

# Learning Outcome Statements



Certified in Strategy  
and Competitive  
Analysis

Institute of Certified Management Accountants  
Certified in Strategy and Competitive Analysis Exam  
Learning Outcome Statements

Section A. Strategic Analysis

Section A.1. The strategic planning process

The candidate should be able to:

What is strategy?

- a. define strategic planning and distinguish strategic planning from tactical planning
- b. discuss how strategic planning determines the path an organization chooses for fulfilling its mission and attaining its long-term goals and vision
- c. identify the time frame appropriate for a strategic plan
- d. demonstrate an understanding of the strategic management process, beginning with the mission, scanning the environment, analyzing competitors, setting objectives, establishing the strategic plan, developing policies, creating the organizational structure (structure follows strategy), implementing the plan, creating the annual plan and operating budgets, and evaluating performance
- e. demonstrate an understanding of how to create an effective feedback system
- f. discuss the similarities and differences in the strategic planning process for for-profit companies vs. non-profit organizations
- g. discuss the similarities and differences in the strategic planning process for large, medium, and small companies
- h. discuss why the strategic management process is an ongoing process

Role of finance team in the strategic management process

- i. identify and explain the role of the finance team in the strategic planning process, particularly with respect to providing data to support analysis, assuring cash availability for implementing plans, providing financial analysis of new opportunities, monitoring execution of the plan, measuring and reporting performance, and providing general analytical and financial perspectives to the planning processes

Vision, mission, and goals

- j. distinguish between vision and mission
- k. demonstrate an understanding of how mission leads to the formulation of long-term business goals such as business diversification, the addition or deletion of product lines, or the penetration of new markets
- l. demonstrate an understanding of how objectives are developed in the context of the strategic plan
- m. identify and explain the characteristics of well-constructed objectives; i.e., SMART (specific, measureable, achievable, realistic, and time-bound)
- n. discuss the importance of setting and following a set of corporate or organizational core values in delivering high performance

Analytical planning tools and frameworks

- o. demonstrate an understanding of the following planning tools and techniques: SWOT analysis, Porter's 5 forces, situational analysis, PESTEL analysis, STEEP analysis, GAP analysis, scenario planning, competitive analysis, contingency planning, the BCG Growth-Share Matrix, and the GE-McKinsey Matrix (GE Business Screen); explain the limitations of each of these tools and techniques

Strategic planning process synthesis

- p. evaluate an organization's planning practices and recommend a strategic management process

## Section A.2. Environmental scan and competitive analysis

The candidate should be able to:

### Macro environmental forces

- a. identify the external factors that should be analyzed during the strategic planning process and explain how this analysis leads to recognition of organizational opportunities, limitations, and threats
- b. identify and explain sociocultural, technological, ecological, economic, political, legal, and ethical factors in the environment
- c. discuss the impact specific environmental trends could have on a company's strategy
- d. identify and explain the macroeconomic forces that can impact an organization's strategy, including GDP, interest rates, inflation, capital availability, unemployment levels, energy costs, currency markets, and the global financial system
- e. apply SWOT analysis, PESTEL analysis, STEEP analysis, GAP analysis, and situational analysis to a given scenario

### Industry economic market structure

- f. describe how industry competitive structure (i.e., pure competition, monopolistic competition, oligopoly, or monopoly) can impact an organization's strategy

### Industry segmentation

- g. discuss the importance of an organization identifying its industry segmentation; i.e., identifying the business (or businesses) it is in and who its competitors are
- h. identify and explain the various bases for industry segmentation, including differences in products or buyers (structural) and value chain differences
- i. identify and explain segmentation variables, such as product variety, buyer type, distribution channel, and geographic buyer location
- j. distinguish among domestic, regional, and global businesses and demonstrate an understanding of the strategic implications of each
- k. define fragmented industry, provide examples of such industries, and explain why low economies of scale, local brand loyalty, and low entry barriers lead to fragmented industries
- l. define strategic group, and identify strategic groups within an industry given a scenario
- m. explain how the boundaries of an industry can change over time

