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NEW QUESTION: 1

Neville is a senior procurement specialist in a automaker. He has good relationship with his team mates and other departments because of his amazing purchasing skills and kindness. Which of the following sources of power is Neville likely to possess?

- A. Reward
- B. Referent
- C. Legitimate
- D. Coercive

Answer: (SHOW ANSWER)

In 1959, French and Raven described five bases of power:

1. Legitimate - This comes from the belief that a person has the formal right to make demands, and to expect others to be compliant and obedient.
2. Reward - This results from one person's ability to compensate another for compliance.
3. Expert - This is based on a person's high levels of skill and knowledge.
4. Referent - This is the result of a person's perceived attractiveness, worthiness and right to others' respect.
5. Coercive - This comes from the belief that a person can punish others for noncompliance.

Six years later, Raven added an extra power base:

6. Informational - This results from a person's ability to control the information that others need to accomplish something.

In the scenario, Neville attracts and keeps good relationship with his colleagues not because of neither position nor reward nor coercion. He has good skills and kindness, which increase his charisma. His source of power is referent power.

NEW QUESTION: 2

Which of the following is the true statement?

- A. External stakeholders such as suppliers can largely influence an organisation's procurement negotiations
- B. Internal stakeholder support will be important for both negotiation and contract performance
- C. All connected stakeholders have a low level of impact on procurement negotiations
- D. Commercial negotiation objectives should be driven by just the instincts of procurement

Answer: (SHOW ANSWER)

Internal stakeholder support will be important not just at the initial negotiation of the contract, but potentially throughout the life of the contract right through to exit.

As a general rule, connected stakeholders (with the exception of suppliers) have a low level of influence on procurement negotiations.

Suppliers are connected stakeholders who have contractual relationships with the organisation. Commercial negotiation objective should be driven by the business needs of the organisation, and not just the instinct of procurement.

NEW QUESTION: 3

In airline industry, suppliers prefer to adopt dynamic pricing in order to constantly monitor and change their fares in response to market conditions. Dynamic pricing is based on which costing method?

- A. Activity-based costing
- B. Cost plus costing
- C. Absorption costing
- D. Marginal costing

Answer: D (LEAVE A REPLY)

Dynamic pricing is the practice of dynamically calculating the price of a product or service in order to incorporate real-time market conditions, input costs, and/or competitive perspectives. Dynamic pricing which is based on marginal costing, is used by airlines and many other organisations. Marginal cost is the cost of producing an additional unit of output. Marginal Costing is a costing technique wherein the marginal cost, i.e. variable cost is charged to units of cost, while the fixed cost for the period is completely written off against the contribution.

NEW QUESTION: 4

A public agency opens a tendering process for a road building project that lasts approximately 1 year. They post their requirements on public journal and receive some interests. After conducting due diligence process and selecting the lowest bidder, the project commences. However, the supplier complains that price of material increases because of a shortage of supply, then they demands an 5% uptick in contract value. The agency investigates the increment and sees that there is indeed a fluctuation in prices of supplier's input. They are likely to accept the proposal, but they are also concerned that supplier may demand more. To avoid making another concession with the supplier, which of the following should be a priority action of the agency?

- A. Disapprove supplier's demands until they finish the project
- B. Seek approval from higher authority

C. Document a contract variation that only allows another concession if some specific conditions arise

D. Postpone the decision making until the budget is ready

Answer: (SHOW ANSWER)

Explanation

The agency (buyer) has made a concession about the price. Possibly the supplier will request another concession (the salami tactics). To avoid this to be happened, the agency should only allow a concession as an exception, make sure that the concession is documented and only permitted against some exceptional circumstances, and seek agreement to this from the supplier.

LO 3, AC 3.2

NEW QUESTION: 5

In which of the following costing methods, overhead costs are applied in proportion to production volume?

A. Absorption costing

B. Mark-up costing

C. Activity-based costing

D. Marginal costing

Answer: A (LEAVE A REPLY)

There are 3 major costing methods:

Marginal costing

* Uses marginal cost of producing addition units

* Uses variable cost to derived a unit cost (does not include fixed cost)

* Fixed cost treated as a 'period cost' and deducted, as a total amount, from total contribution to profit for the period, in the firm's profit and loss account

Absorption costing

* Calculates total cost of producing product

* In addition to variable cost, a fair proportion of fixed cost is allocated to (absorbed) each unit of output, as a fixed cost per unit

Activity based costing

* Similar to absorption costing but with fixed cost allocated to products on the basis of the cost of activities used in producing them

NEW QUESTION: 6

'What specific tests do you carry out to ensure quality is achieved?' This is an example of which type of negotiation question?

A. Leading

B. Probing

C. Reflective

D. Closed

Answer: (SHOW ANSWER)

Explanation

The question requires more detailed answer, it is an example of probing question.

Probing questions are typically follow-up questions, and aim to elicit more detailed information on the back of the answer elicited from the open questions. Probing questions are also useful to check that the supplier fully understands their offering, as well as your needs, can also be used to communicate to the suppliers that you know this category well.

LO 3, AC 3.3

NEW QUESTION: 7

Which of the following are most likely to be the potential cultural differences that can make transactions with an international supplier more problematic than with local suppliers? Select TWO that apply.

- A. Incoterms and logistics difficulties
- B. The use and interpretation of body language
- C. Currency exchange fluctuation
- D. The importance of timescales
- E. Payment mechanism

Answer: (SHOW ANSWER)

Explanation

The question requires students to detect factors of cultural differences. Problems may occur on the international scene with such things as the importance of extending courtesy between cultures, the importance of timescales, the use of negotiating ploys, the sense of 'fair play', the use and interpretation of body language, the role of women in negotiations (or indeed, in business in general), the importance of status, the role of conflict, standards of dress and deportment and the readiness to ignore or uphold contract terms and conditions.

LO 3, AC 3.3

NEW QUESTION: 8

Sumitomo Rubber Industries (SRI) is a Japan-based tyre manufacturer. In order to increase production, SRI is sourcing rubber from Southeast Asian firms. Which of the following micro factors are most likely to shift the balance of power to the supplier? Select TWO that apply.

- A. SRI's purchase amount makes significant proportion of supplier revenue
- B. Costs of changing suppliers are high
- C. Rubber from different suppliers is virtually similar
- D. SRI sets up its own rubber plantation
- E. There are no close substitutes for rubber

Answer: B,E (LEAVE A REPLY)

There are many factors that can influence the balance of power in a negotiation. These factors are classified into 3 levels:

Macro level: STEEPLE framework: social, technological, economic, environment, political, legal and ethical
Micro level: Porter's five forces:

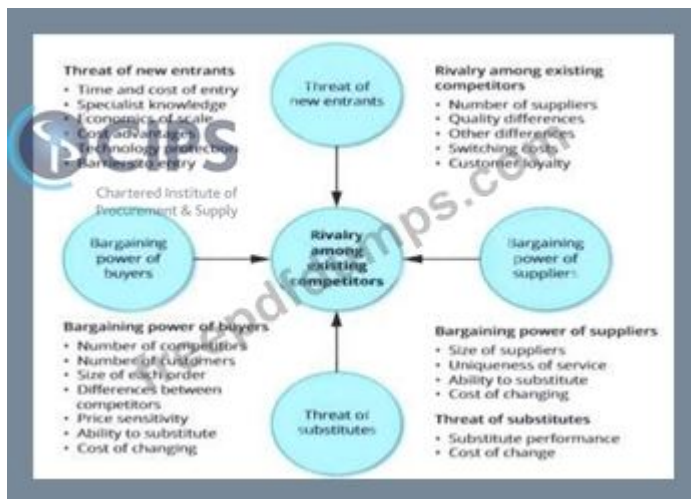


Diagram Description automatically generated

One-to-one buyer-supplier dynamics.

The question asks about the micro factors that increases supplier's bargaining power. Among 5 answers, only 2 are likely to increase buyer's power:

There are no close substitutes for rubber: the buyer has to buy rubber, not any other material.

Costs of changing suppliers are high: buyer entails a large barrier if they want to switch supplier.

Other answers cannot be correct because:

SRI sets up its own rubber plantation: Buyer secures its own supply

SRI's purchase amount makes significant proportion of supplier revenue: Suppliers are reliant on buyer. If the buyer stops buying from them, they can face serious cash flow problems Rubber from different suppliers is virtually similar: undifferentiated product would shift the power balance towards buyer.

NEW QUESTION: 9

XYZ Ltd decides to go to market for a cleaning contract to service a number of offices. It knows that it will get a price which may, or may not, be better than the one it is currently paying. To gain leverage in the marketplace, the organisation decides to add other related services to the scope, such as gardening, security and maintenance, which increase the value of the contract. This is an example of which forms of spend consolidation?

- A. Purchasing consortia
- B. Volume consolidation across categories
- C. Volume pooling
- D. Volume redistribution

Answer: B (LEAVE A REPLY)

Explanation

Buying organisation may increase its leverage with suppliers by concentrating spend. Supplier spend consolidation can take many forms as outlined below:

- Vendor base reduction: straightforward reduction of number of suppliers in any category
- Volume pooling: pooling cross organisational requirement until your order volume is high enough to attract new bidders/additional discounts

- Volume redistribution: making recommendations following spend analysis to move from one supplier to another
- Volume consolidation across categories: certain purchase requirements may be common across a number of categories. In the scenario, XYZ has combined different categories but closely related to office services into a larger contract so that they can increase their leverage.
- Standardisation and harmonisation of specifications: analysis of specifications and standards for a high spend purchased input, may show that there is a little difference between them and that the specification can be standardised or at least harmonised across the group or across national, regional or global operations.
- Forming purchasing consortia: buyers may decide to come together and combine their purchase volumes to attract better deals.

LO 1, AC 1.3

NEW QUESTION: 10

XYZ Ltd is importing goods from overseas. They prefer to pay their supplier in their own currency. Which of the following is a true statement?

- A.** Supplier will receive less if XYZ's currency appreciates
- B.** XYZ has an advantage in negotiating discounts if their currency appreciates
- C.** XYZ is able to pay less if their currency depreciates
- D.** XYZ has to pay more if their currency depreciates

Answer: B (LEAVE A REPLY)

Explanation

The effect of a change of relative exchange rates will be determined by which currency you pay your supplier in.

Table Description automatically generated

Currency you pay supplier	Change	Likely impact
Yours	Your currency appreciates	Supplier gets more: when converted to their currency they make more profit – buyer is in a strong position to negotiate discounts.
Yours	Your currency depreciates	Supplier gets less: when converted to their currency they make less profit – buyer is in a weak position to negotiate discounts.
Theirs	Your currency appreciates	Supplier's product becomes cheaper for you to buy, as you pay in their currency which has weakened. You may underspend budget or choose to buy more.
Theirs	Your currency depreciates	Supplier's product becomes more expensive for you to buy, as you pay in their currency which has strengthened. You may overspend budget or need to buy less.

Note: 'Theirs' can also refer to third-party trading currency if used, e.g., US\$.

