

CIPS Level 6 – Professional Diploma in Procurement and Supply

Global Commercial Strategy [L6M2]

Sample questions

(Q1)

Question one

Assess the characteristics of strategic decisions which should be considered when developing a global strategy in organisations.

[25 marks]

LO: 1
AC: 1.1

(Q2)

Question 2

Using the Five Forces Framework, evaluate the competitive environment of an organisation with which you are familiar.

[25 marks]

LO: 2
AC: 2.1

Q3 – Alan Ball Ltd

Alan Ball Ltd (ABL) is a large global management and development consultancy. The ABL Group was formed in 1970 when two consultancy businesses merged.

A consultancy contains experts who provide advisory services in a variety of fields. The quality of its people is vital for success.

The business has grown both organically, by recruiting more staff in different fields, and by merger and acquisition, that is, taking over existing businesses in markets important to ABL's development strategy. For example, in 2007 ABL bought an educational consultancy in Brazil and an environmental firm in France. To ensure further growth, ABL has also formed a strategic alliance with a construction consulting company in Canada to help strengthen its core market sectors and to grow in that country.

Today ABL's business spans 50 countries and employs more than 15,000 staff. Its experts work on thousands of projects across the world in many areas. These include procurement, transport, finance, buildings, the environment, health, education and communications. Every project requires a different set of skills from ABL's experts. Its projects address the challenges of environmental issues, such as flood protection or management of waste. It plans, manages and delivers projects to help its customers find more sustainable solutions.

ABL is now looking at a new project in Japan to build what will be the world's largest statue, over twice the size of the Statue of Liberty. They have little actual project construction experience at this level and will need to investigate how such a project can be funded before they commit themselves.

At any one time ABL works on hundreds of complex projects around the world.

Question 3

Evaluate the strategic options that ABL have used to achieve growth.

[25 marks]

LO: 3

AC: 3.1

Q4 – William John Services

William John Services plc is a design company providing specialised software and web-based solutions across a limited but lucrative market sector in the UK. It is planning to diversify part of its operations and is considering two separate projects but only has sufficient funding for one. The details are listed below:

Project A

- Initial cost £475,000 Expected Cash inflows – Year 1 £225,000, Year 2 £135,000, Year 3 £117,500, Year 4 £72,000

Project B

- Initial Cost £635,000 Expected Cash inflows – Year 1 £178,000, Year 2 £226,000, Year 3 £317,000, Year 4 £95,000, Year 5 £42,000

In both cases there is not expected to be any further cash inflows after the projections above, nor are there likely to be any disposal costs incurred. The company Weighted Average Cost of Capital is currently 8% pa which it has decided to adopt as the relevant discount factor.

Discount Rates at 8% are – Year 1 = 0.926, Year 2 = 0.857, Year 3 = 0.794, Year 4 = 0.735, Year 5 = 0.681

Question 4

Investment appraisal is a collection of techniques used to identify the attractiveness of an investment or project.

Calculate the net present value (NPV), the Average Rate of Return (ARR) and the Payback Period for each project using data provided. Recommend which project should be chosen on the basis of your calculations.

[25 marks]

LO: 4

AC: 4.1