

Module 5
Section C: Risk Management

Term
Business continuity management system
(BCMS)

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Part of the overall management system that establishes, implements, operates, monitors, reviews, maintains, and improves an organization's capability of delivering products or services at acceptable predefined levels following a disruptive incident. It is based upon identifying potential threats and their impacts to an organization and its business operations. The system provides a framework for building organizational resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand, and value-creating activities.

Module 5
Section C: Risk Management

Term
Business continuity planning (BCP)

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Plans to ensure that an organization is capable of continuing to deliver products or services at acceptable predefined levels following a disruptive incident. The plans are developed by identifying potential threats to an organization and the impacts on business operations those threats might cause. These plans provide a framework for building organizational resilience with the capability of an effective response to safeguard the interests of its key stakeholders, reputation, brand, and value-creating activities.

Module 5
Section C: Risk Management

Term
Contingency planning

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A process for creating alternative plans to facilitate project success if certain risk events occur.

Module 5
Section C: Risk Management

Term
Failsafe work method

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A method of performing operations so that erroneous or faulty actions cannot be completed. For example, a part without holes in the proper place cannot be removed from a jig, or a computer system rejects invalid numbers. Syns.: failsafe techniques, mistake-proofing, poka-yoke.

Module 5
Section C: Risk Management

Term
Redundancy

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1) A backup capability, coming either from extra machines or from extra components within a machine, to reduce the effects of breakdowns. 2) The use of one or more extra or duplicating components in a system or equipment (often to increase reliability).

Module 5
Section C: Risk Management

Term
Resilience

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In the supply chain, the ability to return to a position of equilibrium after experiencing an event that causes operational results to deviate from expectations. Resilience can be improved by increasing the number of response options and/or decreasing the time to execute those options. Resilience is improved by risk monitoring and control.

Module 5
Section C: Risk Management

Term
Risk acceptance

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A decision to take no action to deal with a risk or an inability to format a plan to deal with the risk.

Module 5
Section C: Risk Management

Term
Risk avoidance

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Changing a plan to eliminate a risk or to protect plan objectives from its impact.

Module 5
Section C: Risk Management

Term
Risk management

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The identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

Module 5
Section C: Risk Management

Term
Risk mitigation

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Reducing exposure to risk in terms of either its likelihood or its impact.

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Section C: Risk Management

Term
Risk pooling

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A method often associated with the management of inventory risk. Manufacturers and retailers that experience high variability in demand for their products can pool together common inventory components associated with a broad family of products to buffer the overall burden of having to deploy inventory for each discrete product.

Module 5
Section C: Risk Management

Term
Risk register

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A report that has summary information on qualitative risk analysis, quantitative risk analysis, and risk response planning. This register contains all identified risks and associated details.

Module 5
Section C: Risk Management

Term
Risk tolerance

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An organization's or stakeholder's readiness to accept a threat or potential negative outcome in order to achieve its objectives.

Module 5
Section C: Risk Management

Term
Supply chain event management (SCEM)

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A term associated with supply chain management software applications, in which users have the ability to flag the occurrence of certain supply chain events to trigger some form of alert or action within another supply chain application. SCEM can be deployed to monitor supply chain business processes such as planning, transportation, logistics, or procurement. It can also be applied to supply chain business intelligence applications to alert users to any unplanned or unexpected events. See: performance and event management system.

Module 5
Section D: Sustainability Strategies

Term
Certification audit

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An audit occurring within a registration process (e.g., for ISO 9000:2015).

Module 5
Section D: Sustainability Strategies

Term
Design for the environment (DFE)

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Considering health, safety, and environmental aspects of a product during the design and development phase of product development.

Module 5
Section D: Sustainability Strategies

Term
Global Reporting Initiative (GRI)

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A network-based organization that pioneered the world's most widely used sustainability reporting framework.

Module 5
Section D: Sustainability Strategies

Term
Global Reporting Initiative (GRI) Standards

APICS CPIM Learning System © 2026

The framework that sets out the principles and performance indicators organizations can use to measure and report their human rights, labor, environment, and anticorruption practices and outcomes.