LO 2, AC 2.2

NEW QUESTION: 11

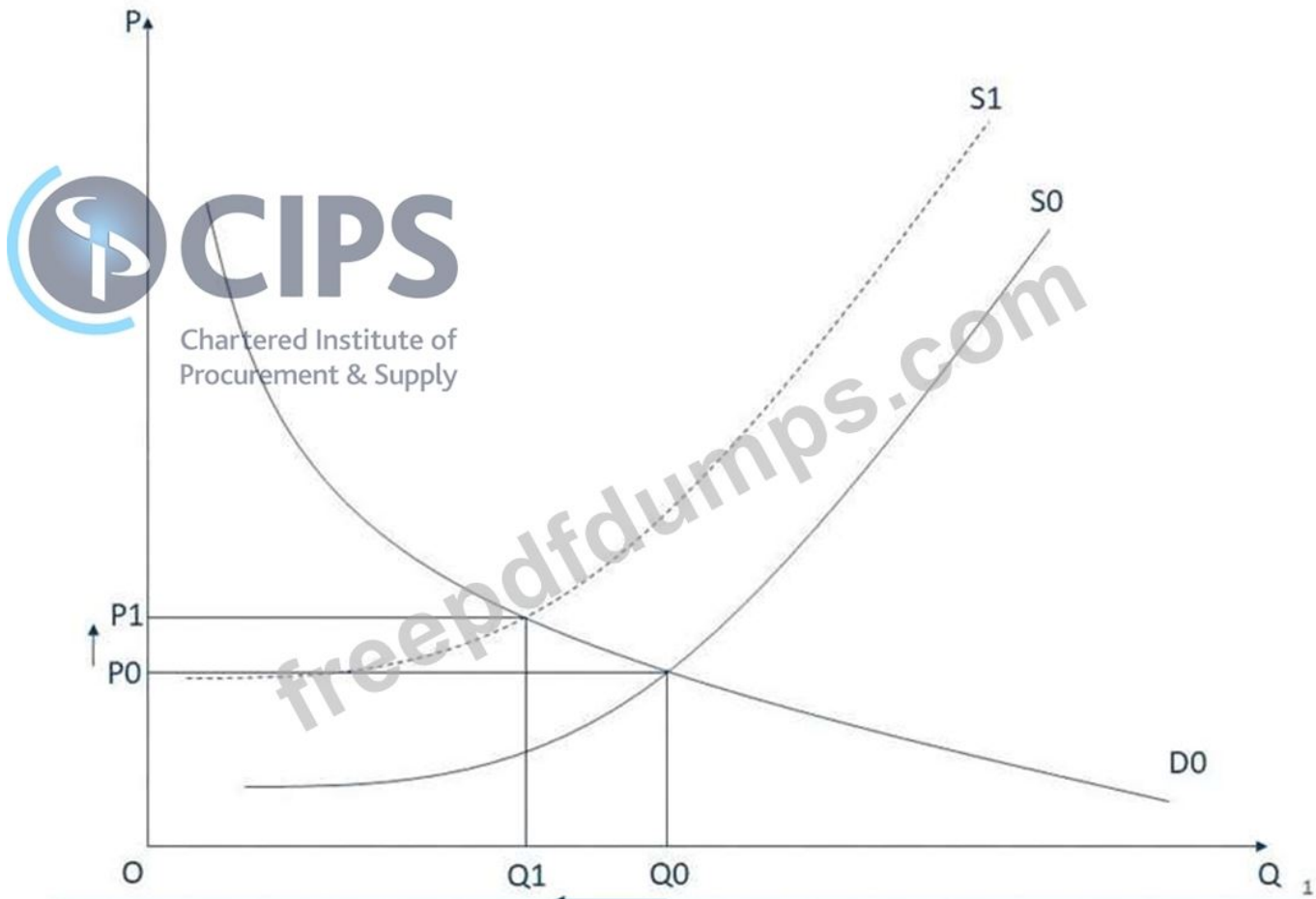
When prices of input materials increase, supply curve shifts to the left while demand remains stable. The shift of supply will tend to cause which of the following?

- A. An increase in the equilibrium price and quantity
- B. A decrease in the equilibrium price and quantity
- C. A decrease in the equilibrium price and an increase in the equilibrium quantity
- D. An increase in the equilibrium price and a decrease in the equilibrium quantity

Answer: (SHOW ANSWER)

The case in the question is illustrated as below:

Diagram Description automatically generated



Centre of excellence in procurement and supply

The equilibrium price initially at P_0 with quantity Q_0 , when supply curve shifts to the left, it will converge with demand curve at new equilibrium point with price P_1 and quantity Q_1 . As you can see from the graph, P_1 is greater than P_0 and Q_1 is smaller than Q_0 .

NEW QUESTION: 12

Which of the following are most likely to be fundamentals of Fisher & Ury's principled negotiation?

1. Depersonalise the argument
2. Focus on positions
3. Generate creative options
4. Using subjective criteria

A. 2 and 3 only

B. 2 and 4 only

C. 1 and 3 only

D. 1 and 4 only

Answer: ([SHOW ANSWER](#))

Explanation

Principled negotiation is based on four fundamentals: people, interest, options and criteria:



Diagram Description automatically generated

1st Principle: separate the people from the problem: Negotiator should depersonalise the situation and accepting that the subject matter of the negotiation. This can be difficult for untrained negotiators, but this is a key skill to develop

2nd principle: focus on interests, not positions: It is important in principled negotiations not to focus on their parties' positions (what are expressed during negotiations), but on the interests (underlying needs) behind them

3rd principle: invent options for mutual gains: this principle aims to help the parties find a solution that both would benefit from. The more options - or tradeables - that can be brought to the table the better.

4th principle: insist on using objective criteria: is about making sure that the negotiation stays focused on outcomes based on objective criteria and that it is productive.

LO 1, AC 1.2

NEW QUESTION: 13

At which stage in a negotiation would questions be asked to obtain missing information?

- A. The bargaining stage
- B. The proposing stage
- C. The opening stage
- D. The testing stage

Answer: (SHOW ANSWER)

There are 5 key phases of negotiation:

The opening phase: confirm understanding and get the issue on the table
 The testing phase: check assumption and confirm understanding
 The proposing phase: asking 'if'
 The bargaining phase: using tradeables
 The agreement and closing phase
 The testing could take the form of questions following a presentation by either side or questions on a tender or proposal document received by the buyer from the potential supplier. The testing phase is necessary to confirm that your approach and objectives are appropriate for the negotiation situation you now find yourself in.

Careful listening, observation and interpretation of TOP's responses may give indication of the following:

Areas where TOP is willing and unwilling to make concessions

What factors or issues TOP places a high value on

If there are any non-commercial or emotional factors that may be pertinent TOP's underlying interests - why they are taking the position they are.

NEW QUESTION: 14

According to Dr. Mari Sako, which of the following is potentially the weakest trust to be built?

- A. Competence trust
- B. Goodwill trust
- C. Charitable trust
- D. Contractual trust

Answer: D (LEAVE A REPLY)

Trust is the expectation that the other party will behave in a predictable and mutually acceptable way. In inter-firm relationships, the presence and absence of trust can affect the level of cost in a relationship. The existence of trust is taught to lower the transaction cost in a relationship. Dr.

Mari Sako identified taxonomy of

3 types of trust in commercial relationship, which is very useful from the perspective of procurement.

Contractual trust: Trust based on the contract with TOP. This is potentially the weakest source of trust if there is nothing else to base the trust on, but it is the quickest to establish.

Competence trust: Trust based on TOP's professional qualifications or proven or certified technical capability or experience.

Goodwill trust: Trust based on knowing TOP has your interest at heart and will not behave opportunistically.

This is potentially the strongest type of trust, but it takes the longest time to build.

Otherwise, trust also has legal meaning. A trust is a legal document that can be created during a person's lifetime and survive the person's death. A trust can also be created by a will and formed after death. Charitable trusts are trusts which benefit a particular charity or the public in general.

NEW QUESTION: 15

Which of the following is the internal factor that is taken into price of a product?

- A. Risk management
- B. Customer tastes
- C. Elasticity
- D. Exchange rate

Answer: (SHOW ANSWER)

Explanation

In order to answer this question, you should better consider each option:

'Exchange rate' is the value of one nation's currency versus the currency of another nation or economic zone.

This is a macroeconomic factor.

'Elasticity' refers to the degree to which individuals, consumers or producers change their demand or the amount supplied in response to price or income changes. This is a microeconomic factor. Consumer tastes refer to the products and services that consumers consciously choose over others. Consumer tastes are so powerful that they can change how businesses conduct their activity. Like elasticity, this is also a microeconomic factor.

Among 4 options, only risk management is the internal factor. Risk pricing is a strategy applied by many companies in the world. To learn how to price the risk, you can read an article from McKinsey:

<https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/how-to-price-risk-to-win-and-pr> This is a question that a student met in her actual exam. The knowledge section is unknown.

LO: Unknown, AC: Unknown

NEW QUESTION: 16

Commercial negotiation ends at the award of a contract. Is this statement true?

- A. Yes, because there are no rooms for negotiation after the contract is awarded
- B. Yes, because the supplier will comply with legally binding obligations
- C. No, because improvements can be achieved through post-award negotiation
- D. No, because real commercial negotiation begins after the contract is awarded

Answer: C (LEAVE A REPLY)

Explanation

Negotiation doesn't end after the contract is awarded. The needs for negotiation can arise in any post-award stages. For example, at supplier development and relationship management stage, improvement in supplier capability, capacity, and product/service range can be negotiated. Negotiations with long-term strategic critical suppliers should be carried out in a partnering style, with a win-win starting point assumed.

In some sectors such as transport, utilities and infrastructure, tenderers may 'bid low' or even make a loss to win major contracts with a view to negotiating lucrative changes, variations and 'add-ons' over the life of the contract when the supplier is bedded in and the buyer is in the weaker position to push back or challenge. Even in less complex contract, it is very likely that there will be a need to negotiate with that supplier again after the awarding of the contract.

LO 1, AC 1.1

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NEW QUESTION: 17

Professional buyer is planning for the next negotiation of a simple one-off contract. This negotiation is typified by which of the following? Select TWO that apply.

- A. Continuous dialogue with supplier
- B. Total cost of ownership is the most important criterion
- C. Vendor ratings will be used
- D. Arm's-length approach
- E. Pricing is the most important criterion

Answer: (SHOW ANSWER)

Professional buyers, when planning or engaging in negotiation with suppliers, should always be aware of where the intended and actual relationship with this supplier is positioned on the 'spectrum' or 'continuum' of commercial relationships. The relationship spectrum describes the range of commercial relationships between a buyer and supplier based on richness of communication, longevity and mutual dependence.

Timeline Description automatically generated



In the question, the contract is simple one-off (or spot buy), which means the relationship will likely to be more transactional. In such relationship, price is the most important criteria and buyer may adopt arm's-length approach.

NEW QUESTION: 18

Which of the following are most likely to help buyer become preferred customer in supplier's perspective?

Select TWO that apply.

- A. Onerous supplier terms and conditions
- B. Compliance with agreed repair lead time
- C. Shorter payment period

- D. Reduction in delivery errors
- E. Ensuring an increased number of repeat orders

Answer: (SHOW ANSWER)

Explanation

Becoming a preferred customer to supplier's perspective can increase the purchaser's leverage in negotiation.

