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CIPS L6M2 Exam Syllabus Topics:

Topic	Details
Topic 1	Understand and apply the concept of commercial global strategy in organizations: This section measures the skills of Global Strategy Analysts and focuses on evaluating the characteristics of strategic decisions in organizations. It includes understanding strategic versus operational management, strategic choices, and the vocabulary of strategy. A key skill measured is effectively differentiating between strategic and operational management.
Topic 2	Understand strategy formulation and implementation: This section evaluates the skills of Strategic Planners in understanding how corporate and business strategies impact supply chains. It covers strategic directions, diversification, portfolio matrices, and methods for pursuing strategies like mergers or alliances. It also examines aligning supply chains with organizational structures and managing resources like people, technology, and finance. A key skill measured is implementing strategies under uncertain conditions.
Topic 3	Understand financial aspects that affect procurement and supply: This section measures the skills of Financial Analysts in assessing how costs, funding, and economic objectives impact supply chains. It includes managing currency volatility through exchange rate instruments like forwards or derivatives and addressing commodity price fluctuations using futures or hedging. A critical skill assessed is managing financial risks in global supply chains effectively.
Topic 4	Understand and apply tools and techniques to address the challenges of global supply chains: This section targets Supply Chain Analysts and covers methods for analyzing global supply chains, such as STEEPLD analysis, benchmarking, and performance metrics. It also evaluates regulatory influences, including import export controls, tariffs, and employment regulations like equality, health, and safety. A critical skill assessed is applying STEEPLD analysis to supply chain challenges.

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CIPS Global Commercial Strategy Sample Questions (Q12-Q17):

NEW QUESTION # 12

SIMULATION

Describe 5 strategic decisions a company can make and how these decisions could impact upon competitive advantage.

Answer:

Explanation:

Five Strategic Decisions a Company Can Make and Their Impact on Competitive Advantage Strategic decisions shape a company's direction and influence its long-term success. Below are five key strategic decisions and their impact on competitive advantage:

1. Market Entry Strategy

Decision: A company decides how to enter new markets (e.g., direct investment, joint ventures, exporting, franchising).

Impact on Competitive Advantage:

- ☐ Global Reach: Expanding into new markets increases revenue streams and reduces dependency on a single market.
- ☐ Risk Mitigation: Entering via joint ventures or alliances can reduce risks related to market unfamiliarity.
- ☐ Brand Positioning: Choosing premium vs. cost-leadership entry strategies can establish market dominance.
- ☐ Potential Risk: Poor market research can lead to financial loss and reputational damage.

Example: Tesla entering China through direct investment in Gigafactories to strengthen its supply chain and reduce production costs.

2. Supply Chain Strategy

Decision: Whether to adopt a globalized, localized, or hybrid supply chain model.

Impact on Competitive Advantage:

- ☐ Cost Reduction: Strategic sourcing from low-cost countries lowers production expenses.
- ☐ Resilience: A diverse supplier base reduces risks of disruptions (e.g., geopolitical risks, pandemics).
- ☐ Speed to Market: Nearshoring strategies improve lead times and response to demand fluctuations.
- ☐ Potential Risk: Over-reliance on global suppliers can lead to disruptions (e.g., semiconductor shortages).

Example: Apple's dual sourcing strategy for chip manufacturing (Taiwan's TSMC + US-based suppliers) improves resilience.

3. Innovation and R&D Investment

Decision: How much to invest in research and development (R&D) to drive product innovation.

Impact on Competitive Advantage:

- ☐ Differentiation: Unique and high-quality products create strong brand loyalty (e.g., iPhones, Tesla).
- ☐ First-Mover Advantage: Innovators set industry trends, making it difficult for competitors to catch up.
- ☐ Revenue Growth: New technologies create additional revenue streams (e.g., SaaS models in tech).
- ☐ Potential Risk: High R&D costs with no guaranteed success (e.g., Google Glass failure).

Example: Pfizer and BioNTech's rapid COVID-19 vaccine development, giving them first-mover advantage.

4. Pricing Strategy

Decision: Whether to compete on cost leadership, differentiation, or premium pricing.

