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L6M3

Global Strategic Supply Chain Management

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Question: 1

What is the difference between a goal and a strategy? Provide a definition of each, with an example. Describe three possible strategies of an organization competing in the private sector.
How confident do you feel answering this question?

A. confident
B. not confident

Answer: A

Explanation
Below you will find how you can plan and draft the essay. Remember this is an example of one way you could approach the question. At Level 6 the questions are much more open so your response may be completely different and that's okay.
Essay Plan
Introduction
P1 – strategy – definition and example
P2 - goal – definition and example
P3 – strategy #1
P4 – strategy #2
P5 – strategy #3
Conclusion – difference between the two - summarised
Example Essay
In Supply Chain Management, it is important that organisations have both overarching strategies and specific goals. Although some people use these two terms interchangeably, they are in fact very difference. A strategy is a broad statement of where the company wants to be, whereas a goal is a short-term, specific aim of how to get there.
A strategy is a clear plan that's decided by the main actors of the company such as the Board of Directors or CEO. It sets out the company's intentions – but it's not too specific, it is more of a broad statement about the direction of travel the company is going in, and wants to go in. A strategy is decided based on the perceived market conditions (e.g. is the market growing, shrinking? etc), professional practice (i.e. what's common in that specific industry) and what competitors are doing (a company may decide to take a very different strategic approach to differentiate itself from the competition). An example of a strategy is a company deciding to compete in a new marketplace. Porter outlines three major 'competitive strategies' as being cost leadership, differentiation and focus.
Once an organization has outlined their strategy, goals can then be devised to achieve this. Goals are tactics and specific actions which will allow an organization to realise the strategy. Where the strategy is 'high level', goals are often decided by the business functions such as procurement and finance. Each business function may have different goals, but they will all be aligned (horizontally) to ensure the overarching strategy is achieved. Goals are usually quantifiable and should be developed using the SMART methodology. For example a drinks manufacturer has a differentiation strategy- they want to set themselves apart from other companies by providing unique new flavors of drink. This is their strategy.

Their goal would be more specific, for example to introduce 4 new flavors of drink to the market each year.
Three possible strategies of an organisation in the private sector:
1) Growth
Growth is about increasing market share, revenue and profitability. There are many ways which an organisation in the private sector could do this including introducing new product lines, attracting new customers or breaking into a new market segment. For example a growth strategy for Primark may be to increase sales to men, or to open new stores in Hungary. An organisation can use the Boston Consultancy Group Matrix and the McKinsey Matrix for analysing growth strategies.
2) Diversification
This means branching out and doing something new, such as introducing new products to an existing marketplace. The diversification can be related to the product they already sell (e.g. a drinks manufacturer brings out a new flavour) OR it could be completely different to what they're used to (a drinks manufacturer starts making cakes). A real life example of this is Lego making films and a theme park. The further the diversification is from the company's usual market, the higher the risk is with this strategy.
3) Stability
This could be a strategy if an organisation is already the market leader and wants to maintain its position. This is particularly common in heavily regulated markets that wouldn't allow a monopoly to exist and when a company has risk-averse shareholders. A good example of this is Bowing (the plane company) – their strategy is to maintain stability in order to keep dividends high for their shareholders, who are mainly pension funds.
In conclusion, the main differences between a strategy and a goal are as follows:
- A strategy is broad and a goal is specific
- A strategy is decided by top management and a goal may be set by a business function
- A strategy is usually a qualitative statement and a goal is usually quantifiable
Tutor Notes
- The question specifically asked for private sector strategies so make sure your response doesn't walk about goals for public or charity organisations. So goals such as providing a service to clients, doing public good etc would be wrong and wouldn't get you points.
- Other goals would be accepted – the ones I've listed are from the study guide p.7
- This question has lots of multiple parts – this is where writing an essay plan is useful before you begin. Check your essay- did you include ALL parts asked for in the question?
1) Definition of goal
2) Example of goal
3) Definition of strategy
4) Example of strategy
5) Differences between goal and strategy (aim for at least three)
6) Strategy #1
7) Strategy #2
8) Strategy #3
As you can see there are eight parts to this question, so for a 25 point question, each part will give you 2-3 points. That should help you gage how much detail you need to provide for each section (not that much!).