Beside the size of buying organisation or its spend, the following may be sufficient to differentiate the buyer from other buying organisations:

- Simple procurement processes
- Simple contracting processes
- Clear and concise documentation
- Absence of onerous supplier terms and conditions (onerous supplier terms and conditions mean that obligations imposed on suppliers are greater than their gains)
- On-time payment: The reduction in hassle for both supplier and the buyer, if bills are paid on time, is significant. From the customer's perspective it could also be the opener to agreeing preferential payment terms. A supplier may weigh up that payment on time at 60 days is worth taking, over the current 30-day terms that slip to 90 days and beyond.
- Transparent processes
- Ethical behavior

LO 1, AC 1.3

NEW QUESTION: 19

In addition to organisational power, personal power of each negotiator can influence the outcomes of a negotiation. A good negotiator can leverage different sources of power. Is this statement true?

- A. Yes, because the good negotiator recognises his own power in a negotiation
- B. No, because each person has only one superior source of personal power
- C. Yes, because all sources of power have similar effectiveness in every situation
- D. No, because only organisational power can be leveraged during a negotiation

Answer: A (LEAVE A REPLY)

Explanation

Both organisational and personal power have the ability to influence the outcomes of negotiation. Good negotiators recognise the different sources of relative personal power they possess in a negotiation. There is no one superior source of personal power; they will vary in their effectiveness based on the situation. The more personal sources available the better, even if some not used, these can be used as a fallback.

LO 1, AC 1.3

NEW QUESTION: 20

Which of the following should be done by the procurement team at the closing stage of a negotiation? Select TWO that apply.

- A. Gloat publicly about the deal
- B. Seek agreement in principle if TOP does not have the final authority
- C. Tell TOP that they could have got a better deal
- D. Accept ambiguity or uncertainty
- E. Leave the meeting as soon as possible

Answer: ([SHOW ANSWER](#))

Explanation

The agreement and closing phase is the phase when it is either clear through explicit language, or strongly suggested through non-verbal signals, that TOP is ready to move to agreement. Judging when to close can be difficult and as with phases of the negotiation, experience, observation, practice and reflection will be the best ways to learn here.

In the closing phase, procurement should:

- Watch for closing/buying signals
- Check to ensure all issues have been resolved
- Consider using visual aids to summarise
- Use 'summary close'
- Make a decision to conclude/close
- Seek agreement in principle if TOP does not have the final authority
- Make your own private notes on the final agreement
- Shake hands on the agreement
- Leave the meeting as soon as possible thereafter.

LO 3, AC 3.1

NEW QUESTION: 21

All of the following shift the supply of watches to the right except...?

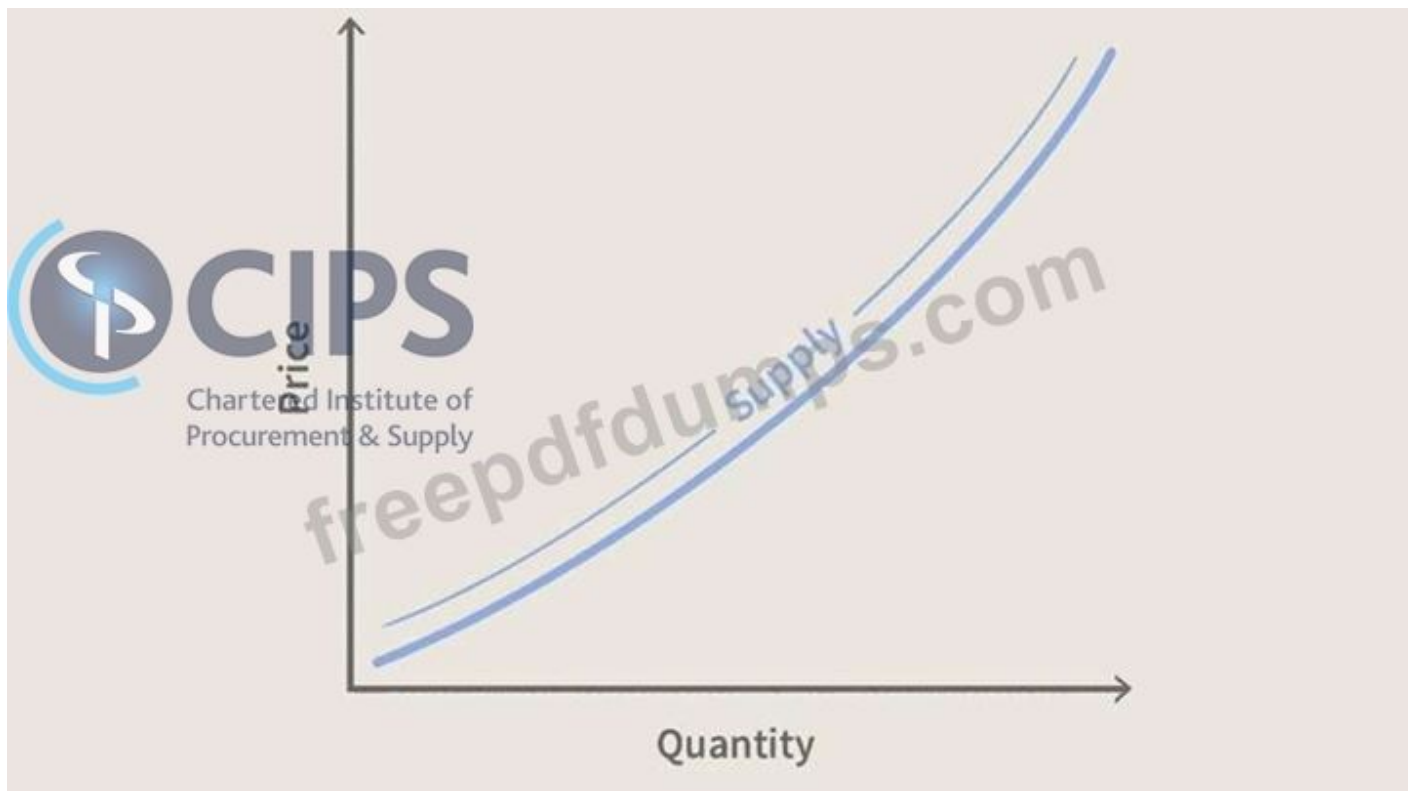
- A. An advance in the technology used to manufacture watches
- B. A decrease in the wage of workers employed to manufacture watches
- C. An increase in the price of watches
- D. Manufacturers' expectation of higher watch prices in the future

Answer: ([SHOW ANSWER](#))

Explanation

A supply curve will slope upward from left to right showing more supply at higher prices, as illustrated in the graph below:

A picture containing chart Description automatically generated



A movement along the supply curve will be brought about by a change in price, but a shift of the whole curve will be caused by a determinant other than price:

- The physical feasibility and time and energy required to produce the products
- Technology and innovation
- The objectives of the producers and their future expectations
- Prices of other goods and services
- Government's policies

LO 2, AC 2.2

NEW QUESTION: 22

Should a buyer use closed questions in a negotiation?

- A.** Yes, because closed questions help to reconfirm certain facts
- B.** Yes, because they urge the supplier to provide more detailed Explanation::
- C.** No, the buyer should maximise the use of open questions
- D.** No, supplier will consider closed questions as provocation

Answer: A (LEAVE A REPLY)

Asking questions the right way is both an art and a science. Ask the question the wrong way, and the other negotiator might act like a turtle, becoming defensive and withdrawing into their shell. Ask the question the right way, and the other negotiator might "spill the beans."

Closed Questions: How and when to use them?

Closed questions are those that require a short and focused answer, and are especially helpful in the beginning stages of the negotiation to encourage interaction. They can be used to clarify a point, or to reconfirm certain facts. For example, you can use a closed question to confirm the amount of units the company can produce in a week, or to clarify that what they are really saying

is that they don't feel comfortable outsourcing their accounts to India. Most closed questions only require a simple "yes" or "no" response, so there really isn't much room for misinterpretation - great for finding out where both you and they stand.

NEW QUESTION: 23

Which of the following best describes Leverage quadrant in Kraljicmatrix?

- A. Low risk, high importance
- B. High value, high complex
- C. Low risk, low importance
- D. High complex, low importance

Answer: A (LEAVE A REPLY)

Explanation

In 1983, Peter Kraljic devised a means to segment the supplier base in the article in HBR. In this, he argued that supply items should be mapped against two key dimensions: risk and profitability. Risk relates to the likelihood for an unexpected event in the supply chains to disrupt operations. For instance, in important areas of spend, such as tire suppliers for an automotive are business critical, and should a disruption occur, the auto company is likely itself to face substantial problems.

Profitability describes the impact of a supply item upon the bottom line. For certain areas of spend, such as stationery, supplies have only a negligible effect on profits. In other categories, a single source of supply can make or break a business.

Putting these two dimensions together yields a classic two-by-two matrix.

Diagram Description automatically generated



Source: Peter Kraljic, HBR

NEW QUESTION: 24

Which of the following types of questions should be used most often in the proposing phase?

- A. Hypothetical questions
- B. Probing questions
- C. Closed questions
- D. Open questions

Answer: A (LEAVE A REPLY)

Explanation

At the proposing phase either side may start making tentative proposals regarding their offering. In the case of negotiation where TOP has already submitted a tender or proposal, this stage may provide an opportunity for them to make proposals to improve on their initial offers in general or in areas highlighted by the buying side in advance.

The word 'if' is very useful at this stage and allows you to test tentative proposals without committing yourself.

Skilled negotiators use language very carefully. The questions with 'if' are hypothetical ones.

LO 3, AC 3.1

NEW QUESTION: 25

Which of the following is most likely to be a reason why a supplier charges its customer higher price after it has reached the break-even point?

- A. Supplier may need to open new facilities to meet increasing customer's demand
- B. Supplier may have high fixed cost - variable cost ratio
- C. Supplier may want to encourage buyer's demand
- D. The supplier may have reached economy of scale

Answer: A (LEAVE A REPLY)

Explanation

'Supplier may want to encourage buyer's demand': the buyer tends to prefer lower price, if supplier wants to encourage its customers to buy more, it needs to offer discount at bulk amount. So this option is not acceptable.

'Supplier may have high fixed cost - variable cost ratio': Supplier with high fixed cost needs high volumes to break even, but once achieved, it may be able to offer significant discounts for bulk orders

'The supplier may have reached economy of scale': when economy of scale is reached, cost per unit will be minimal which often leads to more favourable price.

'Supplier may need to open new facilities to meet increasing customer's demand': Increasing customer's demands may exceed supplier's current capacity. Therefore, supplier may need to extend its capacity by investing more in facilities. To cover these fixed cost investment, supplier may charge higher price.

LO 2, AC 2.1

NEW QUESTION: 26

After studying Thomas-Kilmann conflict resolution model and considering different approaches carefully, the procurement team of XYZ Ltd. decides to adopt an avoiding approach to the upcoming negotiation with one of their suppliers. Which of the following will be the objective of XYZ procurement team in this negotiation?

- A. Yielding the supplier's point of view
- B. Postponing the issue
- C. Seeking a quick middle-ground position
- D. Confronting and trying to find a creative solution immediately

Answer: B (LEAVE A REPLY)

Explanation

Avoiding is unassertive and uncooperative. When avoiding, an individual does not immediately pursue his or her own concerns or those of the other person. He or she does not address the conflict. Avoiding might take the form of diplomatically sidestepping an issue, postponing an issue until a better time, or simply withdrawing from a threatening situation.