### Industry life-cycle analysis

- n. define industry life-cycle analysis, including the embryonic (development) stage, the growth stage, the shakeout stage, the maturity stage, and the decline stage
- o. explain how the level of revenues, expenses, and earnings is affected by each of the industry life-cycle phases, and how this would impact the company's level of investment and cash requirements
- p. apply industry life-cycle analysis to a given scenario

### Threat of new entry and/or substitution

- q. evaluate the level of threats of new competitors for a given industry and organization
- r. define economies of scale, brand loyalty, product differentiation, absolute cost advantage, switching costs, capital requirements, access to distribution channels, and government policy; analyze how these factors impact the likelihood of new entrants into an industry
- s. demonstrate an understanding of the economic and strategic implications of substitute products and services
- t. evaluate the level of threats of substitute products for a given industry and organization

### Supplier and buyer power

- u. explain how end-users, wholesalers, and retailers affect the price and the cost of products throughout the supply chain
- v. evaluate the strength of buyers for a given industry and organization

- w. demonstrate an understanding of how the organizations that supply input into a product or service, such as materials, services, and labor, are able to raise the price of inputs
- x. evaluate the strength of suppliers for a given industry and organization
- y. demonstrate an understanding of Porter's 5 forces model and apply it to an organization and its industry given a scenario

#### Complementary products and services

- z. demonstrate an understanding of the economic and strategic implications of complementary products and services

#### Competitive intelligence

- aa. define competitive intelligence and explain the purpose of obtaining competitive intelligence
- bb. explain the differences among intelligence, data, and information
- cc. explain how the process of gathering competitive intelligence should lead to the identification of risks and opportunities that are on the horizon and not just in the current situation
- dd. identify sources of competitive intelligence
- ee. describe the ethical practice of competitive analysis and distinguish this practice from corporate espionage
- ff. identify and explain the role of the management accountant in the competitive intelligence process

#### Competitive forces analysis

- gg. define strategic risk
- hh. prepare a competitive forces analysis using Porter's 5 forces model to identify and to assess a company's strategic risks
- ii. evaluate a company's strategy in terms of strategic risk; i.e., is the strategy misaligned with market and industry conditions?
- jj. define industry dissonance
- kk. prioritize the strategic risks for a company in terms of magnitude, probability, and direct linkage to strategy
- ll. discuss the similarities and differences of competitive analysis between for-profit companies and non-profit organizations as well as the similarities and differences among small, medium, and large organizations

#### Competitive rivalry

- mm. evaluate the relative competitive rivalry in a given industry
- nn. analyze industry competitive structure and how it is related to the level of competitive rivalry in an industry, including the number of competitors, the size of the companies in the industry, the rate of industry growth, the nature of the product or service (unique or commodity), the level of fixed costs, and exit barriers

#### Financial analysis of competitors

- oo. perform a financial analysis of competitors, including an assessment of competitor profitability, leverage, liquidity, efficiency, market pricing, dividend policy, cost structure, and growth rate (Note: Knowledge of how to calculate ratios may be required, but emphasis will be placed on interpretation of a set of ratios and what it says about a company's financial position)
- pp. demonstrate an understanding of common size income statement analysis and how this tool could be used to evaluate competitor financial strength and flexibility

#### Innovation, change, and market disruption

- qq. explain how innovation, change, growth, and market disruption can be both a threat and an opportunity
- rr. explain the importance of implementing a formalized monitoring or early warning system that would help an organization identify change drivers and generate early warning signs or indicators of possible industry shifts that could change an organization's strategic assumptions

### Environmental scan and competitive analysis synthesis

- ss. synthesize information presented for a given organization, integrate the concepts described above, and prepare an environmental scan and competitive analysis

### Section A.3. Internal analysis

The candidate should be able to:

#### Organizational culture and core values

- a. discuss how organizational culture and core values affect an organization's assessment of its internal strengths and weaknesses and how culture and values could impact an organization's strategic plan
- b. discuss how organizational structure affects an organization's strategy
- c. discuss how an organization's incentive structure aligns with its strategic plan

