

CIPS L6M3 Test Testking, L6M3 Free Exam Questions

L6M3 Global Strategic Supply Chain Management
CIPS Exam Sample Questions - Learning Guidance 2
Sample Exam Questions 2
Q1: Candidates using a procurement model, the internal and external
importance of global supply chain identified within the case. (H1Q2 2.1)
Review Details

Q2: September 2012
Evaluate the extent to which strategic supply chain management aligns
with the overall business strategy. (H1Q2 2.1)
2.4
Review Details

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CIPS L6M3 Exam Syllabus Topics:

| Topic | Details |
|---------|---|
| Topic 1 | <ul style="list-style-type: none">Understand how strategic supply chain management can support corporate business strategy: This section of the exam measures the skills of Supply Chain Managers and covers how strategic supply chain management aligns with corporate and business strategies. It examines the relationship between supply chain operations and corporate objectives, focusing on how supply chain decisions affect profitability, performance, and risk. Candidates are also evaluated on their ability to create competitive advantages through cost efficiency, outsourcing, and global sourcing strategies while assessing how changes in markets, technologies, and global conditions impact supply chain performance and sustainability. |

| | |
|---------|--|
| Topic 2 | <ul style="list-style-type: none"> Understand and apply supply chain design tools and techniques. This section of the exam measures the skills of Operations Analysts and focuses on using supply chain design principles to achieve efficiency and responsiveness. It includes segmentation of customers and suppliers, management of product and service mixes, and tiered supply chain strategies. The section assesses understanding of network design, value chains, logistics, and reverse logistics. Candidates are expected to evaluate distribution systems, physical network configuration, and transportation management while comparing lean and agile supply chain models to improve demand planning, forecasting, and responsiveness using technology. |
| Topic 3 | <ul style="list-style-type: none"> Understand and apply methods to measure, improve and optimise supply chain performance: This section of the exam measures the skills of Logistics Directors and focuses on tools and methods to evaluate and enhance supply chain performance. It emphasizes the link between supply chain operations and corporate success, with particular attention to value creation, reporting, and demand alignment. The section also assesses the use of KPIs, benchmarking, technology, and systems integration for measuring and optimizing supply chain performance. Candidates are required to understand models for network optimization, risk management, and collaboration methods such as CPFR and BPR. It concludes with assessing tools that achieve strategic fit between supply chain design and business strategy, as well as identifying challenges like globalization, technological changes, and sustainability pressures in maintaining long-term alignment. |
| Topic 4 | <ul style="list-style-type: none"> Understand and apply techniques to achieve effective strategic supply chain management: This section of the exam measures the skills of Procurement Specialists and covers collaborative and data-driven methods for managing supply chains. It explores the evolution from transactional approaches to collaborative frameworks like PADI and the use of shared services. Candidates are tested on stakeholder communication, resource planning, and managing change effectively. The section also includes performance measurement through KPIs, balanced scorecards, and surveys, as well as methods for developing skills, knowledge management, and continuous improvement within supply chain teams and supplier networks. |

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CIPS Global Strategic Supply Chain Management Sample Questions (Q35-Q40):

NEW QUESTION # 35

Describe 4 internal and 4 external risks that can affect the supply chain. How should a supply chain manager deal with risks?

Answer:

Explanation:

See the Explanation for complete answer.

Explanation:

Supply chains operate within complex global networks and are exposed to a wide range of internal and external risks that can disrupt operations, increase costs, and damage reputation.

A strategic supply chain manager must identify, assess, and mitigate these risks proactively to ensure resilience and continuity.

1. Internal Risks

(i) Process Risk

This arises from inefficiencies or failures in internal processes such as production, quality control, or logistics.

Examples include machinery breakdowns, inaccurate demand forecasting, or delays in internal approvals.

Such risks can lead to stockouts, increased costs, and loss of customer trust.

Management approach: Apply process mapping, continuous improvement (Kaizen), and quality management systems (ISO 9001) to

minimise process variability and strengthen internal controls.

(ii) Resource Risk

Internal resource shortages-such as lack of skilled labour, insufficient raw materials, or financial constraints-can affect production capacity.

Management approach:Build flexible workforce planning, maintain adequate working capital, and develop dual sourcing strategies to ensure material availability.