LO 1, AC 1.1

NEW QUESTION: 27

Where can we find the data on macroeconomics?

1. From trade journal
2. From supplier's marketing catalogue
3. From stock exchange market
4. From government's statistics

A. 2 and 4 only

B. 3 and 4 only

C. 1 and 2 only

D. 1 and 3 only

Answer: B (LEAVE A REPLY)

Explanation

Macroeconomic indicators are statistics or data readings that reflect the economic circumstances of a particular country, region or sector. They are used by analysts and governments to assess the current and future health of the economy and financial markets.

Macroeconomic indicators will vary in their meaning and the impact that they have on the economy, but broadly speaking there are two main types of indicator.

- Leading indicators, which forecast where an economy might be heading. They are often used by governments to implement policies because they represent the first phase of a new economic cycle. These include the yield curve, interest rates and share prices.

- Lagging indicators, which reflect an economy's historical performance and only change after a trend has been established. They are used to confirm a trend is underway. These include gross domestic product (GDP), inflation and employment figures.

There is also the category of coincident indicators, but these are generally grouped in with lagging indicators as they either happen at the same time or after an economic shift.

The best macroeconomic indicator to watch will heavily depend on your personal preferences, what positions you are taking and which country your portfolio is focused on. However, there are some very common indicators that most traders and investors will keep an eye on.

For simplicity's sake, we have split these out into leading and lagging indicators.

Top leading indicators:

1. The stock market
2. House prices
3. Bond yields
4. Production and manufacturing statistics
5. Retail sales
6. Interest rates

Top lagging indicators:

1. GDP growth rates
2. The Consumer Price Index (CPI) and inflation
3. Currency strength and stability
4. Labour market statistics
5. Commodity prices

A procurement professional may find stock market data from the security exchange, while most lagging indicators (such as GDP, CPI, unemployment rate, currency and inflation rate, etc) can be found from government statistics data.

NEW QUESTION: 28

Which of the following is the best description of direct cost?

- A.** Direct costs are only variable raw materials that constitute a product
- B.** Direct costs include raw materials, labour and overheads
- C.** Direct costs include only raw materials and labour of making the final product
- D.** Direct costs include raw materials, labour and other expenses attributable to the final product

Answer: D (LEAVE A REPLY)

Direct costs are those costs of a product/service directly attributable/traceable to its production, for example, the costs of labour and materials directly used to produce the goods/services which the organisation sells.

NEW QUESTION: 29

An oil refinery plant imports much of its crude oil from overseas. A procurement manager in the refinery suggests that fixing the crude oil contract price for 36 months would be beneficial for the company. Would this be a right thing to do?

- A.** Yes, financial budgeting task would be a lot easier with fixed pricing arrangement
- B.** No, fixed price should be only applied to contracts that last 60 months or longer
- C.** No, the refinery would not be able to reap the benefits from falling commodity price and currency rates
- D.** Yes, the supplier would bear the risk when the material price increased

Answer: (SHOW ANSWER)

Explanation

Fixed price contract is the contract in which the price is static throughout the contract period. A fixed-price contract may give certainty to budget and simplify contract management. However, it may lead to other problems since it requires bidders to estimate and bear the financial risks associated with price escalations. If the estimates are too high or events do not materialize, the buyer will pay a steep price that may affect the economy and efficiency of the contract. In the worst case, it may mean that the bid price is then above budget and may lead to a reduction in the requirements or rebidding. If the estimates are too low, it may appear as an abnormally low bid and disrupt contract execution.

On the other hand, price adjustment provisions include formulas designed to address problems, and can protect both the borrower and contractors from price fluctuations. Price adjustment formulas allow contractors to offer more realistic prices at the time of bidding. Despite concerns that they may lead to budget uncertainties, price adjustment formulas will estimate the actual cost implications that will be encountered. They use indexes that can be used for cost projection. According to Asia Development Bank (ADB), any contract with a delivery or completion period beyond 18 months should contain an appropriate price adjustment clause.

In the scenario, the crude oil contract is planned to last 36 months. This period is pretty long with a fluctuating commodity. Therefore, the company should use price adjustment agreement.

NEW QUESTION: 30

SBL provides contract bathroom furniture and fittings for a wide variety of domestic and commercial clients.

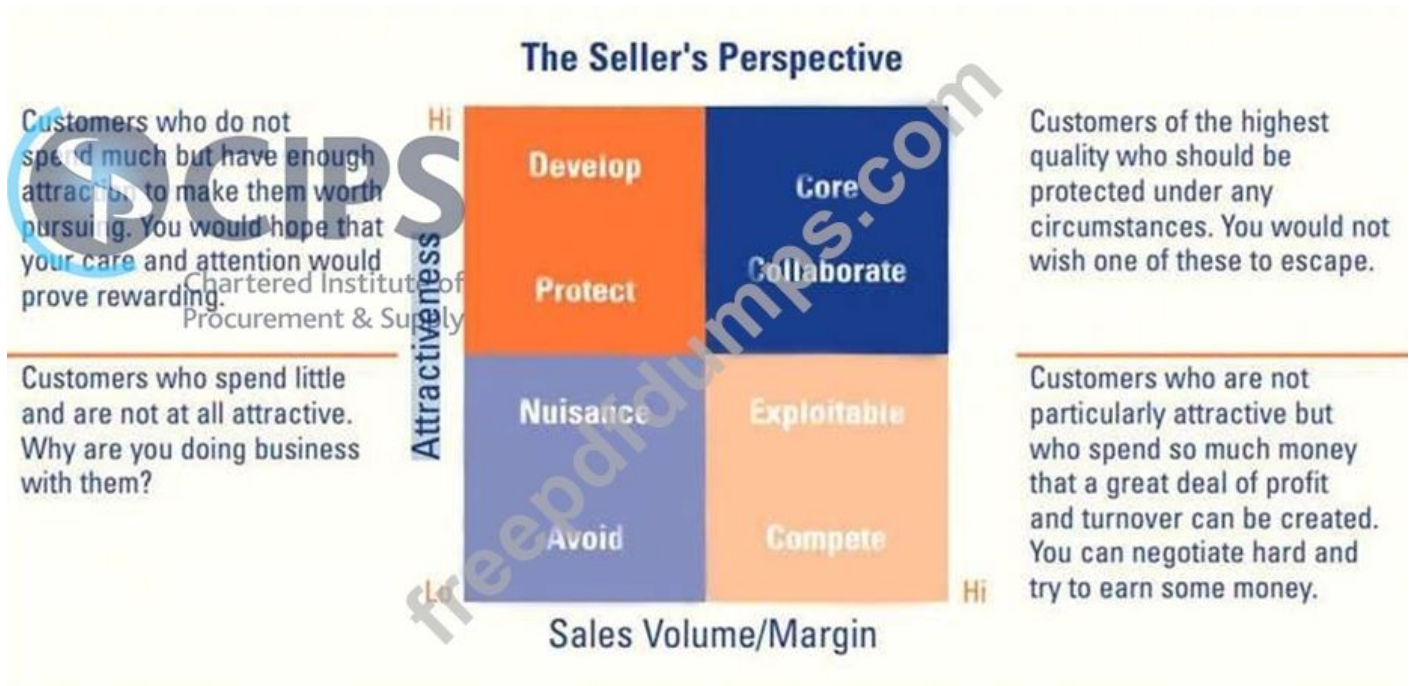
To some suppliers, SBL spendclaims a large portion of their revenue. But SBL is famous for imposing draconian obligations on these suppliers. Which of the following is most likely to be overarching objective of these suppliers to SBL?

- A. Charge a higher price to compensate for all the pain SBL has put
- B. Win and keep business with SBL at any costs, even without profits
- C. Drop the business with SBL immediately
- D. Hold on and keep SBL happy but make sure that the business is profitable

Answer: (SHOW ANSWER)

According to Paul Steele's 'The Seller's Perspective', customer can be classified into 4 categories as below:

Chart, treemap chart Description automatically generated



In this scenario, although SBL's spend claims large portion in suppliers' revenues, their draconian treatment will reduce SBL's attractiveness in supplier's perspective. SBL falls into Exploit quadrant. With exploitable customers, suppliers tend to 'milk' the customer and charge a high price to compensate for all the pain customer put on them.

NEW QUESTION: 31

If a negotiation results in an offer which does not meet the buyer's minimum requirements, which of the following could the buyer pursue?

- A. PESTLE

B. BATNA

C. ZOPA

D. STEEPLE

Answer: (SHOW ANSWER)

Explanation

Best alternative to a negotiated agreement (BATNA) is the plan B or back-up plan in the event of a 'walk away'. In case of no deal, buyer (or supplier) may switch to this option.

The zone of potential agreement (ZOPA) is considered an area where two or more negotiating parties may find common ground. It is this area where parties will often compromise and strike a deal. In order for negotiating parties to find a settlement or reach an agreement, they must work towards a common goal and seek an area that incorporates at least some of each party's ideas. STEEPLE offers an overview of various external fields. It is an acronym for Social, Technological, Economic, Environmental, Political, Legal and Ethical.

PESTLE is a mnemonic which in its expanded form denotes P for Political, E for Economic, S for Social, T for Technological, L for Legal and E for Environmental. It gives a bird's eye view of the whole environment from many different angles that one wants to check and keep a track of while contemplating on a certain idea/plan.

LO 1, AC 1.2

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NEW QUESTION: 32

A new manager has been appointed with responsibility for an organisation's category which has major impact on organisational cost base and there are little competitions in the supply market. They have an objective to improve supplier cost structures over time. Which of the following should they carry out first?

A. Purchase price cost analysis

B. Competitive rivalry analysis

C. Volume concentration

D. STEEPLE analysis

Answer: A (LEAVE A REPLY)

The objective of the buyer here is to improve supplier cost structures over time, which requires them to have insight into supplier's current cost information. Purchase price cost analysis (PPCA) can help here. PPCA is a method for gathering, analysing and using price and cost information in

asystematic way. The process allows the identification of future savings and opportunities to improve current costs.

STEEPLE analysis is used to analyse the macro environment that may have impact on an organisation.

Competitive rivalry is a part of Porter's Five Forces which is a tool for strategy making.

Volume concentration is a way to increase the purchasing quantities in order for a buying organisation to improve its leverage in negotiation.

NEW QUESTION: 33

Which of the following will shift the supply curve to the right?

