

# CIMAPRO15-E03-X1-ENG<sup>Q&As</sup>

E3 - Strategic Management Question Tutorial





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## QUESTION 1

LLL is an international oil and gas exploration company. It is considering investing \$300 million in developing new oil fields in Country D. For this it will need to obtain a license from the government of Country D.

These new oil fields will bring much wealth to Country D because a large proportion of the revenue from the production of oil will be paid to the government as part of the licensing agreement.

However, oil production in Country D will have some undesirable social effects, such as the threat of pollution, congestion to the roads and pressure on local amenities such as housing, electricity and clean water.

Which of the following approaches to stakeholder management should LLL NOT undertake in order to enter Country D?

- A. Issue free shares in a Joint Venture to develop oil fields to government ministers from Country D.
- B. Commit to improving the local amenities and roads as a part of the application for a license in Country D.
- C. Develop and circulate a promotional video showing the benefits enjoyed by other countries in which LLL operates.
- D. Undertake stakeholder mapping to identify the interests of the most powerful players in the decision to grant a license to LLL.

Correct Answer: D

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## QUESTION 2

CCC is a software design company. The Board of CCC has always openly encouraged partnerships with a wide range of designers and other organizations in its industry in order to continually develop and enhance the services it offers and to utilize the expertise and knowledge of a range of individuals and organizations. CCC's staff have also been highly creative and innovative in the design services they provide. CCC regularly analyses and keeps up to date with changes in the environment in which it operates. CCC operates a sophisticated website to promote its services and keep in touch with its service users.

Which TWO of the following attributes of a change adept organization, as defined by Kanter, has CCC demonstrated? (Choose two.)

- A. Imagination to innovate
- B. Continual service development
- C. Openness to collaborate
- D. Environmental awareness
- E. Sophisticated systems

Correct Answer: BD

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## QUESTION 3

DRAG DROP

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

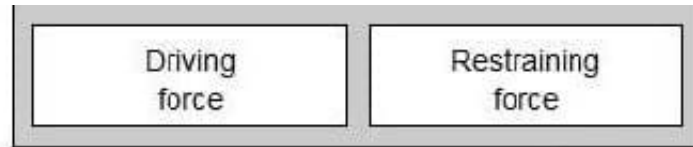
reduce wastage, allowing YZ to lower its prices. YZ's staff are very unhappy about these proposals, feeling that they will destroy YZ's family tradition and reputation that has developed over many years. Select the correct descriptor for each of the forces for change below:

Select and Place:

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

Correct Answer:



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

**QUESTION 4**

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

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

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

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

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

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

Correct Answer: BD

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## QUESTION 5

DDD is a business which sells entertainment products and now wants to move to a position where it uses e-business as a fundamental part of its business strategy. Which of the following benefits would result from DDD's use of e-business? (Choose all that apply.)

- A. Cost reductions because of lower overheads and cheaper procurement.
- B. Better control of information through monitoring website activity.
- C. Easier access to loan finance.
- D. An increased use of tacit knowledge.
- E. A reduction in labour turnover and higher morale.
- F. Increased online revenues.

Correct Answer: AF

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