

CIMA Strategic Management (E3) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which description best defines Functional (operational) strategy?**
 - A. Day to day management of the organisation**
 - B. How to successfully plan in the market**
 - C. Highest level of strategy, focuses on which businesses and markets the organisation should operate within**
 - D. Strategies that evolve in response to unexpected events**

- 2. What is the purpose of a resource audit?**
 - A. Identifies the core competencies or highlights lack of competencies that may undermine competitive advantage**
 - B. Forecasts demand**
 - C. Measures marketing performance**
 - D. Evaluates supplier performance**

- 3. CAC is defined as**
 - A. Expenditure on sales and advertising / number of new customers**
 - B. Lifetime value divided by churn**
 - C. Number of customers gained per month**
 - D. Revenue per user**

- 4. Which term describes expansion into unrelated business areas?**
 - A. Conglomerate diversification**
 - B. Diversification**
 - C. Horizontal integration**
 - D. Vertical integration**

- 5. What is the Rational model?**
 - A. Logical step by step approach which involves analysing existing circumstances**
 - B. Small scale extension of past policy**
 - C. Day to day management of the organisation**
 - D. Economy level of inputs**

- 6. In a value shop, which activity is primarily about identifying the problem to be solved?**
- A. Problem finding**
 - B. Acquisition**
 - C. Procurement**
 - D. Execution and control**
- 7. Which option best describes Porter's focus strategy?**
- A. Cost leadership**
 - B. Focus**
 - C. Differentiation**
 - D. Market expansion**
- 8. In the Ansoff Matrix, which growth strategy corresponds to new product and new market?**
- A. Diversification**
 - B. Market Development**
 - C. Product Development**
 - D. Market Penetration**
- 9. In the Ansoff Matrix, which growth strategy corresponds to new product and existing market?**
- A. Market Penetration**
 - B. Product Development**
 - C. Market Development**
 - D. Diversification**
- 10. Which term refers to strategies that evolve in response to unexpected events that impact an organisation?**
- A. Rational model**
 - B. Emergent approach**
 - C. Freewheeling opportunism**
 - D. Logical incrementalism**

Answers

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1. A
2. B
3. A
4. A
5. A
6. A
7. B
8. A
9. B
10. B

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Explanations

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1. Which description best defines Functional (operational) strategy?

- A. Day to day management of the organisation**
- B. How to successfully plan in the market**
- C. Highest level of strategy, focuses on which businesses and markets the organisation should operate within**
- D. Strategies that evolve in response to unexpected events**

Functional (operational) strategy is about how the organization runs on a daily basis to support its strategic aims. It translates broader goals into practical actions within each function—production, marketing, HR, finance, IT—covering how resources are allocated, processes are designed, and activities are scheduled and improved. This is the level that ties the big plan to real, everyday operations, with decisions on capacity, quality, workflow, and execution that keep the business moving toward its objectives. In contrast, planning in the market sounds like strategic planning at a higher level about market positioning, the corporate choice of where to compete. The highest level of strategy describes which businesses and markets the organization should operate in, i.e., corporate strategy. Strategies that evolve in response to unexpected events describe emergent or adaptive strategies, not the routine operational actions that keep daily activities aligned with the plan.

2. What is the purpose of a resource audit?

- A. Identifies the core competencies or highlights lack of competencies that may undermine competitive advantage**
- B. Forecasts demand**
- C. Measures marketing performance**
- D. Evaluates supplier performance**

The purpose of a resource audit is to map and evaluate the organization's resources and capabilities to determine which can deliver a competitive advantage and where gaps threaten it. By identifying what the firm can do well and where essential strengths are missing, it guides decisions on investing in, developing, or acquiring skills and assets to sustain differentiation. It isn't about predicting customer demand, measuring marketing results, or assessing supplier performance, which are separate activities focused on demand planning, marketing effectiveness, and procurement performance, respectively.

3. CAC is defined as

- A. Expenditure on sales and advertising / number of new customers**
- B. Lifetime value divided by churn**
- C. Number of customers gained per month**
- D. Revenue per user**

CAC is the cost to acquire a customer. It's calculated by dividing the total sales and marketing expenditure by the number of new customers gained in a given period. This measures how efficiently the business is turning marketing and sales spend into new customers, which is essential for budgeting and evaluating marketing ROI. In practice, you compare CAC to how much a customer is worth over their lifetime (LTV) to judge sustainability – a lower CAC relative to LTV is desirable. The other options don't fit CAC because: revenue per user is ARPU, not cost; the number of customers gained per month is the acquisition rate, not the cost; and lifetime value divided by churn relates to the value and payback timeline of a customer, not the cost of acquiring them.