(iii) Information and Systems Risk

Failures in IT systems, cyber-attacks, data loss, or inaccurate information flows can paralyse decision-making and disrupt coordination with suppliers and customers.

Management approach:Invest in robust IT infrastructure, implement cybersecurity measures, and maintain real-time visibility through digital supply chain platforms.

(iv) Management and Governance Risk

Poor leadership, unclear accountability, or lack of cross-functional coordination can lead to strategic misalignment and poor risk responses.

Management approach:Strengthen governance frameworks, develop a risk-aware culture, and ensure alignment between corporate and supply chain objectives.

2. External Risks

(i) Supplier Risk

This occurs when suppliers fail to deliver goods on time, provide substandard quality, or experience financial or operational failure. This can interrupt production and increase procurement costs.

Management approach:Conduct supplier audits, develop long-term partnerships, use supplier scorecards, and establish contingency suppliers to reduce dependency.

(ii) Political and Regulatory Risk

Changes in trade laws, tariffs, sanctions, or political instability in supplier countries can disrupt international supply chains.

Management approach:Diversify sourcing across multiple regions, monitor geopolitical developments, and ensure compliance with international trade regulations.

(iii) Environmental and Natural Disaster Risk

Events such as earthquakes, floods, pandemics, or extreme weather conditions can damage infrastructure and delay logistics.

Management approach:Develop business continuity and disaster recovery plans, maintain safety stock in strategic locations, and invest in supply chain visibility tools.

(iv) Market and Demand Risk

Volatility in customer demand, changes in consumer preferences, or competitor actions can result in excess inventory or lost sales.

Management approach:Use demand forecasting tools, scenario planning, and agile supply chain models to adapt quickly to market changes.

3. How a Supply Chain Manager Should Deal with Risks

A strategic supply chain manager must apply a structured risk management process to anticipate, evaluate, and mitigate risks effectively. The following steps are aligned with professional best practice:

* Risk Identification:Map the end-to-end supply chain to identify potential sources of risk-internal and external-across procurement, logistics, operations, and distribution. Tools such as risk registers and failure mode and effects analysis (FMEA) can be used.

* Risk Assessment and Prioritisation:Evaluate the likelihood and potential impact of each risk using qualitative and quantitative tools. A risk matrix or heat map helps prioritise critical risks that require immediate attention.

* Risk Mitigation and Control:Develop mitigation strategies such as dual sourcing, buffer stock, supplier diversification, or investment in digital monitoring. Risk-sharing mechanisms such as insurance or long-term contracts can also be applied.

* Monitoring and Review:Continuously monitor key risk indicators and reassess risks as markets and conditions change. Regular reviews ensure the risk management framework remains effective and aligned with corporate strategy.

* Building Supply Chain Resilience:Beyond risk avoidance, supply chain managers should focus on resilience-creating flexibility, transparency, and adaptability across the network to recover quickly from disruptions.

Summary

In summary, internal risks stem from factors within the organisation-such as process inefficiencies, information system failures, or management weaknesses-while external risks arise from suppliers, markets, politics, and the environment.

An effective supply chain manager manages these through systematic risk identification, assessment, mitigation, and continuous monitoring, ensuring the supply chain remains resilient, cost-effective, and aligned with the organisation's strategic objectives.

NEW QUESTION # 36

XYZ is an online clothes retailer with no physical stores. Customers place orders which are picked up by warehouse staff and transferred to a logistics company for delivery. Customers are able to return clothes they do not like or that do not fit free of charge. XYZ has had success in the UK market and is planning to expand to the USA. Discuss SIX factors that XYZ should consider when determining the number and location of operating facilities in the USA.

Answer:

Explanation:

See the Explanation for complete answer.

Explanation:

For an online retailer like XYZ Ltd, determining the number and location of operating facilities (such as warehouses, distribution centres, and return-processing hubs) is a strategic supply chain decision that directly impacts service levels, delivery speed, logistics costs, and customer satisfaction.

The USA's large geographic area, diverse customer base, and regional differences in infrastructure, regulation, and logistics capacity make this decision particularly complex.

To ensure efficient market entry and long-term success, XYZ must carefully consider six key factors when deciding how many facilities to establish and where to locate them.

