CIPS
L6M9 Exam
Supply Network Design

Questions & Answers
Demo

Version: 4.0

Question: 1

A cupcake manufacturing organisation uses a 'management by exception' technique when it comes to planning and control. What does this mean?

A. Audits and other control activities are completed by an outsourced company to ensure there is no bias in the investigations
B. Reporting only takes place when non-compliance occurs
C. Plans and control activities are created based on historical performance
D. Exceptional performance is rewarded, for example through staff bonus schemes

Answer: B

Explanation:
Management by exception means that reporting only occurs when non-compliance happens or when results are outside the norm. In the case of a cupcake factory, there might be no quality control measures in place, but if an issue arises (e.g., food poisoning complaint), an investigation would be conducted. This is a risky strategy for such an organisation. (See p. 189)

Question: 2

The Improvement Gap Analysis can be utilised to manage trade-offs in operational strategy. Which of the following is measured by the IGA? Select ALL that apply.

A. Churn rate
B. Customer return rate
C. Customer dissatisfaction levels
D. Return on investment
E. Profit margin

Answer: C

Explanation:

The Improvement Gap Analysis measures customer dissatisfaction levels. It describes the current state of an organisation and what needs to be done to reach the desired state. The gap between these states represents customer dissatisfaction. The IPA matrix by Piccolo et al categorises dissatisfaction into four quadrants, helping organisations determine whether action is needed. (See p. 137)

Question: 3

Rayan is the new CFO of an international banking organisation operating in London. He has been invited to a meeting of the top executives regarding corporate strategies and strategic resource planning. He believes that the organisation must be led by the strategy first, with resources then created to meet the requirement. Is this always the case?

A. Yes - corporate strategy dictates operational strategy and thus resource allocation
B. Yes - resources can only be assembled once objectives have been set
C. No - corporate strategies will not assist in resource planning
D. No - strategies can be created to fit an organisation's resource capabilities

Answer: D

Explanation:
The question asks if strategy must always come first. The correct answer is no because strategies can also be developed based on available resources. Corporate strategy often influences resource planning, but sometimes an organisation will assess its resources and build a strategy accordingly. (See p. 150)

Question: 4

Keisi is the new Operations Manager at Warehousing Logistics Corporation. She is reviewing several products sold by the organisation and deciding on the best warehousing options available. Keisi is looking at item 56283. This item is low cost, not sold in high volumes, but important to customers. Which of the following stocking policies should be used for this item?

A. Never be out of stock
B. Maintain an average of 3 days stock
C. Stock reviewed monthly
D. No stock held locally

Answer: B

Explanation:
The item described is a ‘regular seller’—important to customers but not sold in high volumes. Keeping an average of 3 days' stock balances demand with the effort required for stock management. "Never be out of stock" is only for high-demand, critical items, while "monthly stock review" might lead to lost sales. (See p. 158)

Question: 5

Strategic stocking decisions are likely to change under what circumstances? Select ALL that apply.

A. Changes in competitor activity
B. Raw materials are vulnerable
C. There is a short lead time for the product
D. Customer demand is low

Answer: A, B

Explanation:
Strategic stocking decisions change when external factors shift, such as a competitor going out of business (leading to increased demand) or a vulnerability in raw material supply (e.g., a bad harvest). Short lead times and low demand do not necessarily change stocking decisions but rather influence how stock is currently managed. (See p. 159)