#### Strengths and weaknesses

- d. identify the internal factors that should be analyzed during the strategic planning process and explain how this analysis leads to recognition of organizational strengths, weaknesses, and competitive advantages
- e. identify and analyze a company's strengths and weaknesses
- f. explain the importance of information technology as a source of innovation, operational effectiveness, and competitive advantage

#### Core competencies

- g. define core competency and differentiated (distinctive) competency and explain how the presence of these competencies gives an organization the ability to differentiate itself from its rivals and make a higher relative profit

#### The value chain

- h. define value chain, and explain how this chain of activities converts inputs into products and services that customers value
- i. distinguish between primary activities and support activities within the value chain
- j. demonstrate an understanding of how analysis of a company's value activities can lead to a better understanding of the company's strengths and weaknesses
- k. demonstrate an understanding of how optimizing a company's value chain relative to competitors can lead to cost advantages and thus competitive advantage
- l. define economies of scope
- m. describe and apply value-chain analysis, including the identification of the following: activities that create value, activities that are strengths and those that are weaknesses, linkages within each product line's value chain, possible synergies among the different product lines or business units, and opportunities for achieving relative cost advantage

#### Operational effectiveness

- n. define the following: operational effectiveness, efficiency, quality, excellence, innovation, customer responsiveness; and discuss how each could impact a company's ability to differentiate itself in the market and build an advantage over competitors

#### Financing strategy

- o. explain how an organization's financing strategy and financing capacity can have an impact on its competitive strength and the strategic initiatives it can undertake
- p. evaluate a given organization's financing capacity and financing strategy

#### Internal analysis synthesis

- q. apply SWOT analysis, GAP analysis, and situational analysis to a given scenario
- r. synthesize information presented for a given organization, integrate the concepts described above, and prepare an internal analysis

## Section B. Creating Competitive Advantage

### Section B.1. What is competitive advantage?

The candidate should be able to:

#### Delivering unique value

- a. define competitive advantage
- b. explain the two types of competitive advantage an organization can have; i.e., low cost or differentiation
- c. explain the differentiation/low-cost trade-off
- d. explain why having a competitive advantage should result in the company operating at a lower cost and/or commanding a higher price compared to its competitors; i.e., relative superior performance
- e. using value chain analysis, explain how differences in activities being performed can lead to competitive advantage

#### Differentiated competencies

- f. distinguish between core competencies and differentiated (or distinctive) competencies
- g. demonstrate an understanding of how differentiated competencies can help an organization deliver unique value and/or achieve an absolute cost advantage, thus leading to a sustainable competitive advantage
- h. explain why the aim of competitive strategy is to create a sustainable competitive advantage
- i. explain why delivering a unique product or service is often more effective than competing to deliver the best product
- j. demonstrate an understanding of how competitive advantage can derive from a firm's position in the industry and/or a firm's resources/capabilities
- k. explain why an organization with a competitive advantage should have a higher than average profitability level for for-profit companies or higher than average efficiency and effectiveness in delivering value for non-profit organizations
- l. analyze a given scenario, identifying and explaining organizational sources of competitive advantage

### Section B.2. Strategy in a global context

The candidate should be able to:

#### Market expansion

- a. discuss the globalization of production and markets and explain the impact this has on global strategies
- b. identify and explain how cultural, political (administrative), geographic, and economic differences impact global business strategy (sometimes called CAGE Distance Framework)
- c. explain national competitive advantage; i.e., country advantages in the cost and quality of the factors of production, the local demand conditions, the presence of suppliers and related industries, and the intensity of rivalry of companies within the nation (Porter's [National] Diamond model)
- d. identify and explain the benefits of conducting business within an economic community; e.g., European Union, African Economic Community, Association of Southeast Asian Nations
- e. demonstrate an understanding of how a company can increase revenue growth and profitability through market expansion
- f. define multinational company, and discuss the benefits and risks of operating in two or more countries
- g. identify and explain the basic modes of entering a foreign market: exporting, licensing, franchising, joint ventures, strategic alliances, wholly-owned subsidiaries, and acquisitions

- h. explain the advantages and disadvantages of each of the seven modes of entering a foreign market
- i. evaluate a given scenario and recommend a foreign market entry approach for an organization