Question: 2

XYZ Ltd is a large multi-national consumer product manufacturing company with operations in 12 countries and a turn-over of £12billion. Describe 4 internal and 4 external factors which may influence this company's corporate strategy.
How confident do you feel answering this question?

A. confident
B. not confident

Answer: A

Explanation
Below you will find how you can plan and draft the essay. Remember this is an example of one way you could approach the question. At Level 6 the questions are much more open so your response may be completely different and that's okay.
Essay Plan
Introduction – relate to XYZ
Section 1 – internal factors – 4 in separate headings
Section 2 – external factors – 4 in separate headings
Conclusion – both internal and external are important – use SWOT
Example Essay
XYZ is competing on a global scale and as such, will have an intended corporate strategy. This may be to increase growth, diversify product ranges or increase profitability. Whatever XYZ's strategy is, it needs to be aware of internal and external factors which would influence this.
Internal Factors
1) Stakeholders
Internal stakeholders include employees, investors, managers and shareholders. These can all influence the strategy of XYZ. If XYZ is a publicly traded company then shareholders will get a say in the strategy. Shareholders may be keen to get high level of dividends so will influence the company to pursue a growth / expansionist strategy in hopes of increasing profit, and therefore returns for them.
2) Company Structure
The company structure will determine what type of strategy is feasible. As XYZ is a large company, their manufacturing and supply chain would influence what is achievable and practical. So a strategy that is about customer responsiveness probably wouldn't work – XYZ is too large for that - but a strategy about cost leadership could work. XYZ could pool resources across the 12 countries and implement LEAN practices.
3) Product Lifecycle
XYZ is a manufacturing company making consumer products. Consumer products have a product lifecycle (introduction phase > growth > maturity > decline). Where the product is in the lifecycle will influence strategy: a product at an introductory stage (e.g. a new type of electronic) may need an aggressive marketing strategy to increase visibility to customers and ensure growth, whereas if products are at the decline stage, the corporate strategy might steer towards differentiation- finding alternative uses for these products, or looking heavily at R&D to make new products.
4) Culture and History
Culture is how things are done at a company. If XYZ has a history of developing new products quickly, expanding into new markets etc then this will influence future strategy- they're likely to continue doing this. If they've had something fail, e.g. they tried to get operations into a 13th country and failed, the strategy might be more risk-averse.

External Factors
1) Competitor Actions
XYZ may create their strategy depending on what their rivals are doing. For example if a competitor is discounting their consumer goods, XYZ could look to compete with this and create a cost leadership strategy by implementing systems such as LEAN. Alternatively, XYZ could look to differentiate from the competition. E.g. if a competitor provides consumer goods for a broad market, XYZ could use segmenting to target a specific customer segment such as teenagers.
2) Regulators
Regulators include governments and governing bodies such as the Competition and Markets Authority (UK). Governments could impose new tariffs and quotas which would affect XYZs strategy. They work in 12 countries, so if a country decides to restrict access through unfavourable tariffs or taxation, then XYZ may choose to focus their strategy on other geographical markets. Similarly, if a country has favourable terms, XYZ may branch into a new territory. Regulators could also prevent XYZ from merging with a competitor if it believes that the merged companies would constitute a monopoly of the market. XYZ needs to ensure its strategy abides by these types of rules.
3) New Entrants
New entrants into the market could influence XYZ's strategy as it will now have to compete harder to win market share. XYZ could respond through an aggressive strategy to ensure they remain dominant in the market.
4) Substitute Products
Substitute products may mean that customers start turning away from XYZ and buying something else. XYZ should carefully consider substitute products as part of their corporate strategy by trying to increase customer loyalty, finding alternative uses for their products, and investing in R&D to ensure XYZ stays relevant.
In conclusion, there are many internal and external factors that XYZ must consider when designing their global strategy. The best way for XYZ to assess internal and external factors influencing corporate strategy is by doing a SWOT analysis (strengths, weaknesses, opportunities, threats).
Tutor Notes
- The question in May 2022 asked about external factors and it related to supply chain strategy in particular (rather than corporate strategy). There hasn't been a question on internal factors yet.
- Remember to only list 4 of each. No more. You won't get extra points for it.
- Check your essay – did you write four of each? Did each of them relate back to XYZ? For a 25 point question you're looking at 2-3 points per factor so you don't have to go into too much detail here.
- Your introduction and conclusion may be very different. You could have started with a definition of a strategy- that would be great.

