

# Procurement and Supply Environments [L3M1]

## Target Audience:

This qualification will prepare intermediate level learners looking to specialise in procurement and supply and to progress onto the CIPS Level 4 Diploma in Procurement and Supply.

**Hours:** 60 Hours

**Pre-requisite:** Basic understanding of how supply chain works. This is the second entry level qualification, there are no formal entry requirements. 1.0 Know the different sectors of procurement and supply.

## 1.1 Define the different types and functions of the private sector

- Definitions and different types of private sector organisations – sole traders, partnerships, registered companies, incorporated and unincorporated companies, SME, multinational corporations
- The size and scope of the private sector in different economies
- Functions of private sector organisations such as profit, growth, market share, share price, other financial measures, corporate and social responsibility

## 1.2 Describe the role and scope of procurement and supply in the private sector

- Sole trade, partnerships, registered companies, incorporated and unincorporated companies
- Small and medium sized organisations (SMEs)
- Multinational organisations
- The roles of procurement and supply in the private sector

## 1.3 Describe the role and scope of procurement and supply in the public sector

- Defining the public sector

- Central and local government
- The functions of public sector organisations
- The roles of procurement and supply in the public sector
- Commissioning and procurement
- Achieving budget savings and other sources of added value
- Providing access to services
- Regulating organisations and individuals

1.4 Describe the role and scope of procurement and supply in the not-for-profit and third sector

- Defining the not-for-profit and third sector
- Public accountability for the not-for-profit and third sector
- Define the role of procurement and supply in the not-for-profit and third sector

## 2.0 Understand types of pricing arrangements in commercial agreements

2.1 Explain how pricing arrangements are used in commercial agreements to ensure effective price and cost management

- Pricing schedules
- Fixed pricing arrangements
- Cost plus and cost reimbursable pricing arrangements
- Indexation and price adjustment formulae
- Incentivised gain share pricing
- Payment terms
- The use of open book costing and adjustments

## 3.0 Know the external environment and its impact on

### procurement and supply

#### 3.1 Identify the impact of the external environment on

procurement and supply

- The use of environmental scanning
- The use of PEST (political, economic, social and technological) criteria or STEEPLED (social, technological, economic, environmental, political, legislation, ethical and demographic) criteria that impacts on organisations' external environment

- The five forces model
- Competitive market forces
- Demand and supply
- Market factors
- Product life cycles

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#### 3.2 Describe how the implications of economic criteria

impact on procurement and supply

- Macro-economic criteria such as interest rates, inflation, exchange rates, level of economic activity (GDP/ GNP) that impacts on organisations
- Micro-economic criteria such as demand and supply that impacts on organisations

#### 3.3 Describe how the implications of political and

legislative criteria that impact on procurement and supply

- Political criteria such as stability and instability that impacts on organisations, different economic sectors and on countries
- Legislation that impacts on organisations such as

on standards, health and safety, environmental standards and employment law

3.4 Describe how the implications of environmental and ethical criteria impact on procurement and supply

- Environmental criteria such as natural risks, waste emissions, pollution and energy efficiency that impact on organisations
- Ethical and social criteria such as ethical codes, employment rights, community benefits, working conditions and standards that impact on organisations

3.5 Describe how the implications of social criteria impact on procurement and supply

- Changing societal preferences, tastes and fashions, demographics, labour and fair-trade standards and how these can impact on organisations
- Corporate social responsibility

## 4.0 Understand procedures that regulate procurement and supply

4.1 Describe the types of documentation used in procurement and supply

- Requisitions
- Orders
- Delivery notes
- Invoices
- Other documents typically used in procurement and supply

4.2 Explain how documented policies and procedures are used within procurement and supply

- The responsibilities for procurement

- Regulations relating to competition
- Levels of delegated authority
- Responsibilities for the stages of the sourcing process
- Responsibilities for ensuring invoice clearance and payment
- Responsibilities for ensuring that requisitions, orders and invoices are clear and correct and clarify requirements for stakeholders
- Corporate governance