1. Customer Location and Demand Distribution

Description:

Customer proximity is one of the most critical determinants of facility location.

Since XYZ operates purely online, customer demand patterns will dictate where facilities should be placed to optimise delivery speed and cost.

Considerations:

- * Analyse geographic demand concentration- identifying high-density population centres (e.g., New York, Los Angeles, Chicago).
- * Consider e-commerce behaviour- certain regions may have higher online shopping penetration.
- * Evaluate delivery lead time expectations, especially with the rise of next-day and same-day delivery services.

Impact:

Locating warehouses closer to major customer hubs reduces transportation time and cost, improves delivery performance, and enhances customer satisfaction.

Example:

Amazon's distribution strategy includes multiple fulfilment centres across key U.S. states to serve 90% of the population within two days.

2. Transportation and Logistics Infrastructure

Description:

Efficient logistics networks are vital for online retailers that rely on third-party carriers for outbound deliveries and returns.

Facility locations must be chosen to maximise connectivity to major transport routes and logistics partners.

Considerations:

- * Proximity to major highways, ports, airports, and rail terminals for fast inbound and outbound transportation.
- * Availability and performance of logistics service providers (3PLs) in the area.
- * Cost and reliability of shipping to different regions of the USA.

Impact:

Strong transport infrastructure ensures quick delivery, lower shipping costs, and reliable returns management - essential for maintaining competitiveness in online retail.

Example:

A warehouse located near Atlanta (a major logistics hub) allows rapid distribution to the East Coast and Midwest regions.

3. Labour Availability and Cost

Description:

Operating an online retail warehouse requires a reliable and skilled workforce for picking, packing, returns handling, and logistics coordination.

Labour costs and availability vary significantly across U.S. states.

Considerations:

- * Availability of skilled warehouse and logistics labour in target regions.
- * Wage rates, overtime costs, and local labour laws.
- * Seasonal labour flexibility (e.g., for peak seasons such as holidays).

Impact:

Regions with a good supply of affordable labour will reduce operational costs and improve efficiency.

However, choosing areas with labour shortages may lead to recruitment challenges or higher turnover.

Example:

Midwestern states like Ohio and Indiana offer lower labour costs compared to major cities like San Francisco or New York.

4. Cost and Availability of Land and Facilities

Description:

The cost of real estate and availability of industrial space will influence both the number and location of facilities.

Considerations:

- * Land and warehouse rental costs differ greatly between urban and rural areas.
- * Proximity to key urban centres must be balanced with real estate affordability.
- * Zoning regulations, building permits, and tax incentives offered by local governments.

Impact:

Establishing facilities in lower-cost areas can reduce fixed costs, but being too remote may increase transport times and costs. An optimal balance between land cost and logistics efficiency must be achieved.

Example:

Locating distribution centres on the outskirts of major cities (e.g., Dallas-Fort Worth or Chicago suburbs) allows access to urban markets at a lower cost.

5. Returns and Reverse Logistics Management

Description:

Returns are a critical aspect of online fashion retail. XYZ's policy of free returns requires efficient reverse logistics operations to handle large volumes of returned products.

Considerations:

- * Proximity of return centres to major customer locations to minimise return lead times.
- * Integration with carriers that can manage reverse logistics flows efficiently.
- * Facilities must be equipped for inspection, repackaging, and restocking returned items.

Impact:

Well-planned reverse logistics facilities enhance customer satisfaction, reduce turnaround times, and minimise losses from unsellable stock.

Strategically locating return centres near high-volume sales regions can reduce costs and improve sustainability.

Example:

Zalando and ASOS operate regional return hubs in Europe to ensure fast processing and resale of returned garments.

6. Market Entry Strategy and Future Scalability

Description:

XYZ should plan facility locations not only for immediate operations but also for future expansion as the business grows.

The U.S. market may initially require a limited number of regional facilities that can scale over time.

Considerations:

- * Begin with a centralised fulfilment centre to serve early U.S. operations, followed by regional hubs as sales increase.
- * Assess state-level incentives (e.g., tax reliefs, grants) for locating in specific regions.
- * Consider technology infrastructure (e.g., automation readiness, digital connectivity).

