# E3 - Strategic Management

## Cima E3

**Version Demo**

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# Topic Break Down

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| --- | --- |
| Topic 1, Interacting with the organisational environment | 97 |
| Topic 2, Change management | 73 |
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| Topic 6, Mix Questions | 1 |
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QUESTION NO: 1

Which THREE principles are explicitly named in the CIMA Ethical Code for Management Accountants Part A?

**A.** Objectivity

**B.** Professional Competence and Due Care

**C.** Integrity

**D.** Privacy of Information

**E.** Correct Personal Behavior

**ANSWER: A B C**

**Explanation:**

The explicitly named principles in Part A include **Objectivity**, **Professional Competence and Due Care**, and **Integrity**. Integrity requires management accountants to be straightforward and honest in professional and business relationships. Objectivity requires them not to allow bias, conflicts of interest, or undue influence to override their professional or business judgement. Professional Competence and Due Care requires maintaining professional knowledge and skill at an appropriate level, acting diligently, and ensuring that work is performed in accordance with applicable technical and professional standards. These are core fundamental principles: they establish the ethical baseline for how members should make decisions, conduct work, and preserve trust in the profession. The CIMA Code also names confidentiality and professional behaviour as fundamental principles, but the question asks for the three principles represented by the precise terminology in the listed answers. The official CIMA ethics resources and the joint AICPA & CIMA ethics materials provide the current code and supporting guidance: CIMA Code of Ethics and AICPA & CIMA ethics and independence resources.

**QUESTION NO: 2**

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: C**

**Explanation:**

Retrenchment is the appropriate strategy because STU is deliberately reducing its operating cost base and narrowing the scale of its activities in response to a sustained funding shortfall. Its reduction in administration and nursing headcount is a direct cost-reduction measure, while discontinuing counselling and physiotherapy reduces the range of services that the hospital must resource. These actions are characteristic of retrenchment: management concentrates limited resources on the organisation’s essential or highest-priority activities in order to preserve financial viability and continue delivering its core purpose. This is particularly relevant in the public sector, where an organisation may be unable to increase income freely and must instead make difficult choices about capacity, staffing, and service scope. Strategic management requires leaders to assess the external environment, allocate scarce resources, and align operations with achievable objectives. STU’s response demonstrates those resource-allocation decisions under severe fiscal pressure. The CIMA Professional

Qualification syllabus places strategic choices and the management of organisational resources within the strategic-management capability expected of finance professionals; see [CIMA’s CGMA Professional Qualification syllabus](). A useful overview of retrenchment as a corporate-level strategy is also available from [OpenStax Principles of Management]().

## QUESTION NO: 3

Which of the following of Porter's Five Forces would affect the power of suppliers?

**A.** Economies of scale

**B.** A lack of differentiation

**C.** Similar sized competitors

**D.** A lack of substitutes

## ANSWER: D

**Explanation:**

**A lack of substitutes** is correct because supplier bargaining power is stronger when the buying organisation has few or no viable alternative inputs, materials, components, technologies, or service providers available. In Porter’s Five Forces framework, suppliers can exert greater influence over price, quality, delivery terms, and contractual conditions when their offering cannot readily be replaced. The absence of substitute inputs also raises the cost and operational risk of switching, since the buyer may need to redesign products, requalify materials, alter processes, or accept disruption to supply. This dependence gives suppliers greater scope to capture value from firms in the industry.

Strategic managers should therefore assess whether critical inputs have technically and commercially feasible alternatives, as well as the time and investment required to adopt them. Developing alternative sources, standardising specifications, redesigning products to use more widely available inputs, or reducing dependence on a specialised supplier can reduce this force over time. Porter identifies the availability of substitute inputs as a central condition shaping supplier power in industry analysis. See [Harvard Business Review: The Five Competitive Forces That Shape Strategy]() and [Harvard Business School: The Five Forces]().

## QUESTION NO: 4

An IT project is currently being undertaken by VVV, a large university. The project is to design and install a secure information system network for all academic staff and administrative staff in the university. The Executive Board of VVV has insisted that the key objective of the project team is toÂ track and monitor how the information system is being used byÂ the academic staff and the administrativeÂ staff once it is implemented.

Â

Which of the following would be an appropriate performance measure for the key objective set by VVV's Executive Board?

**A.** Overall usage time of the system compared to plan.

**B.** Number of staff trained in the use of the new system.

**C.** Percentage of staff usage of the system split between academic staff usage and administrative staff usage.

**D.** User satisfaction levels.

## ANSWER: C

**Explanation:**

**Percentage of staff usage of the system split between academic staff usage and administrative staff usage.** is the appropriate performance measure because it directly measures the stated objective: monitoring how the implemented system is actually used by each of the two intended staff populations. Usage data can be captured from system logs and reported as the proportion of eligible academic staff and eligible administrative staff who access or use specified system functions over a defined period. Splitting the result by staff group is important because the university needs visibility of adoption in both populations, rather than an aggregate figure that could conceal low use by one group. The measure is also specific, quantifiable and capable of being monitored over time against a target or baseline. This enables the project team and Executive Board to identify where further user support, communications or system improvements may be needed after implementation. It therefore links the measure closely to the objective and supports effective performance management through relevant, reliable information. CIMA's strategic-management syllabus emphasises using appropriate measures to monitor performance and support organisational objectives; see CIMA Professional Qualification syllabus. Guidance on defining useful performance measures is also available from APM's performance management overview.

## QUESTION NO: 5

Y designs and manufactures smartwatches. In order to stay ahead of the market, Y sometimes releases new smartwatches when they are only 90% ready, to a limited number of customers. At this point, Y obtains useful feedback about the smartwatch which it uses to develop later versions of the model.

Which of the following behaviours is Y demonstrating?

**A.** Design thinking

**B.** Experiential pilots

**C.** Prototyping

**D.** Brand atomization

## ANSWER: C

**Explanation:**

**Prototyping** is correct because Y is placing an incomplete but sufficiently functional version of a smartwatch in front of real users, learning from their experience, and incorporating that learning into subsequent versions. A prototype need not be a purely physical mock-up or an internal technical model; in digital and technology-enabled product development, it can be a minimum viable or near-complete release used to test assumptions about usability, functionality, customer value and market acceptance. Limiting the initial release to selected customers manages exposure while generating evidence that is more useful than assumptions made solely within the business. The feedback loop is central: Y releases, observes and gathers customer input, refines the product, then develops later versions. This iterative learning approach helps the organisation respond quickly to changing customer needs and reduce uncertainty before a broader launch. It supports the CIMA E3 emphasis on strategic innovation, customer insight and adapting business models in technology-driven markets. CIMA's professional qualification framework is available at AICPA & CIMA Professional Qualification. Further practical guidance on using prototypes to learn from users is provided by IDEO U's design-thinking resources.

## QUESTION NO: 6

Your management team is considering using Porter's Value Chain to assist it in developing a new competitive strategy for the business.

Which THREE of the following statements would inform your management team about Porter's Value Chain?

**A.** It can help understanding of the linkages between business activities.

**B.** It can help identify the processes that add customer value.

**C.** It can help identify the processes that add costs.

**D.** It can help assess competitive pressures in the market.

**E.** It can easily import data from existing management accounts.

## ANSWER: A B C

**Explanation:**

Porter’s Value Chain is a strategic tool for disaggregating an organisation into the activities through which it designs, produces, markets, delivers and supports its products or services. This activity-level view helps management understand the linkages between business activities, because the way one activity is performed can affect both the cost and effectiveness of another. For example, stronger inbound logistics and supplier relationships may improve production efficiency and product availability.

