

# Diploma in procurement and supply

Unit content guide



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# Introduction

The Chartered Institute of Purchasing & Supply qualifications ladder has five levels of awards. For details of the entry requirements for each level, please refer to [www.cips.org](http://www.cips.org)

The CIPS Diploma in procurement and supply is a higher level qualification. It has been accredited by the Office of Qualifications and Examinations Regulator (Ofqual) in the UK and appears on the Register of Regulated Qualifications. Please refer to <http://register.ofqual.gov.uk>

The Diploma in procurement and supply consists of five compulsory units. All units are assessed individually using a range of assessment methods.

If you wish to study for the Diploma it is expected that you will undertake 50 guided learning hours per unit, ie a total of 250 guided hours. The definition of guided learning hours is:

“A measure of the amount of input time required to achieve the qualification. This includes lectures, tutorials and practicals, as well as supervised study in, for example, learning centres and workshops.”

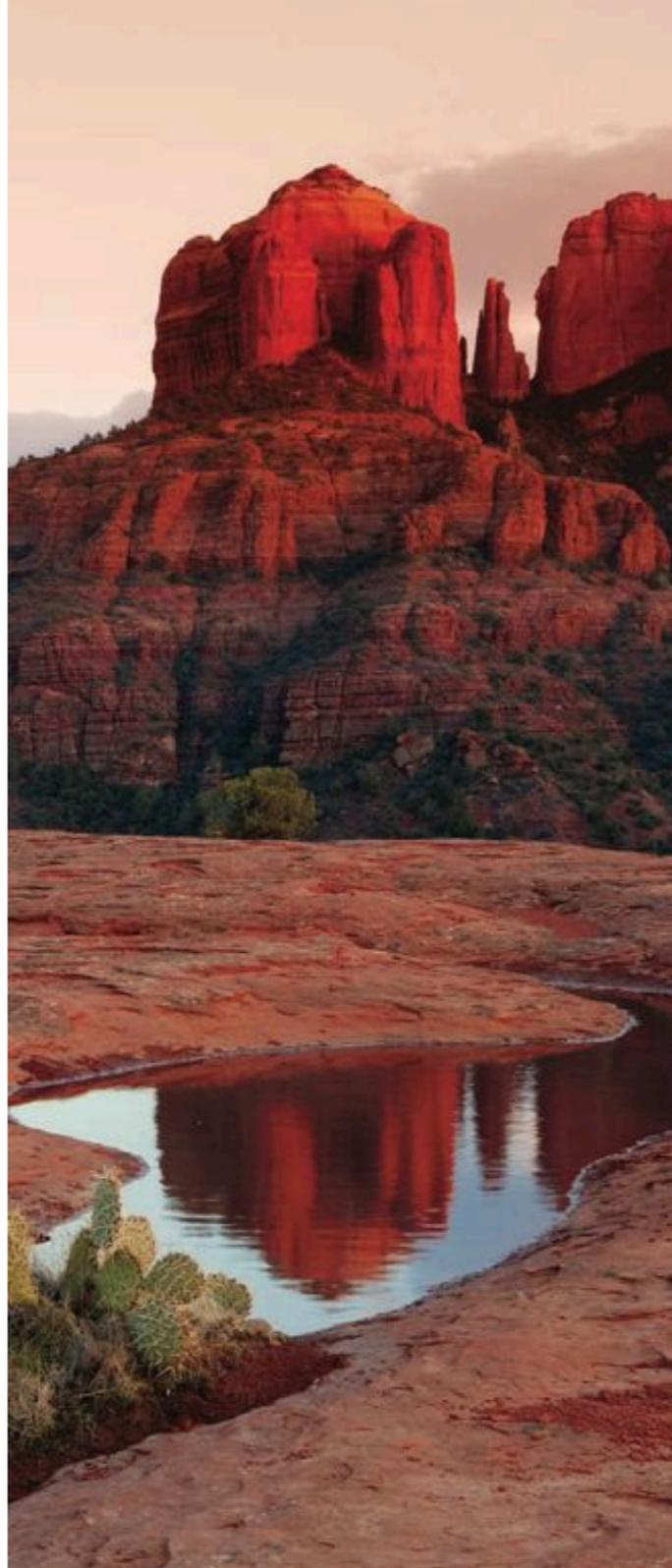
If you study at a CIPS study centre, you will find that they may vary on the exact format for delivery of the study programme. Additionally we would recommend that you also commit 70 hours per unit of self-study, including wider reading of the subject areas and revision to give yourself the best preparation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