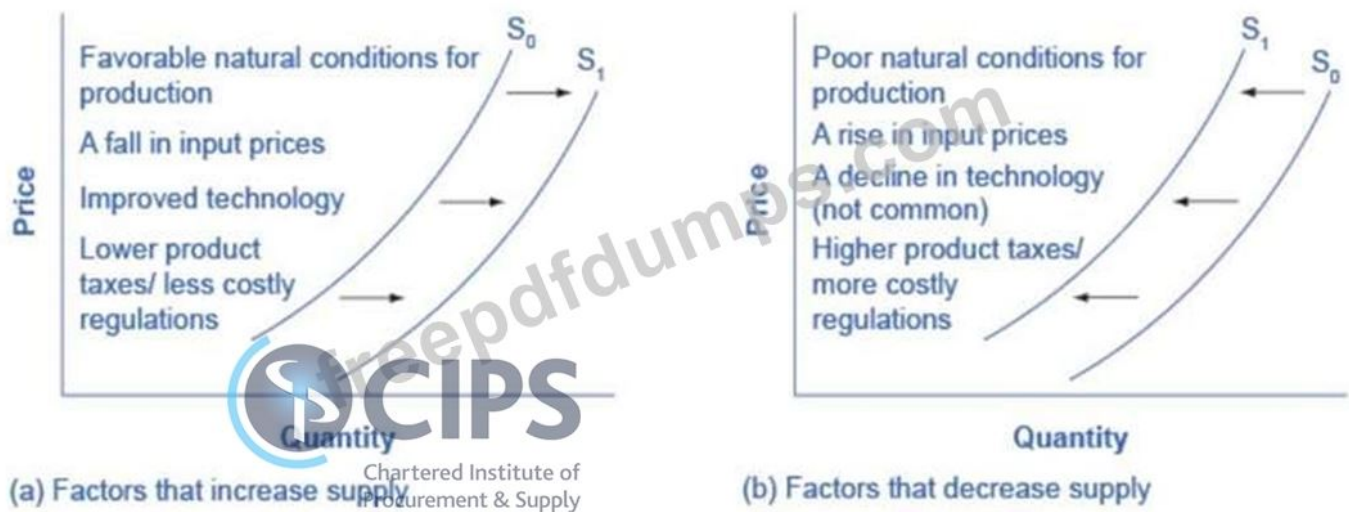
- A. Changes in customer taste
- B. New disruptive technology
- C. Decreased market price of substitute products
- D. Increased customers' disposable income

Answer: B (LEAVE A REPLY)

Explanation

The following graph shows the factors that shift the supply curve to the left and to the right.

Diagram Description automatically generated with medium confidence



NEW QUESTION: 34

At the first stage of CIPSProcurement and Supply Cycle (Understand need), which of the following is the most important duty of procurement professional?

- A. Demand management
- B. Evaluating the interests from suppliers
- C. Undertaking 'reverse marketing'
- D. Deciding whether RFQ or ITT should be used

Answer: A (LEAVE A REPLY)

At the first stage of CIPS Procurement and Supply Cycle (Understand need and develop a high-level specification), procurement professional mainly negotiate with internal stakeholders. They have a duty to proportionately and constructively challenge specification if there's genuine doubt

over the need or how the need is expressed. This is called demand management. Their first duty is to the organisation's treasury, not to functional managers.

Demandmanagement including: negotiation/challenge between procurement and internal stakeholders over the need/requirement/specification. Remember that in any process or product, the greatest opportunity for cost reduction is at the design stage.

NEW QUESTION: 35

Which of the following are recognised techniques in contract negotiation? Select THREE that apply.

- A. Framing and reframing
- B. Ratification
- C. Pacing and leading
- D. Validation
- E. Role ethics
- F. Anchoring

Answer: A,C,F ([LEAVE A REPLY](#))

Explanation

The question asks about negotiation techniques which are not present in the book. In this question, there are only 3 recognised techniques:

- Framing and reframing: A frame is an assumption, or set of assumptions, that guides our attention and behavior. Reframing is the ability to identify and significantly change assumptions or perspectives. Framing has a significant impact on the effectiveness of negotiation outcomes and negotiator working relationships.

You can read more on framing and reframing [here](#).

- Anchoring: Anchoring bias is well-known cognitive bias in negotiation and in other contexts. The anchoring bias describes the common tendency to give too much weight to the first number put forth in a discussion and then inadequately adjust from that starting point, or the "anchor." We even fixate on anchors when we know they are irrelevant to the discussion at hand. You can read more on anchoring [here](#).

- Pacing and leading: Pacing and leading is a two-step lever of persuasion. First - You "match your pace" to the person you want to influence in as many ways as possible. You can do this by mimicking the way the person talks, stands, their appearance, etc. You can also mimic less tangible aspects like the way they act, or their emotional state. Second - Once you've set your pace with someone, lead them to whatever decision or behavior you want them to take! You can read more on pacing and leading [here](#).

NEW QUESTION: 36

Active listening in negotiation includes which of the following activities?

1. Hearing
2. Interpreting
3. Rapport

4. Influence

A. 3 and 4 only

B. 1 and 3 only

C. 1 and 2 only

D. 2 and 3 only

Answer: C (LEAVE A REPLY)

Explanation

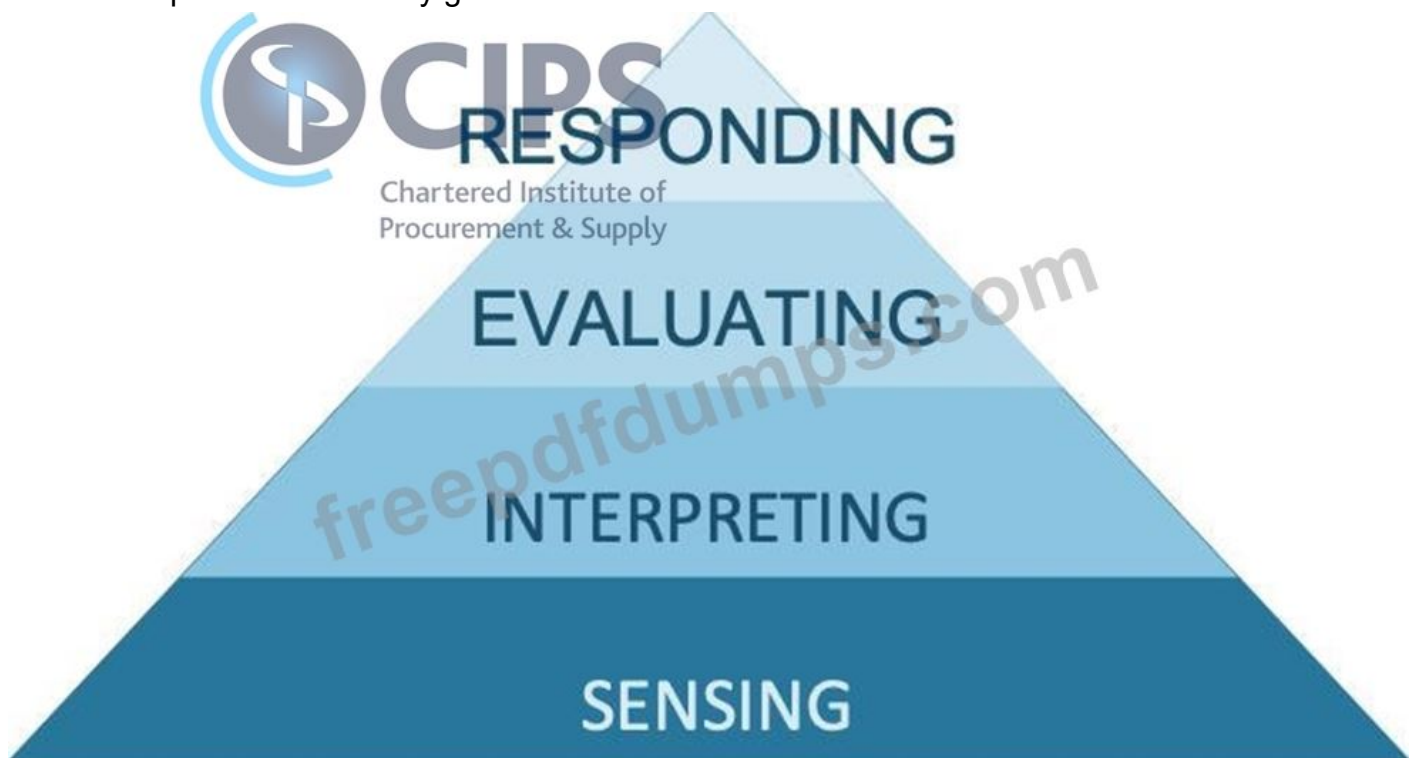
Listening is a hugely important skill in the world of work. It's a key part of effective communication [...].

Regarding active listening, there is a model called 'The SIER Hierarchy of Active Listening'. It details four key stages required for effective listening. As with all models associated with active listening, its purpose is to help the listener be a better, more effective listener who really hears what is being said, connects with the individual with whom they are communicating and builds effective relationships.

The model is a hierarchical model meaning that each stage builds on the stage before it. While the model is sometimes used for training in the sales arena, it is helpful in all walks of life. The stages of the model are:

Sensing (including hearing and watching body language), Interpreting, Evaluating and Responding.

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NEW QUESTION: 37

Which of these personal power bases stems from the manager's position in the organisation and the authority that lies in that position?

A. Coercive power

- B. Legitimate power
- C. Expert power
- D. Reward power

Answer: (SHOW ANSWER)

Explanation

Legitimate power comes from the belief that a person has the formal right to make demands, and to expect others to be compliant and obedient. Legitimate power comes from rules, formal authority, organisation rank, staff grade or official position held. In commercial negotiation, legitimate power can be demonstrated by job title and rank.

LO 1, AC 1.3

NEW QUESTION: 38

In which of the following persuasion methods, the influencer uses logics and objective reasons to persuade the others to buy into influencer's ideas?

- A. Persuasive reasoning (push)
- B. Collaborative (pull)
- C. Visionary (pull)
- D. Directive (push)

Answer: A (LEAVE A REPLY)

There are two major persuasion methods: 'push' and 'pull'.

Persuasion can be defined as encouraging someone to do something that you want them to do for you.

Persuasion is reasoning with someone so that they will believe or do something they might not otherwise do.

Persuasion can be considered as 'pushing' on TOP so that they can accept the change in attitude or behaviour as a result of your actions.

Influence is the ability to affect the manner of thinking of another. Influence can be considered as pulling on TOP so that you achieve the same result, but TOP feels they have changed their attitude or behaviour as a result of their reflection and thinking, and not your direct actions.

There are multiple variables to consider when choosing between 'push' and 'pull'. Professor Fiona Dent of Ashridge Business School proposes situations when each style might be most appropriate, breaking down push into 'directive' and 'reasoning' and 'pull' into 'collaborative' and 'visionary':

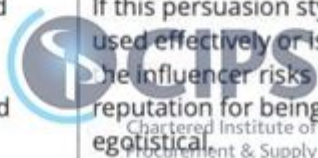
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Directive (push)	Collaborative (pull)
<p>An individual-driven persuasion style in which the person seeking to influence another declares their own view/idea in the expectation that it will be accepted and followed by the other. This style is particularly effective in the following situations.</p> <ul style="list-style-type: none"> • The influencer is an expert while the followers are not • The people being influenced are new/inexperienced • The situation necessitates very speedy action • The situation involves a safety- or security-critical issue or a strict deadline. <p>If this persuasion style is not used effectively or appropriately, the influencer risks developing a reputation for being heavy handed and dictatorial.</p>	<p>A team-oriented persuasion style in which the person seeking to influence another involves the other party in the decision-making process. All parties are encouraged to offer views and ideas about the issue. This style is particularly effective in the following situations.</p> <ul style="list-style-type: none"> • The influencer needs commitment from the other parties • The influencer is actively seeking innovative ideas from others • There is no clear solution to the issue at hand <p>If this persuasion style is not used effectively or is overused, the influencer risks developing a reputation for being indecisive and weak.</p>



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Persuasive reasoning (push)	visionary (pull)
<p>An issue-driven persuasion style in which the person seeking to influence another gets other parties to buy into the influence's ideas by presenting them in an impartial, objective, logical, and rational way. This style is particularly effective in the following situations.</p> <ul style="list-style-type: none"> • The influencer has a great deal of knowledge about the issue and a high credibility with others • The situation demands that the influencer gets others to buy-in to an unpopular decision • Research has identified a 'best' answer <p>If this persuasion style is not used appropriately or is overused, the influencer risks developing a reputation for being inflexible and stubborn.</p>	<p>A persuasion style in which the person seeking to influence another does so by understanding the other party's emotions, and stimulating that party's imagination to visualise the desired future goal of the influencer. This style is particularly effective in the following situations.</p> <ul style="list-style-type: none"> • The organisation has just embarked on a complex change process • The influencer's goal is to attract others' attention and stimulate future debate • The current situation demands innovative thinking <p>If this persuasion style is not used effectively or is overused, the influencer risks developing a reputation for being idealistic or egotistical.</p>



Using logical and objective reasons is one of the typical characteristics of persuasion reasoning method.