Impact on Competitive Advantage:

- ☐ Market Penetration: Low-cost pricing attracts price-sensitive customers (e.g., Walmart, Ryanair).
- ☐ Brand Exclusivity: Premium pricing enhances brand perception and profitability (e.g., Rolex, Louis Vuitton).
- ☐ Value-Based Pricing: Aligning price with perceived value increases customer retention.
- ☐ Potential Risk: A race to the bottom in pricing wars can erode profit margins (e.g., budget airlines struggle with profitability).

Example: Apple uses a premium pricing strategy while Xiaomi competes via cost leadership in smartphones.

5. Digital Transformation Strategy

Decision: Investment in automation, AI, and digital platforms to improve efficiency and customer engagement.

Impact on Competitive Advantage:

- ☐ Operational Efficiency: Automation reduces costs and increases productivity (e.g., Amazon's AI-driven warehouses).
- ☐ Customer Experience: AI-driven personalization improves engagement (e.g., Netflix's recommendation algorithms).
- ☐ Scalability: Digital platforms enable rapid global expansion (e.g., Shopify helping SMEs go digital).
- ☐ Potential Risk: High initial investment with slow ROI; risk of cyber threats.

Example: Starbucks using AI-powered personalization and mobile ordering to increase sales and customer loyalty.

Conclusion

Each strategic decision influences a company's competitive positioning. The most successful companies align market expansion, supply chain strategies, innovation, pricing, and digital transformation to create a sustainable competitive advantage.

NEW QUESTION # 13

SIMULATION

Describe and evaluate the use of the VRIO Framework in understanding the internal resources and competencies of an organisation.

Answer:

Explanation:

The VRIO Framework: Understanding Internal Resources and Competencies

The VRIO Framework is a strategic analysis tool used to assess an organization's internal resources and competencies to determine whether they provide a sustainable competitive advantage. Developed by Jay Barney, VRIO stands for Value, Rarity, Imitability, and Organization.

1. Explanation of the VRIO Framework

The VRIO model evaluates whether a firm's resources and capabilities contribute to a sustained competitive advantage.

VRIO Element	Key Question	Impact on Competitive Advantage
Value (V)	Does the resource create value for the company and customers?	If YES, the resource contributes to efficiency, cost reduction, or differentiation.
Rarity (R)	Is the resource unique or scarce in the industry?	If YES, it limits competition and enhances market position.
Imitability (I)	Is it difficult for competitors to copy or substitute?	If YES, it strengthens long-term competitive sustainability.
Organization (O)	Does the company have the structure, culture, and processes to exploit this resource?	If YES, the company can fully utilize its competitive advantage.

Example: Apple's software ecosystem (iOS, App Store) is valuable, rare, hard to imitate, and well-organized, giving it a sustainable competitive advantage.

2. The Use of VRIO in Assessing Internal Resources and Competencies

Companies use the VRIO framework to identify which resources provide temporary or sustainable competitive advantages.

VRIO Outcome	Competitive Impact	Example
V Only	Competitive Disadvantage	A commodity product with no unique features
V + R	Temporary Competitive Advantage	New technology that competitors can replicate
V + R + I	Stronger Competitive Advantage	Tesla's proprietary battery technology
V + R + I + O	Sustainable Competitive Advantage	Google's AI-driven search algorithm

3. Advantages of Using VRIO in Strategic Decision-Making

- Identifies Core Competencies - Helps organizations focus on key strengths that drive long-term success.
- Guides Investment Decisions - Encourages businesses to invest in resources that are difficult to imitate.
- Improves Competitive Strategy - Helps firms differentiate between short-term vs. long-term advantages.

Example: Coca-Cola's brand equity is VRIO-positive, making it difficult for new entrants to replicate.

4. Limitations of the VRIO Framework

- Ignores External Factors - Unlike PESTLE or Porter's Five Forces, VRIO does not account for market conditions or regulatory changes.
- Subjectivity in Resource Evaluation - Assessing whether a resource is truly valuable or rare can be complex.
- Lack of Actionable Steps - VRIO identifies competitive strengths but does not provide strategies for leveraging them.