Impact:

Scalable and flexible facility planning supports long-term growth and adaptability to changes in demand or logistics trends.

Example:

A phased approach - starting with one central warehouse in the Midwest, expanding later to the East and West Coasts as demand grows.

7. Additional Factors (Supporting Considerations)

Although the six factors above are primary, XYZ should also consider:

- * Political and economic stability of chosen states.
- * Environmental and sustainability policies (e.g., carbon footprint from transport).
- * Legal and regulatory compliance (e.g., customs, data protection, safety standards).
- * Proximity to suppliers and import hubs if goods are sourced internationally.

8. Evaluation and Recommendations

Factor

Strategic Impact

Key Considerations

Customer Demand

High

Delivery speed, proximity to customers

Transportation Infrastructure

High

Connectivity, 3PL performance

Labour Availability

Medium

Cost, skill level, flexibility

Land & Facility Cost

Medium

Rent, taxes, zoning

Reverse Logistics

High

Returns volume, processing speed

Scalability

High

Long-term flexibility and growth potential

Recommended Strategy:

XYZ should adopt a phased regional facility strategy:

- * Start with one central U.S. fulfilment centre (e.g., Midwest - near Chicago or Memphis) for national coverage.
- * Expand to regional hubs (East and West Coasts) as customer demand grows.
- * Establish specialised returns processing facilities close to high-volume markets to enhance customer satisfaction and sustainability.

9. Summary

In summary, determining the number and location of facilities is a strategic decision that must balance cost efficiency, customer service, and scalability.

For XYZ's U.S. expansion, six key factors should guide decision-making:

- * Customer location and demand distribution
- * Transportation and logistics infrastructure
- * Labour availability and cost
- * Land and facility cost and availability
- * Reverse logistics management
- * Scalability and future growth potential

By analysing these factors comprehensively and aligning them with corporate objectives, XYZ can design a cost-effective, agile, and customer-focused U.S. logistics network, positioning itself for sustainable success in a highly competitive online retail market.

NEW QUESTION # 37

What are the advantages and disadvantages to the fragmentation of the supply chain?

Answer:

Explanation:

See the Explanation for complete answer.

Explanation:

Fragmentation of the supply chain refers to the process where supply chain activities - such as sourcing, manufacturing, logistics, and distribution - are dispersed across multiple locations, suppliers, and partners, often on a global scale.

Rather than being concentrated within one integrated organisation or region, fragmented supply chains rely on specialised external entities and geographically dispersed networks to perform different functions.

While this fragmentation can offer strategic and operational benefits, it also introduces complexity, risk, and coordination challenges that must be carefully managed.

1. Meaning and Context of Supply Chain Fragmentation

Globalisation, technological development, and cost pressures have encouraged companies to outsource and offshore many supply chain functions.

For example:

- * Components may be produced in China, assembled in Vietnam, and distributed from the Netherlands.
- * Logistics may be managed by third-party providers (3PLs).
- * Customer service may be handled through separate regional call centres.

This fragmented model allows firms to take advantage of global specialisation, lower costs, and proximity to markets - but at the expense of increased coordination and risk.

2. Advantages of Supply Chain Fragmentation

Fragmentation offers several strategic benefits that can improve competitiveness, flexibility, and access to new capabilities.

(i) Cost Efficiency and Access to Global Resources

Description:

Fragmentation allows organisations to source materials, labour, and services from regions where they are most cost-effective.

Example:

A clothing retailer may source fabric from India, manufacture garments in Bangladesh, and ship products to the UK - taking advantage of lower labour and production costs.

Advantages:

- * Reduces overall production and logistics costs.
- * Increases profit margins and price competitiveness.
- * Enables firms to focus on core competencies (e.g., design, marketing).

(ii) Specialisation and Expertise

Description:

By outsourcing certain activities to specialised suppliers or service providers, companies gain access to expertise and advanced capabilities that might be too costly to develop internally.

Example:

Outsourcing logistics to global 3PLs such as DHL or Maersk allows firms to benefit from advanced distribution networks,

technology, and efficiency.

Advantages:

- * Improves quality and service reliability.
- * Enables innovation through access to specialised knowledge.
- * Supports continuous improvement through competitive outsourcing markets.