#### Value chain optimization

- j. demonstrate an understanding of how a company can realize cost economies from increased global volume of sales
- k. demonstrate an understanding of how a company can realize cost economies by performing a value creation activity or support activity outside the company's home country
- l. explain how optimizing the global value chain by exploiting regional economic differences can lead to absolute cost advantages over competitors (sometimes known as arbitrage)
- m. identify the benefits of establishing subsidiaries, affiliated companies, or divisions, and discuss how a company can leverage the skills of each
- n. explain the differences between a global standardization strategy (achieving economies of scale) and a localization strategy (customizing the business model) [sometimes known as aggregation and adaptation, respectively]
- o. define transnational strategy and discuss the benefits and inherent challenges of such a strategy
- p. define global strategic alliance and explain its advantages and disadvantages
- q. evaluate a given scenario and propose a strategic alliance approach that would increase the probability of success considering factors such as partner selection and alliance structure
- r. identify and explain how pressure to reduce cost and/or pressure to customize for local markets impacts the decision to pursue specific strategies

#### Risks of conducting international business

- s. identify and explain the risks of conducting international business, including exchange rate risk and political risk
- t. identify, explain, and apply methods to mitigate the risks of conducting international business
- u. demonstrate an understanding of hedging foreign exchange

### Section B.3. Business level strategies

The candidate should be able to:

- a. discuss how business level strategy is directly linked to mission; i.e., identify which customers and customer needs to target, determine which products and services to offer, and develop the business model and customer value proposition
- b. describe how the focus of business level strategies is to improve a company's competitive position; i.e., positioning in the market so that the company can achieve and sustain a competitive advantage

#### Low cost, Differentiation, and Focus

- c. identify and explain Porter's generic strategies: cost leadership, differentiation, and focus
- d. demonstrate an understanding of expanded generic strategies (e.g., broad low cost, focus low cost, broad differentiation, focus differentiation, and best value)
- e. define competitive scope; i.e., broad (mass) market vs. narrow (niche) market
- f. apply the generic strategies framework to a given scenario
- g. explain why strategy involves trade-offs and describe what "straddling" and "getting stuck in the middle" means

#### Value innovation

- h. define value innovation and describe how innovation can change the differentiation/low-cost trade-off and therefore lead to greater value and differentiation at a lower cost, creating a new market space
- i. identify and explain the benefits of an innovation funnel and innovation management

#### Market segmentation

- j. define market segmentation

- k. identify and explain the various approaches to market segmentation (e.g., geographic, demographic and socioeconomic, psychographic, and behavioral)
- l. analyze a given scenario and recommend a market segmentation approach for an organization

#### Pricing as a strategic lever

- m. explain how pricing can be a strategic lever, creating market demand and differentiating products and service from competitor offerings
- n. define price signaling and price leadership; explain how they can be used as tactics to reduce price rivalry
- o. discuss the legal dimensions of price leadership; i.e., antitrust laws
- p. identify the economic market structure where price leadership is common
- q. define non-price competition as a means of differentiation and as a way to deter potential entrants into an industry
- r. demonstrate an understanding of penetration pricing and skimming

#### New product and new market development

- s. describe how new product development can create differentiation and grow market share
- t. describe how new market development can grow market share by leveraging a brand in different market segments
- u. demonstrate an understanding of “Blue Ocean” and “Red Ocean” strategies, and provide an example of such a strategy for a given scenario
- v. explain how business-level strategies are impacted by different types of industries; e.g., fragmented industries, consolidated industries
- w. explain how business-level strategies are impacted by an organization’s stage in the industry life-cycle; i.e., embryonic (development) industries, growth industries, shakeout stage industries, mature industries, and declining industries

#### Business level strategies synthesis

- x. synthesize information in a given scenario, evaluate the situation, integrate the concepts above, and recommend a business level strategy for an organization

### Section B.4. Corporate level strategies

The candidate should be able to:

- a. describe the focus of corporate level strategies; i.e., examining the organization’s business model, deciding which businesses/industries to be in, determining the value creation activities and the optimal allocation of resources
- b. demonstrate an understanding of how corporate level strategies create and/or sustain competitive advantage by reducing costs or increasing the level of differentiation