It also helps identify the processes that add customer value. Management can assess where activities contribute to the features, service, quality, convenience or responsiveness for which customers are willing to pay. The analysis can therefore support differentiation by focusing investment and improvement on the activities that matter most to buyers.

In parallel, the framework helps identify the processes that add costs, including the resource consumption and cost drivers within primary and support activities. This permits managers to seek cost advantage through process redesign, better coordination, scale, technology, procurement, or elimination of activities that do not contribute sufficiently to customer value. Porter’s original framework and its role in identifying sources of competitive advantage are outlined in Harvard Business School’s record of *Competitive Advantage* and summarised by Mind Tools’ Value Chain Analysis guide.

## QUESTION NO: 7

Company GG is consideringÂ itsÂ future strategy on delivering a long-term competitive advantage. The Finance Director has recommended that the Board includes in the strategy a separate section on sustainability.Â

Â

Which of the following is NOT a correct sustainability statement?Â

**A.** The creation of wealth should be integrated with long-term sustainable development.

**B.** An advantage of sustainable development is the reduction of costs though efficiency.

**C.** When establishing sustainability only financial key performance indicators should beÂ considered.

**D.** Resources are used at a rate that allows them to be replaced.

## ANSWER: C

**Explanation:**

“When establishing sustainability only financial key performance indicators should beÂ considered.” is the statement that is not correct. Sustainability is a strategic, long-term approach that requires an organisation to assess and manage its economic, environmental and social effects together. Financial measures remain important because an organisation must be viable and create value, but they cannot provide a complete view of whether its operations and strategy are sustainable. Relevant non-financial measures may include carbon emissions, energy and water use, waste, resource efficiency, employee health and safety, workforce capability, supply-chain standards, customer outcomes and community impacts. These measures help the board understand whether present performance is being achieved without damaging the resources, stakeholder relationships or environmental conditions needed to create value in the future. Using a balanced set of indicators also supports accountability: targets can be monitored, trade-offs identified, and sustainability risks and opportunities incorporated into strategic decision-making. This reflects the broader-value perspective promoted by the accounting profession, in which sustainable value creation considers impacts on multiple forms of capital rather than financial capital alone. See the CGMA Global Management Accounting Principles and the IFRS Sustainability Standards Navigator.

## QUESTION NO: 8

'Big data' refers to datasets whose size is beyond the ability of typical database software tools to capture, store, manage and analyse.

Which of the following statements is NOT a valid statement regarding 'big data'?

**A.** As technology advances over time, the size of datasets that qualify as 'big data' will also increase.

**B.** The definition of 'big data' can vary by sector, depending on the software tools and dataset sizes common to a particular industry.

**C.** Sufficient analytical and managerial talent is available to exploit the opportunities associated with 'big data'.

**D.** 'Big data' will require the right infrastructure, incentives and safeguards to address public concerns.

**ANSWER: C**

**Explanation:**

**"Sufficient analytical and managerial talent is available to exploit the opportunities associated with 'big data'."** is the statement that is not valid. The value of big data does not arise merely from possessing very large datasets or advanced technical infrastructure. Organisations must also have people who can frame commercially relevant questions, govern data responsibly, interpret analytical outputs, make decisions under uncertainty, and embed insights into operations. A persistent constraint on obtaining these benefits has been the limited supply of professionals with deep analytical capability alongside managers able to use data-driven evidence effectively. This includes data scientists and engineers, but also leaders who understand how analytics supports strategy, customer value, risk management, and organisational change. McKinsey's widely cited research on big data identified a substantial projected shortage of analytical talent and of managers capable of using big-data insights to make effective decisions. Therefore, the availability of sufficient analytical and managerial talent cannot be assumed; developing, recruiting, and retaining such capability is a strategic requirement. This is consistent with the strategic-management perspective that data capability depends on complementary human skills and organisational capacity, not technology alone. See McKinsey's big data research and CGMA's guidance on turning insight into impact.

**QUESTION NO: 9**

Your manager is undertaking a strategic review of XYZ's activities and has asked you to explain how a Force Field analysis would assist in the review process.

Which of the following statements would be most appropriate?

**A.** As part of XYZ's strategic review, identify forces facilitating the need for proposed change.

**B.** Identify influential senior managers who will drive through changes in XYZ's strategic direction.

**C.** Provide a framework for identifying forces for and against the proposed changes within XYZ.

**D.** Identify forces facing XYZ's activities that may create barriers and resistance to change.

**ANSWER: C**

**Explanation:**

"Provide a framework for identifying forces for and against the proposed changes within XYZ." is correct because force field analysis, developed by Kurt Lewin, is a structured change-management technique for assessing the pressures affecting a proposed change. It identifies and evaluates driving forces, which support movement towards a desired future state, alongside restraining forces, which preserve the current position or impede change. In a strategic review, this gives management a balanced view of the factors that will influence whether a strategic initiative can be implemented successfully. The analysis can then inform practical action: management may strengthen drivers, such as stakeholder support or market opportunity, and reduce restraints, such as capability gaps, resource constraints, or employee concerns. This supports informed prioritisation and implementation planning rather than merely describing the need for change. The approach is especially useful where the organisation must understand both internal and external influences on strategic change and decide how to increase the likelihood of adoption. CIMA's strategic-management learning outcomes emphasise evaluating change and the organisational factors that affect its successful implementation. Further background on Lewin's force field model is available from Mind Tools: Force Field Analysis and Simply Psychology: Force Field Analysis.

**QUESTION NO: 10**

LMN sells fashion clothing at competitive prices through its own retail stores. The clothes are manufactured for LMN by contractors in other countries.

In the past 4 years LMN has progressively lost market share to rival shops and online stores. This has been the consequence of poor designs, poor quality, and poor customer service.

In the past 3 years LMN tried to respond to this declining market share in several ways:

• Used e-sourcing to increase the number of suppliers LMN uses in order to obtain a larger choice of designs.

• Used e-procurement to buy in greater quantities to reduce cost per item.

• Warned each supplier that LMN will use a different supplier unless prices are reduced and better designs provided.

• Closed its own design studio to save costs, relying instead on its suppliers for designs.

• Reallocated budgets away from funding for customer research towards increased advertising.

• Avoided costs of product returns by making it difficult for customers to return items for a refund.

• Cancelled investment in a Customer Relationship Management system (CRM) to use the funds to finance its rising inventories.

You have been asked to suggest ways to improve the supply chain of LMN. This requires you to make a presentation to the Board of LMN.

Which THREE of the following techniques would improve the supply chain of LMN?

**A.** Pull not push

**B.** Partnership not antagonism

**C.** Customer relationships not transactions

**D.** Websites not shops

**E.** Make not outsource

**ANSWER: A B C**

**Explanation:**

**Pull not push**, **Partnership not antagonism**, and **Customer relationships not transactions** would collectively address the causes of LMN's declining performance. A pull-based supply chain uses customer demand information to drive replenishment and production. For a fashion retailer, better use of demand signals, customer research and sales data should reduce excess inventory while improving the availability of styles customers actually want. This is especially relevant because LMN has financed rising inventories while moving resources away from understanding its customers.

