

CIPS

L6M2 Exam

Global Commercial Strategy

**Questions & Answers
Demo**

Version: 4.0

Question: 1

SIMULATION

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

Answer: See the complete answer below in Explanation.

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.

Question: 2

SIMULATION

Explain the characteristics of strategic decisions. At what level of a business are strategic decisions made and why?

Answer: See the complete answer below in Explanation.

Explanation:

Characteristics of Strategic Decisions

Strategic decisions are long-term, high-impact choices that shape a company's future direction.

These decisions differ from operational and tactical decisions in several key ways:

Long-Term Focus – Strategic decisions determine the future direction of a business, often spanning several years.

Example: A company deciding to expand into international markets.

Significant Impact – They affect the entire organization, influencing growth, profitability, and market positioning.

Example: A shift from a brick-and-mortar retail model to an e-commerce-based approach.

Resource Intensive – They require large financial, human, and technological resources to implement.

Example: Investing in AI-driven supply chain automation.

High Risk and Uncertainty – These decisions involve considerable risks due to market changes, competition, and external factors.

Example: Entering an emerging market with regulatory and political risks.

Difficult to Reverse – Strategic decisions are not easily changed without significant costs or consequences.

Example: Mergers and acquisitions require extensive planning and are challenging to undo.

Cross-Functional Involvement – They require input from multiple departments (finance, marketing, operations, IT).

Example: A new product launch involves R&D, marketing, supply chain, and finance teams.

Aimed at Gaining Competitive Advantage – The goal is to improve the company's market position and long-term success.

Example: Tesla's focus on electric vehicle technology and charging infrastructure.

At What Level Are Strategic Decisions Made?

Strategic decisions are made at the corporate and business levels, typically by senior management and executives. The three levels of decision-making in a company are:

1. Corporate-Level Decisions (Top Management)

Made by the CEO, Board of Directors, and Senior Executives.

Concerned with the overall direction of the company.

Focuses on long-term objectives, market expansion, mergers & acquisitions.

Example: Amazon's decision to acquire Whole Foods to expand into the grocery industry.

2. Business-Level Decisions (Middle Management)

Made by Divisional Heads, Business Unit Managers, and Senior Functional Leaders.

Focuses on how to compete effectively within a specific industry or market.
Covers areas such as pricing, product differentiation, and operational efficiency.
Example: Netflix shifting from a DVD rental business to a streaming service.

3. Functional-Level Decisions (Operational Managers)

Made by Department Heads, Operational Managers, and Team Leaders.
Concerned with day-to-day implementation of strategic and business-level plans.
Focuses on efficiency, productivity, and execution of company strategy.
Example: A supply chain manager optimizing inventory levels to reduce costs.

Why Are Strategic Decisions Made at the Corporate and Business Levels?

Require Vision and Expertise – Senior executives have the big-picture perspective needed for long-term planning.

Affect the Entire Organization – These decisions impact multiple departments, requiring cross-functional coordination.

High-Risk and Costly – Strategic choices involve financial investments, brand reputation, and market positioning.

Long-Term Focus – Corporate-level leaders ensure that decisions align with the company's mission, vision, and goals.

Conclusion

Strategic decisions shape the company's future, requiring careful planning, significant investment, and risk assessment. They are made at the corporate and business levels because they impact the entire organization, require expert leadership, and have long-term consequences.

Question: 3

SIMULATION

XYZ is a toilet paper manufacturer based in the UK. It has 2 large factories employing over 500 staff and a complex supply chain sourcing paper from different forests around the world. XYZ is making some strategic changes to the way it operates including changes to staffing structure and introducing more automation. Discuss 4 causes of resistance to change that staff at XYZ may experience and examine how the CEO of XYZ can successfully manage this resistance to change

Answer: See the complete answer below in Explanation.

Explanation:

Causes of Resistance to Change & Strategies to Manage It – XYZ Case Study

When XYZ, a UK-based toilet paper manufacturer, implements strategic changes such as staff restructuring and automation, employees may resist change due to uncertainty, fear, and disruption to their work environment. Below are four key causes of resistance and how the CEO can manage them effectively.

Causes of Resistance to Change

1. Fear of Job Loss

Cause: Employees may fear that automation will replace their jobs, leading to layoffs. Factory workers and administrative staff may feel particularly vulnerable.

Example: If machines take over manual processes like paper cutting and packaging, employees may see this as a direct threat to their roles.

2. Lack of Communication and Transparency

Cause: When management fails to communicate the reasons for change, employees may speculate and assume the worst. Unclear messages lead to distrust.

Example: If XYZ's CEO announces restructuring without explaining why and how jobs will be affected, employees may feel insecure and disengaged.

3. Loss of Skills and Status

Cause: Some employees, especially long-serving workers, may feel their skills are becoming obsolete due to automation. Managers may resist change if they fear losing power in a new structure.

Example: A production line supervisor may oppose automation because it reduces the need for human oversight, making their role seem redundant.

4. Organizational Culture and Habit

Cause: Employees are accustomed to specific ways of working, and sudden changes disrupt routine. Resistance occurs when changes challenge existing work culture.

Example: XYZ's employees may have always used manual processes, and shifting to AI-driven production feels unfamiliar and uncomfortable.

How the CEO Can Manage Resistance to Change

1. Effective Communication Strategy

✔ What to do?

Clearly explain why the changes are necessary (e.g., cost efficiency, competitiveness).