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

## Diploma in procurement and supply

### Qualification number:

Unit Title:	Qualification Number	CIPS Reference
Contexts of procurement and supply		D01
Business needs in procurement and supply		D02
Sourcing in procurement and supply		D03
Negotiating and contracting in procurement and supply		D04
Managing contracts and relationships in procurement and supply		D05



# Glossary of qualification terms

## Assessment

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

## Assessment criteria

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

## Business essentials

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

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

## Command words

Command words are generally verbs that are used to indicate the level of learning undertaken. They tend to be hierarchical in nature. For example, when studying towards the diploma a command word could be ‘explain’ or ‘assess’, whereas a command word for the

professional diploma might be ‘critically assess’, or ‘critically evaluate’. These words reflect the level of complexity of your learning and ultimately your assessment at that level.

## Compulsory units

These are units that constitute necessary knowledge and understanding to fulfil learning requirements for CIPS qualifications.

## Entry level

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

## Exemptions

Learners who have successfully completed other relevant qualifications may apply for exemptions from equivalent CIPS units in their programme of study. To earn an exemption from a qualification or specific units within CIPS qualifications you should contact CIPS or see [www.cips.org](http://www.cips.org)

Please note that gaining an exemption, does not mean that you gain an exit award at that level, rather that you bypass that level of learning because of equivalent learning and achievement gained elsewhere.

**Exit award**

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

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

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

**Indicative content**

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

**Learning outcome**

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

**Ofqual**

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

**Optional units**

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

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

**Qualifications ladder**

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

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

**Unit**

A segment of learning within the CIPS qualifications. Each unit is individual, has its own title, rationale and content. A unit will also have an assessment attached to it in order to demonstrate achievement and conclusion of the learning.

**Unit purpose and aims**

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

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

**Weightings**

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

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

# Definition of additional terms used in this guide

**ERP • Enterprise Resource Planning**

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

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

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

**IMechE • Institution of Mechanical Incorporated Engineers**

The Institution of Mechanical Incorporated Engineers and the Institution of Engineering and Technology issue model forms and guides for the industry. These include forms of tender, agreement and performance bonds.

**Incoterms**

International commercial terms of sale developed by the International Chamber of Commerce to define sellers' and buyers' responsibilities.

**KPIs • Key performance Indicators**

Also known as key success indicators. They are financial and non-financial metrics used to reflect the critical success factors of an organisation or contract. They are used in business intelligence to assess the present state of business or a contract and to prescribe the next course of action.

**Macro economics**

Major external and uncontrollable factors that influence an organisation's decision making, and affect its performance and strategies. These factors include the economic, demographics, legal, political, and social conditions, technological changes, and natural forces.

Factors that influence a company's or product's development but that are outside of the company's control. For example, the macro environment could include competitors, changes in interest rates, changes in cultural tastes, or government regulations.

**Micro economics**

Factors or elements in an organisation's immediate area of operations that affect its performance and decision-making freedom. These factors include competitors, customers, distribution channels, suppliers, and the general public.

**NEC • The new engineering contract**

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

**Not for profit or third sector**

These are voluntary and community organisations such as charities and also social enterprises (social enterprises have social or environmental purposes as central to what they do). They are profit making but rather than maximising shareholder value their main aim is to generate profit to further their social and environmental goals.

**P2P • Purchase to pay**

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

**SMEs • Small and medium sized enterprises**

A small firm is an independent business, managed by its owner or part-owners and with less than 50 employees. A medium sized company must meet thresholds for annual turnover and have fewer than 250 employees.

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

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

**The Vienna Convention**

The United Nations Convention on Contracts for the International Sale of Goods provides a uniform text of law for international sales of goods.

**UNIT PURPOSE AND AIM(S)**

On completion of this unit, candidates will be able to:

- A) Offer advice and guidance to main stakeholders on the application of the sourcing process
- B) Understand supply chains which organisations operate in.