Long-term, collaborative supplier partnerships support joint design, quality improvement, planning and innovation. Suppliers are more likely to invest in capability and share information where the relationship is based on mutual value rather than repeated price threats. This can help LMN improve both garment quality and the relevance of designs.

Managing customer relationships rather than treating each sale as an isolated transaction places service, feedback, retention and convenient returns at the centre of the value proposition. Customer relationship management data can inform product design, service recovery and demand planning, linking the customer-facing side of the business to supply-chain decisions. These approaches align with CIMA's strategic focus on delivering value through stakeholder relationships and strategic supply arrangements. See the CIMA study resources and the CIMA Professional Qualification overview.

## QUESTION NO: 11

Which TWO of the following are advantages to an organization of using non-financial performance measures, rather than financial performance measures? (Choose two.)

**A.** They are less expensive to measure than financial performance measures.

**B.** They present a wider view of organizational performance than financial performance measures.

**C.** They are less subjective than financial performance measures.

**D.** They are not distorted by inflation.

**E.** They are easier to measure than financial performance measures.

**ANSWER: B D**

**Explanation:**

“They present a wider view of organizational performance than financial performance measures.” is an advantage because non-financial measures can address the operational and strategic drivers that financial statements do not fully capture. Measures such as customer satisfaction, product quality, employee capability, delivery reliability, innovation and process efficiency provide information about performance from customer, internal-process, and learning perspectives. This gives managers a more rounded view of whether strategy is being implemented successfully, including indicators that may signal future financial performance.

“They are not distorted by inflation.” is also an advantage. Financial measures are expressed in monetary amounts, so comparisons across periods can be affected by changes in the purchasing power of money. Non-financial measures, such as defect rates, order lead times, customer-retention rates, or staff-turnover rates, are ordinarily measured in physical quantities, times, percentages, or survey scores rather than currency. They can therefore support more meaningful operational comparisons when price levels change. CIMA’s strategic-management syllabus emphasises using both financial and non-financial performance information to evaluate strategy and performance. See CIMA Professional Qualification and the Balanced Scorecard overview.

**QUESTION NO: 12**

Which THREE of the following statements are correct in relation to the use of the Performance Pyramid?

**A.** One of the aspects of the pyramid is Stakeholders.

**B.** It derives from the idea that an Organization operates at different levels.

**C.** The productivity aspect refers to the management of output at the business operating systems level of the Organization.

**D.** It highlights the links running between the company's corporate vision and its functional objectives.

**E.** The pyramid includes a specific cost aspect which considers the cost figures in the management accounts.

**ANSWER: B C D**

**Explanation:**

The Performance Pyramid is a performance-management framework that translates an organisation’s overarching vision into connected objectives and measures at successively more operational levels. It therefore derives from the principle that an organisation operates at different levels: corporate vision sits at the top, with business-unit, business-operating-system and departmental levels below it. This hierarchy helps managers ensure that strategic intent is converted into measures that employees and operating units can influence in day-to-day work.

It also highlights the links running between the company’s corporate vision and its functional objectives. The framework is deliberately designed to connect top-down strategic direction with bottom-up operational indicators, so that functional activity supports the organisation’s wider competitive and financial aims.

At the business operating systems level, productivity is one of the relevant internal performance dimensions. Productivity concerns the efficient conversion of resources into outputs and is used alongside measures that reflect the operating system’s ability to meet customer and competitive requirements. These linked measures make the model useful for aligning operational execution with strategic goals. CIMA’s qualification materials emphasise the use of performance-management techniques to support strategy implementation; see CIMA Professional Qualification. A useful overview of performance measurement and strategic alignment is available from CIPD.

**QUESTION NO: 13**

UVW sells household electrical goods in a highly competitive market. Its prices are similar to those of competitors, but it has higher operating costs. Customers do not perceive its products or service as distinctive, and UVW has not selected a particular customer segment on which to focus.

Which of Porter's generic competitive positions best describes UVW?

**A.** Cost leadership

**B.** Differentiation

**C.** Focus

**D.** Stuck in the middle

**ANSWER: D**

**Explanation:**

**Stuck in the middle** is correct. UVW has not achieved cost leadership because its operating costs are higher than those of competitors while its prices remain similar. It has also not established differentiation because customers do not identify distinctive product or service benefits for which they would be prepared to pay a premium. Finally, it has not adopted a focus strategy because it does not concentrate on a defined market segment.

Porter argues that an organisation must make clear choices about the basis and scope of its competitive advantage. A business that fails to achieve either lower cost, meaningful differentiation or focused value for a selected segment may have weak margins and limited customer loyalty. UVW needs to decide whether it can reduce its cost base, develop a credible differentiated proposition or focus its resources on a segment whose needs it can serve particularly well. Porter's competitive-strategy concepts are summarised by Harvard Business School.

## QUESTION NO: 14

FFF manufactures and sells three consumer products. The Marketing Manager has enough funds to commission an advertising campaign for only ONE of the three products.

The Marketing Manager's criterion for allocating funds for an advertising campaign is that the product should be a "Star" according to the BCG matrix.

| Product | Relative market share | Market growth rate |
|---|---|---|
| A | 1:3 | +3% |
| B | 3:1 | +21% |
| C | 4:1 | +4% |

Which product should receive the investment?

**A.** Product A

**B.** Product B

**C.** Product C

**D.** None of the three products meet the criterion.

**ANSWER: B**

**Explanation:**

Product B should receive the investment because its plotted position is in the Star quadrant of the BCG growth-share matrix. A Star combines high market growth with high relative market share. High growth indicates that the market is expanding and offers substantial future revenue potential, while high relative market share indicates that the business already has a strong competitive position from which it can benefit as that market develops. Advertising investment is consistent with the strategic priority for a Star: the business should be supported to maintain or strengthen its leading position while demand is growing. Such investment can help defend share, build awareness among new customers entering the market, and support the capacity and promotional activity needed in a rapidly expanding category. In the BCG framework, Stars may require significant cash investment because growth creates demands for marketing and operational resources; however, they also have the potential to become strong cash generators once market growth slows. The diagram identifies Product B as having both of the characteristics required for this classification, so it meets the Marketing Manager's stated funding criterion. The framework and its use of relative market share and market-growth dimensions are outlined by the Boston Consulting Group and summarised by Mind Tools.

## QUESTION NO: 15

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**

**Explanation:**

Disclosure is not one of the main principles or thematic sections of the UK Corporate Governance Code. The Code is structured around board leadership and company purpose, division of responsibilities, composition, succession and evaluation, audit, risk and internal control, and remuneration. It therefore explicitly addresses leadership, accountability through clear board responsibilities and effective governance arrangements, and remuneration through principles governing executive pay and its alignment with long-term sustainable success. Although transparent reporting and disclosure are important practical features of corporate governance, particularly because companies must report on how they have applied the Code's principles and complied with its provisions, "Disclosure" is not itself identified as a main principle or standalone section within the Code. The Financial Reporting Council explains that the Code promotes effective board leadership, prudent risk management, appropriate remuneration, and meaningful reporting to shareholders. Its application is supported by the "comply or explain" approach, under which companies provide disclosures about governance practices and any departures from provisions. This confirms that disclosure is a reporting mechanism and governance expectation rather than one of the Code's named main principles. See the Financial Reporting Council's UK Corporate Governance Code page and the UK Corporate Governance Code 2024.

