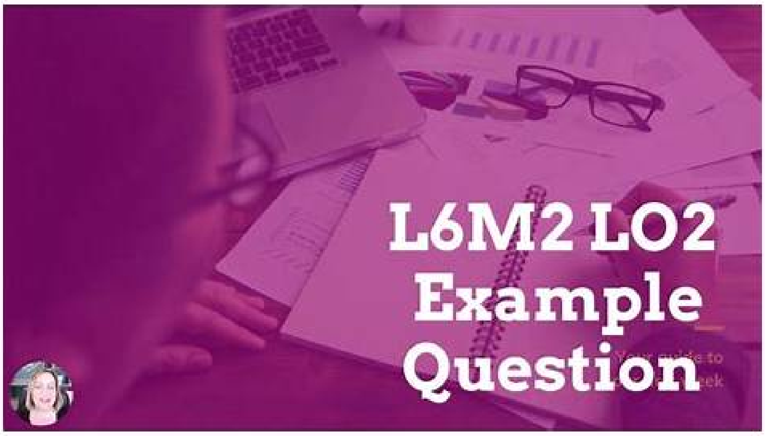
# L6M2 Valid Study Plan, New L6M2 Mock Exam

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## CIPS L6M2 Exam Syllabus Topics:

| Topic | Details |
|---|---|
| Topic 1 | • 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 2 | • 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 STEEPLED analysis, benchmarking, and performance metrics. It also evaluates regulatory influences, including import<br>• export controls, tariffs, and employment regulations like equality, health, and safety. A critical skill assessed is applying STEEPLED analysis to supply chain challenges. |
| Topic 3 | • 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 4 | • 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. |

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## CIPS Global Commercial Strategy Sample Questions (Q29-Q34):

**NEW QUESTION # 29**
SIMULATION
XYZ is a construction firm which builds houses in Birmingham. Discuss a tool that it can use to assess the remote environment and discuss a tool it can use to evaluate the operating environment.

**Answer:**

Explanation:
Environmental Analysis Tools for XYZ Construction Firm
To make strategic decisions, XYZ Construction needs to assess both the remote environment (external macro factors) and the operating environment (industry-specific and competitive factors). Two widely used tools for these assessments are:
PESTLE Analysis - for analyzing the remote environment
Porter's Five Forces - for evaluating the operating environment
1. Assessing the Remote Environment: PESTLE Analysis
Tool: PESTLE Analysis helps organizations evaluate macro-environmental factors that impact long-term business strategy.
Why use PESTLE?
It identifies external influences (political, economic, social, technological, legal, and environmental) that XYZ cannot control but must respond to.
PESTLE Analysis for XYZ Construction:

| Factor | Impact on XYZ Construction |
|---|---|
| Political | Government policies on housing, Brexit trade agreements, infrastructure spending |
| Economic | Interest rates affecting mortgage demand, inflation increasing material costs |
| Social | Population growth, housing demand, urbanization trends |
| Technological | Smart home innovations, AI-driven construction management |
| Legal | Building regulations, safety laws, labor laws |
| Environmental | Sustainability requirements, climate change effects on construction |

Example: If the UK government introduces new housing grants, XYZ may expand operations to capitalize on increased demand.
2. Evaluating the Operating Environment: Porter's Five Forces
Tool: Porter's Five Forces helps XYZ analyze industry-specific competition and market dynamics.
Why use Porter's Five Forces?
It helps assess competitive pressures that impact XYZ's profitability and positioning.
Porter's Five Forces Analysis for XYZ Construction:

| Force | Impact on XYZ Construction |
|---|---|
| Threat of New Entrants | Medium – High capital investment required, but new firms can still enter with funding |
| Bargaining Power of Suppliers | High – Limited supply of skilled labor and fluctuating material costs (e.g., steel, timber) |
| Bargaining Power of Buyers | Medium – Homebuyers have alternatives but government schemes influence demand |
| Threat of Substitutes | Low – Limited substitutes for housing, but prefabricated homes are growing |
| Industry Rivalry | High – Many construction firms compete for contracts and government projects |

Example: If supplier power is high due to rising material costs, XYZ must negotiate better contracts or explore alternative suppliers.
Conclusion

 PESTLE Analysis helps XYZ understand the external environment affecting the construction industry.
 Porter's Five Forces enables XYZ to evaluate industry competition and make informed strategic choices.