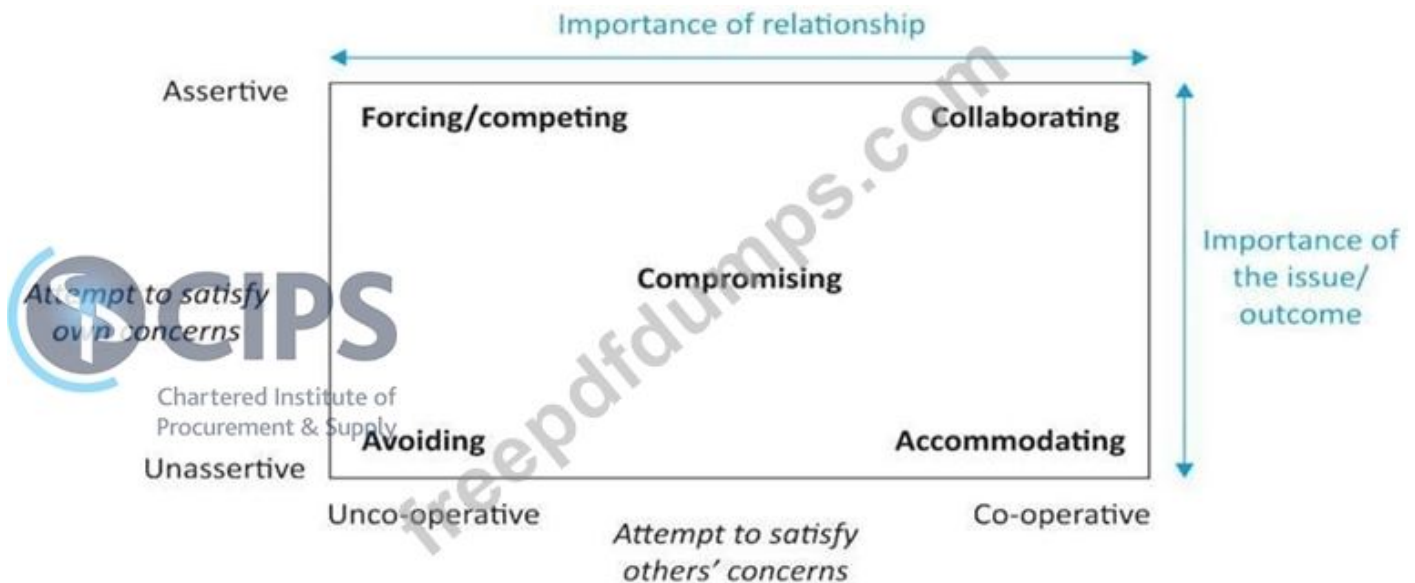
NEW QUESTION: 39

A procurement professional is sourcing low value items. He conducts market analysis and realise that these items can be provided by many suppliers and switching cost between suppliers is relatively low. He also assume that the relationship between buyer and supplier will be transactional rather than long-term. According to Thomas-Kilmann conflict model instrument, which of the following is the most appropriate style that the procurement professional should adopt when negotiating with these suppliers?

- A. Avoiding
- B. Compromising
- C. Competing
- D. Collaborating

Answer: (SHOW ANSWER)

According to Thomas-Kilmann conflict model instrument, there are 5 conflict management styles: Graphical user interface, text, application, email Description automatically generated



In this scenario, the buyer's bargaining power is stronger than suppliers', and the relationship is transactional.

Therefore, to get the most preferable outcome, the procurement professional can take an assertive approach, while he doesn't need to co-operate closely with these suppliers. Competing will be the most appropriate approach to negotiation in this scenario so that the buying organisation can get a better deal.

NEW QUESTION: 40

Which of the following are factors that might shift the demand curve for a consumer good to the right?

1. Prices of complementary goods decrease
2. Price of the consumer good decreases

3. Customers' expectation of higher prices in the future
4. Consumer tastes shift toward substitute products

- A. 3 and 4 only
- B. 4 and 2 only
- C. 1 and 3 only
- D. 1 and 2 only

Answer: (SHOW ANSWER)

Explanation

A shift in demand occurs when an influencing factor other than price changes. Those factors are:

- The income of buyers
- The tastes and preferences of buyers
- The prices of other goods and services, especially substitutes and complements
- Expectations of buyer about the future

In this question:

- 'Prices of complementary goods decrease' will lead to quantity demanded for that complements rising, then demand for consumer good will increase accordingly.
- 'Price of the consumer good decreases' will increase the quantity demanded for that good, but it will not shift the demand curve
- 'Customers' expectation of higher prices in the future': in this scenario, customers tend to buy more to store in present, which leads to demand curve shifting to the right
- 'Consumer tastes shift toward substitute products': Demand for substitutes will rise, so demand for that consumer good will decrease and the demand curve shifts to the left.

LO 2, AC 2.2

NEW QUESTION: 41

Collaborative approach in negotiation not only can fully satisfies the concerns of both, but also ensure that neither party will seek to be opportunistic in later time during the life of the contract. Is this statement true?

- A. Yes, because all parties must have exactly the same goals in integrative negotiation
- B. No, because any party may leverage its own advantage during the contract
- C. Yes, because both parties have well understood each other's goals when they engage in collaborative negotiation
- D. No, because the parties will always find a compromise solution in integrative approach

Answer: B (LEAVE A REPLY)

Integrative, interest-based negotiation can facilitate constructive, positive relationship and establish contracts between parties on a foundation of goodwill. It is important to note it can only facilitate these positive outcomes, it does not guarantee that the other party will not seek to be opportunistic at a later time during the life of the contract. Previous knowledge of the behaviours of the other party regarding honouring contractual and other commitments will be useful here in predicting long-term outcomes, not ensuring that they will not leverage their advantages.

NEW QUESTION: 42

Jane is planning for a forthcoming negotiation with a key supplier. She has learned what are important to the supplier and what are important to her company from previous contracts between them. In order to avoid negotiation deadlocks, she has set up several concession plans. But Jane has little experience in dealing with suppliers and doesn't know when to trade these concessions. When is the best time in a negotiation to trade concessions?

- A. In the testing phase
- B. In the proposing phase
- C. At bargaining stage
- D. At opening stage

Answer: (SHOW ANSWER)

Explanation

The question asks about the point in time when Jane should make concessions with the supplier. These concessions should be traded after preliminary stages such as opening, testing and proposing are over and proposals move from being tentative and general to being more definite and specific. This stage is called bargaining phase. The bargaining phase is the 'meat' of the negotiation meeting.

LO 3, AC 3.1

NEW QUESTION: 43

XYZ Ltd needs to purchase a bundle of IT products from suppliers. The procurement manager requests details of costs regarding designing and managing those products. After receiving reports from suppliers, she realises that they have charged up to a 1,095% mark-up on IT products. In order to ensure value for money, which of the following should be a priority pricing arrangement of the procurement manager in the negotiation with these IT suppliers?

- A. Premium pricing
- B. Cost plus arrangement
- C. Market skimming
- D. Market penetration pricing

Answer: B (LEAVE A REPLY)

In the scenario, the main cost driver is suppliers' mark-up. The priority should be limit the margin to be added.

XYZ Ltd can agree "cost plus" contracts with their suppliers to ensure no IT product purchased exceeds an agreed maximum margin level. Procurement teams can use their benchmarking tools to police these contracts.

Cost plus contracts are agreements where the contractor's pricing is based on itemising allowable costs and then adding an agreed margin.

Market penetration pricing - pricing low to win a large share of the market
Market skimming - pricing a new product high in order to make a large profit from the purchases by initial customers. This is an effective strategy only in the absence of competition. When competition appears, market skimmers usually drop their prices
Premium pricing - usually pricing high because the

market is prepared to pay extra for the kudos associated with the product, thanks to, say, a reputation for quality, or a highly fashionable brand name, and so on

NEW QUESTION: 44

One difference between perfect competition and monopolistic competition is that...?

- A. In perfect competition, firms produce slightly differentiated products
- B. A perfectly competitive industry has fewer firms.
- C. Monopolistic competition has no barriers to entry
- D. Firms in monopolistic competition face a downward-sloping demand curve

Answer: D (LEAVE A REPLY)

Explanation

Monopolistic competition exists in market where there are many competing producers but they will try to use product differentiation. Although their products may be very similar, their ability to differentiate means that they can act as monopolies in short run, irrespective of the actions of their competitors.

In perfect competition, there are no barriers to entry to the market or exit from the market. In monopolistic competition, there tend to be fewer barriers to entry or exit in these markets than in oligopolistic markets, but it doesn't mean that there are absolutely no barriers to entry in monopolistic competition.

In perfect competition, the demand curve is perfectly elastic, which means that it will be horizontal.

Otherwise, in monopolistic competition market, the demand curve will have normal downward slope.

LO 2, AC 2.2

NEW QUESTION: 45

When is the best time in procurement process in which procurement should get involved so that the cost-saving opportunities are the greatest?