## QUESTION NO: 16

Which of the following is NOT a common barrier to group-based collaboration within Organizations?

**A.** Time

**B.** Trust

**C.** Territory

**D.** Teams

**ANSWER: D**

**Explanation:**

Teams is the correct answer because a team is ordinarily the organisational mechanism through which group-based collaboration takes place, rather than an inherent obstacle to it. Collaboration involves people working interdependently towards a shared purpose, coordinating their expertise, information and decisions. A well-designed team creates the setting in which these activities can occur: it establishes membership, roles, shared objectives and channels for interaction. In strategic management, effective teamworking helps an organisation combine knowledge across functions and respond to complex problems that cannot be addressed effectively by one individual or department alone.

The presence of teams alone does not guarantee successful collaboration; their design and management matter. However, "teams" describes the collaborative unit itself, whereas a barrier is a condition that inhibits people from contributing, sharing knowledge or acting jointly. CIMA's Strategic Management syllabus emphasises the importance of organisational design, leadership and stakeholder relationships in enabling strategy implementation, all of which depend on people being able to work collectively. The CIMA qualification overview is available at AICPA & CIMA. For an evidence-based overview of the conditions that support effective teamwork and collaboration, see Google re:Work's team-effectiveness guide.

## QUESTION NO: 17

Which THREE of the following are classified as business operating systems measures within the Performance Pyramid?

**A.** Flexibility

**B.** Customer satisfaction

**C.** Quality

**D.** Productivity

**E.** Cycle time

**ANSWER: A B D**

**Explanation:**

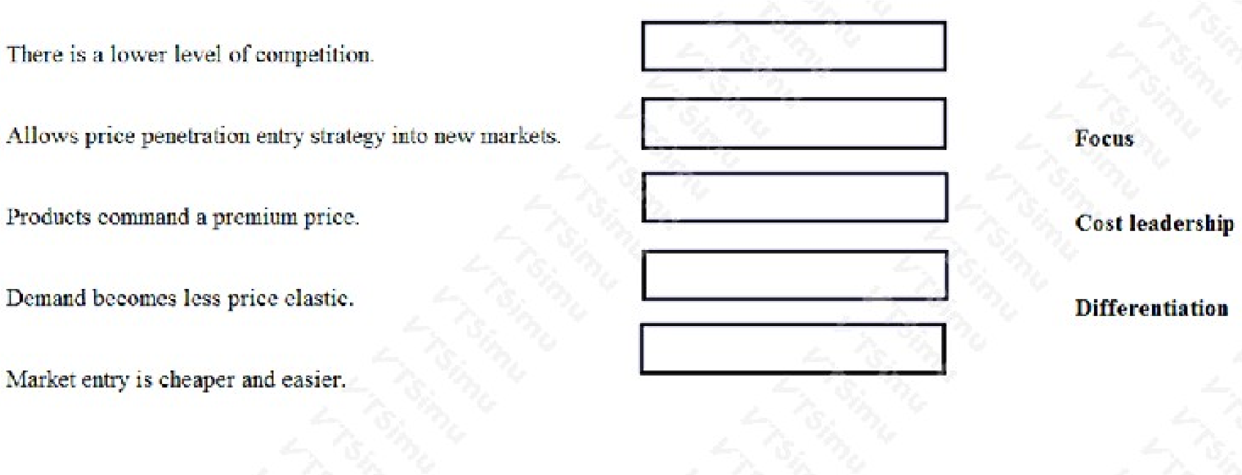
The business operating systems level of the Lynch and Cross Performance Pyramid translates business-unit objectives into measures that indicate whether the organisation's operations are delivering the capabilities required by its strategy. **Customer satisfaction** belongs at this level because it captures the operational outcome experienced by customers and connects operating performance with market success. **Flexibility** is also a business operating systems measure, reflecting the organisation's ability to respond effectively to changing customer requirements, volumes, product mix, or delivery needs. **Productivity** is included because it assesses how efficiently operational resources are transformed into outputs, supporting financial performance while maintaining the required service proposition.

These measures form the middle operational layer of the pyramid: they provide a bridge between higher-level business-unit measures, such as market and financial performance, and detailed departmental process measures. This hierarchical linkage is central to the Performance Pyramid's purpose: ensuring that day-to-day operations are aligned with strategic objectives. The model is commonly attributed to Lynch and Cross and is used in strategic performance-management teaching to demonstrate the integration of internal efficiency, customer outcomes, and strategic goals. See CIMA resources and reports and OpenLearn's strategy, performance and risk materials.

## QUESTION NO: 18 - (DRAG DROP)

A Porter states that competitive advantage can be gained by following one of three generic strategies.

Place the appropriate generic strategy against each of the statements below.




**ANSWER:**


**Explanation:**

Porter’s generic strategies describe the main ways an organisation can establish competitive advantage: cost leadership, differentiation and focus. A focus strategy concentrates the organisation’s effort on a narrowly defined market segment, customer group or geographic area. Because the organisation is competing in a more specific niche than broad-market rivals, it may encounter fewer direct competitors. It can also enter the chosen segment more cheaply and easily because its product offering, marketing, distribution and resources can be tailored to a limited target market rather than designed for the whole market.

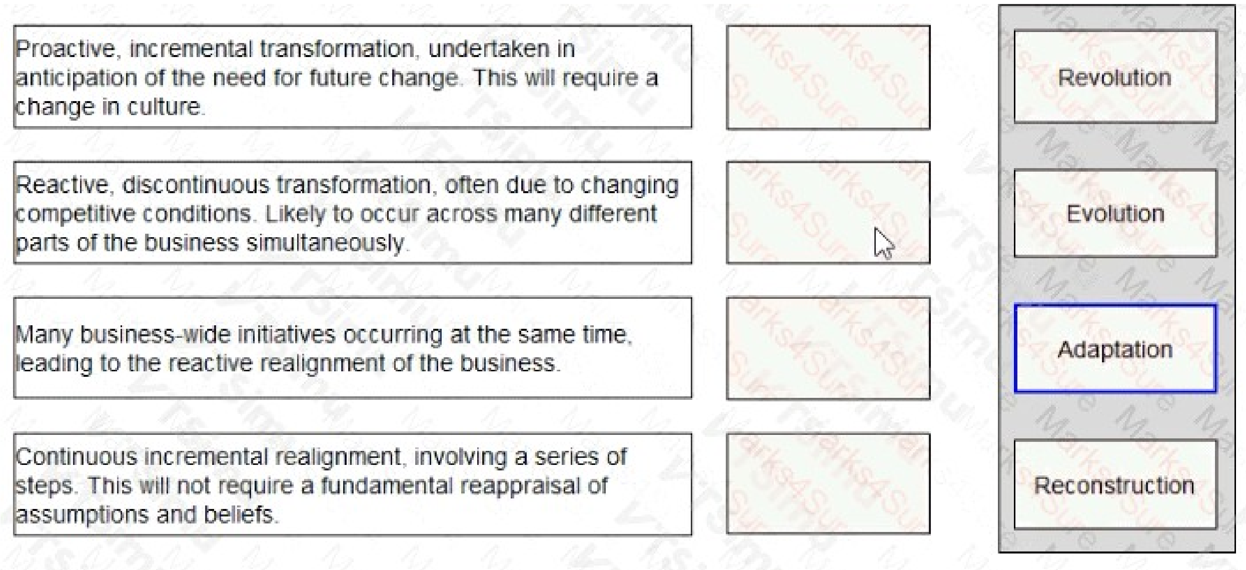
Cost leadership is based on achieving a lower cost position than competitors while serving a broad market. A business with this position can use low prices strategically, including price-penetration pricing when entering new markets. It has greater scope to set an initially low price to attract customers and gain market share while still protecting an acceptable margin through its cost advantage. This connection between cost advantage and pricing flexibility is central to the strategy.