Module 5
Section D: Sustainability Strategies

Term
Green manufacturing

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A method of producing a good or service that minimizes external cost and pollution. It includes design for reuse, design for disassembly, and design for remanufacturing. See: environmentally responsible business.

Module 5
Section D: Sustainability Strategies

Term
ISO 14000 family of standards

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A series of generic environmental management standards developed by the International Organization for Standardization (ISO) that provide structure and systems for managing environmental compliance with legislative and regulatory requirements and affect every aspect of a company's environmental operations.

Module 5
Section D: Sustainability Strategies

Term
ISO 26000:2010

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An international standard developed by the International Organization for Standardization (ISO) to assist organizations in contributing to sustainable development beyond legal compliance through a common understanding of social responsibility.

Module 5
Section D: Sustainability Strategies

Term
Life cycle assessment (LCA)

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The evaluation of the human and environmental impacts of a product, process, or service throughout its life, including energy, material, and environmental inputs and outputs. LCA includes raw material extraction through materials processing, manufacture, distribution, use, repair and maintenance, and disposal or recycling. Syn.: life cycle analysis. See: cradle-to-cradle.

Module 5
Section D: Sustainability Strategies

Term
Life cycle costing

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In evaluating alternatives, the consideration of all costs—including acquisition, operation, and disposition costs—that will be incurred over the entire time of product ownership.

Module 5
Section D: Sustainability Strategies

Term
Logistics social responsibility

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The subset of corporate social responsibility (CSR) that relates to logistics, including minimizing negative impacts, monitoring and controlling, reporting, and continuously improving in social responsibility areas that include the environment, health and safety, and labor issues related to warehousing, transportation, and other logistics areas.

Module 5
Section D: Sustainability Strategies

Term
Social responsibility

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Commitment by top management to behave ethically and to contribute to community development. This may also entail improving the workforce's quality of life.

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Section D: Sustainability Strategies

Term
Stakeholder

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Any individual or group that has an interest that is affected or could be affected by the organization's activities. These include business partners, civil society organizations, consumers, customers, employees and other workers, managers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, or vulnerable groups.

Module 5
Section D: Sustainability Strategies

Term
Sustainability

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An organizational focus on activities that provide present benefit without compromising the needs of future generations. See: sustainable specification.

Module 5
Section D: Sustainability Strategies

Term
Triple bottom line (TBL)

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An approach that measures the economic, social, and environmental impact of an organization's activities with the intent of creating value for both its shareholders and society.

Module 5
Section D: Sustainability Strategies

Term
UN Global Compact Management Model

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A framework for guiding companies through the process of formally committing to, assessing, defining, implementing, measuring, and communicating the United Nations Global Compact and its principles. See: United Nations Global Compact.

Module 5
Section D: Sustainability Strategies

Term
United Nations Global Compact

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A voluntary initiative whereby companies embrace, support, and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment, and anticorruption.

Module 5
Section A: Suppliers and Procurement

Term
Certified supplier

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A status awarded to a supplier based on the buyer's audit finding that the supplier consistently meets the buyer's predetermined quality, cost, delivery, financial, and count objectives. Incoming inspection of materials and parts from certified suppliers may not be required.

Module 5
Section A: Suppliers and Procurement

Term
Critical to quality (CTQ)

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The important and measurable traits of a product or process whose performance targets must be met to satisfy the customer. CTQ characteristics impact the perceived value and quality by the customer and drive customer satisfaction.

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Section A: Suppliers and Procurement

Term
Cross-docking

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The concept of packing products on incoming shipments so they can be easily sorted at intermediate warehouses or for outgoing shipments based on final destination. The items are carried from the incoming vehicle docking point to the outgoing vehicle docking point without being stored in inventory at the warehouse. Syn.: direct loading. See: inbound staging.

Module 5
Section A: Suppliers and Procurement

Term
Customer-supplier partnership

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A long-term relationship between a buyer and a supplier characterized by teamwork and mutual confidence. The supplier is considered an extension of the buyer's organization. The partnership is based on several commitments. The buyer provides long-term contracts and uses fewer suppliers. The supplier implements quality assurance processes so that incoming inspection can be minimized. The supplier also helps the buyer reduce costs and improve product and process designs. Syn.: customer partnership. See: outpartnering.