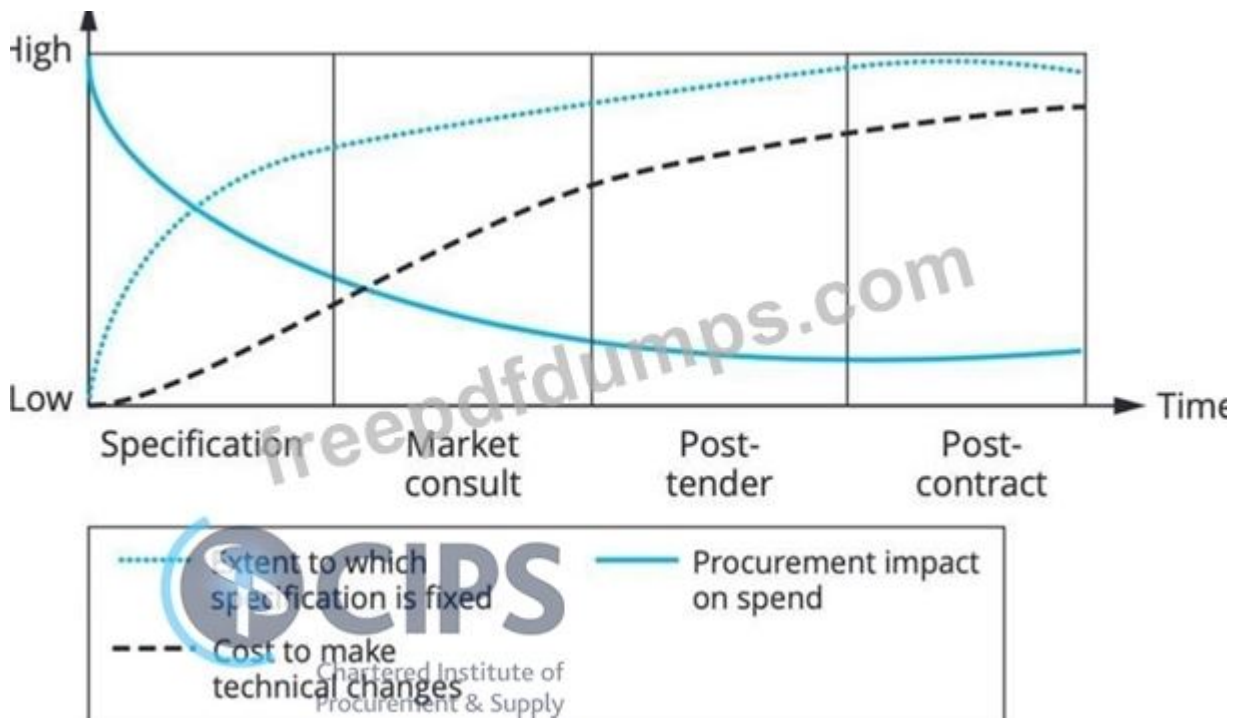
- A. Market consult stage
- B. Post-contract stage
- C. Specification stage
- D. Post-tender stage

Answer: C (LEAVE A REPLY)

Explanation

The earlier procurement get involved in the procurement processes, the better. If procurement are involved in design at the specification stage they can feed in prices and costs to designer so they know the likely budget implication of choices made. Sending in a procurement team to negotiate at or close to the end of the procurement process effectively ties their hands and limits their negotiation leverage. This is illustrated in the graph below:

Chart Description automatically generated



LO 2, AC 2.1

NEW QUESTION: 46

A good negotiator invests time in understanding the needs of the individuals in a negotiation. Is this statement true?

- A. Yes, because individuals' needs always unify with their own organisation's needs and wants
- B. No, because negotiator should attempt to satisfy the needs of the other organisation only
- C. No, because satisfying individual needs will lead to conflict of interest and unethical practices
- D. Yes, because individual needs largely influence the outcomes of the negotiation

Answer: D (LEAVE A REPLY)

Skilled negotiators seek to understand the needs of the other parties, as well as their own. In doing so, it allows them to determine a strategy that their own needs are met. Failing to understand the other party's needs is one of the most common reason for an unsuccessful negotiation. In the commercial negotiation, procurement team does not negotiate with organisation, they negotiate with individuals. It is therefore important to recognise that there are two levels of needs:

The organisation - What the organisation wants to achieve. This is generally well stated and understood
 The individual - what is in it for the individual? This is generally not stated, rarely discussed, but very motivational. It is vitally important therefore that time is invested in understanding the needs of the individual
 Skilled negotiators are aware of the needs that occur at both levels, and develop creative options and strategies that attempt to satisfy these needs.

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NEW QUESTION: 47

Distributive approach in negotiation is typified by which of the following?

- A. Distributive approaches are inherently inferior to integrative approaches in commercial negotiation
- B. Both parties understand each other's goals
- C. Each party attempts to maximise the value obtained at other's expense
- D. Both parties share 50:50 of the 'pie'

Answer: (SHOW ANSWER)

Distributive approach to negotiation used when the interested parties are attempting to divide something up or distribute something of value, also known as zero-sum approach or win-lose. Commercial situations often demand a distributive bargaining approach, if the 'pie' is inherently of a fixed size. In this case, any conflicts must be resolved by sharing it.

In win-lose approach, a negotiator wants to maximise the value obtained in a single deal, the relationship with the other party is not important. Therefore, a strong party may win more than 50% of the metaphorical 'pie'.

It should not be assumed that win-win can be applied to all commercial negotiations, or that win-lose approaches are inherently inferior.

NEW QUESTION: 48

Leitax is a consumer electronics firm with headquarters in the US and with a global sales presence. The company maintains seven to nine models in its product portfolio, each of which has multiple SKUs. Product life ranges from fifteen to nine months and is getting shorter. The demand planning and master planning processes at the company were ill-defined. Data relevant to forecasting were usually inaccurate, incomplete, or unavailable and the lack of objectives and monitoring mechanisms for the demand planning process meant that process improvement could not be managed. Support for supply management was equally ill-defined, as master production schedules were sporadic and unreliable and suppliers had learned to mistrust them. Leitax's newly appointed Supply chain director, Jessica realises that the "buy-in" of different functional groups was critical to the improvement of demand planning. She invites relevant stakeholders to a meeting so that they can express their opinions openly. What tactic is Jessica using?

- A. Coalition
- B. Pressure
- C. Consultation
- D. Persuasion

Answer: (SHOW ANSWER)

There are nine commonly used influence tactic:

1. Rational persuasion includes using facts, data, and logical arguments to try to convince others that your point of view is the best alternative. This is the most commonly applied influence tactic.
2. Legitimizing
3. Personal appeals
4. Exchange
5. Ingratiation
6. Pressure refers to exerting undue influence on someone to do what you want or else something undesirable will occur.
7. Coalitions refer to a group of individuals working together toward a common goal to influence others.
8. Inspirational appeals
9. Consultation refers to the influence agent's asking others for help in directly influencing or planning to influence another person or group.

In the scenario, there is a problem with demand forecasting and supply chain planning in Leitax. The new Supply chain director invites the stakeholders to a meeting to find the solution. She is using coalition tactics.

NEW QUESTION: 49

Which of the following are most likely to be macro factors that may influence the balance of power in commercial negotiation? Select THREE that apply.

- A. Economic growth rates
- B. Disruptive technologies
- C. Purchasing spend volume
- D. Sustainability of natural resources
- E. Intensity of competition in a industry
- F. Number of substitute products or services

Answer: A,B,D (LEAVE A REPLY)

Explanation

All one-to-one commercial negotiations between a specific purchaser and a specific supplier take place within an industrial market and a larger business environment characterised by multiple forces which both parties typically have little control over. STEEPLE framework highlights the 6 main external influences on a business:

Table Description automatically generated

Factors	Risks
Socio-cultural	How changes affect demands or expectations of customers, suppliers or other stakeholders
Technological	Are there opportunities for development – or risks of obsolescence
Economic	How changes affect product demand and/or supply and cost of inputs?
Environmental (or 'ecological')	Which factors may cause supply problems, compliance issues, market pressure or risk to reputation
Political	What are the likely implications of policies or changes in policy
Legal	How organisation need to adapt policies and practices in order to comply?
Ethical	Which issues may cause market pressure or reputational risk

LO 1, AC 1.3

NEW QUESTION: 50

An organisation is developing the specification for a capital purchase project. An important stakeholder has doubt on the draft specification. The buyer invites him to the product function meetings. In these meeting the attendees can raise their concerns, the specification development team takes in all the concerns and adjusts the specification accordingly. What kind of technique is the specification development team using?

- A. Directive
- B. Persuasive reasoning
- C. Coalition
- D. Visionary

Answer: C (LEAVE A REPLY)

In the scenario, anyone who has concerns can join a meeting to raise their thoughts. The project team takes the stakeholders' ideas into account. This is known as coalition: A group of people or organisations come together and work collaboratively to achieve some goals. Specifically in this scenario, the goal is creating a high-quality and unified specification for an important project.

NEW QUESTION: 51

Which of the following are types of questions that are useful in opening and testing phases of a negotiation?

Select the TWO that apply.

- A. Closed
- B. Narrow
- C. Probing
- D. Leading
- E. Open

Answer: C,E (LEAVE A REPLY)

In the opening phase, parties should confirm understanding and get the issues on the table.

The testing phase is an information gathering stage where the hypothesis and assumption you have made in the planning stage can be tested or confirmed or disproved.

Opening questions (those that start with 'what', 'how', 'why') are used at the opening and testing stages to uncover needs and underlying motives, and to allow the buyer to get a feel of what is in store in the negotiation.

Probing questions are also useful to check that the supplier fully understand their offering, as well as your needs, and can also be used to communicate to the supplier that you know this category well. These questions are typically useful at the opening and testing stages.

NEW QUESTION: 52

In general, which of the following is the consequence of a flatter demand curve?

- A. Quantity elastic
- B. Price elastic
- C. Price inelastic
- D. Unit price elastic

Answer: B ([LEAVE A REPLY](#))


Explanation

Elasticity refers to the responsiveness of quantity demanded or quantity supplied to a change in price or another factor.

In microeconomic graphs, elasticity and inelasticity can be shown by the slope of the demand curve. If a demand curve is almost horizontal, then the product pricing can be described as very elastic. If a demand curve is almost vertical, then the product pricing can be described as very inelastic.

The formulae of elasticity:

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$$E_{D,S} = \left| \frac{\% \Delta Q}{\% \Delta P} \right| = \left| \frac{\Delta Q}{\Delta P} \times \frac{P}{Q} \right|$$