Differentiation involves creating offerings that customers see as distinctive and valuable, for example through quality, design, innovation, features, service or brand reputation. Where customers value those differences, they are willing to pay a premium price. The distinctive benefits also reduce customers’ sensitivity to price, meaning demand is less price elastic because a small price increase is less likely to cause customers to switch to alternatives. This supports the placement of differentiation against both premium pricing and reduced price elasticity. Porter’s original framework is outlined in Competitive Strategy by Michael Porter, while a useful overview of generic competitive strategies is available from Mind Tools.

**QUESTION NO: 19 - (SIMULATION)**

As a Group Management Accountant you have been asked to explain the different types of change currently taking place within a number of the Group ' s subsidiaries.

Select the appropriate type of change for each of the descriptions below:




**ANSWER: See the explanation for the answer**

**Explanation:**

Select the change types in this order (top description to bottom description):

**Evolution** — proactive and incremental transformation that anticipates future needs and requires cultural change.
**Revolution** — reactive, discontinuous transformation in response to competitive conditions, affecting multiple parts of the business at once.
**Reconstruction** — reactive business realignment involving multiple business-wide initiatives simultaneously.
**Adaptation** — continuous incremental realignment that does not require fundamental changes to assumptions or beliefs.

Therefore, drag/select: **Evolution; Revolution; Reconstruction; Adaptation**.

## QUESTION NO: 20

An IT project is currently being undertaken by VVV, a large university. The project is to design and install a secure information system network for all academic staff and administrative staff in the university. The Executive Board of VVV has insisted that the key objective of the project team is to track and monitor how the information system is being used by the academic staff and the administrative staff once it is implemented.

Which of the following would be an appropriate performance measure for the key objective set by VVV's Executive Board?

**A.** Overall usage time of the system compared to plan.

**B.** Number of staff trained in the use of the new system.

**C.** Percentage of staff usage of the system split between academic staff usage and administrative staff usage.

**D.** User satisfaction levels.

**ANSWER: C**

**Explanation:**

**Percentage of staff usage of the system split between academic staff usage and administrative staff usage.** is the appropriate measure because it directly evaluates the stated objective: tracking and monitoring system use after implementation for each of the two intended staff populations. It provides a clear adoption measure, showing the proportion of academic staff and the proportion of administrative staff who actually use the system. Separating the data by staff group is important because the groups may have different roles, information needs, access patterns and training requirements. The project team can therefore identify whether uptake is occurring as intended across the university rather than relying on a single aggregate figure that could conceal low adoption in one group.

A useful performance measure should be closely linked to the objective, measurable through system access or activity records, and capable of supporting management action. This measure can be monitored over time and compared with implementation targets or expected adoption levels. It also supports accountability for benefits realisation: the network has value only if its intended users adopt it in practice. CIMA's strategic-management syllabus emphasises the use of relevant performance measures to monitor strategic implementation and control. See CIMA Professional Qualification resources and the CIMA Professional Qualification syllabus.

## QUESTION NO: 21

G sells technology-based wristbands that detect the duration and quality of an individual's sleep G's wristbands are available for sale through G's website only. Also on the website, G offers for sale sleepwear supplied by partner company. H. H pays G 10% of the sales revenue, when sales of its products are made through the G website Additionally, G allows a pillow company, D, to advertise on the G website for a small fee each month It does not facilitate sales of D's pillows through the G website.

Which of the following correctly identifies the three revenue models that G achieves through its website'?

**A.** Licensing, trading, advertising

**B.** Transaction, commission, advertising

**C.** Transaction, subscription, advertising

**D.** Transaction, commission, trading

## ANSWER: B

**Explanation:**

**Transaction, commission, advertising** correctly identifies G's three website revenue models. G earns transaction revenue from selling its own sleep-monitoring wristbands directly through its website. This is a transaction model because the website enables a direct sale of G's products to the customer, with G receiving the sales proceeds. G also earns commission revenue in relation to H's sleepwear: H supplies the products, while G makes them available through its site and receives 10% of the revenue when a sale occurs. The payment is contingent on completed sales, which is the defining feature of a commission-based arrangement. Finally, D pays a fixed monthly amount to place advertisements on G's website. This is advertising revenue because G is selling promotional space and visibility to the pillow company, rather than processing or facilitating pillow sales. These revenue sources can coexist on a single digital platform, allowing G to monetise direct e-commerce, third-party product referrals or marketplace activity, and advertising inventory. This classification is consistent with common digital-business revenue-model terminology, including the descriptions of transaction-fee, affiliate/commission, and advertising-supported models in OECD's digital economy report and the discussion of business-model patterns in Strategyzer's Business Model Generation resources.

## QUESTION NO: 22

'Change-adept' Organizations are those that manage change successfully. Moss-Kanter identified skills required by Organizational leaders which are necessary to lead 'change-adept' Organizations.

Your Organization is undergoing significant change and the appointment of a new CEO is imminent. You have been asked to recommend the key skills for assessing the shortlist of CEO candidates against.

Which of the following statements are suitable for use as the selection criteria for the new CEO, consistent with the ideas expressed by Moss-Kanter?

Select ALL that apply.

**A.** Able to communicate a compelling aspiration.

**B.** Able to take heroic action.

**C.** Able to challenge the prevailing Organizational wisdom.

**D.** Able to break up coalitions.

**E.** Able to tune into the environment.

**ANSWER: A C E**

**Explanation:**

Rosabeth Moss Kanter's work on change-adept organisations emphasises leadership that connects external realities, an ambitious future direction and constructive challenge to established assumptions. Therefore, a CEO should be **able to tune into the environment**: effective change leadership starts with recognising shifts in markets, technology, stakeholder expectations and other external conditions that make adaptation necessary. A CEO should also be **able to challenge the prevailing Organizational wisdom**, because meaningful change requires questioning routines and beliefs that may once have been successful but no longer fit the organisation's circumstances.

The ability to be **able to communicate a compelling aspiration** is equally central. Change is more likely to gain commitment when people understand an attractive, credible picture of the future and can relate their work to it. Kanter's approach presents change as a collective organisational endeavour: leaders create direction and momentum by framing a persuasive aspiration, encouraging people to reconsider entrenched thinking, and maintaining awareness of the changing context. These capabilities provide appropriate selection criteria for a CEO appointed to lead substantial transformation. Kanter's academic profile and published work are available through Harvard Business School and her book The Change Masters.

## QUESTION NO: 23

Which of the following structures would you recommend for the Board of Directors of a UK public company in order to fulfill its legal responsibilities?

**A.** The Board of Directors should have a minimum of six directors with the Board's tasks divided amongst them. The Board should also have a Chairman or Chairwoman who may serve as the Chief Executive if time permits.

**B.** The Board should have no more than six members with clearly defined executive and non-executive responsibilities. To make the role more efficient Chairman or Chairwoman of the Board should also be the Chief Executive.