Module 5
Section A: Suppliers and Procurement

Term
First pass yield

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The ratio of products that conform to specifications without rework or modification to total input.

Module 5
Section A: Suppliers and Procurement

Term
First-article inspection

APICS CPIM Learning System © 2026

A quality check on the first component run after a new setup has been completed. Syn.: first-piece inspection.

Module 5
Section A: Suppliers and Procurement

Term
Functional requirement

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An attribute of a product that must function properly to avoid the failure of the product. Syn.: critical characteristic.

Module 5
Section A: Suppliers and Procurement

Term
Joint venture

APICS CPIM Learning System © 2026

A separate entity created by two or more organizations through shared ownership, risk, and returns to accomplish a specific business objective.

Module 5
Section A: Suppliers and Procurement

Term
Multisourcing

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Procurement of a good or service from more than one independent supplier. Syn.: multiple sourcing. Ant.: single sourcing. See: dual sourcing.

Module 5
Section A: Suppliers and Procurement

Term
Offshore

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The use of resources from a different country than the original company's country. See: outsourcing.

Module 5
Section A: Suppliers and Procurement

Term
Participative design/engineering

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The simultaneous participation of all the functional areas of the firm, and often major suppliers and customers, in the product design process. The intent is to enhance the design with the inputs of all the key stakeholders. Such a process should ensure that the final design meets all the needs of the stakeholders and should ensure a product that can be quickly brought to the marketplace while maximizing quality and minimizing costs. Syns.: co-design, concurrent design, concurrent engineering, new product development, parallel engineering, simultaneous design/engineering, simultaneous engineering, team design/engineering. See: early manufacturing involvement.

Module 5
Section A: Suppliers and Procurement

Term
Physical supply

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The movement and storage of goods from suppliers to manufacturing. The cost of physical supply is ultimately passed on to the customer.

Module 5
Section A: Suppliers and Procurement

Term
Procurement

APICS CPIM Learning System © 2026

The business functions of procurement planning, purchasing, inventory control, traffic, receiving, incoming inspection, and salvage operations.

Module 5
Section A: Suppliers and Procurement

Term
Purchasing

APICS CPIM Learning System © 2026

The term used in industry and management to denote the function of and the responsibility for procuring materials, supplies, and services.

Module 5
Section A: Suppliers and Procurement

Term
Quality

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Conformance to requirements or fitness for use. Quality can be defined through five principal approaches: (1) Transcendent quality is an ideal and a condition of excellence. (2) Product-based quality is based on a product attribute. (3) User-based quality is fitness for use. (4) Manufacturing-based quality is conformance to requirements. (5) Value-based quality is the degree of excellence at an acceptable price. Also, quality has two major components: (1) quality of conformance, which is quality defined by the absence of defects, and (2) quality of design, which is quality measured by the degree of customer satisfaction with a product's characteristics and features.

Module 5
Section A: Suppliers and Procurement

Term
Request for quote (RFQ)

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A document used to solicit vendor responses when a product has been selected and price quotations are needed from several vendors. Syn.: request for proposal (RFP). See: competitive bid.

Module 5
Section A: Suppliers and Procurement

Term
Responsible procurement

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Ensuring the use of ethical sources of goods and services where a firm does business to bring about a positive impact and minimize the negative impacts on societies and environments. This includes processes for identifying, assessing, and managing the environmental, social, and ethical risks in the supply chain. Another important strategy is reducing, reusing and recycling materials. Syn.: environmentally responsible purchasing.

Module 5
Section A: Suppliers and Procurement

Term
Single-source supplier

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A company that is selected to have 100 percent of the business for a part although alternate suppliers are available. See: sole-source supplier.

Module 5
Section A: Suppliers and Procurement

Term
Sole source

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A supply situation where the supply of a good or service is available from only one organization. Usually technical barriers, such as patents, complex tooling, or component designs, preclude other suppliers from offering the product.