(iii) Flexibility and Responsiveness to Market Changes

Description:

A fragmented supply chain enables companies to adapt quickly to changes in global demand, technology, or political conditions by shifting suppliers or production locations.

Example:

Electronics firms often shift production between Southeast Asian countries in response to tariff changes or labour shortages.

Advantages:

- * Enhances agility and responsiveness to external shocks.
- * Supports rapid scaling up or down based on market conditions.
- * Diversifies supply base, reducing dependency on single sources.

(iv) Access to Global Markets and Customer Proximity

Description:

Operating through multiple global supply chain nodes allows firms to be closer to customers, reducing delivery times and improving service.

Example:

A multinational like Unilever locates distribution centres near regional markets to meet demand more effectively.

Advantages:

- * Improves delivery speed and customer satisfaction.
- * Reduces transportation time for regional markets.
- * Supports localisation and customisation of products.

3. Disadvantages of Supply Chain Fragmentation

Despite its advantages, fragmentation can lead to increased complexity, coordination challenges, and higher exposure to risk.

These disadvantages can undermine efficiency, visibility, and resilience if not managed effectively.

(i) Increased Complexity and Coordination Challenges

Description:

The more dispersed the supply chain, the more difficult it becomes to manage information, processes, and relationships.

Multiple suppliers, logistics providers, and regulations create coordination difficulties.

Example:

A global manufacturer sourcing components from five countries must coordinate lead times, customs clearance, and compliance with diverse standards.

Disadvantages:

- * Increased administrative burden and management costs.
- * Communication delays and data inconsistency.
- * Risk of misalignment between supply chain partners.

(ii) Higher Supply Chain Risk and Vulnerability

Description:

Fragmented supply chains are more exposed to disruptions caused by geopolitical instability, transportation delays, or supplier failures.

With multiple cross-border links, a disruption in one part of the network can quickly cascade throughout the system.

Example:

The COVID-19 pandemic exposed vulnerabilities in global supply chains reliant on single regions for key materials (e.g., China for electronics).

Disadvantages:

- * Supply interruptions and production delays.
- * Increased cost of risk management and contingency planning.
- * Reduced resilience and operational stability.

(iii) Loss of Control and Visibility

Description:

Fragmentation leads to reduced oversight over suppliers and processes, especially beyond Tier 1 suppliers.

This can make it difficult to monitor performance, quality, or ethical standards.

Example:

Fashion retailers such as Boohoo and Nike have faced reputational damage due to unethical labour practices in outsourced factories.

Disadvantages:

- * Reduced transparency and traceability.
- * Quality and compliance issues.
- * Reputational risk due to supplier misconduct.

(iv) Environmental and Sustainability Impacts

Description:

Global fragmentation increases transport distances, emissions, and resource consumption.

It also complicates sustainability tracking across multiple suppliers.

Example:

Shipping goods between continents increases the carbon footprint and undermines sustainability targets.

Disadvantages:

- * Increased carbon emissions and environmental impact.
- * Difficulty ensuring sustainable and ethical practices throughout the chain.
- * Pressure from regulators, consumers, and investors to demonstrate ESG compliance.

4. Evaluation - Balancing Global Fragmentation and Integration

The impact of fragmentation depends on how effectively it is managed and integrated.

Modern supply chains increasingly adopt digital integration technologies (e.g., ERP, blockchain, IoT) to mitigate fragmentation risks by improving visibility and coordination.

Key Strategies to Manage Fragmentation:

- * Supply chain visibility tools for tracking goods and performance in real time.
- * Collaborative planning and data sharing with key suppliers.
- * Regionalisation or "nearshoring" to balance global reach with risk reduction.
- * Sustainability monitoring systems to ensure compliance and transparency.

Many organisations are now moving toward a "glocal" (global + local) strategy - maintaining global reach while building local responsiveness and control.

5. Summary of Advantages and Disadvantages

Advantages

Disadvantages

Lower production and sourcing costs

Increased coordination and communication complexity

Access to global expertise and technology

Higher exposure to disruption and geopolitical risks

Greater flexibility and scalability

Reduced control and visibility across the chain

Proximity to markets and customers

Environmental and ethical compliance challenges

6. Summary

In summary, fragmentation of the supply chain enables organisations to leverage global efficiency, specialisation, and market access, but it also introduces complexity, risk, and reduced control.