Question: 3

Describe 4 internal and external risks that can affect the supply chain. How should a supply chain manager deal with risks?
How confident do you feel answering this question?

A. confident
B. not confident

Answer: A

Explanation

Below you will find how you can plan and draft the essay. Remember this is an example of one way you could approach the question. At Level 6 the questions are much more open so your response may be completely different and that's okay.

Essay Plan

Introduction – definition of a risk

Section 1 – 4 internal risks

Section 2 – 4 external risks

Section 3 – how to deal with risks

Conclusion – important to create risk register and update this regularly.

Example Essay

In Supply Chain Management risks are often perceived to be bad or negative things that could potentially happen (a good risk is often considered an opportunity). A risk is not a guaranteed occurrence, rather, it is a hazard that has the potential to have a negative effect upon the supply chain. Organisations therefore need to protect themselves from risks to their supply chains. The essay below will outline 4 internal and external risks, and several ways a supply chain manager can deal with risks.

Internal risks

1) Disruption to manufacturing processes

This would include the risk that the machines breaking down in a factory or the IT system goes down in an office environment, leaving employees unable to access data and systems they require to do their work.

2) Staff risks

If key members of staff leave this could pose a risk to the organisation. This is particularly true when staff hold knowledge and relationships that are not easily replaceable, or if the vacancy would lead to a capacity issue (e.g. the level of output would decrease because of the staff shortage).

3) Poor network planning

If a manufacturer does not have accurate forecasting, it risks under or overproducing an item. If overproduced, this will incur additional costs, which is a financial risk to the business if they are then unable to sell the items. If they underproduce, this could be a reputational risk as it risks not being able to fulfil customer orders, leading to customer dissatisfaction

4) Lack of control/ visibility over the supply chain

For example, a supply chain manager for a clothing manufacturing retailer may unaware that their garments are being made by child labour. This is a huge ethical and reputational risk.

External risks

1) Supply risks

Supply risks means that the level of raw materials required in the supply chain is affected. For agricultural produce this may be due to poor weather. War can also impact upon supply, for example Ukraine's main export is sunflower oil, but due to the ongoing war, many supply chains which use this product have had to change to an alternative product like olive oil.

2) Demand risks

There is a risk that the end customer changes tastes and no longer wishes to purchase the item the supply chain is producing, instead opting for a substitute product. Demand risks can also be affected by a poor economic climate (such as the current cost of living crisis) meaning that customers are spending less and buying less products.

3) Security

Most companies nowadays use automation and communicate electronically. A big risk is a company having their IT system hacked. Security could also be physical (e.g. lorries being hijacked in transit).

