

New L4M5 Exam Objectives, L4M5 Exam Revision Plan

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L4M5 Study Set 2024/2025 Exam Questions with Detailed Verified Answers (100% Correct Answers) | Already Graded A+

What is a commercial negotiation? - (ANSWER)A negotiation is the process whereby two or more parties decide what each will give and take in an exchange between them. A commercial negotiation generally is between organisations and can involve negotiating contracts and managing projects for the maximum return, as well identifying and developing new business opportunities

With examples explain where negotiation can occur in the procurement cycle? - (ANSWER)1. Identification of need - internal negotiations with stakeholders

2. Market commodity options - informs the negotiation process and evaluation of bargaining power between buyer and supplier can start at this stage.

3. Develop plan/strategy - the decision regarding whether to negotiate or not, as well as plan objectives, plans, resources and the approach to achieve what you want.

4. Pre-procurement market test & engagement - supplier conditioning can occur when meeting key players

5. Develop documentation - setting out requirements in documentation form that will help support your negotiations

6. Supplier selection - may be limited, but there may be internal negotiation in relation to short-listing or down-selection and evaluation of expressions of interest

7. Issue invitation to tender - this stage may have limited opportunity for negotiation

8. Bid/tender evaluation - internal negotiation may occur in relation to assessment and evaluation of bids received, alternatively this may be the start of

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Another benefit of the CIPS L4M5 Exam is that it is highly respected within the procurement profession. The Chartered Institute of Procurement and Supply (CIPS) is a globally recognized professional body, and the CIPS L4M5 Exam is widely recognized as a benchmark qualification for procurement professionals. Achieving this qualification demonstrates a commitment to professional development and a willingness to enhance negotiation skills, which can help to open up new career opportunities and increase earning potential.

Successfully passing the CIPS L4M5 Exam demonstrates to employers and peers that the candidate has the expertise and practical skills required to negotiate complex commercial agreements confidently. It also provides a pathway to further professional development and career advancement within the procurement and supply chain domain.

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CIPS L4M5 Commercial Negotiation exam covers a wide range of topics, including the negotiation process, negotiation planning, the use of different negotiation styles, and the development of negotiation skills. The candidate is expected to have a clear understanding of the different types of negotiations, such as distributive and integrative negotiations, and how to use them effectively in different situations. L4M5 Exam also covers the importance of building and maintaining relationships with suppliers, stakeholders, and clients.

CIPS Commercial Negotiation Sample Questions (Q252-Q257):

NEW QUESTION # 252

Which of the following roles would support negotiations with an external supplier when planning a negotiation for a low-value, routine purchase? Select TWO that apply.

- A. The Chief Executive Officer (CEO)
- **B. The procurement manager**
- C. The Human Resource (HR) manager
- **D. An internal business user**
- E. A legal advisor

Answer: B,D

Explanation:

For low-value, routine purchases, the involvement of The procurement manager (C) and An internal business user (E) is appropriate. The procurement manager brings expertise in supplier engagement, while the internal business user provides insights on specific needs for the product or service. Involving high-level roles, like the CEO or a legal advisor, is unnecessary for routine purchases, as per CIPS guidance on resource alignment in procurement.

NEW QUESTION # 253

Colin Smith is preparing for a negotiation with a supplier that provides a chemical for grass fertiliser. Colin has been given an action to secure a commercial deal that achieves his organisation's objective of 'ethical and sustainable procurement.' As part of his negotiation plan, Colin is using the 'must, intend, like (MIL)' framework to prepare for the negotiation. Colin would categorise his organisation's objective within the negotiation plan as ...

- A. Intend to have
- B. Like to have
- C. Likely to have
- **D. Must have**

Answer: D

Explanation:

In the MIL framework, "Must have" refers to non-negotiable elements. For Colin's organisation, ethical and sustainable procurement is a core, uncompromisable value, making it a "Must have" in negotiations.

Reference: L4M5 Commercial Negotiation 2nd edition (CORE), Section 3.1 - Using the MIL Framework for Negotiation Objectives

NEW QUESTION # 254

The buyer's bargaining power tends to be relatively higher than supplier's bargaining power in which of the following circumstances?

- A. The buyer does not have the option to move to an alternative supplier
- **B. The buyer is large in size relative to its suppliers**
- C. The buyer demand is so urgent that it can't be postponed
- D. The buyer's spend takes up a small proportion of supplier revenue

Answer: B

Explanation:

Buyer power gives customers/consumers (buyers) the ability to squeeze industry margins by pressuring firms (the suppliers) to reduce prices or increase the quality of services or products offered.

There are four major factors to consider when determining the bargaining power of buyers:

1. Number of buyers relative to suppliers: If the number of buyers is small relative to that of suppliers, the buyer's power will be stronger.
2. Dependence of a buyer's purchase on a particular supplier: If a buyer is able to get similar products /services from other suppliers, buyers depend less on a particular supplier. Therefore, the power of the buyer would be greater.
3. Switching costs: If there are not many alternative suppliers available, the cost of switching is high. Therefore, buyer power would be low.
4. Backward Integration: If the buyer is able to integrate or merge suppliers, the buyer has greater bargaining power over the existing suppliers.

When is Bargaining Power of Buyers High/Strong?

There are fewer buyers relative to that of suppliers

The switching costs of the buyer are low

If the buyer is able to backward integrate

The buyer purchases product in bulk (high volume)

The buyer is able to get similar product/services from other suppliers

The buyer purchases the majority of the seller's products

Several substitutes are available on the market

Product is not differentiated

Reference:

CIPS study guide page 54-56

What is the Bargaining Power of Buyers?

NEW QUESTION # 255

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

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

Answer: B,C,F

Explanation:

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 # 256

Which of the following are most likely to be characteristics of a perfectly competitive market? Select TWO that apply

- A. Firms can freely enter or exit the market

- B. In a perfectly competitive market, each seller has a large impact on the market price A perfectly competitive market consists of products that are all slightly different from one another
- C. There are many buyers and sellers in the market
- D. In a competitive market, both buyers and sellers are price givers

Answer: A,C

Explanation:

A perfectly competitive market is one with the following features:

- There are many firms producing identical or very similar (homogeneous) goods or services
- There are no barriers to entry to the market or exit from the market - anyone can enter or leave easily
- Both producers and customers have perfect knowledge of the market place, prices, costs of production and influences on demand and supply Under these conditions, the price and quantity will always tend toward equilibrium as any producer that sets a price above equilibrium will not sell anything at all, and any producer that sets a price below a equilibrium will obtain 100% market share in theory. The demand curve is perfectly elastic, which means that it will be horizontal. In a perfectly competitive market, it is difficult to increase profits through pricing, and suppliers instead must focus on their cost structure. As these conditions imply, there are few if any examples of perfectly competitive market.

LO 2, AC 2.2

NEW QUESTION # 257

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