

CIMA E3 - Strategic Management

1. A grocery store has analysed its recent sales and identified that customers who purchased fresh strawberries also purchased ice cream at the same time in 65% of transactions.

Which of the following best describes the results identified in the analysis carried out by the grocery store?

A. Sequencing

B. Association

C. Clustering

D. Classification

Answer(s): B

2. The future can be viewed as consisting of a large number of alternatives. Forecasting techniques have been designed to assist decision-making and planning.

Which TWO of the following statements are correct regarding the use of trend analysis as a forecasting tool?

A. Suitable for mature and stable products / services / companies.

B. Suitable for young and dynamic products / services / companies.

C. Useful where the external environment is always stable.

D. Useful where the external environment is always changing.

E. Useful where comparatives are not available.

Answer(s): A C

3. HHH is about to undergo a period of significant change. HHH intends to draw upon the model suggested by Beer and Nohria, concerning 'Theory E' and 'Theory O'. In which circumstances should HHH use 'Theory O' strategies?

Select ALL that apply.

A. Change which will involve cultural adjustments.

B. Change where there is a desire to involve employees in the process.

C. Change which involves feedback and reflection.

D. Change where shareholder value is the main consideration.

E. Change which will involve downsizing and restructuring.

F. Change which will involve key stakeholders.

Answer(s): A B C

4. CIMA has described the two roles of enterprise governance as 'preventing failure' and 'ensuring success'. CIMA sees 'preventing failure' as being related to having proper risk management and corporate governance procedures in place. CIMA sees 'ensuring success' as being concerned with the practise of strategic management.

Which THREE of the following responsibilities of senior management are essential to 'ensuring success' for the Organization?

A. Providing leadership and direction to the Organization.

B. Maintaining awareness and responsiveness to abrupt change in the Organization's environment.

C. Demonstrating competence in the execution of new initiatives.

D. Avoiding the dominance of the executive team by particular personalities.

E. Ensuring conformance with the codes of corporate governance.

Answer(s): A B C

5. A company runs a distribution warehouse. Its information systems constantly monitors inventory levels, with automatic re-order processing occurring with suppliers when inventory items reach a specified level. It operates a robotics system which automatically picks inventory from its location in the warehouse and delivers it to the pick-up area. The company also has a large database of customer information which it uses to analyse buying behaviour and sales trends so that it can provide customers with relevant and targeted marketing information.

Which THREE of the following activities of the Value Chain have been affected by the use of IT/ IS?

A. Inbound Logistics

B. Operations

C. Outbound logistics

D. Sales and Marketing

E. Services

Answer(s): A B D

6. XYZ is a local tourist attraction. XYZ has a website on which it advertises all of its forthcoming events. XYZ's customers can also use the website to book tickets for these events and can also contact XYZ by email. XYZ's website also uses a range of interactive technologies including geographical location and map facilities and links to external information sites such as the local tourism board and local hotel listings. Which of the following best describes the range of interactive technologies used by XYZ within its website?

A. Social media

B. Information Sharing

C. Mash-up

D. Competence syndication

Answer(s): C

7. PPP is a state owned national railway operator. It has many divisions, each focusing on specific areas of the country.

PPP's mission statement is 'to provide a safe, punctual and reliable public transport service at lowest cost to its passengers and the government'.

Which THREE of the following divisional performance measures should PPP adopt?

A. Return on investment (ROI)

B. Level of carbon emissions

C. Percentage of trains arriving within 2 minutes of scheduled time

D. Cost per passenger mile

E. Number of accidents or near misses each month

Answer(s): C D E

8. Johnson, Scholes and Whittington suggest that Acceptability is an important consideration when evaluating potential alternative investment strategies.

Which of the following statements relate to Acceptability?

Select ALL that apply.

A. It considers the current position of the Organization.

B. It considers expected performance outcomes.

C. It considers cultural changes required.

D. It considers the extent to which risk versus return meets expectations of shareholders.

E. Acceptability should be assessed first before feasibility or suitability.

Answer(s): B D

9. DEF is an regional airline. It uses the Performance Pyramid developed by Lynch and Cross to illustrate the links between its objectives and performance at different Organizational levels. In its Vision statement, DEF states that it will be the leading regional airline in Europe by anticipating and exceeding its customers' expectations.

Advise DEF within which part of the Performance Pyramid each of the objectives and measures should be located.

A. Answer for this question is pending verification. If you know the answers please share with us.

Answer(s): A

10. Which of the following did Johnson, Scholes and Whittington identify as success criteria for the evaluation of strategic options?

Select ALL that apply.

A. Suitability

B. Affordability

C. Feasibility

D. Acceptability

E. Durability

Answer(s): A C D

11. FFF is considering developing a new website that will allow it to advertise and sell its high quality jewellery products online. The Board of FFF has identified that the cost of developing and managing a website would be relatively low. It is predicted that FFF will sell only a small percentage of its products through the website, as most customers like the personal experience of shopping in store.

However, research undertaken by the Marketing Director indicates that the website could be used very successfully by FFF for online marketing and customer communication. Therefore, the Marketing Director has suggested that FFF should develop an IT/ IS strategy to ensure a strategic focus for its website development. However, most of FFF's Board members, who are the main shareholders of the business, believe that developing an IT/IS strategy is unnecessary in order to develop and manage its website.

Which of the following arguments could be made by the Marketing Director to the Board of FFF to persuade it that an IT/ IS strategy would be appropriate in relation to the current website development?

A. IT/ IS is expected by FFF's key stakeholders and should therefore have a strategic focus.

B. IT/ IS forms the basis of FFF's competitive advantage and therefore requires a strategic focus.

C. IT/ IS is fast moving and FFF can take advantage of new technologies as they become available, if managed strategically.