Module 5
Section A: Suppliers and Procurement

Term
Strategic alliance

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A relationship formed by two or more organizations that share proprietary information, participate in joint investments, and develop linked and common processes to increase the performance of both companies. Many organizations form strategic alliances to increase the performance of their common supply chain.

Module 5
Section A: Suppliers and Procurement

Term
Strategic partnerships

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Alliances with top supplier and buyer performers to enhance a firm's performance.

Module 5
Section A: Suppliers and Procurement

Term
Strategic sourcing

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A comprehensive approach for locating and sourcing key material suppliers, which often includes the business process of analyzing total-spend-for-material spend categories. The approach includes a focus on the development of long-term relationships with trading partners who can help the purchaser meet profitability and customer satisfaction goals. From an information technology (IT) applications perspective, it includes automation of requests for quotes, requests for proposals, electronic auctioning (e-auction or reverse auction), and contract management processes.

Module 5
Section A: Suppliers and Procurement

Term
Supplier

APICS CPIM Learning System © 2026

A provider of goods or services to another company.
See: outside shop, vendor.

Module 5
Section A: Suppliers and Procurement

Term
Supplier audit

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Auditing supplier processes as part of a supplier development system.

Module 5
Section A: Suppliers and Procurement

Term
Supplier certification

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Certification procedures verifying that a supplier operates, maintains, improves, and documents effective procedures that relate to the customer's requirements. Such requirements can include cost, quality, delivery, flexibility, maintenance, safety, and ISO quality and environmental standards.

Module 5
Section A: Suppliers and Procurement

Term
Supplier relationship management (SRM)

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A comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services the enterprise uses. The goal of SRM is to streamline and make more effective the processes between an enterprise and its suppliers. SRM is often associated with automating procure-to-pay business processes, evaluating supplier performance, and exchanging information with suppliers. An e-procurement system is often an example of an SRM family of applications.

Module 5
Section A: Suppliers and Procurement

Term
Tactical buying

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The purchasing process focused on transactions and nonstrategic material buying. It is closely aligned with the ordering portion of executing the purchasing transaction process. Its characteristics include stable, limited fluctuations; defined standard specifications noncritical to production; no delivery issues; and high reliability concerning quality-standard material with very little concern for rejects. See: strategic sourcing.

Module 5
Section A: Suppliers and Procurement

Term
Terms and conditions

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All the provisions and agreements of a contract.

Module 5
Section A: Suppliers and Procurement

Term
Third-party logistics (3PL)

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A buyer and supplier team with a third party that provides product delivery services. This third party may provide added supply chain expertise. See: distribution warehouse, fourth-party logistics (4PL).

Module 5
Section A: Suppliers and Procurement

Term
Value analysis

APICS CPIM Learning System © 2026

The systematic use of techniques that identify a required function, establish a value for that function, and finally provide that function at the lowest overall cost. This practice focuses on the functions of an item rather than the methods of producing the present product design.

Module 5
Section A: Suppliers and Procurement

Term
Virtual organization

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Short-term alliances between independent organizations in a potentially long-term relationship to design, produce, and distribute a product. Organizations cooperate based on mutual values and act as a single entity to third parties.

Module 5
Section E: Waste Hierarchy and Reverse Logistics

Term
Green reverse logistics

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A reverse logistics strategy that reduces the environmental impact of end-of-life returned items through the recovery and recycling of materials and packaging.

Module 5
Section E: Waste Hierarchy and Reverse Logistics

Term
Material review board (MRB)

APICS CPIM Learning System © 2026

An organization within a company, often a standing committee, that determines the resolution or disposition of items that have questionable quality or other attributes.

Module 5
Section E: Waste Hierarchy and Reverse Logistics

Term
Return disposal costs

APICS CPIM Learning System © 2026

The costs that occur from discarding or recycling products that are returned because they have reached the end of their useful lives or are obsolete. These costs are commonplace in the consumer goods industry.

Module 5

Section E: Waste Hierarchy and Reverse Logistics

Term

Return goods handling

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The work a company puts into accepting returned goods from its customers.