# Contexts of procurement and supply

**LEARNING OUTCOMES**

- 1.0 Understand the added value that can be achieved through procurement and supply chain management**
- 1.1 Explain the categories of spend that an organisation may purchase**
  - Definitions of procurement and purchasing and supply
  - Typical breakdown of organisational costs represented by procurements of goods, services or constructional works
  - Stock and non-stock procurements
  - Direct and indirect procurements
  - Capital purchases and operational expenditures
  - Services procurements
- 1.2 Analyse the different sources of added value in procurement and supply**
  - The five rights of procurement
  - Achieving the right price for procurements from external suppliers
  - Defining total life cycle costs or the total costs of ownership
  - Achieving quality, timescales, quantities and place considerations in procurements from external suppliers
  - Other sources of added value such as innovation, sustainability and market development
  - Defining value for money
- 1.3 Compare the concepts of procurement and supply chain management**
  - Definitions of procurement, supply chains, supply chain management and supply chain networks
  - The length of a supply chain
  - Definitions of logistics and materials management
  - Comparisons of supply chain management with procurement

**1.4 Differentiate the stakeholders that a procurement or supply chain function may have**

- Defining stakeholders
- Examples of stakeholders for a procurement or supply chain function
- Mapping stakeholders for a procurement or supply chain function

**2.0 Understand the stages of sourcing processes in creating added value outcomes that can be achieved with suppliers****2.1 Explain the main aspects of sourcing processes**

- Defining the stages of a generic sourcing process from identification of needs to contract and supplier management
- Analysis and planning, tender management and contract management
- Differentiating between pre contract award and post contract award stages

**2.2 Analyse the main stages of a sourcing process**

- Stages of the sourcing process that relate to defining needs, creation of contract terms, supplier selection, contract award and contract or supplier management
- The purpose and added value that is created by each of the stages of the sourcing process

**2.3 Explain how electronic systems can be used at different stages of the sourcing process**

- Equisitioning, ecatalogues, eordering, esourcing and epayment technologies
- The impact of electronic purchase to pay (P2P) systems on the sourcing process

**2.4 Analyse the relationship between achieving compliance with processes and the achievement of outcomes**

- Organisational needs for structured sourcing processes
- The relationship between process compliance and the achievement of added value outcomes

**3.0 Understand the main aspects of organisational infrastructure that shape the scope of a procurement or supply chain function****3.1 Explain the main aspects of corporate governance of a procurement or supply chain function**

- Conflicts of interest
- The need for documented policies and procedures for procurement
- Organisational accountability and reporting for procurement roles and functions
- The status of procurement and supply chain management within organisations
- Codes of ethics in procurement
- The CIPS code of ethics

**3.2 Analyse the impact of organisational policies and procedures on procurement**

- Aspects that can be included in procedures for procurement and supply such as responsibilities for procurement, regulations relating to competition, levels of delegated authority, responsibilities for the stages of the sourcing process, invoice clearance and payment
- The use of procurement policies, procurement strategies and procurement manuals
- The involvement of internal functions and personnel in the sourcing process
- Responsible purchasing and the International Labour Organisation core conventions

**3.3 Compare the different structures of a procurement or supply chain function**

- The use of centralised and devolved structures
- Hybrid structures of a procurement or supply chain function (such as consortium structures, shared services, lead buyer structures, and outsourced) Interacting with other people and building rapport
- The need for customer service and value for money outcomes

**3.4 Explain the common IT systems that can be used by a procurement or supply chain function**

- P2P systems
- Systems for inventory management
- Enterprise Resource Planning (ERP) technologies
- Communications systems for internal and external use

**4.0 Understand the need for compliance with requirements when undertaking procurement activities in different sectors****4.1 Identify different economic and industrial sectors**

- Economic classifications including public and private sectors, charities, not for profit and third sector
- Industrial classifications and sectors such as manufacturing, retail, construction, financial, agriculture and service
- Codes of ethics in procurement including the CIPS Code of Ethics

**4.2 Analyse the impact of the public sector on procurement or supply chain roles**

- Objectives of public sector organisations such as improving services, communities and corporate social responsibility
- Regulations that impact on procurement and supply chain operations
- Need for competition, public accountability and value for money

**4.3 Analyse the impact of the private sector on procurement or supply chain roles**

- Objectives of private sector organisations such as profitability, market share, shareholder value and corporate social responsibility
- Regulations that impact on procurement and supply chain operations
- The importance and role of branding

