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Exam Name:E3 - Strategic Management Question
Tutorial

Version:Demo

QUESTION 1

Country W hosts a large music competition every 5 years, which is attended by many international musicians. The success of the competition is dependent upon effective Customer Relationship Marketing being established with many different market groups around the world. These include music colleges who send their students, broadcasting companies who broadcast the event on radio and television, audience members, online ticket sellers and music journalists who write about the competition in specialist journals.

Using Payne's 'Six Markets Model', which of the following is the correct classification for the music journalists writing about the competition?

- A. Customer market
- B. Supplier market
- C. Referral market
- D. Influence market

Correct Answer: D

QUESTION 2

Which THREE of the following statements apply to Lynch's performance pyramid? (Choose three.)

- A. The performance pyramid is designed to ensure that all activities support the organization's vision.
- B. The right-hand side of the pyramid contains measures which are predominantly non-financial.
- C. The left-hand side of the pyramid contains measures which have an external focus.
- D. The business operating systems level includes the market-related Critical Success Factors.
- E. The lowest level of the pyramid contains the day-to-day operational measures.
- F. The business unit level includes measures which relate to internal systems needed to meet customers' needs.

Correct Answer: CDF

QUESTION 3

Company CCC is an automotive component manufacturer. It manufactures three main products within its portfolio:

Product 1: Relative market share of 0.1; Market growth rate of -2%

Product 2: Relative market share of 4.0; Market growth rate of +3%

Product 3: Relative market share of 0.3; Market growth rate of +15%

Which TWO of the following statements are CORRECT? (Choose two.)

- A. Product 2 is likely to be at the mature stage of its life cycle, is likely to benefit from significant economies of scale.
- B. Product 3 is likely to be at the growth stage of its life cycle, at high risk of failure and further investment should be considered.
- C. Product 1 is likely to be at the mature stage of its life cycle, operating in a contracting market and is fairly cash neutral.
- D. Product 2 is likely to be at the growth stage of its life cycle, have weak profitability, poor cash generation and high capital requirements.
- E. Product 1 is likely to be at the mature stage of its life cycle, have strong profitability and further investment should be considered.

Correct Answer: BD

QUESTION 4

DRAG DROP

In order to organize the value-adding activities to support a chosen strategy, Porter's Generic Strategies are often applied within an organization's value chain.

Against each of the activities listed below, select the Generic Strategy which best defines the strategic approach being taken.

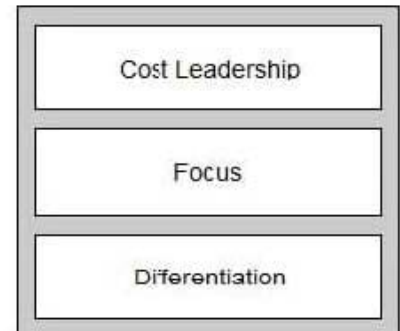
Select and Place:

Activity within the value chain	Generic Strategy
Operations: Mass production in low wage economies.	
Procurement: Bulk purchasing of raw materials.	
Marketing and Sales: Exclusive brand development and promotion.	
Infrastructure: Business based in one location, close to its customers.	
Human Resource Management: Regular training in customer service.	
Marketing and Sales: Advertising based on quality of product/service.	

Cost Leadership
Focus
Differentiation

Correct Answer:

Activity within the value chain	Generic Strategy
Operations: Mass production in low wage economies.	Cost Leadership
Procurement: Bulk purchasing of raw materials.	Cost Leadership
Marketing and Sales: Exclusive brand development and promotion.	Differentiation
Infrastructure: Business based in one location, close to its customers.	Focus
Human Resource Management: Regular training in customer service.	Differentiation
Marketing and Sales: Advertising based on quality of product/service.	Differentiation