Module 5

Section E: Waste Hierarchy and Reverse Logistics

Term

Returns

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A step in the reverse logistics process when a customer sends a product back for any of several possible reasons including the product being defective, damaged, out of season, or outdated (end-of-life); because it failed to meet expectations; or because it represented excess inventory.

Module 5

Section E: Waste Hierarchy and Reverse Logistics

Term

Returns inventory costs

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All of the costs associated with handling returned inventory.

Module 5

Section E: Waste Hierarchy and Reverse Logistics

Term

Returns processing cost

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All of the costs associated with dealing with returned items after they have been received. These costs occur when returned items are repaired, discarded, or replaced.

Module 5
Section E: Waste Hierarchy and Reverse Logistics

Term
Reverse logistics

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A complete supply chain dedicated to the reverse flow of products and materials for the purpose of returns, repair, remanufacture, and/or recycling.

Module 5
Section E: Waste Hierarchy and Reverse Logistics

Term
Waste hierarchy

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A process that ranks waste management options according to what is most environmentally sound, giving top priority to preventing waste. The hierarchy from top to bottom is reduce, reuse, recycle, recovery, and disposal.

Module 5
Section B: Purchasing and Maintenance

Term
Consignment

APICS CPIM Learning System © 2026

1) A shipment that is handled by a common carrier. 2) The process of a supplier placing goods at a customer location without receiving payment until after the goods are used or sold. See: consigned stocks, consignment inventory.

Module 5
Section B: Purchasing and Maintenance

Term
Continuous replenishment

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A practice of supplier collaboration in which a supplier is notified daily of actual sales or warehouse shipments and commits to replenishing these sales without stockouts and without receiving formal replenishment orders. The result is a lowering of associated costs and an improvement in inventory turnover. See: quick-response program (QRP), rapid replenishment, vendor-managed inventory (VMI).

Module 5
Section B: Purchasing and Maintenance

Term
Order processing

APICS CPIM Learning System © 2026

The activities required to administratively process a customer's order and make it ready for shipment or production.

Module 5
Section B: Purchasing and Maintenance

Term
Point-of-use delivery

APICS CPIM Learning System © 2026

Direct delivery of material to a specified location on a plant floor near the operation in which it is to be used.

Module 5
Section B: Purchasing and Maintenance

Term
Purchase order

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The purchaser's authorization used to formalize a purchase transaction with a supplier. A purchase order, when given to a supplier, should contain statements of the name, part number, quantity, description, and price of the goods or services ordered; agreed-to terms as to payment, discounts, date of performance, and transportation; and all other agreements pertinent to the purchase and its execution by the supplier. See: discrete purchase order.

Module 5
Section B: Purchasing and Maintenance

Term
Purchase requisition

APICS CPIM Learning System © 2026

An authorization to the purchasing department to purchase specified materials in specified quantities within a specified time. See: part requisition.

Module 5
Section B: Purchasing and Maintenance

Term
Supplier measurement

APICS CPIM Learning System © 2026

The act of measuring the supplier's performance to a contract. Measurements usually cover delivery reliability, lead time, and price. Syn.: purchasing performance measurement. See: vendor measurement.

Module 5
Section B: Purchasing and Maintenance

Term
Supplier scheduling

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A purchasing approach that provides suppliers with schedules rather than with individual hard-copy purchase orders. Normally, a supplier scheduling system will include a business agreement (contract) for each supplier, a weekly (or more frequent) schedule for each supplier extending for some time into the future, and individuals called supplier schedulers. Also required is a formal priority planning system that works well because it is essential in this arrangement to provide the supplier with valid due dates. Syn.: vendor scheduling.

Module 5
Section B: Purchasing and Maintenance

Term
Vendor-managed inventory (VMI)

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A means of optimizing supply chain performance in which the supplier has access to the customer's inventory data and is responsible for maintaining the inventory level required by the customer. Based upon an agreed-to service level and inventory performance objectives, the supplier monitors inventory activity and levels and plans for and replenishes its customer's inventory with minimal transactional involvement by the customer. The vendor invoices the customer based on the replenishment that occurs. See: co-managed inventory (CMI), continuous replenishment.