**4.4 Analyse the impact of the not for profit or third sector on procurement or supply chain roles**

- Objectives of the not for profit or third sector
- Regulations impacting on charities
- Need for regulated procurement exercises



# Business needs in procurement and supply

## LEARNING OUTCOMES

- 1.0 Understand how to devise a business case for requirements to be sourced from external suppliers**
- 1.1 Analyse how business needs influence procurement decisions**
- Type of purchase such as new purchase, modified re-buy, straight re-buy
  - Implications of the business needs on the types of procurement
  - Procurement's role in developing a business case
- 1.2 Explain how costs and prices can be estimated for procurement activities**
- Types of market data that can provide information on costs and prices
  - Direct and indirect costs
  - Producing estimated costs and budgets
  - Approaches to total costs of ownership/ total life cycle costing
- 1.3 Explain the criteria that can be applied in the creation of a business case**
- Examples of criteria typically applied in the production of a business case: costs, benefits, options, alignment with organisational needs and timescales
  - Benchmarking requirements
- 1.4 Explain the operation of financial budgets for the control of procurements**
- The purpose of financial budgets
  - Cost entries and timings of cash flows
  - Performance and control of budgets
  - Dealing with variances to budget

### UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will understand practices that help achieve value for money solutions in procurement.

This unit explores a variety of elements that underpin the development of criteria. It also considers the options that should be explored when procurement and supply personnel are involved in defining requirements.

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## 2.0 Understand the fundamentals of specifications and key performance indicators that are included in contractual arrangements made with suppliers

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### 2.1 Assess different types of specifications used in procurements of products or services

- Definitions of specifications
- Examples of specifications such as drawings, samples, branded and technical
- Conformance based specifications
- Output or outcome based specifications

### 2.2 Explain the content of specifications for procurements

- Drafting specifications and developing market dialogue with suppliers
- The use of standards in specifications
- Typical sections of a specification
- Standardisation of requirements versus increasing the range of products
- Including social and environmental criteria in specifications
- The role of Information Assurance in developing specifications

### 2.3 Develop examples of key performance indicators (KPIs) in contractual agreements

- Defining contractual performance measures or KPIs
  - The use of service level agreements
  - Typical KPI measures to assess quality performance, timeliness, cost management, resources and delivery
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## 3.0 Understand the main clauses that are included in formal contracts

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### 3.1 Explain sources of contractual terms for contracts that are created with external organisations

- The use of express terms
- The use of standard terms of business by both purchasers and suppliers
- The use of model form contracts such as NEC, FIDIC, IMechIEE

### 3.2 Interpret examples of contractual terms typically incorporated into contracts that are created with external organisations

- Main terms in contracts for indemnities and liabilities, sub-contracting, insurances, guarantees and liquidated damages
  - Terms that apply to labour standards and ethical sourcing
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## 3.3 Assess the main types of pricing arrangements in commercial agreements

- The use of pricing schedules
  - The use of fixed pricing arrangements
  - Cost plus and cost reimbursable pricing arrangements
  - The use of indexation and price adjustment formulae
  - The use of incentivised/ gainshare pricing arrangements
  - Payment terms
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## 4.0 Understand the main implications of outsourced work or outsourced services for procurement

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### 4.1 Differentiate outsourcing from other types of procurement

- Make or buy decisions
- Defining outsourcing
- Outsourcing non- core and core work or services

### 4.2 Assess how outsourcing can impact on procurement

- Costs and benefits of outsourcing
- Risks in outsourcing
- The market development and growth of outsourcing
- Regulations affecting employees terms of employment

### 4.3 Develop a plan for procuring outsourced work or services

- Determining core competences and outsourcing opportunities
  - The procurement process for outsourcing
  - Developing a business case for outsourcing
  - Express contract provisions for outsourcing
  - Establishing exit plans for outsourcing
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# Sourcing in procurement and supply

## LEARNING OUTCOMES

### 1.0 Understand the main options for sourcing of requirements from suppliers

#### 1.1 Explain the sourcing process in relation to procurement

- Definitions of sourcing
- Supplier pre-qualification or criteria for supplier appraisal
- Strategic and tactical sourcing
- Forming teams with stakeholders for the sourcing process
- Vendor or supplier performance management