To gain the advantages of fragmentation while minimising its disadvantages, organisations must invest in:

- * Digital integration for visibility and coordination,
- * Robust risk management and supplier governance, and
- * Sustainable sourcing practices to maintain ethical and environmental responsibility.

When managed strategically, fragmentation can be transformed from a source of vulnerability into a source of competitive advantage, combining global efficiency with operational resilience.

NEW QUESTION # 38

XYZ Ltd is a large hotel chain with 32 hotels located around the United Kingdom. It has traditionally allowed different hotel managers to run their own procurement and supply chain operations. The new CEO is considering adopting a Shared Services model. Describe what is meant by this and 3 models of Shared Services that could be adopted. Evaluate which strategy would be best for the CEO to implement.

Answer:

Explanation:

See the Explanation for complete answer.

Explanation:

A Shared Services Model refers to the centralisation and consolidation of common business functions - such as procurement, finance, HR, or IT - into a single, specialised service unit that serves multiple divisions or business locations within an organisation.

Instead of each hotel operating independently, shared services allow XYZ Ltd to standardise processes, reduce duplication, improve efficiency, and leverage economies of scale across all 32 hotels.

This approach transforms procurement and supply chain operations from fragmented, location-based management to a strategically coordinated and value-driven function that supports the entire organisation.

1. Meaning of a Shared Services Model

In a shared services environment:

* Core operational functions are delivered from a central unit ("shared service centre") that provides services to multiple business units.

* The focus is on process efficiency, cost savings, standardisation, and service quality.

* It operates with a customer-service mindset, where internal stakeholders (e.g., hotel managers) are treated as clients.

For XYZ Ltd, this could mean establishing a central procurement and supply chain management function that handles supplier sourcing, contract management, and logistics for all hotels across the UK.

2. Three Models of Shared Services

There are several ways a shared services approach can be structured. The three most relevant models for XYZ Ltd are:

(i) Centralised Shared Services Model

Description:

All procurement and supply chain activities are managed from a single central location, such as a head office or shared service centre.

Decision-making authority and operational control are consolidated.

Advantages:

* Economies of scale through consolidated purchasing.

* Standardised processes and policies across all hotels.

* Strong governance and strategic alignment with corporate objectives.

* Greater negotiation leverage with suppliers due to volume consolidation.

Disadvantages:

* Reduced flexibility and responsiveness at local (hotel) level.

* Risk of slower decision-making due to central approvals.

* Potential disconnection from local supplier relationships and needs.

Example:

XYZ's central procurement team manages all contracts for food, cleaning supplies, maintenance, and IT services for every hotel.

(ii) Centre of Excellence (CoE) or Hybrid Model

Description:

A hybrid model combines centralised control with local flexibility.

Core strategic functions (such as supplier selection, contract negotiation, and category management) are centralised, while local hotel managers retain control over operational decisions (e.g., ordering and replenishment).

Advantages:

* Balances efficiency with flexibility.

* Local hotels benefit from strategic supplier arrangements but retain some autonomy.

* Facilitates knowledge sharing and continuous improvement.

* Encourages collaboration between central and local teams.

Disadvantages:

* More complex governance structure.

* Requires strong coordination and communication between central and local units.

Example:

The central team negotiates national contracts with key suppliers (e.g., food distributors, linen suppliers), while local hotels place orders within those contracts based on demand.

(iii) Outsourced Shared Services Model

Description:

Procurement and supply chain management functions are outsourced to an external service provider or specialist procurement organisation.

The external partner manages sourcing, contracting, and logistics on behalf of XYZ Ltd.

Advantages:

* Access to specialist expertise, technology, and global supplier networks.

* Reduced internal administrative burden.

* Can lead to significant cost savings and process improvement.

Disadvantages:

* Loss of control over internal processes and supplier relationships.

* Risk of misalignment with company culture or service standards.

* Dependency on third-party performance and contractual terms.

Example:

XYZ outsources procurement of non-core categories (e.g., office supplies, cleaning chemicals) to a procurement service company while retaining internal control of key strategic sourcing.