4) Natural disaster

Natural disasters such as a flood or fire could damage a member of the supply chain or the products, particularly if these are stored in a warehouse. A natural disaster may also prevent logistics companies from transporting materials from one member of the supply chain to the next.
How a supply chain manager should manage risks:
A supply chain manager should use a risk assessment register to ensure that they are fully aware of all risks. To make a risk assessment, they should consider the likelihood of a risk happening and the severity of the risk (how much impact it would have). If you give each factor a score out of 5 then you can multiply these together and have a score out of 25 for that risk. Higher scores need more active management. Once the risk has been assessed, there are four techniques to managing risks, commonly referred to as the 4Ts
Tolerate- the supply chain manager can just 'let it go'. If the risk happens, it happens. There is nothing in place to stop the risk from occurring. This option should only be used if the consequences of the risk would not severely affect the business/ supply chain.
Treat – this means to put measures in place to lower the risk rating. This is the most common form of management. For example, if there's a risk of machinery breaking down and it is likely to happen, this would dramatically impact operations. Therefore, the supply chain manager would treat the risk by getting routine maintenance done on the machine and replacing parts periodically. This may drop the score from a 20 to a 5, which can then be tolerated.
Transfer – this means passing the liability of the risk to someone else like an insurance company. An example of this is the risk of a warehouse and all the stock being destroyed by a fire – the supply chain manager can take out insurance to protect against this risk. They would still lose the warehouse, but the organisation wouldn't lose out financially. They can recoup costs from the insurance.
Terminate – this is when the risk is too great that the supply chain manager needs to eliminate it completely. For example, if the supply chain has embarked on a new project which requires high investment and is running the risk of failure and bankrupting everyone, it may be wise to terminate the risk and shut down the project.
In conclusion, there are many risks, both internal and external, that a supply chain manager should be aware of. Supply chain managers should actively keep a register of all risks and assign them a value and action. These risk assessments should be reviewed regularly to capture any new risks and ensure that the severity and likelihood of the current risks have not changed. If they do change, then a new plan of action may then be needed.
Tutor Notes
- This question asks for a lot of information – so you don't have to go into too much detail on each risk. In a CIPS exam they may provide this type of question with a scenario, in which case you'd look at naming specific risks for the scenario company. OR they could ask you to name just internal or just external risks. Because I've asked for so many things in this question, you don't have to go into much detail for each, BUT if in the exam you get asked for less information, then you would need to go into each risk more in detail, and provide more examples like the sunflower oil thing.
- I've talked about the 4Ts but you could have approached this differently and just spoken about different ways of handling risks. You could have said how the supply chain manager would deal with each of the 8 risks you named. One technique you could have talked about that I didn't is failsafing – this is used in risk management when there are humans involved in a process. Humans make mistakes so failsafing is a way of changing the process to reduce the risk of a human making a mistake. An example of this is in a pharmacy – 2 pharmacists must check a prescription before it is given to a customer. This avoids giving the wrong medication to the wrong person and them dying. Another, less dramatic, example is having 2 managers sign off on a large PO (this stops the risk of fraud happening).

Question: 4

What is meant by effective supply chain management? What benefits can this bring to an organisation? How confident do you feel answering this question?

A. confident
B. not confident

Answer: A

Explanation
Below you will find how you can plan and draft the essay. Remember this is an example of one way you could approach the question. At Level 6 the questions are much more open so your response may be completely different and that's okay.
Essay Plan
Introduction – brief explanation of supply chain management
P1 – characteristics of effective supply chain management with example
P2 – benefits
Conclusion – effective supply chain management is important to the success of the business
Example Essay
Effective supply chain management is the ability to ‘get the best’ out of the supply chain. This means using it to its full potential, ensuring there is no waste and ensuring there is strategic fit. It is important as effective supply chain management offers a potential route to achieving competitive advantage.
Supply chains need to be actively managed in order to be effective. Effective supply chains rely on strong flows of materials, information and finance- these flows need to be quick, effective and without waste. This means ensuring that the ‘5 Rights’ are achieved – the right information/ product, to the right place, at the right time, in the right quantity, in the right way. Strong information flow means information is transported both up and down the supply chain, and finance flows means paying suppliers quickly so that everyone remains solvent. Effective supply chains can be agile or lean in nature, and the structure of the supply chain must benefit the organisation’s competitive strategy.
An example of an effective supply chain is Amazon. The company uses automation and reliable supply partners to ensure that the website is accurate in terms of level of stock, and that an order placed by a customer can be fulfilled and delivered the next day. The supply chain is extremely agile- it is able to respond to changing customer demands, whilst remaining cost effective.
There are many benefits of effective supply chain management; it helps to achieve all aspects of the Iron Triangle of cost, quality, scope and time. For example ;
- Cost = effective supply chain management can lead to reduced costs through the elimination of the 7 wastes. This therefore provides higher profit margins.
- Quality = It can lead to superior products being delivered with less defects and waste
- Scope = an effective supply chain meets customer’s expectations. This leads to satisfied customers and potentially to repeat business
- Time =an effective supply chain results in reduced lead time to market, which in turn may lead to more sales and happier customers
Other benefits of effective supply chain management include; being more responsive to demands and shifts in the marketplace, providing a source of differentiation, an enhanced reputation, and higher

ethical and environmental standards. Moreover, effective supply chain management can also lead to innovation.
In conclusion, effective supply chain management is extremely important to the success of an organisation. It helps the organisation to compete in the marketplace and brings about many benefits, not only financially, but also operationally and culturally.
Tutor Notes
- If you have an example of how effective supply chain management has brought about a benefit to a company you know, this would be good to include.
- This topic hasn't been asked yet, and it is quite a simple one. There are many examples and benefits you could talk about. If you wanted to go for a really high score, you could bring in some additional theory such as Hill (2017) – four factors to competitive advantage: superior efficiency, superior quality, superior customer responsiveness, superior innovation. You could talk about how effective supply chain management leads to these four things.

