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Strategic Management

Cima E3

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QUESTION NO: 1

YYY is a profit-seeking provider of television channels. It broadcasts to some 55 countries using satellite and cable technologies. It also commissions and produces about 30% of the programs it broadcasts, to give it a unique competitive advantage against other broadcasters.

Web 2.0 provides new opportunities for YYY and it has developed a strong social media component to its programming schedules to increase audience engagement.

Keeping YYY's divisions working together is crucial to its success as a business.

Which of the following methods of divisional Performance Measurement would you recommend to YYY?

- A. Kaplan and Norton's Balanced Scorecard
- B. Lynch and Cross's Performance Pyramid
- C. Stern Stewart's Economic Value Added (EVA)
- D. Rappaport's Shareholder Value Analysis (SVA)

ANSWER: A

QUESTION NO: 2

To lead change successfully, Kotter and Schlesinger recommends that an Organization should change its strategy according to the situation. Effective change leadership therefore involves determining the optimal speed of change.

Which of the following statements would justify proceeding slowly with a change initiative?

- A. Where resistance will be intense and extensive.
- B. Where resistance will be low and more localised.
- C. Where information and commitment from others is unnecessary.
- D. Where you have more Organizational power than those who may resist the change.

ANSWER: A

QUESTION NO: 3

LMN is a medium sized Organization which has faced a number of challenges due to the recent economic recession. In the last 3 years, its profits have fallen each year and it has made 10% of its staff redundant during the same period. LMN has a

hierarchical structure with formal lines of communication. All of the key business decisions are made by a small senior management team, as the senior managers believe that they have the most experience to make these decisions.

LMN has recently hired an external change agent to review its activities and to make recommendations on what it must do to ensure its survival. Having spent several weeks talking to staff and observing the activities and management processes of LMN, the external change agent has made the following recommendations:

1. Reduce the management levels within LMN, as this is limiting its ability to respond effectively to customer demands.
2. Allow some of its staff to take part in the decision making process, as much experience and expertise is being overlooked when making key business decisions.

Which TWO of the following elements of the Cultural Web will be most affected by the change agent's recommendations?

- A. Organizational structure
- B. Symbols
- C. Routines and rituals
- D. Power structures

ANSWER: A D

QUESTION NO: 4

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: B C

QUESTION NO: 5

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.

ANSWER: B D

QUESTION NO: 6

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

ANSWER: B

QUESTION NO: 7

Which of the following is NOT one of the main principles contained within the UK Corporate Governance Code?

- A. Remuneration
- B. Leadership

- C. Disclosure
- D. Accountability

ANSWER: C

QUESTION NO: 8

PQR is evaluating the use of scenario planning to improve its organisational foresight.

Which THREE of the following are advantages of scenario planning?

- A. Scenario planning will improve external relations with investors.
- B. Scenario planning will encourage creative thinking
- C. Scenario planning will encourage communication via participation.
- D. Scenario planning will focus PQR's management attention on the future
- E. Scenario planning will reduce strategy formulation costs.
- F. Scenario planning will eliminate unsystematic risk.

ANSWER: B C D

QUESTION NO: 9

Johnson, Scholes and Whittington described three criteria. 'Suitability, Feasibility and Acceptability' to evaluate potential strategies. Which of the following statements relate to the three criteria? Select ALL that apply.

- A. Concerned with the expected performance outcome.
- B. Concerned with whether the strategy addresses the circumstances in which an organisation is operating.
- C. Concerned with the ability of the business to renew itself.
- D. Concerned with the latest reported results
- E. Concerned with whether the strategy could be made to work in practice.

ANSWER: A B C E

QUESTION NO: 10

SSS University wishes to introduce a new Car Park Management Strategy (CPMS). The aim of this strategy is to reduce the use of private cars and to encourage sustainable transport, such as cycling and public transport, by staff and students. SSS has decided to reduce the number of car parking spaces and introduce parking charges.

The Management Accountant has decided to use the Balanced Scorecard to help prepare a performance management system to assess the performance of the new CPMS.

Which of the following is an example of the Innovation and Learning perspective of a Balanced Scorecard for SSS?

- A. Easy access to car parking spaces.
- B. Number of days of training for car park attendants.
- C. Reduction in complaints from customers.
- D. Speed of processing the payment for parking charges.

ANSWER: A

QUESTION NO: 11

An organisation which exists in a fast-changing industry with managers who dislike formal planning would be best suited to using which of the following strategy models?

- A. Rational model
- B. Logical incrementalism
- C. Freewheeling opportunism
- D. Emergent approach

ANSWER: C

QUESTION NO: 12

XYZ is a manufacturer of garden tools. It has defined 'Excellence of Manufacture' as a Critical Success Factor. Which THREE of the following would be appropriate to use as Key Performance Indicators in respect of this Critical Success Factor?.

- A. % of raw materials input which is scrapped.
- B. Tonnage of raw materials usage.
- C. Raw materials identified as essential.
- D. Number of finished products rejected at final inspection.

- E. Average age of products.
- F. Amount of money budgeted for production process improvements.

ANSWER: A D F

QUESTION NO: 13

VWX is a successful airline with a proven record in successfully exploiting the resources it obtains. Which of the following might create an additional Core Competence for VWX?

- A. Unique rights to operate from the most popular airport serving a capital city.
- B. Sufficient aircraft to operate a good timetable.
- C. A market with more passengers than the existing airlines can satisfy.
- D. The airline operations that operate below the level of middle management.

ANSWER: A

QUESTION NO: 14

QWE is a private company belonging to a famous former sports professional. It operates gyms and fitness clubs across its home country. Each gym or fitness club is treated as a profit center and the manager of each center is paid bonuses based on its financial performance.

QWE introduced multidimensional performance measures into its management control systems 3 years ago. These measure competitiveness, financial performance, capacity utilization, innovation and the flexibility of its centers to cope with changing demands.

The managers of QWE's centers have been leaving at a very high rate over the last 2 years. They have claimed that the measures are too open to interpretation and when they think they are improving their center's performance they are told they are doing the wrong things. They also complain that the managers in the centers near big cities find it much easier to reach their targets than the managers of other centers.

According to Fitzgerald and Moon's Building Block model, where does the problem lie?

- A. Standards and Rewards
- B. Standards, Dimensions and Rewards
- C. Dimensions and Standards
- D. Dimensions and Rewards

ANSWER: C

QUESTION NO: 15

HHH is an international distribution company which operates a number of large distribution warehouses. HHH employs over 10,000 staff who operate the warehouses 24 hours per day and process over 500,000 packages and parcels each day. HHH operates in a highly competitive market and the senior management team recognize the importance of focusing upon its Critical Success Factors (CSF's). However, some senior managers are confused as to the difference between CSF's and Key Performance Indicators (KPI's).

Which of the following are Critical Success Factors for HHH? (Choose all that apply.)

- A. Percentage of stock damaged.
- B. Market share percentage.
- C. Customer satisfaction.
- D. Continual maintenance of warehouse facilities.
- E. Time taken to load and unload deliveries.
- F. Efficient staff planning systems.

ANSWER: B C