#### 1.2 Compare the main approaches to the sourcing of requirements from suppliers

- Sole sourcing
- Single, dual and multiple sourcing arrangements
- The use of tendering: open, restricted and negotiated approaches to tendering
- Direct negotiations with suppliers
- Intra company trading and transfer pricing arrangement
- Implications of international sourcing

#### 1.3 Develop selection and award criteria that can be commonly applied when sourcing requirements from external suppliers

- Typical selection criteria such as: quality assurance, environmental and sustainability, technical capabilities, systems capabilities, labour standards, financial capabilities
- Typical award criteria such as: price, total life cycle costs, technical merit, added value solutions, systems, resources
- Balancing commercial and technical award criteria

### UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will be able to apply a set of appropriate tools and techniques that can assess sourcing options available to organisations when procuring goods, services or works from external suppliers.

This unit identifies sound approaches to sourcing activities that assess the commercial and technical capabilities of organisations to help achieve the right choice of supplier.

### 1.4 Explain the main consequences on supply chains when sourcing requirements from suppliers

- Sourcing internally
- Sourcing from small and medium sized enterprises (SMEs)
- Sourcing from third sector organisations
- Ethical sourcing and the fair trade movement
- Supplier tiering and supply chain networks

### 2.0 Be able to develop a plan for sourcing goods or services from external suppliers

#### 2.1 Choose appropriate selection criteria to inform the identification of appropriate external suppliers in the sourcing plan

- Typical selection criteria such as: quality assurance, environmental and sustainability, technical capabilities, systems capabilities, labour standards, financial capabilities

#### 2.2 Choose a balance of commercial and technical award criteria in the sourcing plan

- Typical award criteria such as: price, total life cycle costs, technical merit, added value solutions, systems, resources
- Balancing commercial and technical award criteria

#### 2.3 Produce a plan for the sourcing of goods or services from external suppliers

- The structure of a plan for sourcing goods or services from external suppliers

### 3.0 Be able to assess the financial stability of potential suppliers

#### 3.1 Identify the main sources of information on potential suppliers' financial performance

- Financial reports
- The role of credit rating agencies
- Secondary data on markets and suppliers

#### 3.2 Calculate measures of liquidity, profitability, gearing, investment from relevant financial data on potential suppliers

- Financial statements such as the profit and loss, balance sheet and cash flow statements
- Measures and ratios of profitability, liquidity, gearing and investment

#### 3.3 Evaluate the financial performance of potential suppliers using relevant financial data

- Ratio analysis to make conclusions on profitability, liquidity, gearing and investment
- The limitations of ratio analysis

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**4.0 Understand the main processes that can be applied to the sourcing of requirements from external suppliers**

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**4.1 Assess commonly used sources of information on market data that can impact on the sourcing of requirements from external suppliers**

- The importance of analysing markets
- Compiling data on expenditures on suppliers
- Indices that measure economic data
- Secondary data on markets and suppliers
- Commodity pricing
- Analysing potential sales

**4.2 Explain the main processes used for obtaining quotations and tenders**

- Advertising requirements
- Requests for information or quotations
- The operation of tendering
- Formalised arrangements for tendering
- Decision criteria for dispensing with tendering

**4.3 Evaluate the criteria that can be commonly applied to the assessment of quotations or tenders**

- Assessment of suppliers proposals
- The use of weighted points systems for assessment
- Recommending sources of supply

**4.4 Explain how electronic systems can be used to help the sourcing of requirements from external suppliers**

- Erequisitioning and purchase ordering systems
- Ecatalogues on intranets and the internet
- The use of eauctions
- Etendering systems

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**5.0 Understand compliance issues when sourcing from suppliers**

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**5.1 Analyse the main legislative, regulatory and organisational requirements when sourcing in the not for profit, private and public sectors**

- The use of competitive tendering processes
- The impact of timescales on tendering processes
- Procedures for contract award
- Regulatory bodies that impact on the private sector
- Organisations that impact on product and safety standards

**5.2 Analyse the main legislative, regulatory and organisational requirements when sourcing from international suppliers**

- Documentation relating to imports
- Import duties and tariffs
- Payment mechanisms
- The use of incoterms
- Customs control and clearance
- Ethical sourcing fair trade standards
- Currency regulations
- Applicable law