#### Horizontal and vertical integration

- c. identify and explain the benefits and challenges of an organization being in only one industry
- d. identify and explain the benefits and challenges of an organization having a multibusiness model
- e. identify and explain the ways an organization can enter, consolidate, or exit businesses
- f. define horizontal integration
- g. define the two types of horizontal integration; i.e., acquisition and merger
- h. identify and explain the advantages of horizontal integration; i.e., lower cost structure, increased bargaining power, increased differentiation, and reduced competitive rivalry
- i. identify and explain the challenges of horizontal integration; i.e., implementation and integration difficulties, possible governmental intervention, and adapting to changing market conditions
- j. define vertical integration
- k. distinguish between forward and backward vertical integration



- l. identify and explain the advantages of vertical integration; i.e., improved quality, reliability, and scheduling, as well as more committed investments in specialized assets
- m. identify and explain the challenges of vertical integration; i.e., increasing costs, changing technologies, and unpredictable demand
- n. evaluate a given scenario and recommend an integration approach for the company or companies described in the scenario
- o. discuss how long-term contracting and cooperative contractual relationships can help overcome the challenges of vertical integration while achieving the same benefits

#### Strategic alliances and joint ventures

- p. define strategic alliance and discuss its advantages and disadvantages; identify how this mechanism can be used as an approach to entering or expanding a business
- q. define joint venture and discuss its advantages and disadvantages; identify how this mechanism can be used as an approach to entering or expanding a business

#### Strategic outsourcing

- r. define strategic outsourcing
- s. identify and explain the benefits of strategic outsourcing; i.e., lower costs and increased focus on core business
- t. identify and explain the risks of strategic outsourcing; i.e., the possibility of becoming too dependent on one source, the possibility of losing leverage on price, increased competition, and loss of learning opportunities
- u. analyze a given scenario and evaluate the organization's approaches to alliances and outsourcing for effectiveness

#### Diversification

- v. define diversification and discuss the rationale for diversifying
- w. distinguish between concentric (related) diversification and conglomerate (unrelated) diversification
- x. identify and explain how a diversified company can increase profitability; i.e., transferring and leveraging distinctive competencies, sharing resources, product bundling, and leveraging general managerial competencies
- y. identify and explain the possible disadvantages of diversification; i.e., changes in industry dynamics, increased complexity and bureaucracy, difficulties integrating new businesses, challenges coordinating among the various business units, and unwillingness to change the strategy when diversification is failing
- z. evaluate a given scenario and recommend a diversification strategy for a company
- aa. define portfolio analysis and identify and explain the advantages and limitations of portfolio analysis
- bb. apply the BCG Growth Share Matrix (including calculation of an entity's relative market share) and the GE/McKinsey Matrix (GE Business Screen) to a given scenario

#### Mergers and acquisitions

- cc. compare the following approaches to entering a new businesses: internal investment in a new venture (organic growth) and acquisition of a new business; identify and explain the benefits and challenges of each
- dd. evaluate a given scenario for a specific company and industry context, as well as the net present value of forecasted cash flows, and recommend whether a company should enter a new business venture through acquisition

#### Restructuring

- ee. identify and explain strategic approaches to dealing with a declining industry, including a niche strategy, a harvest strategy, and a divestment
- ff. define restructuring and explain why a company would restructure
- gg. distinguish between a sell-out strategy and a divestment strategy
- hh. distinguish between bankruptcy and liquidation

- ii. evaluate a given scenario and recommend an approach to restructuring; i.e., merger, reorganization, or divestment

#### Corporate level strategies synthesis

- jj. synthesize information in a given scenario, evaluate the situation, integrate the concepts above, and recommend a corporate level strategy for an organization

#### Section B.5. Functional level strategies

The candidate should be able to:

- a. describe the focus of functional-level strategies; i.e., improving the effectiveness of operations with the goal of achieving operational excellence and optimization
- b. demonstrate an understanding of how the operational fit across functional policies and activities can create competitive advantage via consistency, reinforcement, and optimization
- c. identify strategies and methodologies that can be utilized to improve performance in operating functions (i.e., research and development, information technology, procurement, logistics, human resources)