3. Evaluation of the Models

Model

Advantages

Disadvantages

Suitability for XYZ Ltd

Centralised

Strong cost savings, standardisation, and control

May reduce local responsiveness

Suitable for standard, high-volume items (e.g., toiletries, linens)

Hybrid (CoE)

Combines strategic alignment with local flexibility

Requires robust coordination

Best overall fit for mixed hotel operations

Outsourced

Access to expertise and scalability

Loss of control, dependence on third party

Suitable for non-core categories only

4. Recommended Strategy for XYZ Ltd

The Hybrid (Centre of Excellence) model would be the most suitable strategy for XYZ Ltd.

Justification:

* It provides centralised control over key strategic procurement activities (e.g., supplier contracts, tendering, sustainability standards), ensuring consistency and cost savings.

* At the same time, it allows local hotel managers to retain autonomy over day-to-day ordering, ensuring flexibility and responsiveness to customer needs.

* It supports collaboration and knowledge sharing, enabling best practices to be transferred across locations.

* The hybrid model aligns with the service-oriented nature of the hospitality industry, where local customer requirements and regional supplier availability can vary significantly.

Implementation Considerations:

* Establish a central Shared Services Centre for procurement, supply chain analytics, and supplier management.

* Introduce a standardised e-procurement system accessible to all hotel locations.

* Define clear governance policies for which decisions are made centrally vs locally.

* Develop KPIs (cost savings, service quality, supplier performance) to measure success.

* Provide training for local managers to use shared systems effectively.

5. Strategic Benefits of Adopting a Shared Services Model

* Cost Efficiency: Consolidation of purchases increases buying power and reduces duplication.

* Process Standardisation: Consistent procurement practices improve compliance and control.

* Data Visibility: Centralised data enables better analytics and supplier performance tracking.

* Strategic Focus: Local managers can focus on customer service rather than administrative procurement.

* Scalability: The model supports future growth, acquisitions, or expansion into new markets.

6. Summary

In summary, a Shared Services Model centralises common business functions to drive efficiency, consistency, and cost savings across multiple business units.

For XYZ Ltd, the most effective approach would be the Hybrid (Centre of Excellence) model, as it balances central strategic control with local operational flexibility - essential in the hotel industry.

By implementing this model, the CEO can achieve greater cost efficiency, standardisation, supplier leverage, and data transparency, while maintaining the agility needed to meet customer expectations across all 32 hotels.

NEW QUESTION # 39

The CEO of XYZ Ltd is looking to make an important change to the company. He plans to take the company from a paper-based records system to an electronic records system, and introduce an MRP system. The CEO is looking for a 'change agent' within the company to implement the change.

Evaluate the role that the 'change agent' will inhabit and explain how the 'change agent' can gauge acceptance of this change.

Answer:

Explanation:

See the Explanation for complete answer.

Explanation:

A change agent is an individual who is responsible for driving, facilitating, and managing organisational change.

In this case, the change agent at XYZ Ltd will lead the transformation from a paper-based system to an electronic records system supported by a Material Requirements Planning (MRP) system.

The role requires strong leadership, communication, analytical, and interpersonal skills, as it involves influencing people, aligning systems, and ensuring that the new technology is successfully adopted across the organisation.

1. Role and Responsibilities of a Change Agent

The change agent acts as the bridge between leadership vision and operational implementation.

Their role combines strategic planning, people management, and process transformation to ensure the change achieves its intended objectives.

(i) Communicator and Advocate for Change

- * Clearly communicates the vision, purpose, and benefits of the new system to all employees.
- * Acts as a trusted messenger for the CEO's strategic direction, translating high-level objectives into clear, practical goals for different departments.
- * Reduces resistance by explaining how the new system will improve accuracy, efficiency, and decision-making.

Example: The change agent explains to staff how the MRP system will automate materials planning and reduce stock shortages.

(ii) Project Manager and Coordinator

- * Develops and manages a change implementation plan, including timelines, budgets, and milestones.
- * Coordinates between IT teams, procurement, production, and finance to ensure successful system integration.
- * Identifies potential risks and develops mitigation plans.
- * Ensures training, testing, and system rollouts are executed effectively.

Example: Managing pilot tests for the MRP system before a full rollout to all departments.