Question: 5

What is Enterprise Profit Optimisation? What are the advantages and disadvantages of using this?
How confident do you feel answering this question?

A. confident
B. not confident

Answer: A

Explanation
Below you will find how you can plan and draft the essay. Remember this is an example of one way you could approach the question. At Level 6 the questions are much more open so your response may be completely different and that's okay.
Essay Plan
Introduction – what is it?
P1 – 4 steps
P2 – how it works
P3 – advantages
P4 – disadvantages
Conclusion – when is it useful to use?
Example Essay
Enterprise Profit Optimisation (EPO) is a tool that looks across the entire supply chain with the goal of enhancing profitability. Based on the work of Eugene Bryan in the 70s, it's the dynamic linking of price to sales and production information. Profitability is enhanced by optimising both the demand (sales, marketing) and supply (raw material availability and prices) sides of the business. The coordination between the two sides leads to synergies and thus to higher profitability.
There are 4 main steps
1) Optimise prices – using statistical and mathematical techniques to decide what the optimal price is for a product
2) Stimulate demand – use marketing and selling channels to convert predicted demand into actual sales at the desired optimal price

3) Optimise fulfilment – optimise the supply chain (e.g. manufacturing, logistics, transport) to deliver the product to customers
4) Reoptimise prices – as transactions continue to occur, the optimised price is recalculated taking into consideration more information from both the supply and demand factors
Prices can be reoptimised based on demand factors (e.g. If there's more or less customers than previously forecast, how many items they're buying, what their demographic is etc) and on supply factors (e.g. changes in prices of raw materials). What this means in practice is that there's no 'set' price for an item – when a customer goes to buy it, they will pay a different price depending on what is optimal for the supply chain at that time. An example of this is airlines selling seats on a flight. Every time a customer goes to buy a flight, the price will change – this will change based on how many people are looking at buying that flight (demand factor) and how much fuel costs have changed (supply factors). The process of reoptimising the price is automated and requires huge capital investment, high quality data and monitoring systems.
The main benefit to EPO is that changes in demand can be quickly reflected in the price. IE if a product is selling faster than anticipated, then the supply chain can increase the price and therefore maximise profits. Similarly, excess supply can be capitalised on by changing the price quickly (e.g. by discounting the price to sell at a higher volume). If there is a glut (a slowdown in sales), EPO can manage this in one of two ways: increasing the price to ensure the supply chain is breaking even, or reducing the price to stimulate demand. Either way, it benefits the supply chain's profitability level. When using this system, the supply chain becomes very agile and it can reduce the risk of stockouts.
There are also disadvantages to EPO. It can be costly and time-consuming to implement, and it requires buy in from all business functions and parts of the supply chain, which can be difficult to get. EPO only works if the data is accurate – it can be risky to do if the supply chain doesn't have good visibility of both up and downstream activities. Moreover, when using EPO, customers become aware that prices change, so may hold back purchasing if they think the price will drop. In some circumstances, it can lead to customer dissatisfaction – no one likes paying a higher price for something than someone else. The price changing so frequently may lead to customers being unhappy and feeling like they've been 'ripped off'. It can be seen as 'underhand'. This is particularly true with airline prices.
In conclusion EPO is a useful tool to help link price with supply and demand factors. In order for EPO to be used successfully, the Supply Chain Manager needs to ensure there's high visibility across the supply chain and good working relationships with each member of the supply chain.
Tutor Notes
- This topic hasn't come up in an exam yet. It's not covered in much detail in the book so I do recommend a bit of additional reading (link below). A question could be quite general like the above, or it could relate to a scenario. E.g. XYZ are thinking of introducing EPO, here's lots of details about them, is this a useful tool for them to implement? What are the risks?
Even in a scenario question you could take most of the content from above to use in that essay.

Question: 6

Describe 3 ways in which a market can change.
How confident do you feel answering this question?

A. confident
B. not confident

Answer: A

Explanation

Below you will find how you can plan and draft the essay. Remember this is an example of one way you could approach the question. At Level 6 the questions are much more open so your response may be completely different and that's okay.