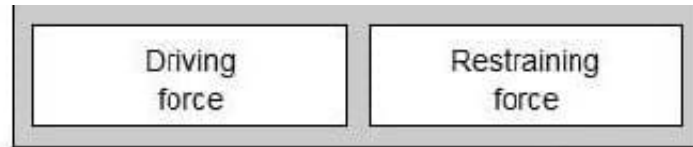
QUESTION 5

DRAG DROP

YZ is a family-run business which manufactures and sells confectionery, employing almost 100 staff. It operates 10 shops in small towns in the north of country P. Sales of YZ's products have decreased over the last 4 years due to competition from large supermarkets, internet shopping and a general economic downturn, which has hit the north of country P especially hard. YZ's managing director has recently retired and the board decided to fill the vacancy with an external appointment. The new managing director plans to invest in new manufacturing technology, which would cut staffing levels by 15% and

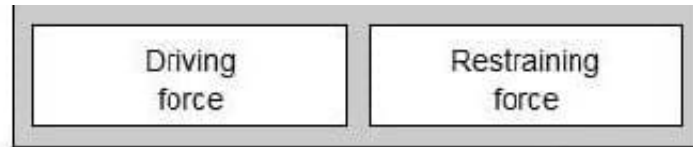
reduce wastage, allowing YZ to lower its prices. YZ's staff are very unhappy about these proposals, feeling that they will destroy YZ's family tradition and reputation that has developed over many years. Select the correct descriptor for each of the forces for change below:

Select and Place:



The prevailing economic environment.	
The appointment of a new managing director.	
Attitudes about the proposed changes held by the staff.	
Developments in manufacturing technology.	
The attitudes and behaviours of customers.	
The family members of the board of directors.	

Correct Answer:



The prevailing economic environment.	Driving force
The appointment of a new managing director.	Driving force
Attitudes about the proposed changes held by the staff.	Restraining force
Developments in manufacturing technology.	Driving force
The attitudes and behaviours of customers.	Driving force
The family members of the board of directors.	Restraining force

QUESTION 6

HHH is a manufacturer which has a bonus scheme for its production workers related to the speed of output. HHH's products are very specialized and are made in a dangerous production environment. HHH's production workers usually work alone but sometimes, if there are problems in the production environment (for example, machinery breakdowns), they have to work in teams. When the production workers are working in teams they do not receive any bonus.

HHH's senior management is proposing to amend the current bonus scheme to encourage increased productivity. Under the current bonus scheme, production workers receive extra pay when they achieve 45% of their individual target: The target level is low because of the dangerous production environment and the need to occasionally work in teams.

Under the proposed bonus scheme, production workers will not receive any extra pay until they have achieved 90% of their individual target. Workers who achieve 90% or above of their individual target will be paid a 30% higher bonus.

Which THREE of the following problems is HHH most likely to encounter with the introduction of the proposed bonus scheme? (Choose three.)

- A. The extra production output will lead to an increase in inventory.
- B. The proposed bonus scheme conflicts with health and safety legislation.
- C. Production workers could consider the new target as unachievable.
- D. Production workers will not be motivated by the proposed level of bonus.

E. There could be a rise in the level of workplace accidents.

Correct Answer: ADE

QUESTION 7

Directors have a duty to shareholders and other stakeholders and are required to promote the success of the company.

Which THREE of the following are valid roles and responsibilities of directors? (Choose three.)

- A. To be responsible for keeping all external stakeholders satisfied.
- B. To have regard for the interests of the company's employees.
- C. To focus only on maximizing company profits.
- D. To consider the likely consequences of any decision in the long term.
- E. To avoid conflicts of interest and of duties.

Correct Answer: BDE

QUESTION 8

M has been appointed as an external change agent to lead and implement a large scale re-structuring strategy which is being undertaken by a large bank. M has been appointed due to his extensive experience in a wide range of organizational re-structuring programmes. This re-structuring strategy will involve a large number of redundancies and the implementation of a new organization-wide management reporting system. M will need to work with staff from all departments and levels of the organization. The Board of Directors of the bank believes that an external change agent will bring more benefits to the change process than using an internal change agent.