#### Operational excellence

- d. explain how operational excellence is achieved through improvements in efficiency, quality, innovation, and customer responsiveness
- e. explain the concept of economies of scale and how it leads to increased efficiency
- f. define supply chain management and explain how optimizing the global supply chain can improve the effectiveness and efficiency of operations
- g. define, identify, and provide examples of value-added activities and explain how the value-added concept is related to improving performance
- h. discuss the importance of hiring, mentoring, and training employees for achieving higher productivity
- i. explain how well-constructed performance compensation systems contribute to operational excellence
- j. define customer responsiveness and explain the importance of quickly adapting to customers' changing needs
- k. demonstrate an understanding of how customer loyalty can lead to a higher profit per customer

#### Quality optimization

- l. explain why quality is defined in terms of both reliability and excellence (superior features), and how quality can lead to a competitive advantage in both differentiation and cost
- m. describe and identify the components of the costs of quality, commonly referred to as prevention costs, appraisal costs, internal failure costs, and external failure costs
- n. Identify the following quality-focused methodologies and programs that can help an organization achieve quality and operational excellence: Total Quality Management (TQM), Kaizen, Six Sigma, Lean, Baldrige Performance Excellence Program, ISO 9000

#### Technology as a competitive advantage

- o. provide examples of how computer technology and information systems can lead to a higher level of efficiency
- p. identify and describe the operational benefits of an enterprise resource planning (ERP) system

#### Innovation strategy

- q. describe the role that innovation, technological breakthroughs, and smart investments in R&D can play in jump-starting operational excellence
- r. evaluate a scenario and explain how innovation helps the company described in the scenario achieve a competitive advantage by differentiating its products or services and/or lowering its cost structure

### Functional level strategies synthesis

- s. synthesize information in a given scenario, evaluate the situation, integrate the concepts above, and recommend functional level improvements for an organization

### Section B.6. Sustaining competitive advantage

The candidate should be able to:

#### Barriers to imitation

- a. explain why the speed with which rivals can imitate an organization's distinctive competencies is such a strong factor in determining the durability of competitive advantage
- b. identify and explain resource barriers (e.g., economies of scale, capital requirements, switching costs, access to distribution channels, government policy) and competency barriers (e.g., brands, talent, patents/licenses, installed bases, influence networks, distribution networks) to imitation given a specific organizational and industry scenario; i.e., value, rarity, and inimitability of resources, and the organizational capability to exploit these resources (VRIO model)

#### Capability of competitors

- c. explain why the capability of competitors impacts the sustainability of an organization's competitive advantage; i.e., how agile, how financially flexible, how adaptive, and how capable competitors or potential competitors are in absorbing new information (i.e., absorptive capacity)

#### Industry dynamism

- d. define industry dynamism and demonstrate an understanding of how the pace of change within an industry can impact competitive advantage; i.e., highly dynamic industries (e.g., electronics industry) have a high rate of innovation that can undo a differentiated product's uniqueness
- e. identify and explain characteristics of a successful and enduring strategy; e.g., unique value proposition, differentiated value chain, trade-offs different from rivals, organizational fit, and continuity
- f. identify and explain how, in a rapidly changing environment, sustained competitive advantage (dynamic capabilities) often requires both exploitation of existing resources (operational capabilities) and exploration of new knowledge and competency bases (strategic capabilities)

### Sustaining competitive advantage synthesis

- g. synthesize information in a given scenario and evaluate the sustainability of an organization's competitive advantage

## Section C. Strategy Implementation and Performance Evaluation

### Section C.1. Analyzing strategic alternatives

The candidate should be able to:

#### Marginal costs and revenues; Adding or dropping products and services

- a. define relevant costs (incremental, marginal, or differential costs), sunk costs, avoidable costs, explicit and implicit costs, opportunity costs, and relevant revenues
- b. demonstrate proficiency in the use of marginal analysis for decisions such as making or buying a product or service, and adding or dropping a business segment or product line
- c. calculate the effect on projected operating income of a strategic decision
- d. recommend a course of action using marginal analysis
- e. identify and explain qualitative non-financial factors to consider when making strategic decisions, such as product quality, dependability of suppliers, learning opportunities, and impact on employees