**NEW QUESTION # 30**
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.

**NEW QUESTION # 31**
SIMULATION
Evaluate the following approaches to strategy formation: intended strategy and emergent strategy

**Answer:**

Explanation:
Evaluation of Intended Strategy vs. Emergent Strategy
Introduction
Strategy formation is a critical process that determines how businesses achieve their objectives. Two contrasting approaches exist:
Intended Strategy - A deliberate, planned approach, where management defines a clear course of action.
Emergent Strategy - A flexible, adaptive approach, where strategy evolves in response to external changes.
Both approaches have advantages and constraints, and organizations often combine both to maintain strategic direction while adapting to market uncertainties.
1. Intended Strategy(Planned Approach to Strategy Formation)
Definition
An intended strategy is a structured, pre-planned approach where an organization sets long-term goals and develops a roadmap to achieve them.
 Key Characteristics:
Clearly defined mission, vision, and objectives.
Top-down decision-making with structured implementation plans.
Focus on forecasting, market research, and competitor analysis.
Example:
McDonald's follows an intended strategy by expanding its franchise model using structured business plans and operational guidelines.
Advantages of Intended Strategy
✔ Provides a clear vision and direction - Ensures all departments align with corporate goals.
✔ Supports long-term resource allocation - Helps in budgeting and investment planning.
✔ Enhances risk management - Allows organizations to prepare for potential challenges.
✔ Ensures consistency - Ideal for stable industries with predictable market conditions.
Constraints of Intended Strategy
 Inflexible in dynamic markets - Struggles with unforeseen changes (e.g., economic crises, technology shifts).
 Can lead to missed opportunities - Focuses on execution rather than adaptation.
 Slow response time - Delays decision-making in fast-changing industries.
Key Takeaway: Intended strategy works best in stable environments where long-term planning can be executed without major disruptions.
2. Emergent Strategy(Flexible & Adaptive Approach to Strategy Formation) Definition An emergent strategy is a responsive, flexible approach where businesses adapt their strategies based on real-time changes in the market.
 Key Characteristics:
Strategy emerges from trial and error, experimentation, and learning.
Encourages bottom-up decision-making, allowing employees to contribute.
Focuses on short-term flexibility and continuous adjustments.
Example:
Amazon's move into cloud computing (AWS) was an emergent strategy, as it originally started as an online bookstore but adapted to market opportunities.
Advantages of Emergent Strategy
✔ Highly adaptable - Allows businesses to pivot in response to market shifts.
✔ Encourages innovation and experimentation - Promotes new ideas and flexible problem-solving.
✔ Reduces risk of failure - Companies can adjust strategies before fully committing to large-scale investments.
✔ Works well in unpredictable environments - Essential for industries like technology, fashion, and e-commerce.
Constraints of Emergent Strategy
 Lack of clear direction - Can create confusion in organizations with no defined strategic goals.
 Resource inefficiency - Constant adjustments may lead to wasted time and investment.
 Difficult to scale - Unstructured decision-making can cause inconsistencies.
Key Takeaway: Emergent strategy is ideal for fast-changing industries where adaptability is more valuable than rigid planning.
3. Comparison: Intended Strategy vs. Emergent Strategy

| Factor | Intended Strategy | Emergent Strategy |
|---|---|---|
| Approach | Pre-planned, structured strategy. | Flexible, evolving strategy. |
| Decision-Making | Top-down (executives decide). | Bottom-up (employees & market forces influence). |
| Response to Change | Slow & rigid – Focuses on execution. | Fast & adaptive – Adjusts to market conditions. |
| Best Used In | Stable environments with predictable trends. | Dynamic markets where uncertainty is high. |
| Example | Coca-Cola's long-term global expansion plan. | Netflix's shift from DVD rentals to streaming. |



Key Takeaway: Most successful organizations blend both approaches, using intended strategy for stability and emergent strategy for adaptability.
4. Conclusion
Both intended and emergent strategies have strengths and weaknesses.
 Intended strategy is best for structured, long-term growth in stable industries.
 Emergent strategy allows for rapid adaptation in volatile markets.
 Most businesses use a combination of both approaches, balancing planning with flexibility.
By integrating intended and emergent strategies, organizations can maintain stability while responding effectively to market changes.

**NEW QUESTION # 32**
SIMULATION
Discuss the following strategic decisions, explaining the advantages and constraints of each: Market Penetration, Product Development and Market Development.