4. Which term describes expansion into unrelated business areas?

- A. Conglomerate diversification**
- B. Diversification**
- C. Horizontal integration**
- D. Vertical integration**

Conglomerate diversification describes expansion into unrelated business areas. This occurs when a company enters new industries or markets that have little or no connection to its existing operations, spreading risk across different sectors and often leveraging financial resources in diverse areas. Diversification as a general term can be related or unrelated, but the specific idea of moving into unrelated fields is what defines conglomerate diversification. Horizontal integration involves growing by expanding within the same industry (e.g., acquiring competitors), while vertical integration means taking ownership of different stages of the production and distribution process. So, the term that best fits expansion into unrelated business areas is conglomerate diversification.

5. What is the Rational model?

- A. Logical step by step approach which involves analysing existing circumstances**
- B. Small scale extension of past policy**
- C. Day to day management of the organisation**
- D. Economy level of inputs**

The Rational model is a logical, step-by-step decision-making process in which you thoroughly analyze the current situation, define objectives, generate alternative actions, evaluate them using objective criteria, and choose the best option to implement and monitor. It assumes you can access complete information, have clear goals, and can compare outcomes to identify the optimal solution. This aligns with the description of a logical sequence that analyses the existing circumstances. It isn't about making a small-scale continuation of past policy (that would be more incremental), nor about routine day-to-day management, nor about merely considering the level of inputs or resources.

6. In a value shop, which activity is primarily about identifying the problem to be solved?

- A. Problem finding**
- B. Acquisition**
- C. Procurement**
- D. Execution and control**

In a value shop, the emphasis is on diagnosing the client's issue before designing a solution. The activity of identifying what needs to be solved—defining the problem, framing it clearly, and outlining the objectives—sets the direction for all subsequent work. By pinpointing the real problem, the team ensures that efforts are focused on the right challenge and that the proposed solutions will actually address the client's needs. Acquisition and Procurement are about obtaining resources or inputs to support work, and they come after the problem is understood since you need to know what you're addressing before you try to gather anything. Execution and control are about carrying out and monitoring the chosen solution, which happens after the problem has been identified and a solution selected.

7. Which option best describes Porter's focus strategy?

- A. Cost leadership**
- B. Focus**
- C. Differentiation**
- D. Market expansion**

Porter's focus strategy concentrates on a narrow market segment and aims to win by tailoring offerings to the specific needs of that segment. Within that segment, a business can pursue a cost focus (becoming the low-cost provider for the segment) or a differentiation focus (providing unique features that matter to that segment). This makes the approach distinct from broader strategies that target the entire market. The other options describe broader approaches not limited to a single segment: cost leadership seeks the lowest cost across the whole market, differentiation targets a broad audience with unique attributes, and market expansion focuses on growing the overall market rather than narrowing the target.

8. In the Ansoff Matrix, which growth strategy corresponds to new product and new market?

- A. Diversification**
- B. Market Development**
- C. Product Development**
- D. Market Penetration**

The growth strategy that combines a new product with a new market is diversification. In the Ansoff Matrix, diversification sits at the intersection of introducing something new (a different product) and entering a new customer base or geographic market. This moves beyond existing offerings and current customers, carrying higher risk but the potential for significant growth if the new product resonates in the new market. For contrast, market development uses an existing product in a new market, product development uses a new product in an existing market, and market penetration sticks with the same product in the same market.

9. In the Ansoff Matrix, which growth strategy corresponds to new product and existing market?

- A. Market Penetration**
- B. Product Development**
- C. Market Development**
- D. Diversification**

The main idea here is how the Ansoff Matrix pairs product changes with market scope to describe growth options. When you keep the same customers (existing market) but introduce something new for them (a new product), you're pursuing product development. This strategy leverages the company's knowledge of its current customers and channels while expanding the product offering to increase sales with the same market. For example, a cosmetics brand might launch a new skincare line aimed at its existing customers through its familiar retail partners. In contrast, market penetration would use the same product in the same market to gain share; market development would bring the same product to a new market; diversification would involve a new product in a new market.

10. Which term refers to strategies that evolve in response to unexpected events that impact an organisation?

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

Emergent strategy describes strategies that evolve in response to unexpected events that impact an organisation. When surprises occur—such as sudden market shifts, regulatory changes, or disruptive technology—formal plans can become obsolete. An emergent approach arises from patterns of decisions and actions taken in daily operations, learning from what works, and adapting course accordingly. Over time, these learned responses crystallize into the strategy the organisation actually follows, even if it wasn't the initial plan. This contrasts with a rational, top-down planning mindset that assumes complete information and deliberate design, which struggles when surprises force a rethink. Incrementalism focuses on small, deliberate steps, but emergent strategy specifically captures the way strategy can develop from real-world responses to unforeseen events.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://cimae3.examzify.com>

We wish you the very best on your exam journey. You've got this!