### Customer profitability analysis

- f. define customer lifetime value (CLV), evaluate long-term customer profitability, and make appropriate recommendations
- g. demonstrate an understanding of the implications of customer profitability for strategic planning; i.e., not all customers are equal

### Investment decision analysis

- h. evaluate and recommend strategic investments on the basis of discounted cash flow analysis; i.e., net present value (NPV) and internal rate of return (IRR) [Note: Long, detailed calculations will not be required, but candidates should be able to analyze results and make recommendations based on their analysis.]
- i. define product life cycle; identify and explain the four stages of the product life cycle; and explain why pricing decisions are likely to differ over the life of a product
- j. identify and explain alternative approaches to dealing with risk in capital budgeting, including sensitivity analysis, scenario analysis, and Monte Carlo simulation
- k. demonstrate an understanding of real options and identify examples of the different types of real options: e.g., abandon, delay, expand, and scale back (calculations not required)

### Scenario planning

- l. define scenario planning and explain how this tool can be used to model alternative outcomes given the uncertainty inherent in forecasting future performance

## Section C.2. Risk management

The candidate should be able to:

### Risk analysis

- a. identify and explain the different types of risk, including business risk, hazard risk, financial risk, operational risk, and strategic risk
- b. discuss cybersecurity risks and explain why organizations need to consider these risks in the planning process
- c. discuss the risks inherent in protecting intellectual property and explain why organizations need to consider this risk in the planning process
- d. define and demonstrate an understanding of credit risk, foreign exchange risk, interest rate risk, market risk, industry risk, and political risk
- e. define the concept of capital adequacy (i.e., solvency, liquidity, reserves, sufficient capital) and explain why this impacts a company's ability to manage risk

### Mitigating risks

- f. identify and explain strategies for risk response (or treatment), including actions to avoid, retain, reduce (mitigate), transfer (share), and exploit (accept) risks
- g. explain how an organization's attitude toward risk affects risk management
- h. demonstrate an understanding of diversification as a risk reduction strategy
- i. demonstrate a general understanding of how currency futures, currency swaps, and currency options can be used to manage exchange rate risk
- j. define contingency planning and explain how this tool can be used to manage the risks inherent in strategic decisions

### The role of ERM

- k. demonstrate an understanding of the benefits of integrating risk management with strategic planning
- l. describe the cyclical nature of risk management and explain why it is an ongoing activity
- m. define enterprise risk management (ERM) and identify and explain the key objectives, components, and benefits of an ERM program
- n. identify and explain the key steps in the risk management process

- o. define strategic risk management as a component of ERM; i.e., the process of identifying, assessing, and managing risks that could inhibit an organization's ability to achieve its strategy and strategic objectives
- p. demonstrate an understanding of the COSO ERM Conceptual Framework

#### Risk management synthesis

- q. synthesize information in a given scenario, integrate the concepts above, evaluate a company's risk management, and recommend improvements

### Section C.3. Strategy implementation

The candidate should be able to:

#### Alignment of tactics with long-term strategic goals

- a. explain why short-term objectives, tactics for achieving these objectives, and operational planning must be congruent with the strategic plan and contribute to the achievement of long-term strategic goals; i.e., the strategy comes first and informs tactical planning

#### Leadership, communication, culture, and workforce engagement

- b. discuss the importance of strategic leadership in the successful implementation of strategy
- c. identify and explain characteristics of effective leadership, including vision, communication skills, ability to motivate others to action, commitment, ability to delegate and empower, emotional intelligence, competence, and character
- d. evaluate a manager's strategic leadership skills given a scenario and make recommendations for improvement
- e. explain why effective communication of the strategic plan is important for effective implementation of the plan
- f. identify and explain characteristics of effective communication, including: clarity, completeness, and conciseness of message; clear objectives; well-defined audience; well-defined tactics; use of multiple channels; appropriate timing and frequency; and feedback
- g. evaluate an organization's communication of its strategy given a scenario and make recommendations for improvement
- h. discuss the importance of organizational culture in the implementation of the strategic plan and assess the compatibility of a strategy with the culture of the organization
- i. define workforce engagement and explain why engaged employees (i.e., employees enthusiastic about their work) generally have a strong commitment to strategic goals which can lead to more successful implementation of strategy