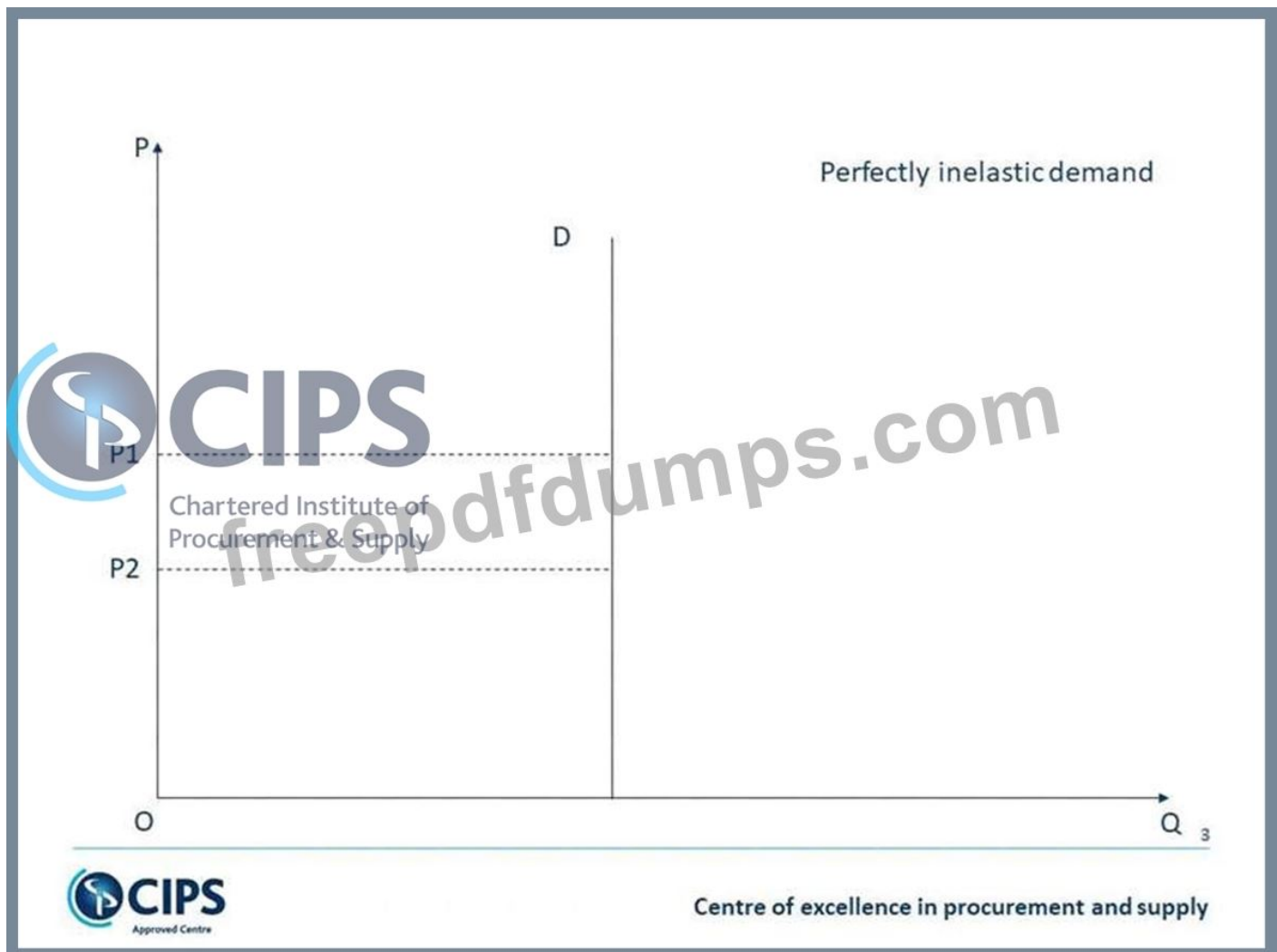
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LO 2, AC 2.2

NEW QUESTION: 53

The trust is built based on the other party's professional qualifications or proven or certified technical capability or experience is known as...?

- A. Goodwill trust
- B. Contractual trust
- C. Irrevocable Trust
- D. Competence trust

Answer: D (LEAVE A REPLY)

Trust is the expectation that the other party will behave in a predictable and mutually acceptable way. In inter-firm relationships, the presence and absence of trust can affect the level of cost in a relationship. The existence of trust is taught to lower the transaction cost in a relationship. Dr. Mari Sako identified taxonomy of 3 types of trust in commercial relationship, which is very useful from the perspective of procurement.

Contractual trust: Trust based on the contract with TOP. This is potentially the weakest source of trust if there is nothing else to base the trust on, but it is the quickest to establish.

Competence trust: Trust based on TOP's professional qualifications or proven or certified technical capability or experience.

Goodwill trust: Trust based on knowing TOP has your interest at heart and will not behave opportunistically.

This is potentially the strongest type of trust, but it takes the longest time to build.

NEW QUESTION: 54

Which of the following is a true statement regarding macroeconomic factors and their potential impact on negotiations?

- A. Macroeconomic factors always directly influence the negotiations
- B. Expectations on macroeconomic prospect are always correct
- C. Changes in macroeconomic factors may affect businesses and individuals differently
- D. Macroeconomic factors cannot be influenced by anyone's expectation or sentiment

Answer: C (LEAVE A REPLY)

Explanation

'Macroeconomic factors always directly influence the negotiations': This statement is false. For any given negotiation it is not the macroeconomic factor itself that necessarily influences the negotiation but the change or rate of change that factor.

'Changes in macroeconomic factors may affect businesses and individuals differently': This statement is true.

Macroeconomic factors are factors that have general effects on the economy and many businesses may be completely unaffected or affected more or less than others in the same industry by a change in a factor.

'Macroeconomic factors cannot be influenced by anyone's expectation or sentiment': This statement is false.

When it comes to macroeconomic factors another key consideration is expectation regarding what might happen to these factors, or specifically the measures, metrics or percentage rates associated with these factors in the future.

'Expectations on macroeconomic prospect are always correct': This statement is false.

Expectations are not always correct.

LO 2, AC 2.2

NEW QUESTION: 55

Which of the following should be adopted to minimise the conflict between parties in commercial negotiation?

- A. The rule of law
- B. Ground zero
- C. Ground beam
- D. Ground rules

Answer: (SHOW ANSWER)

Ground rules are the basic rules for doing something (Cambridge Dictionary). A negotiation goes more smoothly if ground rules are adopted. Then if something goes awry at a later time, you can point out the ground rule that has been violated. Procurement professional should seek to minimise conflict over process through agreeing 'ground rules' and approach as far as possible with the other party in advance of any negotiation meetings.

There should be two sets of ground rules: 1) groundrules for the negotiations between the two parties and 2) ground rules for the negotiating team itself. This article is about the negotiating team ground rules.

The rule of law is the condition in which all members of society, including its political leaders, accept the authority of the law.

Ground zero describes the point on the Earth's surface closest to a nuclear detonation. In the case of an explosion above the ground, ground zero refers to the point on the ground directly below the nuclear detonation.

The Ground Beam is the beam which is provided usually at the foundation level to support building walls, joists, etc.

NEW QUESTION: 56

IHL has been supplying to XYZ Ltd for months. XYZ Ltd procurement manager Diana realises that the IHL's input prices are dropping and this is a good time to re-negotiate the price of the contract. She invites IHL representative to XYZ headquarter to make a bargain on the current price. At the opening stage of the negotiation, Diana requests a 10% reduction in price with an increase in volume purchased.

Is Diana's action appropriate in the opening phase?

- A.** Yes, because the negotiation should be done as quick as possible
- B.** Yes, because Diana's proposal is a fair trade for both parties
- C.** No, because Diana should state exactly the increasing quantity
- D.** No, because Diana has put the markers down too soon

Answer: (SHOW ANSWER)

The opening stage of the negotiation covers the very first few minutes when the parties meet and greet each other and are seated in the negotiation room in preparation for the main event.

Typical behaviours at the opening stage: 'dos' and 'don'ts'

Do's

Be punctual and well presented (welcome their arrival)

Break the ice with small talks

Start the conditioning process

Check authority

Check agenda

Consider using visual aid to set out key objectives or make key points

Don'ts

Use strong, pushy, cold or tough style at the opening

Put down marker at this stage

Criticise other organisations/TOP's previous contacts/third parties.

In this scenario, Diana has made her proposal right at the opening stage. This is an example of 'don'ts'. Good negotiators are very careful about 'red lines'. If she puts such barrier up too early, the supplier may not try to look for more creative solutions later in the negotiation.

NEW QUESTION: 57

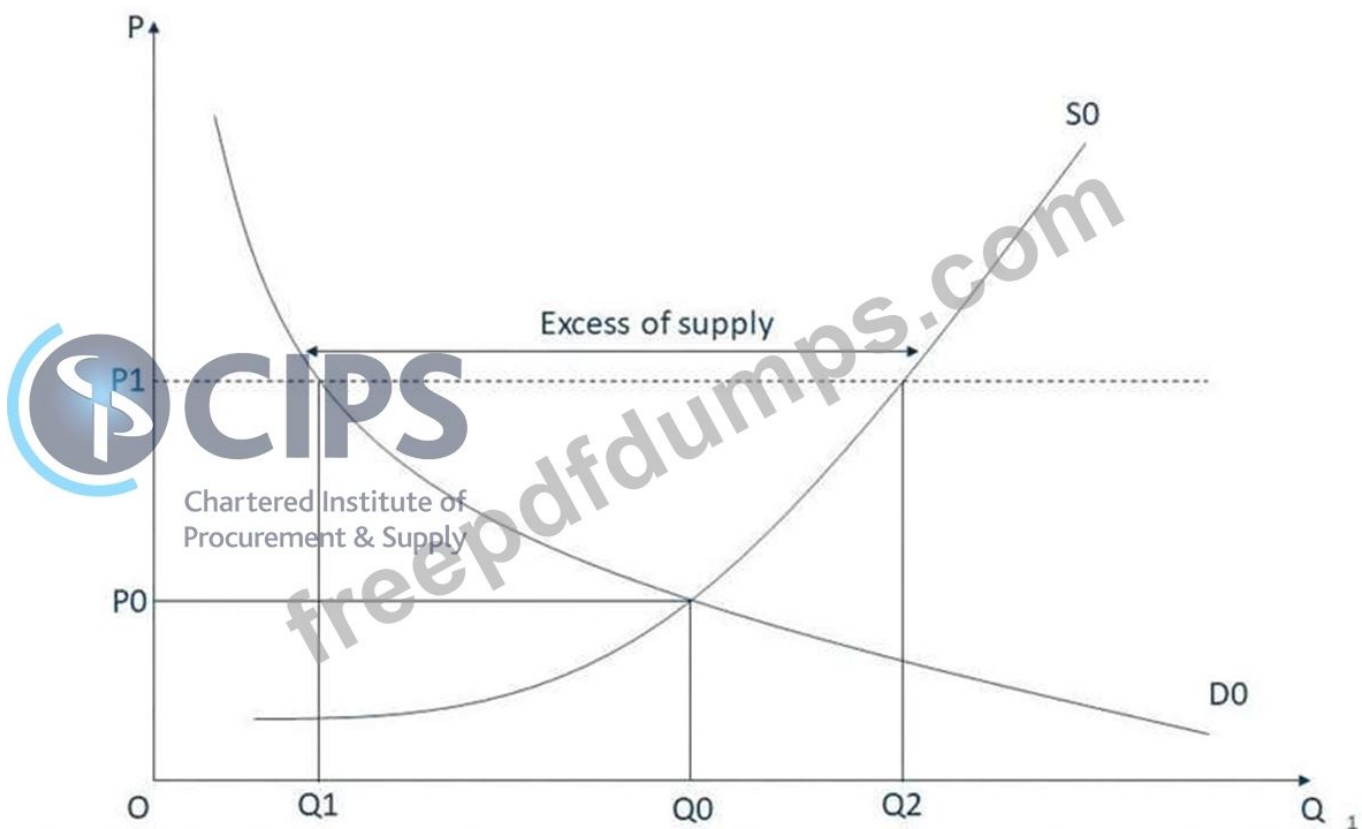
If the price of a good is above the equilibrium price, which of the following will happen?

- A. The quantity demanded is equal to the quantity supplied and the price remains unchanged
- B. There is a shortage (i.e. an excess demand) and the price will fall
- C. There is a surplus (i.e. an excess supply) and the price will rise
- D. There is a surplus (i.e. an excess supply) and the price will fall

Answer: D (LEAVE A REPLY)

In microeconomics, equilibrium price is determined when the quantity demanded is equal to the quantity supplied at equilibrium price in a market, there will be no shortages and no surpluses. If we combine our supply and demand curves on one graph, the point at which they converge determines the equilibrium price. If the price is set above this price and you read across the graph you will see the supply excess demand and there will be a surplus. In order to reduce this surplus, the price will need to fall. The scenario is illustrated in the graph below:

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