(iii) Influencer and Motivator

- * Builds support across all organisational levels - from senior management to front-line employees.
- * Uses stakeholder analysis to identify resistance and tailor engagement strategies.
- * Encourages collaboration and promotes a culture of innovation and learning.

Example: Recognising and rewarding early adopters to reinforce positive behaviour.

(iv) Problem Solver and Feedback Facilitator

- * Addresses employee concerns and operational issues that arise during implementation.
- * Collects feedback from end-users and communicates it to leadership or system developers for improvement.
- * Ensures that any barriers to adoption are quickly removed.

Example: Gathering user feedback on system usability and working with IT to resolve issues promptly.

(v) Monitor and Evaluator of Change Progress

- * Measures progress using clear performance indicators and adoption metrics.
- * Reports regularly to senior management on implementation status, issues, and successes.
- * Ensures the change becomes embedded in organisational culture rather than a one-time project.

Example: Tracking the percentage of departments that have fully transitioned to digital record-keeping.

2. How the Change Agent Can Gauge Acceptance of Change

Change acceptance refers to the degree to which employees understand, adopt, and support the new system and working methods.

To gauge acceptance, the change agent should use both quantitative and qualitative indicators.

(i) Employee Feedback and Engagement Surveys

- * Conduct pre- and post-implementation surveys to assess understanding, attitudes, and comfort levels with the new system.
- * Use open forums, focus groups, and suggestion boxes to gather honest feedback.

Indicator of Success:

Increasingly positive responses toward system usability and perceived benefits.

(ii) Adoption and Usage Metrics

- * Measure how actively employees use the new MRP and electronic systems in their daily operations.
- * Monitor system logins, transaction processing, and completion rates for digital records.

Indicator of Success:

High user participation and reduced reliance on paper-based processes indicate strong adoption.

(iii) Performance and Productivity Improvements

- * Compare pre-implementation and post-implementation KPIs, such as:
 - * Order accuracy and processing times.
 - * Inventory turnover and stock-out rates.
 - * Data accuracy and reporting speed.

Indicator of Success:

Demonstrable improvement in operational efficiency, decision-making, and data visibility.

(iv) Reduction in Resistance or Complaints

- * Track the number and nature of complaints or support requests related to the new system.
- * A steady decline in issues suggests growing comfort and confidence among users.

Indicator of Success:

Fewer helpdesk requests and more proactive feedback from employees.

(v) Observation and Behavioural Change

- * Observe day-to-day behaviours - whether employees are following new procedures, using digital tools, and collaborating effectively.
- * Informal discussions and supervisor reports can reveal whether staff have embraced the new working culture.

Indicator of Success:

Employees no longer reverting to old paper-based habits and demonstrating enthusiasm for continuous improvement.

3. Ensuring Sustainable Change

For the change to be sustained, the change agent should also:

- * Implement continuous training and support to build digital competence.
- * Establish "change champions" in each department to reinforce adoption.
- * Celebrate early wins (e.g., reduced paperwork, faster reporting) to maintain momentum.
- * Embed the change in policies, performance reviews, and cultures so that it becomes the new normal.

4. Evaluation of the Change Agent's Role

Aspect

Strategic Value

Leadership

Acts as the link between vision and execution, translating strategy into action.

Communication

Reduces uncertainty and builds engagement through transparency and dialogue.

Measurement

Uses data-driven indicators to track progress and demonstrate success.

Culture Building

Promotes digital adoption and innovation across the organisation.

The change agent therefore plays a transformational role, ensuring that technology adoption leads to genuine process improvement and long-term organisational benefit.

5. Summary

In summary, the change agent at XYZ Ltd will act as the driving force behind the transition from paper-based systems to an electronic records and MRP system, ensuring alignment between people, processes, and technology.

Their role encompasses communication, coordination, motivation, and performance measurement.

Change acceptance can be gauged through employee feedback, adoption metrics, performance improvements, and behavioural observation.

When employees understand, adopt, and sustain the new processes - and performance indicators show measurable gains - the change can be deemed successfully implemented.

The success of this transformation will largely depend on the effectiveness, leadership, and credibility of the change agent in guiding the organisation through the journey of digital transformation.

NEW QUESTION # 40

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