Essay Plan

Introduction – explain what a market is and why it changes

P1 – structural change

P2 – expansion and contraction

P3 – actor centric change

Conclusion – markets are always changing

Example Essay

The dictionary definition of a market is a place where two or more parties can meet to engage in an economic transaction. Nowadays, in the era of globalisation and extended global supply chains, markets are no longer physical spaces where buyers and sellers meet, rather, they are a way of grouping similar businesses and customers together, even if they never physically meet. There are three main ways in which markets can change.

1) Structural change

This type of changes is an exogenous change – meaning the change comes from outside of the market and impacts upon buyers, sellers and the products being sold. This is usually a disruptive change where the rules of the game change. The structure of a market could be changed by a government or regulating body. An example of this is the UK government banning the use of Asbestos in building construction (finally completely outlawed in 2000). This impacted the construction industry as Asbestos was no longer imported into the country, manufactured or used in products sold to the public. Companies had to find substitute products to use. When a structural change occurs there's usually advance warning. For example, all new cars sold in the UK from 2030 will be electric or hybrid- car manufacturers have been given advanced warning to slow down production of petrol cars and replace these with electric.

2) Expansion and contraction

This refers to the growing and shrinking of the market and is typically more of an incremental change (with the exception of the 2008 crash). Markets expand when new opportunities arise and contract when there is less demand for a product/ service. Expansions and contractions can happen due to different STEEPLED factors. An example of this is the expansion of the technology market during the Covid pandemic- many companies invested heavily in communication technology and new apps such as Houseparty came onto the market. Markets contract when products become 'outdated' or there is no longer a use for them. For example, the market for cameras is contracting as many people nowadays use the camera on their phone - there is no need to buy a separate item.

3) Actor-centric change

This is a radical change brought about by an actor within the market. For example this may be a seller in the market buying out competitors and creating a monopoly market. It could also be an important player in the marketplace going bust and leaving a huge space in the market for other organisations to fill. An example of this is Carillion in the UK Construction industry – they were a huge organisation with many large government contracts, and went bust overnight, leaving over 20,000 people redundant and billions of pounds worth construction projects half-finished. This had a huge impact on the construction industry as it created opportunities for other sellers to take over these contracts.

In conclusion, markets are never static – they are constantly changing in size – growing and contracting - and are influenced by players both inside the market and outside it. For this reason, a supply chain

manager needs to have a thorough understanding of the marketplace they are operating in, and have strategies and plans in place to be able to cope with any potential changes.
Tutor Notes
- The exam topic for LO 1.3 in November 22 was about disruptive and incremental change. If a question comes up again on change, it will more likely be something like the above- talking about types of change.
- You'll have noticed most of my examples above are construction related. These examples aren't from the book, they're from my personal experience (I used to work in construction). At Level 6 it's important to be able to relate the theory to the real world. So in your essay try to explain how YOUR industry has been impacted by a structural or actor- centric change.

Question: 7

XYZ is a toy manufacturer in the UK, specialising in wooden toys such as building blocks for toddlers. Describe the external factors that could affect the supply chain management of XYZ. You should make use of a STEEPLED analysis in your answer.
How confident do you feel answering this question?

A. confident
B. not confident

Answer: A

Explanation
Below you will find how you can plan and draft the essay. Remember this is an example of one way you could approach the question. At Level 6 the questions are much more open so your response may be completely different and that's okay.
Essay Plan
Introduction – definition of external factor – something outside of the supply chain's control that can influence the efficiency, effectiveness and profitability of the supply chain.
Each Letter in a separate paragraph – relate it back to XYZ and supply chain
Conclusion – XYZ need to carefully monitor each factor
Example Essay
Supply chains do not function in isolation. There are always things outside of the supply chain's control that can influence the efficiency, effectiveness and profitability of the supply chain. The essay below will outline the external STEEPLED factors which can affect the supply chain of the toy manufacturer XYZ.
1) Social factors
XYX must ask the questions: who is the customer? How much disposable income do they have? What do they like? What are their values? The end user may be toddlers, but these are not the customers making the purchases. It is the parents making the purchases, so XYZ needs to consider the social factors affecting parents. The social factor of STEEPLED impacts upon XYZ's supply chain management as it has a huge influence on demand factors. If demand for wooden products increases, because parents value wooden toys over plastic ones, then XYZ may need to increase its capacity. If parents decide that wooden toys are no longer fashionable, then demand will decrease.
2) Technological factors
This refers to what the supply chain is capable of in terms of automation and AI. For XYZ it may include the introduction of e-commerce, which affects how customers purchase items. For example rather than

buying toys through a retailer, customers may be able to come directly to XYZ through their website. Moreover, technology influences how the supply chain can communicate and share data (e.g. the introduction of blockchain or systems such as MRP and ERP).