Which of the following are the most likely benefits that could be achieved by the bank by appointing an external change agent to lead and implement the re-structuring strategy? (Choose all that apply.)

- A. The change process should be less costly if an external change agent is appointed.
- B. The bank can exploit the specialist expertise of the external change agent.
- C. As a dedicated resource, the external change agent can give more time to the change process.
- D. The external change agent will be more objective in decision-making than an internal change agent.
- E. The external change agent will have better relationships with the bank employees than an internal change agent.
- F. The speed of delivery of the change process will be quicker when using an external change agent.

Correct Answer: DF

QUESTION 9

When FarmCot Foods was founded five years ago, it was a small shop set up by a family of dairy farmers in a disused

farm shed, selling their own produce to the local community. The family had decided, at that point in time, to diversify their dairy farming activities into also selling their own milk, cheese and ice cream products. The aim was to increase their revenues, as dairy farming in their home country had been in decline for a number of years.

Since then, the shop has been very successful and has expanded rapidly over the last three years, due largely to a strong growth in tourism in its home country and a shift in consumer demand for locally sourced fresh farm products. FarmCot Foods is now located in a large purpose-built building on the site of the original farm shed and also operates a very popular café, a children's play area and sells a much wider range of products and gifts, which are all sourced from local suppliers.

Which of the following best describes FarmCot Foods approach to strategy development in the last five years?

- A. Rational
- B. Freewheeling opportunism
- C. Incremental
- D. Emergent

Correct Answer: D

Reference: https://kfkknowledgebank.kaplan.co.uk/business-strategy#Emergent_x0020_strategies_0_1_4_1_0_0_0_0_0_0_0_0_0_0_0_0

QUESTION 10

TTT recently appointed a new Chief Executive, R, to lead it through a period of major change. R immediately set up a change management team which consisted of several senior managers and directors from across the organization. Together, they formulated an overall goal for change and then spent several weeks presenting the need for change to all of the staff through a series of staff meetings. At these meetings R involved staff and built their ideas into the final change strategy.

R also set a series of interim goals to encourage ongoing performance throughout the change process. When the organization reached these goals, R widely publicized these achievements to help motivate staff.

However, after six months, TTT had failed to reach most of the interim goals that had been set. Most of the members of the change management team had not maintained a significant interest in the change process and many of the staff felt that there had been a lack of communication and reward following the initial few weeks of the change process.

Kotter suggested that there were eight steps required to successfully lead change.

Which TWO of the following did R fail to achieve? (Choose two.)

- A. Never letting up
- B. Incorporate change into the culture
- C. Develop a change vision
- D. Generate short term wins
- E. Empower broad based action

Correct Answer: CD

QUESTION 11

STU is a hospital that is wholly funded by its national government. In the last five years it has seen its funding cut by over 30% due to budgetary pressure on the government, caused by a global recession. As a result, the senior management team of STU has had to make some very difficult decisions about prioritizing how it spends the funds it receives from the government. Its main strategies have been to reduce the number of administration staff and nursing staff by 20%, in order to reduce its costs. It has also stopped providing a number of services to patients, including its counselling services and its physiotherapy unit.

Which of the following strategies has STU adopted to manage its reduced funding? (Choose all that apply.)

- A. Liquidation
- B. Divestment
- C. Retrenchment
- D. Facilitation
- E. Turnaround

Correct Answer: B

Reference: http://www.cbsmohali.org/course_material/fourth_semester/strategic%20management.pdf (63)

QUESTION 12

RRR is a medium sized company, which has built family homes in Country for twenty years. The Board of RRR wishes to expand company operations and start building homes in the neighboring country. The Board of RRR wishes to undertake a position audit to help in this decision.

Which of the following strategic analysis tools would be used in a position audit for RRR?

- A. Gap Analysis
- B. PEST
- C. SWOT
- D. Five Forces

Correct Answer: C

Reference:

https://www.cimaglobal.com/Documents/ImportedDocuments/cid_tg_strategic_analysis_tools_nov07.pdf