Opportunity Commission guidance recognizes that inclusive recruitment outreach can help employers reach a broad and diverse set of qualified candidates, provided hiring decisions are made without unlawful discrimination. The Society for Human Resource Management likewise identifies diversified recruitment sources and structured, job-related selection practices as important components of inclusive talent acquisition. See the EEOC recruitment and hiring guidance and SHRM diversity and inclusion resources.

QUESTION NO: 15

Which of the following requires a working knowledge of payback and net present value?

A. Indirect (MRO) budget

B. Direct materials and services budget

C. Purchasing and supply operating budget

D. Capital expenditures budget

ANSWER: D

Explanation:

Capital expenditures budget is correct because capital budgeting involves evaluating long-term investments in assets such as production equipment, facilities, technology platforms, fleet assets, or major infrastructure. These decisions require an assessment of the investment's expected cash flows over time and whether those benefits justify the initial outlay. Payback period helps management determine how quickly an investment is expected to recover its original cost, while net present value converts forecast future cash flows into today's dollars and identifies whether the project is expected to create economic value after considering the time value of money. Supply management leaders may participate in developing business cases, assessing total cost, supporting sourcing decisions for capital assets, and communicating investment recommendations to finance and executive stakeholders. Therefore, a working knowledge of both measures is necessary to responsibly plan, prioritize, and manage a capital-expenditures budget. ISM's competency model includes financial analysis and business acumen as capabilities needed to support strategic supply management decisions; see the ISM Supply Management Capability Model. The relationship between NPV, discounted cash flow, and capital-investment evaluation is also described by the Corporate Finance Institute's NPV overview.