**Answer:**

Explanation:
Evaluation of Strategic Decisions: Market Penetration, Product Development, and Market Development Introduction Strategic decisions in business involve selecting the best approach to grow market share, increase revenue, and sustain competitive advantage.
According to Ansoff's Growth Matrix, businesses can pursue four strategic directions:
Market Penetration (expanding sales in existing markets with existing products) Product Development (introducing new products to existing markets) Market Development (expanding into new markets with existing products) Diversification (introducing new products to new markets) This answer focuses on Market Penetration, Product Development, and Market Development, discussing their advantages and constraints.
1. Market Penetration (Increasing sales of existing products in existing markets) Explanation:
Market penetration involves increasing market share by:
 Encouraging existing customers to buy more.
 Attracting competitors' customers.
 Increasing promotional efforts.
 Improving pricing strategies.
Example: Coca-Cola uses aggressive marketing, promotions, and pricing strategies to increase sales in existing markets.
Advantages of Market Penetration
✔ Low Risk - No need for new product development.
✔ Cost-Effective - Uses existing infrastructure and supply chain.
✔ Builds Market Leadership - Strengthens brand loyalty and customer retention.
✔ Quick Revenue Growth - Increased sales generate higher profits.
Constraints of Market Penetration
 Market Saturation - Limited growth potential if the market is already saturated.
 Intense Competition - Competitors may retaliate with price cuts and promotions.
 Diminishing Returns - Lowering prices to attract customers can reduce profitability.
Strategic Consideration: Businesses should assess customer demand and competitive intensity before implementing a market penetration strategy.
2. Product Development (Introducing new products to existing markets)

Explanation:
Product development involves launching new or improved products to meet evolving customer needs. This can include:
 Innovation - Developing new features or technology.
 Product Line Extensions - Introducing variations (e.g., new flavors, models, packaging).
 Customization - Tailoring products to specific customer preferences.
Example: Apple frequently launches new iPhone models to attract existing customers.
Advantages of Product Development
✔ Higher Customer Retention - Keeps existing customers engaged with new offerings.
✔ Brand Differentiation - Strengthens competitive advantage through innovation.
✔ Increases Revenue Streams - Expands product portfolio and market opportunities.
Constraints of Product Development
 High R&D Costs - Requires investment in innovation and testing.
 Market Uncertainty - New products may fail if not aligned with customer needs.
 Risk of Cannibalization - New products may reduce sales of existing products.
Strategic Consideration: Businesses should conduct market research, prototyping, and feasibility analysis before launching new products.
3. Market Development (Expanding into new markets with existing products) Explanation:
Market development involves selling existing products in new geographical areas or customer segments. Strategies include:
 Expanding into international markets.
 Targeting new demographics (e.g., different age groups or industries).
 Entering new distribution channels (e.g., e-commerce, retail stores).
Example: McDonald's expands into new countries, adapting its menu to local preferences.
Advantages of Market Development
✔ Access to New Revenue Streams - Increases customer base and sales.
✔ Diversifies Market Risk - Reduces dependency on a single region.
✔ Leverages Existing Products - No need for costly product innovation.
Constraints of Market Development
 Cultural and Regulatory Barriers - Differences in consumer behavior, legal requirements, and competition.
 High Entry Costs - Requires investment in marketing, distribution, and local partnerships.
 Operational Challenges - Managing supply chains and logistics in new markets.
Strategic Consideration: Businesses should conduct market analysis and risk assessments before expanding internationally.
Conclusion
Each strategic decision has unique benefits and challenges:
 Market Penetration is low-risk but limited by market saturation.
 Product Development drives innovation but requires high investment.
 Market Development expands revenue streams but involves cultural and regulatory challenges.
The best approach depends on a company's competitive position, financial resources, and long-term growth objectives.

**NEW QUESTION # 33**
SIMULATION
Explain, with examples, why supply and demand fluctuate in the commodities market

**Answer:**

Explanation:
Why Supply and Demand Fluctuate in the Commodities Market
Introduction
The commodities market is highly volatile, with prices and availability constantly influenced by fluctuations in supply and demand. These fluctuations arise due to factors such as climate conditions, geopolitical events, economic cycles, and technological advancements.
Understanding why supply and demand shift helps businesses, investors, and policymakers anticipate market trends and mitigate risks.
1. Factors Affecting Supply in the Commodities Market
1.1 Weather and Climate Conditions (Impact on Agricultural Commodities)
 Why It Affects Supply?
Droughts, floods, hurricanes, or frosts can damage crops, reducing supply.
Favorable weather leads to higher yields and increased supply.
Example:
In 2019, severe droughts in Australia reduced wheat production, increasing global wheat prices.
A strong coffee harvest in Brazil led to higher supply and lower coffee prices.