Example: A company may identify a rare talent pool, but poor organizational structure (O) can prevent it from leveraging this advantage.

5. Application of VRIO in Business Strategy

Businesses across different industries use VRIO to assess their internal strengths:

Industry	Company & VRIO Resource	Competitive Advantage
Technology	Google's AI search algorithm	Sustainable
Automotive	Tesla's battery technology	Strong
Retail	Amazon's logistics network	Sustainable
Luxury	Rolex's craftsmanship & brand heritage	Sustainable

Conclusion

The VRIO Framework is a valuable tool for evaluating internal resources and capabilities, allowing businesses to identify sustainable competitive advantages. However, it should be used alongside external analysis tools (e.g., PESTLE, SWOT) to ensure a comprehensive strategic assessment.

NEW QUESTION # 14

SIMULATION

Discuss the difference between a merger and an acquisition. What are the main drivers and risks associated with this approach to growth compared to an organic development strategy?

Answer:

Explanation:

Mergers vs. Acquisitions: Drivers, Risks, and Comparison to Organic Growth Introduction Businesses seeking growth can expand through mergers and acquisitions (M&A) or by organic development. Mergers and acquisitions involve external growth strategies, where companies combine forces or take over another business, whereas organic growth occurs internally through investment in operations, R&D, and market expansion.

While M&A strategies provide rapid expansion and competitive advantages, they also carry integration risks and financial complexities compared to organic growth.

1. Difference Between a Merger and an Acquisition

Aspect	Merger 🤝	Acquisition 🏢
Definition	Two companies combine to form a new entity , usually on equal terms.	One company buys another , gaining control over its assets and operations.
Company Identity	A new business entity is formed.	The acquiring company retains its identity , while the acquired company may be absorbed.
Control & Leadership	Shared decision-making between merging firms.	The acquiring company takes full control .
Legal & Regulatory Impact	Requires approval from both company shareholders .	The acquiring company executes the takeover independently .
Example	Glaxo Wellcome & SmithKline Beecham → GlaxoSmithKline (GSK)	Facebook acquiring Instagram (2012)

Key Takeaway: Mergers are usually collaborative, while acquisitions involve one company dominating another.

2. Main Drivers of Mergers & Acquisitions (M&A)

1. Market Expansion & Faster Growth

- Provides **immediate access** to new markets, customers, and geographies.
- **Faster than organic growth**, allowing firms to scale operations quickly.

Example: Amazon's acquisition of Whole Foods gave it an instant presence in the grocery sector.

2. Cost Synergies & Efficiency Gains

- Reduces duplication of functions (e.g., shared IT, supply chain).
- Achieves economies of scale, lowering operating costs.

Example: Disney's acquisition of 21st Century Fox reduced production costs by consolidating media assets.

3. Competitive Advantage & Market Power

- Eliminates competition by absorbing rival firms.
- Strengthens bargaining power over suppliers and distributors.

Example: Google acquiring YouTube removed a major competitor in the video-sharing industry.

4. Access to New Technology & Innovation

- Fast-tracks adoption of emerging technologies.
- Avoids lengthy in-house R&D development cycles.

Example: Microsoft's acquisition of LinkedIn gave it access to AI-driven professional networking tools.

3. Risks of Mergers & Acquisitions

1. Cultural & Operational Integration Challenges

- Employees from different companies may resist integration, leading to conflicts.
- Different corporate cultures may result in productivity loss.

Example: The Daimler-Chrysler merger failed due to cultural clashes between German and American management styles.

2. High Financial Costs & Debt Risks

- Acquiring companies often take on large amounts of debt.
- M&A deals may overvalue the target company, leading to losses.

Example: AOL's acquisition of Time Warner (\$165 billion) resulted in huge financial losses due to overvaluation.

3. Regulatory and Legal Barriers

- Government regulators may block mergers due to monopoly concerns.
- Legal challenges may delay or cancel deals.

Example: The EU blocked Siemens and Alstom's rail merger due to competition concerns.

4. Disruption to Core Business

- Management focus on M&A can distract from existing operations.
- Post-merger integration complexities can lead to delays and inefficiencies.