**C.** There should be no restriction placed on the minimum or maximum number of Directors. The Directors' roles should be shared but the Chairman or Chairwoman should not act also as the Chief Executive.

**D.** The Chairman or Chairwoman should not have an executive role within the company. There should be at least two directors to carry out the Board's roles.

**ANSWER: D**

**Explanation:**

The Chairman or Chairwoman should not have an executive role within the company. There should be at least two directors to carry out the Board's roles. This is the best recommendation because a UK public company is statutorily required to have at least two directors. This minimum is set by section 154 of the Companies Act 2006 and is a basic requirement for the company to be properly constituted and able to exercise board-level responsibility. The directors collectively manage the company, make decisions within their powers, and owe statutory and fiduciary duties to the company, so having the required minimum supports appropriate oversight and continuity of governance.

Keeping the chair separate from executive management also reflects the central UK corporate-governance principle that the board should retain independent leadership and oversight of management. In particular, the UK Corporate Governance Code stresses the importance of a clear division of responsibilities between the leadership of the board and the executive leadership of the business. A non-executive chair is therefore an appropriate recommendation for a public company, helping the board to provide objective challenge, direction and supervision while executive directors manage operations. See Companies Act 2006, section 154 and the UK Corporate Governance Code.

## QUESTION NO: 24

Company T has developed a proprietary method for predicting equipment failures in its customers' factories. The method reduces unplanned downtime, is known only to a small internal team and is supported by dedicated data systems and trained service staff.

Which FOUR of the following characteristics indicate that this capability could provide sustained competitive advantage under the VRIO framework?

**A.** It is valuable to customers.

**B.** It is rare among competitors.

**C.** It is difficult for competitors to imitate.

**D.** T is organised to exploit the capability.

**E.** It requires T to operate in every international market.

**F.** It can be acquired immediately by any competitor.

## ANSWER: A B C D

**Explanation:**

The VRIO framework considers whether a resource or capability is **valuable**, **rare**, difficult for competitors to **imitate**, and whether the organisation is **organised** to exploit it. T's method is valuable because it reduces a significant customer cost: unplanned equipment downtime. It is rare because it is known only to a small internal team rather than being widely available in the industry.

The capability may also be costly to imitate where competitors cannot easily reproduce the accumulated data, specialist knowledge and experience on which it depends. Finally, T has supporting systems and trained staff, showing that it is organised to capture value from the method. A capability that meets all four conditions is more likely to support sustained advantage than one that is useful but widely available or poorly deployed. Further background on resource-based strategic analysis is available from the CGMA Professional Qualification.

## QUESTION NO: 25

Which TWO of the following are economic factors?

**A.** Change of government

**B.** Interest rates

**C.** Obsolescence

**D.** Exchange rates

**E.** Demographic change

## ANSWER: B D

**Explanation:**

Interest rates and exchange rates are economic factors within the PESTEL framework, which CIMA uses to support analysis of an organisation's macro-environment. Interest rates affect the cost and availability of borrowing, expected investment returns, consumer disposable income, and spending patterns. A rise in rates, for example, can increase finance costs for businesses and reduce demand for credit-funded purchases. Exchange rates affect the relative prices of imports and exports, the value of overseas revenues and costs when translated into the home currency, and an organisation's competitiveness in international markets. Exchange-rate movements therefore directly influence margins, sourcing decisions, pricing, and demand for firms that trade internationally or buy inputs from abroad. Both measures are shaped by wider economic conditions and monetary policy and can materially affect strategic planning, forecasts, and risk management. CIMA's Strategic Management syllabus expects candidates to assess external environmental influences using relevant frameworks, while the Bank of England explains the role of interest rates in influencing spending and inflation. See CIMA Professional Qualification syllabus and Bank of England: Bank Rate.

## QUESTION NO: 26

You are a Management Accountant working for an Organization that includes commitments to 'sustainability' in its mission statement.

Which THREE of the following are contributions that a Management Accountant can make to the achievement

of this part of the Organization's mission statement?

**A.** Integrated reporting of the triple bottom line of Profits, People and Planet.

**B.** Measures of Organization's use of non-renewable resources and environmental emissions.

**C.** Project evaluations that include the externalities as well as the cash costs.

**D.** Ensuring the Organization adopts the lowest cost technologies and suppliers.

**E.** Providing financial information with all non-recurring expenditures and incomes removed.

## ANSWER: A B C

**Explanation:**

Management accountants support sustainability by embedding environmental, social and economic consequences into planning, measurement, decision-making and external communication. **Integrated reporting of the triple bottom line of Profits, People and Planet.** is a relevant contribution because it connects financial performance with social and environmental value creation, allowing stakeholders and managers to assess performance more broadly than short-term profit alone. **Measures of Organization's use of non-renewable resources and environmental emissions.** provide the performance information needed to set sustainability targets, monitor progress, identify resource inefficiencies and hold managers accountable for environmental impacts. Such measures can be incorporated into budgets, dashboards, balanced scorecards and performance reports. **Project evaluations that include the externalities as well as the cash costs.** ensures that investment appraisal considers material impacts such as pollution, carbon emissions or community effects alongside direct financial cash flows. This enables choices that are aligned with the organisation's sustainability commitment and long-term value creation. These activities reflect the management accountant's role in providing relevant information for strategic decisions and in integrating sustainability considerations into organisational performance management. See the GRI Standards for sustainability-reporting guidance and the International Integrated Reporting Framework for principles connecting financial and non-financial value creation.

## QUESTION NO: 27

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: A

**Explanation:**

“Where the proposed change will disadvantage a powerful group of employees.” is the appropriate situation for a Negotiation and Agreement style. Kotter and Schlesinger describe negotiation and agreement as a useful approach when people or groups are likely to lose something of value as a result of the change and have sufficient power to create significant resistance. A powerful employee group may be able to delay implementation, mobilise opposition, disrupt operations, or otherwise prevent the organisation from achieving the intended change. Negotiation provides a practical route to secure acceptance by identifying the group's concerns and agreeing suitable terms, such as compensation, revised responsibilities, transition arrangements, employment protections, or other reciprocal commitments. The aim is not simply to communicate the change, but to reach an agreement that recognises the real loss the affected group expects to experience and reduces resistance to a manageable level. This approach is particularly relevant in strategic change because implementation depends on maintaining organisational capability and stakeholder support while the change is made. Kotter and Schlesinger's framework presents negotiation as a context-dependent method for overcoming resistance where the resisters have meaningful leverage. See Harvard Business Review: Choosing Strategies for Change and CIMA/AICPA CGMA Competency Framework.

## QUESTION NO: 28 - (DRAG DROP)

DDD is a company which publishes paper-based books. In the last 10 years DDD has seen a steady decline in its sales. Last month, one of its major customers, a large chain of high street bookshops announced that it would be closing as a result in declining sales in the paper-based book market. The Board of DDD has therefore announced that in order to survive, it must re-focus the business upon the developement of electronic books, which will require a significant investment in new technology and staff training. However, some staff will be made redundant as part of this process. The Board of DDD has stated that it will reward staff who actively embrace the change process.