3) Economic factors

Factors such as interest rates, inflation, exchange rates, levels of taxation and the general state of the economy (boom vs recession) will all impact upon XYZ's supply chain. Economic factors can impact upon levels of liquidity and profitability for all members of the supply chain. It can also influence both supply and demand – in an economic recession customers have less disposable income so will not buy as much. Hard economic times can also lead to some companies becoming unprofitable (especially if inflation and costs of production increase). This may lead to some companies going bust. For example if XYZ's wood supplier goes bust this will adversely impact the supply chain.

4) Ethical factors

This means what is the right/ moral thing to do? XYZ should consider areas like child labour and modern day slavery in the supply chain. Where is XYZ sourcing its materials from? Are components being made in factories with poor working conditions? The Supply Chain Manager should actively seek to eliminate unethical practices from the supply chain.

5) Political factors

These factors can be classed as systemic politics (a government's approach to policy making), procedural (how a country operates – e.g. is everything above board or is there lots of black market activity and suppliers being paid cash under the table) and distributive (the levels of foreign investment in a country (i.e. large MNEs operating in the country). Political factors can affect XYZ's supply chain in many ways. For example, Brexit may mean it is more difficult and / or expensive to import raw materials. But conversely it may mean that customers are more willing to 'buy British', which will increase demand.

6) Legal factors

This includes considerations around employment laws, minimum wage, discrimination, intellectual property rights, competition regulators such as the monopolies commission, and laws such as Health and Safety. For XYZ this will affect who the supply chain can employ in the UK (e.g. no under 16s), how much they have to be paid (£10.40 per hour for those aged over 21) and the amount of hours they can legally work (maximum of 60/ week).

7) Environmental factors

This is about pollution, sustainability, the circular economy, energy use, and climate change. This will affect how XYZ's supply chain operates. They should consider what wastes are produced- e.g. from factories and transportation, and whether the supply chain engages in reverse logistics for customers to return parts to be recycled and reused. Is XYZ a 'green company' or is the impact of its supply chain hurting the environment?

8) Demographic factors

Demographics refers to the composition of society, it looks at quantitative factors such as age, sex, life expectancy, education level, language etc. One important demographic that XYZ needs to consider is the birth rate in the UK. This will impact upon the demand side of the supply chain. If the birth rate is decreasing, then there may be less demand for XYZ's products in the future. Demographics also impacts upon the supply chain's workforce (i.e. who can be employed). XYZ must consider whether the UK has a skilled workforce and where this is geographically in order to locate supply chain operations there.

In conclusion, the supply chain of XYZ will be continually influenced by the STEEPLED factors mentioned above. For this reason, the Supply Chain Manager needs to ensure that XYZ has researched into the potential impacts that these can have. The factors listed above can all impact upon how efficient and effective XYZ's supply chain is, and thus on XYZ's overall success within the marketplace.

Tutor Notes

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- It’s quite easy to see a question like this and go ‘yes I know STEEPLED’ and just start writing everything you know about STEEPLED. But stop and take a look at your answer. Did you relate every STEEPLED factor to XYZ? Did you relate it to the supply chain? This is where CIPS can get you. If you’ve just talked about the factor’s influence on XYZ rather than on the supply chain, you’ll lose a lot of points. To get a good mark you need to make sure each of the factors is in relation to XYZ’s supply chain. We don’t know from the question if the supply chain is in the UK or is global, so you’ve got flexibility there to write what you want.
- STEEPLED came up in May 2022. I think if it comes up again it probably won’t be for a while, but it’s still a good topic to know about as you can fit this theory into more general questions such as how and why markets change, what factors supply chain managers need to consider when creating global strategies etc. It’s a good topic to have in your back pocket.

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