Use town hall meetings, emails, and team discussions to provide updates.

Address employee concerns directly to reduce uncertainty.

Example: The CEO can send monthly updates on automation, ensuring transparency and reducing fear.

2. Employee Involvement and Engagement

✔ What to do?

Involve staff in decision-making to give them a sense of control.

Create cross-functional teams to gather employee input.

Provide opportunities for feedback and discussion.

Example: XYZ can form a worker's advisory panel to gather employee concerns and address them proactively.

3. Training and Upskilling Programs

✔ What to do?

Offer training programs to help employees adapt to new technologies.

Provide reskilling opportunities for employees whose jobs are affected.

Reassure staff that automation will create new roles, not just eliminate jobs.

Example: XYZ can introduce digital skills training for workers transitioning from manual processes to automated systems.

4. Change Champions & Support Systems

✔ What to do?

Appoint change champions (influential employees) to advocate for change.

Offer emotional and psychological support (e.g., HR consultations, career guidance).

Recognize and reward employees who embrace change.

Example: XYZ can offer bonuses or promotions to employees who successfully transition into new roles.

Conclusion

Resistance to change is natural, but the CEO of XYZ can minimize resistance through clear communication, employee involvement, training, and structured support. By managing resistance effectively, XYZ can ensure a smooth transition while maintaining employee morale and operational efficiency.

Question: 4

SIMULATION

Examine how an organisation can strategically position itself within the marketplace.

Answer: See the complete answer

below in Explanation.

Explanation:

How an Organization Can Strategically Position Itself in the Marketplace

Strategic positioning is the process by which an organization differentiates itself from competitors and establishes a strong, sustainable presence in the market. It involves making key decisions regarding branding, pricing, customer engagement, and competitive advantage to attract and retain customers.

Below are the key strategies an organization can use to position itself strategically in the marketplace:

1. Competitive Strategy (Porter's Generic Strategies)

Organizations can use Michael Porter's Competitive Strategies to define their market position:

Cost Leadership – Competing on price by offering the lowest-cost products or services.

Differentiation – Offering unique, high-quality, or innovative products that stand out.

Focus (Niche Strategy) – Targeting a specific market segment with specialized products or services.

Example:

Aldi (Cost Leadership) keeps prices low by optimizing supply chains.

Apple (Differentiation) uses innovation and brand exclusivity to dominate the premium tech market.

Rolls-Royce (Focus Strategy) targets a niche luxury segment instead of mass markets.

2. Strong Branding and Market Perception

Organizations must build a strong brand identity to differentiate themselves. This includes:

✓ Consistent Branding – Using logos, colors, and messaging that reinforce identity.

✓ Emotional Connection – Telling a brand story that resonates with customers.

✓ Trust and Reputation – Delivering quality products and services to establish credibility.

Example:

Coca-Cola uses global branding to evoke happiness and refreshment, maintaining strong market dominance.

Tesla markets itself as an innovative, eco-friendly brand, appealing to environmentally conscious consumers.

3. Innovation and Product Development

To maintain a competitive edge, companies must invest in innovation and continuously improve their products/services.

✓ Technology Adoption – Implementing cutting-edge solutions (e.g., AI, automation).

✓ Customer-Centric Innovation – Developing products based on customer needs.

✓ First-Mover Advantage – Being the first to introduce groundbreaking products.

Example:

Amazon's AI-driven supply chain ensures fast deliveries and high customer satisfaction.

Netflix's streaming model revolutionized entertainment consumption, making it an industry leader.

4. Digital Transformation and Market Reach

Organizations can use digital tools and platforms to enhance their strategic positioning:

✓ E-commerce & Online Presence – Expanding reach beyond physical locations.

- ✓ Social Media & Influencer Marketing – Engaging with customers through digital channels.
- ✓ Data Analytics – Using customer insights to make strategic decisions.

Example:

Nike's e-commerce growth and direct-to-consumer (DTC) model strengthened its competitive position.

Zara's fast fashion strategy, driven by data analytics, allows quick response to trends.

5. Sustainability and Corporate Social Responsibility (CSR)

Modern consumers prefer brands that demonstrate social and environmental responsibility.

Companies can differentiate themselves by:

- ✓ Sustainable Sourcing – Using eco-friendly materials and ethical suppliers.
- ✓ Corporate Ethics – Promoting fair labor practices and social initiatives.
- ✓ Carbon Footprint Reduction – Committing to green energy and carbon neutrality.

Example:

Patagonia's sustainability-first strategy attracts eco-conscious consumers.

Unilever's "Sustainable Living Plan" enhances brand loyalty through ethical business practices.

6. Strategic Partnerships and Market Expansion

Organizations can strengthen their market position through collaborations and global expansion:

- ✓ Mergers & Acquisitions – Gaining market share by acquiring competitors.
- ✓ Joint Ventures – Partnering with companies for mutual growth.
- ✓ New Market Entry – Expanding into emerging markets.

Example:

Google acquiring YouTube enhanced its presence in digital content.

Starbucks' partnership with Nestlé expanded its global coffee distribution.

Conclusion

Strategic positioning requires a clear understanding of competitive advantage, market needs, and innovative growth strategies. By leveraging cost leadership, differentiation, branding, innovation, digital transformation, sustainability, and partnerships, organizations can sustain long-term success in a competitive market.

Question: 5

SIMULATION

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

Answer: See the complete answer below in Explanation.

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.