Which of the activities below would occur within the 'Unfreeze', 'Change' or 'Refreeze' stage of Lewin's three-stage model?

| | | |
|---|---|---|
| Regular communication regarding the redundancy process. | | |
| Communication to staff regarding the closure of a major customer. | | Unfreeze |
| Publicise success stories such as new customer orders for electronic books. | | Change |
| Re-training in the use of new electronic book technologies. | | |
| Bonuses offered to staff who embrace change. | | Refreeze |
| Counselling for those staff made redundant. | | |

## ANSWER:

| | | |
|---|---|---|
| Regular communication regarding the redundancy process. | Change | |
| Communication to staff regarding the closure of a major customer. | Unfreeze | Unfreeze |
| Publicise success stories such as new customer orders for electronic books. | Refreeze | Change |
| Re-training in the use of new electronic book technologies. | Change | |
| Bonuses offered to staff who embrace change. | Refreeze | Refreeze |
| Counselling for those staff made redundant. | Change | |

**Explanation:**

Lewin’s three-stage model describes change as preparing people to leave current routines, moving them to new ways of working, and then making those new ways normal and sustainable. In this case, communicating the closure of the major customer belongs in Unfreeze because it establishes a compelling reason for DDD to change. It helps employees understand that the existing paper-based publishing model can no longer be relied upon and that maintaining the status quo is not a realistic option.

Change is the active transition stage. Regular communication about the redundancy process keeps affected staff informed while the organisation carries out a difficult element of the transition. Counselling for staff being made redundant is also practical support during that process, helping employees manage the human consequences of implementation. Re-training in new electronic-book technologies is central to Change because employees need new knowledge and capabilities in order to work effectively in DDD’s revised business model.

Refreeze reinforces the desired future state after new practices have begun. Publicising successes, including new electronic-book orders, demonstrates that the new strategy is producing results and builds confidence in the new direction. Offering bonuses to staff who embrace change similarly reinforces behaviours that support electronic publishing, encouraging those behaviours to become established rather than temporary. This use of communication, learning, support, recognition, and reinforcement reflects the practical application of Lewin’s model discussed in organisational-change guidance such as Mind Tools’ overview of Lewin’s Change Management Model and OpenStax’s managing change material.

## QUESTION NO: 29

BCD is an independent training provider in Country P. It provides training to a wide range of corporate customers in business related subjects. All of its tutors must possess a nationally accredited training qualification before they are allowed to teach. Also, all of its courses follow nationally accredited programs and are externally monitored. This is considered to be a critical aspect of its business reputation.

BCD has one major competitor, JKL, within Country P. JKL offers similar courses to BCD but its tutors do not have to have an accredited training qualification. In addition its courses do not follow the national accredited programs and the content and style of courses varies significantly between JKL centres.

There are a number of universities which offer nationally accredited courses within Country P. BCD does not consider these as competitors, as they typically attract students wishing to undertake degree courses. The average university pass rate for nationally accredited programs is currently higher than BCD's

Which of the following types of benchmarking would be most useful for BCD?

**A.** Process

**B.** Internal

**C.** Competitor

**D.** Strategic

## ANSWER: A

**Explanation:**

Process is the most useful type of benchmarking because BCD needs to improve an operational activity that is central to its value proposition: delivering nationally accredited courses successfully. The universities are particularly valuable comparison partners because they use the same nationally accredited programmes and achieve higher pass rates. Although their principal customer market differs from BCD’s corporate-training market, their relevant teaching, assessment, learner-support, quality-assurance, and external-monitoring processes can still be studied to identify practices that may improve BCD’s results while preserving its accredited reputation.

Benchmarking does not require the comparator to be a direct rival. Process benchmarking focuses on understanding how organisations carry out a particular process and identifying transferable best practice. In this case, the shared accreditation framework makes university performance and course-delivery practices meaningfully comparable. BCD could examine measures such as learner progression, tutor development, assessment preparation, feedback cycles, intervention for at-risk learners, and consistency of delivery. It can then adapt appropriate practices to its own corporate customer context and use pass-rate improvement as an outcome measure.

This approach is consistent with the benchmarking emphasis on comparing processes with organisations recognised for strong performance, as outlined by the [American Productivity & Quality Center's benchmarking guidance](). It also supports the strategic-management focus on performance improvement and value creation in the [CIMA Professional Qualification syllabus]().

## QUESTION NO: 30

Company RR operates in the finance sector. It is experiencing increasing delays in approving loan applications, due to customers not promptly returning their signed copy of the application forms back to RR.

RR is now wanting to introduce e-signatures which allow customers to sign the document on their computer and return it back to RR through the Internet. This change will help to simplify the process and ensure that customers obtain their loans quicker.

To achieve this change, RR has established a project and has appointed you as the Project Leader to lead the change.

Select the THREE valid statements in respect of leading change.

**A.** Managing change is a process of facilitating internal and external conflict resolution.

**B.** A Change Agent is an individual or group that helps to bring strategic change to an Organization.

**C.** Transactional leaders focus on systems and controls and tend to seek improvement rather than change.

**D.** A change leader using the Change Approach will focus on procedures, control measures and monitoring performance.

**E.** An Affiliative leadership style is one where the change leader consistently asks the team for more.

**ANSWER: A B C**

**Explanation:**

Managing change is a process of facilitating internal and external conflict resolution because significant organisational change affects stakeholders with differing interests, concerns and degrees of influence. Introducing e-signatures, for example, requires alignment among customers, loan-processing staff, technology teams, risk and compliance functions, and potentially external providers. The change leader must surface concerns, negotiate workable solutions and maintain commitment to the intended business outcome. A Change Agent is an individual or group that helps to bring strategic change to an Organization. Change agents actively support the transition by communicating the case for change, influencing stakeholders, helping people adopt new ways of working and providing feedback on implementation progress. Change leadership is therefore not confined to the appointed project leader; sponsors, managers, subject-matter experts and influential employees can all act as change agents. Transactional leaders focus on systems and controls and tend to seek improvement rather than change. Their leadership is grounded in defined responsibilities, performance expectations, monitoring and contingent rewards, making it particularly suited to maintaining reliable operations and delivering incremental improvement. This distinction helps a project leader choose an appropriate leadership approach while implementing a strategically significant process change. The role of stakeholder engagement in change is also reflected in the [Project Management Institute guidance on change management]() and the [Kotter change-leadership framework]().

## QUESTION NO: 31

SDC is a medium sized IT systems development company. SDC employs highly qualified and experienced systems development experts. It invests heavily in staff training and development and as a result, staff are highly motivated and staff turnover is low. SDC has a strong culture of team work and innovation, which the senior managers believe is the basis of SDC's success. The senior managers, who are also the founders of SDC, are highly experienced and have a strong vision for the business.

Which THREE of the following factors would be the main focus of a resource audit for SDC? (Choose three.)

**A.** Make-up

**B.** Markets

**C.** Manpower

**D.** Machinery

**E.** Management

**F.** Money

**ANSWER: A C E**

**Explanation:**

A resource audit identifies and evaluates the resources and capabilities that underpin an organisation's strategic position. For SDC, the most significant resources described are its people, organisational make-up and management. **Manpower** is central because SDC's systems-development expertise, extensive training, motivation and low turnover represent valuable human capital. These attributes support the company's ability to deliver specialist IT work and sustain knowledge within the business.

**Make-up** is also a core focus because it encompasses the organisation's internal character, including the culture of teamwork and innovation described in the scenario. A resource audit considers whether such cultural characteristics are embedded and capable of supporting continued innovation and effective collaboration. **Management** is material because the founders' experience, leadership and clear vision are strategic resources that shape direction, coordinate capabilities and influence the firm's ability to exploit its expertise.