Example: HP's acquisition of Compaq resulted in years of internal restructuring, impacting performance.

4. Comparison: M&A vs. Organic Growth

Factor	Mergers & Acquisitions (M&A)	Organic Growth
Speed of Expansion	Rapid expansion through acquisition.	Slower, gradual market development.
Risk Level	High risk due to financial, cultural, and regulatory challenges.	Lower risk since it builds on existing strengths.
Capital Requirement	Expensive – requires large investment or debt financing.	Less costly, as it grows from retained earnings.
Control & Strategy	May lead to complex integration and restructuring.	Retains full control over direction and culture.
Innovation	Gains instant access to new technology.	Requires internal R&D investment.

Key Takeaway: M&A provides fast expansion but comes with higher risks, whereas organic growth is slower but more sustainable.

5. Conclusion

Mergers and acquisitions offer a fast-track to market leadership, providing growth, cost synergies, and competitive advantages. However, they also carry significant financial, cultural, and regulatory risks compared to organic growth.

- Best for: Companies needing rapid expansion, technology access, or competitive positioning.
- Risky when: Poor cultural integration, excessive debt, or regulatory obstacles arise.

Businesses must carefully assess strategic fit, financial feasibility, and post-merger integration plans before choosing M&A as a growth strategy.

NEW QUESTION # 15

SIMULATION

Explain how culture and historic influences can impact upon a business's strategic decisions and positioning within the marketplace

Answer:

Explanation:

How Culture and Historic Influences Impact Strategic Decisions and Market Positioning A business's strategic decisions and positioning within the marketplace are shaped by both organizational culture and historical influences. These factors affect how a company develops strategy, interacts with customers, manages employees, and competes globally.

1. The Role of Organizational Culture in Strategic Decisions

Organizational culture is the shared values, beliefs, and behaviors within a company. It influences decision-making, innovation, and competitive advantage.

How Culture Affects Strategy

- **Risk Appetite** - A culture that embraces innovation (e.g., Google) will invest in R&D, while risk-averse cultures (e.g., traditional banks) focus on stability.
- **Decision-Making Speed** - Hierarchical cultures (e.g., Japanese firms) rely on consensus, while Western firms (e.g., Apple) may have centralized decision-making.
- **Customer Engagement** - A customer-centric culture (e.g., Amazon) leads to investment in personalization and AI-driven recommendations.

Example:

Toyota's Kaizen Culture (Continuous Improvement) has shaped its lean manufacturing strategy, giving it a competitive advantage in cost efficiency.

2. How Historic Influences Shape Business Strategy

Historical events, past business performance, economic trends, and industry evolution shape how businesses position themselves in the marketplace.

How History Affects Strategy

- **Legacy of Innovation or Conservatism** - Companies with a history of innovation (e.g., IBM, Tesla) continuously push boundaries, while firms with traditional roots (e.g., British banks) focus on risk management.
- **Economic Crises and Financial Stability** - Businesses that survived financial crises (e.g., 2008 recession) tend to develop risk-averse financial strategies.
- **Market Reputation and Consumer Perception** - A strong historical reputation can be leveraged for branding (e.g., Rolls-Royce's luxury image).

Example:

Lego nearly went bankrupt in the early 2000s, leading it to redefine its strategy, focus on digital gaming partnerships, and revive its brand.

3. The Influence of National and Corporate Culture on Global Positioning

When expanding globally, businesses must align their strategies with different cultural expectations.

How Culture Affects Global Market Entry

- **Consumer Preferences** - Fast food chains adapt menus for local cultures (e.g., McDonald's in India offers vegetarian options).
- **Negotiation & Communication Styles** - Business negotiations in China emphasize relationships ("Guanxi"), while Western firms prioritize efficiency.
- **Leadership and Management Approaches** - German firms emphasize engineering precision, while Silicon Valley firms prioritize agility and experimentation.

Example:

IKEA modifies store layouts in different countries-small apartments in Japan vs. large home spaces in the U.S.