Key Takeaway: Agricultural commodity supply is highly dependent on weather variability.
1.2 Geopolitical Events and Trade Restrictions Impact on Energy & Metals)
 Why It Affects Supply?
Political instability, sanctions, and wars disrupt supply chains.
Trade policies, tariffs, and embargoes restrict exports/imports.
Example:
Russia-Ukraine war (2022) led to a major disruption in wheat and oil exports, causing global shortages.
US-China trade tensions affected the availability of rare earth metals used in electronics.
Key Takeaway: Supply chains in energy, metals, and food commodities are vulnerable to geopolitical risks.
1.3 Production Costs & Technological Advancements (Impact on Oil, Metals, and Agricultural Goods)
 Why It Affects Supply?
Higher production costs (e.g., fuel, labor, mining operations) reduce supply.
New technologies improve extraction and farming efficiency, increasing supply.
Example:
Shale oil extraction technology in the US increased crude oil supply, leading to lower global oil prices.
Higher fertilizer costs in 2023 led to reduced crop production in some countries.
Key Takeaway: Technological advancements increase supply, while rising production costs limit it.
2. Factors Affecting Demand in the Commodities Market
2.1 Economic Growth & Industrial Demand (Impact on Oil, Metals, and Construction Materials)
 Why It Affects Demand?
Economic booms drive higher demand for oil, metals, and raw materials.
During recessions, demand for industrial commodities falls.
Example:
China's rapid industrialization (2000s) increased demand for iron ore, copper, and coal, pushing prices up.
COVID-19 lockdowns (2020) caused a sharp drop in oil demand, leading to negative oil prices in April 2020.
Key Takeaway: Commodity demand rises during economic expansion and falls during downturns.
2.2 Changing Consumer Preferences & Market Trends (Impact on Food & Energy Commodities)
 Why It Affects Demand?
Shifts in diet, lifestyle, and energy use affect commodity demand.
Green energy transitions reduce fossil fuel demand but increase demand for alternative materials.
Example:
Increased veganism in Western markets boosted demand for soybeans, almonds, and plant-based protein.
Electric vehicle (EV) adoption increased demand for lithium, cobalt, and nickel used in EV batteries.
Key Takeaway: Demand changes due to consumer preferences, technological advancements, and sustainability trends.
2.3 Speculation & Investment Activity (Impact on Gold, Oil, and Agricultural Commodities)
 Why It Affects Demand?
Investors and hedge funds buy commodities as a hedge against inflation or currency fluctuations.
Speculative trading increases volatility, driving short-term price spikes.
Example:
Gold prices surge during economic crises as investors seek a safe-haven asset.
Oil price spikes in 2008 and 2022 were partly due to speculative trading.
Key Takeaway: Commodity demand is influenced by financial markets and speculation.
3. How Supply & Demand Interact to Affect Prices

| Scenario | Supply Change | Demand Change | Impact on Prices |
|---|---|---|---|
| **Drought in coffee-producing regions** | Decreases | Unchanged | **Coffee prices rise** due to scarcity. |
| **Global recession** | Unchanged | Decreases | **Oil & metal prices drop** due to lower industrial demand. |
| **EV market growth** | Unchanged | Increases | **Lithium & cobalt prices rise** due to high demand. |
| **Breakthrough in crop-yield technology** | Increases | Unchanged | **Corn & wheat prices fall** due to oversupply. |


Key Takeaway: Prices are determined by the balance between supply availability and consumer demand.
4. Conclusion

The commodities market experiences constant fluctuations in supply and demand, driven by:
 Weather & Climate - Affects agricultural output.
 Geopolitical & Trade Issues - Disrupts supply chains.
 Economic Cycles & Industrial Growth - Determines demand levels.
 Consumer Preferences & Technological Trends - Changes demand patterns.
 Speculation & Investor Activity - Influences short-term price volatility.
Understanding these factors allows businesses to forecast commodity price movements, manage procurement risks, and optimize supply chain strategies.

**NEW QUESTION # 34**
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