# Negotiating and contracting in procurement and supply

## LEARNING OUTCOMES

### 1.0 Understand the legal issues that relate to the formation of contracts

#### 1.1 Explain the documentation that can comprise a commercial agreement for the supply of goods or services

- Invitation to tender or request for quotation
- Specification
- Key performance indicators (KPIs)
- Contractual terms
- Pricing and other schedules (such as for health and safety records, details of suppliers staff, use of sub-contractors, non disclosure/ confidentiality agreements)

#### 1.2 Assess the legal issues that relate to the creation of commercial agreements with customers or suppliers

- Invitations to tender or invitations to negotiate
- Rules relating to offer and acceptance, consideration, intention to create legal relations and capacity to contract
- The battle of the forms and precedence of contract terms
- Risks presented by contracting on suppliers terms or through oral contracts
- The Vienna Convention on the International Sales of Goods
- Misrepresentations made pre-contract award

#### 1.3 Explain the main types of contractual agreements made between customers and suppliers

- One off purchases
- Framework arrangements and agreements
- The use of mini- competitions
- Call offs
- Services contracts
- Contracts for the hire and leasing of assets

### UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will be able to:

- A) Identify approaches to achieve negotiated agreements with external organisations.  
B) Recognise the use of legal terms that should regulate commercial agreements.

The creation of formalised agreements is a critical part of the work of personnel in procurement and supply. This unit analyses approaches to the negotiation of agreements made with external parties and the formation of legally binding contracts. After contracts have been entered into, there can be conflict over performance issues and on costs, timing and quality of supplies. This should involve negotiation to achieve required outcomes.

### 2.0 Understand the main approaches in the negotiation of commercial agreements with external organisations

#### 2.1 Analyse the application of commercial negotiations in the work of procurement and supply

- Definitions of commercial negotiation
- Negotiation in relation to the stages of the sourcing process
- Sources of conflict that can arise in the work of procurement and supply
- Team management and the influence of stakeholders in negotiations

#### 2.2 Compare the types of approaches that can be pursued in commercial negotiations

- Win-win integrative approaches to negotiations
- Win-lose distributive approaches to negotiation
- Lose-lose approaches in negotiations
- Setting targets and creating a best alternative to a negotiated agreement (BATNA)

#### 2.3 Explain how the balance of power in commercial negotiations can affect outcomes

- The importance of power in commercial negotiations
- Sources of personal power
- Organisational power: comparing the relative power of purchasers and suppliers
- How suppliers gather information on purchasing organisations
- How purchasers can improve leverage with suppliers

#### 2.4 Analyse the different types of relationships that impact on commercial negotiations

- The relationship spectrum
- Building relationships based on reputation, trust and justice
- Repairing a relationship

### 3.0 Understand how to prepare for negotiations with external organisations

#### 3.1 Evaluate costs and prices in commercial negotiations

- Types of costs: direct and indirect, variable and fixed
- Break even analysis: cost volume profit formulae
- Costing methods such as absorption, marginal or variable and activity based costing
- Volumes, margins and mark ups and their impact on pricing
- Negotiating prices

#### 3.2 Explain the economic factors that impact on commercial negotiations

- The impact of micro economics and the types of markets on commercial negotiations
- Macro economics and its influence on commercial negotiations
- Sources of information on micro and macro economics

**3.3 Explain the main variables that can be used in a commercial negotiation**

- Setting objectives and defining the variables for a commercial negotiation
- The bargaining mix
- Positions and interests
- Openings and presenting issues

**3.4 Analyse the resources required for a negotiation**

- Choice of location
- Involving appropriate colleagues
- Use of telephone, teleconferencing or web based meetings
- Room layout and surroundings

**4.0 Understand how commercial negotiations should be undertaken****4.1 Explain the stages of a commercial negotiation**

- Defining the stages of a negotiation such as preparation, opening, testing, proposing, bargaining, agreement and closure
- How behaviours should change during the different stages of a negotiation

**4.2 Evaluate the main methods that can influence the achievement of desired outcomes**

- The use of persuasion methods
- The use of tactics to influence the other party

**4.3 Evaluate the main communication skills that help achieve desired outcomes**

- Types of questions
- Effective listening
- Push and pull behaviours
- Nonverbal communication
- The influence of culture in commercial negotiations

**4.4 Explain how to analyse the process and outcomes of the negotiations to inform future practice**

- Reflecting on performance
- Opportunities for improvement and development
- Protecting relationships after the negotiation

**UNIT PURPOSE AND AIM(S)**

On completion of this unit, candidates will be able to apply methods to improve supplier performance, recognising the need for a structured approach when dealing with performance and relationship issues.