4. Strategic Positioning Based on Cultural & Historic Factors

A company's historical and cultural influences define its positioning strategy:

Strategic Positioning Factor	Cultural & Historic Influence	Example
Cost Leadership	History of cost-efficiency & lean production	Toyota's lean manufacturing
Differentiation	Innovation-driven culture	Apple's product design strategy
Sustainability	Environmentally conscious culture	Patagonia's eco-friendly branding
Heritage Branding	Using history for premium positioning	Rolex leveraging Swiss craftsmanship

Conclusion

A business's strategic decisions and market positioning are deeply influenced by organizational culture, national culture, and historical performance. Companies that leverage their cultural strengths and adapt to market history can achieve long-term competitive advantage.

NEW QUESTION # 16

SIMULATION

Discuss 5 tasks of strategic management

Answer:

Explanation:

Five Key Tasks of Strategic Management

Introduction

Strategic management involves formulating, implementing, and evaluating a company's long-term goals to achieve competitive advantage. It ensures that an organization effectively aligns its resources, capabilities, and market position to meet its objectives.

The strategic management process can be broken down into five key tasks:

1. Setting Vision, Mission, and Objectives

Strategic management begins with defining the organization's purpose and direction.

- ☐ Vision Statement: Describes the long-term aspirations of the business.
- ☐ Mission Statement: Outlines the core purpose and values.
- ☐ Objectives: Establish specific, measurable goals (e.g., market expansion, profitability targets).

Example:

Tesla's vision is to accelerate the world's transition to sustainable energy.

XYZ Construction might set a strategic objective to become the UK's leading sustainable housing developer.

2. Environmental Scanning and Analysis

Organizations must assess internal and external environments to identify opportunities and threats.

- ☐ External Analysis - Uses PESTLE (Political, Economic, Social, Technological, Legal, Environmental) and Porter's Five Forces to assess market conditions.
- ☐ Internal Analysis - Uses VRIO (Value, Rarity, Imitability, Organization) and SWOT (Strengths, Weaknesses, Opportunities, Threats) to evaluate internal capabilities.

Example:

A global beverage company may conduct PESTLE analysis to assess regulatory changes in sugar taxation.

XYZ Construction may analyze rising material costs and explore alternative suppliers.

3. Strategy Formulation

After analyzing the environment, the organization develops its strategic choices:

- ☐ Corporate-Level Strategy: Determines growth direction (e.g., diversification, mergers, acquisitions).
- ☐ Business-Level Strategy: Focuses on competitive advantage (e.g., cost leadership, differentiation, or niche market strategies).
- ☐ Functional-Level Strategy: Aligns departments (procurement, HR, marketing) with the corporate strategy.

Example:

XYZ Construction could adopt a cost leadership strategy by sourcing materials more efficiently.

Apple follows a differentiation strategy by focusing on innovation and design.

4. Strategy Implementation

Once a strategy is formulated, it must be executed effectively.

- ☐ Organizational Structure: Ensures the right teams and leadership are in place.
- ☐ Change Management: Employees must accept and support the strategy (overcoming resistance to change).
- ☐ Resource Allocation: Financial, technological, and human resources must be assigned effectively.

Example:

XYZ Construction might invest in new project management software to improve efficiency.

Amazon continuously optimizes its logistics network to implement its cost leadership strategy.

5. Strategy Evaluation and Control

Organizations must monitor performance to ensure the strategy remains effective.

- ☐ Key Performance Indicators (KPIs): Measure progress (e.g., sales growth, cost reduction).
- ☐ Feedback & Adaptation: Adjust strategies based on market trends and competitor actions.
- ☐ Risk Management: Identify and mitigate risks (e.g., economic downturns, supply chain disruptions).

Example:

XYZ Construction may review project completion times and adjust its approach for greater efficiency.

McDonald's continuously adapts its menu based on regional preferences and customer feedback.

Conclusion

The five key tasks of strategic management—setting objectives, environmental scanning, strategy formulation, strategy implementation, and evaluation—help organizations achieve long-term success and competitive advantage. Effective strategic management ensures that companies stay agile in dynamic markets while making informed, data-driven decisions.

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