Together, these resources are especially relevant to a knowledge-intensive IT development company: they are not merely inputs, but interconnected sources of capability and potential competitive advantage. This reflects the resource-based view that strategic advantage can arise from valuable organisational resources and capabilities. See OpenStax: Resource-Based View and the CGMA Professional Qualification overview.

**QUESTION NO: 32**

In order to implement a knowledge management strategy, an Organization must acquire suitable hardware and software so that knowledge can be stored and communicated. Which of the following would be appropriate systems to use in a knowledge management strategy?

Select ALL that apply.

**A.** Local area network

**B.** Groupware

**C.** Intranet

**D.** Internet

**E.** Ledgers and journals

**F.** Social media

**ANSWER: A B C**

**Explanation:**

Knowledge management depends on an organisation being able to capture, store, retrieve and share knowledge efficiently among employees. A local area network provides the internal communications infrastructure through which staff can access shared resources, repositories and applications. This makes knowledge available across connected locations and teams rather than leaving it isolated on individual devices.

Groupware is particularly appropriate because it supports collaborative knowledge creation and exchange. Tools in this category enable colleagues to work together through shared documents, discussion spaces, workflows, calendars and messaging. Such collaboration helps make tacit knowledge more visible and reusable across the organisation.

An intranet is also a core knowledge-management platform: it is a private internal network that can publish policies, procedures, lessons learned, directories, training materials and searchable knowledge bases. It provides a controlled environment in which organisational knowledge can be communicated to relevant employees and maintained centrally.

Together, internal networking, collaboration software and an intranet address the technical foundations for distributing and applying organisational knowledge. Further background on knowledge-sharing technology is available from [APQC’s knowledge-management overview] and the [Microsoft SharePoint collaboration overview].

## QUESTION NO: 33

Which of the following statements would encourage an Organization to use Scenario Planning?

Select ALL that apply.

**A.** Uncertainty in the industry is high, relative to management's ability to predict or adjust to change.

**B.** Competitor's are increasingly using Scenario Planning as part of their strategy formulation process.

**C.** The Organization has not previously experienced any major surprises or expensive strategic mistakes.

**D.** The Organization has achieved all of its objectives and operates within a stable external environment.

**E.** The Organization often experiences 'group-think', leading to a narrow view of the future.

## ANSWER: A B E

**Explanation:**

Scenario planning is particularly valuable when uncertainty in the industry is high relative to management’s ability to predict or adjust to change. It provides a structured way to explore several plausible external futures, identify critical uncertainties, and test whether strategic choices remain resilient under different conditions. This supports better strategic preparedness rather than reliance on a single forecast.

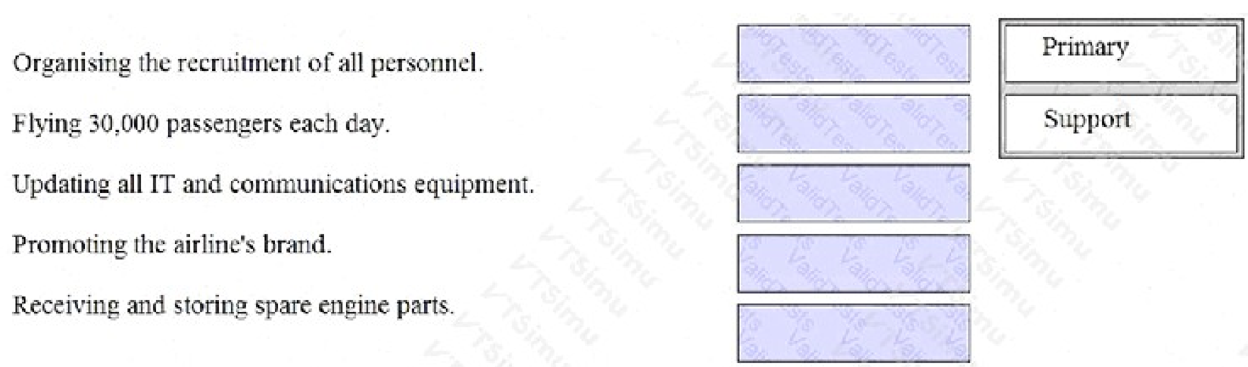
Competitors’ increasing use of scenario planning can also encourage adoption. Where industry participants are using more sophisticated approaches to anticipate disruption, shifts in customer needs, regulation, technology, or competitive dynamics, management may wish to develop comparable strategic insight and avoid being disadvantaged in its planning process.

An organization that often experiences group-think and consequently holds a narrow view of the future has a strong reason to use scenario planning. The process deliberately brings alternative assumptions and perspectives into strategic discussion, helping leaders challenge dominant beliefs and consider discontinuities that conventional planning may overlook. This aligns with strategic-management practice because robust strategy requires awareness of uncertainty, stakeholder perspectives, and alternative future environments. Further guidance on the purpose and use of scenario planning is available from the [CIPD scenario-planning factsheet] and the [CIMA Professional Qualification].

## QUESTION NO: 34 - (SIMULATION)

EEE is an international airline.

Indicate which of the following activities are 'primary' or 'support' in accordance with Porter's Value Chain.




## ANSWER: See the explanation for the answer

**Explanation:**

Classify the activities as follows:

## QUESTION NO: 35

P owns an internet-based business, called GWiz. based in Country G. GWiz sells gifts, cards and flowers for a variety of occasions including birthdays, weddings and many other special events. P sources her products from a variety of partner suppliers located throughout country G. Customers' orders are delivered by third party couriers across the whole country. The GWiz website is hosted and managed by an IT specialist

P is a member of a local small business trade federation and has been asked to make a presentation to its members on her experience of running GWiz as a 'virtual organisation'.

Which of the following statements could P correctly make on the benefits of virtual organisations? Select ALL that apply.

**A.** The quality of the products and services offered by the partner suppliers is always guaranteed and easy to control.

**B.** Using partner suppliers who also supply products and services to competitors will help to increase the competitive advantage of the virtual organisation.

**C.** The costs of operating a virtual organisation are relatively low as there is no need to operate from large premises or employ its own staff.

**D.** A virtual organisation can look much larger than it actually is through the use of a range of partner suppliers and third party couriers.

**E.** Using the internet facilitates the assembly of the components that are needed to operate a virtual organisation.

**ANSWER: C D E**

**Explanation:**

The costs of operating a virtual organisation are relatively low as there is no need to operate from large premises or employ its own staff. This model allows GWiz to concentrate on coordinating customer orders, its online presence and supplier relationships rather than owning all of the physical assets and capabilities required to fulfil orders. Using specialist partners can therefore convert substantial fixed costs, such as premises, inventory handling and directly employed delivery capacity, into more flexible externally purchased services.

A virtual organisation can look much larger than it actually is through the use of a range of partner suppliers and third party couriers. The combined network gives customers broad geographic coverage and access to a wider catalogue of products and fulfilment capabilities, even though the central organisation itself may remain small. This supports responsiveness and scalability without requiring equivalent internal expansion.

Using the internet facilitates the assembly of the components that are needed to operate a virtual organisation. Digital systems enable the organisation to link customers, suppliers, couriers and IT specialists, exchange order information rapidly and coordinate activities across separate locations. This networked, technology-enabled coordination is central to the virtual-organisation model and to strategic management themes within the CGMA Professional Qualification. See [CIMA's Professional Qualification overview] and [the CGMA Competency Framework].