This unit concentrates on approaches to contract and supplier relationship management involving stakeholders in these processes. Personnel involved in creating contracts and relationships with external organisations need to ensure outcomes that achieve organisational requirements including costs, quality, risk management and timing.

# Managing contracts and relationships in procurement and supply

**LEARNING OUTCOMES****1.0 Understand the dynamics of relationships in supply chains****1.1 Classify types of commercial relationships in supply chains**

- Internal and external relationships
- The relationship spectrum
- The relationship life cycle

**1.2 Apply portfolio analysis techniques to assess relationships in supply chains**

- Probability and impact assessment of risks
- Matrices to identify supply, supplier and purchaser positioning
- Developing action plans

**1.3 Classify the competitive forces that impact on relationships in supply chains**

- Sources of competitive advantage
- Competitive forces: sources of competitive rivalry, bargaining power of buyers and suppliers, threat of new entrants and potential substitutes
- STEEPLE factors that impact on supply chains (social, technological, economic, environmental, political, legislative and ethical)

**1.4 Analyse the sources of added value that can be achieved through supply chain relationships**

- The link between relationships as a process and the achievement of added value outcomes
- Sources of added value: pricing and cost management, improving quality, timescales, quantities and place considerations in procurements from external suppliers
- The link between organisations in supply networks

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## 2.0 Understand the legal aspects relating to the performance of contracts

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### 2.1 Evaluate the elements of a legally binding agreement

- Contract terms that regulate commercial agreements and relationships
- Oral statements and representations
- Model form contracts
- The use of standard contracts versus negotiated/ bespoke contracts
- Applicable law and defined terms

### 2.2 Compare implied and express terms that affect performance issues

- Definition of express terms
- Implied terms through legislation, case law and custom
- Implications of international law

### 2.3 Explain the recourses for non-performances in contract

- Vital and non-vital contract terms
- Identifying non-conformances/ breach of contracts
- Assessing damages
- Limits of liability
- Procedures for termination

### 2.4 Explain the main approaches to conflict resolution in commercial contracts

- Negotiated settlements
  - The mechanisms of alternative dispute resolution
  - Other mechanisms for dispute resolution, adjudication, arbitration and litigation
  - Contractual provisions for dispute resolution
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## 3.0 Understand the main approaches to achieve the management of contracts

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### 3.1 Assess the main types of contractual risk

- Risks that can impact on contracts, such as internal, market, economic, legal, ethical sourcing and performance based risks
- The role of information assurance
- The assessment of contractual risks

### 3.2 Interpret financial, technical and performance data relating to the performance of contracts

- Data that relates to the performance of contracts
  - Interpreting data relating to the performance of contracts
  - Contract administration
- 

### 3.3 Assess the responsibilities for contract management

- Responsibilities for contract management: procurement or non-procurement role
- Contract implementation plans and on-going demand management
- Planning and governance for contract management
- Resources required for contract management

### 3.4 Explain the main responsibilities of a contract manager

- Performance management and ensuring compliance to agreed standards
  - Payment responsibilities
  - Risk assessment and management
  - Contract development
  - Relationship management
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## 4.0 Understand the main techniques for the management of contracts and suppliers

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### 4.1 Compare contract management and supplier relationship management

- Definitions of contract management and supplier relationship management
- The management of individual contracts compared to the management of relationships with suppliers

### 4.2 Explain the main techniques for supplier relationship management

- Supplier selection
- Team selection and responsibility for supplier improvement
- Supplier performance measurement
- Creating targets and assessment of performance

### 4.3 Explain the main techniques for supplier development

- Approaches to supplier development
- Defining quality assurance and total quality
- Approaches to quality improvement

### 4.4 Explain techniques for relationship improvement

- Continuous improvement
  - The operation of balanced scorecards
  - Relationship assessment methodologies
  - Value stream mapping
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