D. IT/ IS is very expensive and without a strategic focus there is a risk of costly mistakes.

Answer(s): C

12. XYZ operates a national chain of restaurants.

Which THREE of the following are external environmental drivers for XYZ?

A. Appointment of a new Marketing Director

B. Recession in XYZ's country

C. Reduced personal income of its customers due to increased personal taxation

D. A direct competitor to XYZ closes down

E. Launch of a new improved menu by XYZ

Answer(s): B C D

13. DRAG DROP (Drag and Drop is not supported)

Company XX and Company YY are the only two providers of electricity to Country M. The demand for electricity is price inelastic which means that buyers regard it as essential and therefore demand for electricity does not change significantly if the average price of electricity changes. However customers will switch between suppliers within a year to get cheaper electricity. Using Game Theory place the long-run revenue impact on each firm of each of the following pricing decisions.

A. See Explanation section for answer.

Answer(s): A

14. PPP is a company that designs and markets attractive handsets, tablets, and laptop PCs globally. Its brand is one of the top ten global brands. PPP uses external companies to manufacture its products. The recently appointed CEO of PPP presented the company's strategy to a meeting of investors and journalists.

The CEO referred to public concerns about its past ways of doing business. He stated that PPP was actively seeking to address concerns about exploitation of workers in the factories of its suppliers. He said that PPP is also establishing a system to recycle or refurbish its products to avoid hazardous materials leaking into the environment and to give recycled products free of charge to people in poorer countries who cannot afford to buy them.

One investor asked the CEO to confirm whether this strategy would improve the profits of PPP in the present financial year. The CEO replied that it would not but that the strategy was essential to protect the future of the PPP brand. The investor was unhappy with this response from the CEO of PPP.

Which of the following statements reflects BOTH the CEO's and investor's stances on Corporate Social Responsibility (CSR) expressed at the meeting?

A. The CEO is taking a long-term shareholder interest stance. The investor is taking a short-term shareholder interest stance.

B. The CEO is taking a multiple stakeholder stance. The investor is taking a longer-term shareholder interest stance.

C. The CEO is taking multiple stakeholder obligation stance. The investor is taking a multiple stakeholder obligation stance.

D. The CEO is taking a shaper of society stance. The investor is taking a longer-term shareholder interest stance.

Answer(s): A

15. Communication is a critical element of the Organizational change process. Communicating the change vision is a component of Kotter's eight steps to transforming Organizations.

Which of the following statements support Kotter's component 'Communicate the change vision'?

Select ALL that apply.

A. Ensure the change message and vision are memorable and repeatable.

B. One-way communication is more powerful than two-way communication.

C. Storytelling and symbolic actions are unnecessary.

D. Unaddressed inconsistencies undermine the credibility of strategic communications.

E. Face-to-face communications improve clarity of message.

Answer(s): A D E

16. Which TWO of the following statements are NOT characteristics of a robust 'coaching climate'?

A. Personal growth, team development and Organizational learning are integrated.

B. Coaching is seen primarily as an opportunity to be proactive rather than reactive.

C. People are able to engage in destructive confrontation.

D. Time for reflection takes place only out of office hours.

E. People are recognised and rewarded for sharing knowledge.

Answer(s): C D

17. JKL is a bank with a large number of personal customers.

A member of staff has reported their loss of a portable electronic storage device to his line manager.

The portable electronic storage device contains customer account details, including secure information such

as personal login details to access personal accounts. JKL has a clear policy that forbids staff from downloading customer data on to portable electronic storage devices.

It would be difficult for a member of the public to access the information on the device.

Which of the following would you advise JKL to do?

A. Notify all customers of the loss and advise them to monitor their accounts for unusual transactions.

B. Wait for customers to query unusual transactions and refund any money they have lost.

C. Let the staff member explain why they downloaded data before deciding on their dismissal.

D. Retain the staff member and monitor them secretly to establish whether they are engaged in a fraud.

Answer(s): A

18. DRAG DROP (Drag and Drop is not supported)

PPP wishes to increase shareholder value using the Seven Value Drivers identified in Shareholder Value Analysis (SVA). Place the correct direction of change next to each driver.

Operating profit margin

Rise

Investment in working capital rate

Fall

Cost of capital

Tax rate paid on profits

Planning horizon

A. See Explanation section for answer.

Answer(s): A

19. EFG is a private hospital. It specialises in state-of-the-art laser surgery, an area which has developed rapidly in the last 10 years. Most of the staff of EFG are used to change, as developments in technology, new surgical techniques and customer demands have changed rapidly during this time. However, in the last three years the economic recession has had a significant impact upon EFG, with the numbers of private customers reducing and its profits falling sharply.

The Board of Directors has recently announced that it is to restructure the Organization and rationalise some of the services it offers. A small number of staff will be made redundant and those remaining will have to take on extra responsibilities with no extra pay. Also, the current generous overtime payments are to be drastically cut. Many staff have expressed concern at the impact that these changes will have on them.

The Board of Directors has clearly communicated the economic reasons for change to the staff through several meetings and are operating an open door policy, whereby staff can discuss the changes with their line managers at any time.

Which of the following, according to Kotter and Schlesinger, is the MOST likely reason for resistance among EFG's staff?

A. Parochial self interest

B. Misunderstanding

C. Low tolerance to change

D. Different assessments of the situation

Answer(s): A

20. Kotter and Schlesinger identified six change styles. Which of the following situations would be better managed by a Negotiation and Agreement style?

A. Where the proposed change will disadvantage a powerful group of employees.

B. Where management prefers to force through the change quickly and against the interests of the staff.

C. Where management requires the detailed technical knowledge of the staff affected to design the change.

D. Where staff are positive about the benefits from the change but do not understand what management requires them to do.

Answer(s): A