#### Strategy deployment, including challenges and prioritization

- j. identify and explain the challenges of strategy deployment, including prioritization, resource allocation, project planning, time commitments, result forecasting, communication, buy-in, and adapting to change
- k. explain why clear accountability for results is necessary for successful implementation of the strategy

#### Change management

- l. discuss the increasing pace of change in the current business environment and the imperative to be an adaptive (and/or resilient) organization
- m. identify and explain best practices in change management, including the following: implementing a formal approach, tone at the top, clearly stating the rationale, using a participative style, creating buy-in and ownership, anticipating resistance, nominating change agents, champions, and sponsors, soliciting feedback, addressing organizational culture, checking in frequently, clearly communicating the imperative for change, and leadership

#### Linking strategy to the strategic financial plan

- n. explain how enterprise strategy is linked to the strategic financial plan
- o. demonstrate an understanding of how an annual financial plan is created

- p. evaluate the financial performance of a company and determine whether the company has achieved its strategic objectives based on pro forma financial statements

#### Forecasting financial statements and organizational performance

- q. analyze a multiyear financial forecast as part of an organization's strategic financial plan to estimate relative financial performance against competitors and against organizational goals

#### Financing for growth

- r. identify, explain, and analyze strategies for financing both planned and unplanned growth; evaluate organizational financing capacity

#### Characteristics of a successful strategic management process

- s. identify the characteristics of successful strategic plans, including: objective internal and external analysis, clear statement of the strategy, attainable goals, alignment with values, strengths, and culture, strong leadership, transparent and clear communication, effective monitoring, commitment, discipline, and a sense of urgency
- t. discuss the differences in strategy implementation for the following: small, medium, and large companies; for-profit and non-profit organizations; and public and private companies

### Section C.4. Strategy measurement and organizational performance

The candidate should be able to:

#### Evaluation and control

- a. discuss the importance of having an evaluation and a control system in place to monitor the success of strategic choices
- b. define critical success factors (CSFs) and key performance indicators (KPIs) and discuss the importance of using such indicators in evaluating a firm
- c. identify and explain the dangers of selecting the wrong performance measures
- d. explain how annual budgets act as control mechanisms
- e. define management by exception and explain the benefits of this approach
- f. explain why performance evaluation measures should be directly related to strategic and operational goals and objectives and why timely feedback is critical
- g. describe how feedback loops provide information for monitoring and adapting the continuing process of planning

#### Balanced scorecard

- h. define balanced scorecard and explain the use of a balanced scorecard in measuring performance
- i. identify and explain the perspectives of a balanced scorecard, including financial, customer, internal process, and learning and growth
- j. describe the characteristics of successful implementation and use of a balanced scorecard
- k. analyze and interpret a balanced scorecard and evaluate performance on the basis of the analysis

#### Strategy map

- l. define strategy map, describe its link to the balanced scorecard, and explain how it helps management focus on the performance of key strategic objectives
- m. demonstrate an understanding of a strategy map and the role it plays in performance measurement for an organization given a scenario

#### Benchmarking

- n. define benchmarking and explain why constantly measuring performance against best-in-class can help an organization more successfully achieve its strategic goals

#### Reporting results

- o. identify and explain common financial performance measures, including return on investment (ROI), earning per share (EPS), Economic Value Added (EVA), and operating cash flow
- p. identify and explain the problems with ROI, EPS, and EVA as performance measures

- q. demonstrate an understanding of the DuPont formula and use it to analyze performance of an organization or group of organizations within the same industry
- r. explain the issues involved in determining product profitability, business unit profitability, and customer profitability, including cost measurement, cost allocation, investment measurement, revenue recognition, and valuation
- s. analyze and evaluate customers, products, and strategic business units on the basis of profitability
- t. define residual income (RI) and describe its advantages when compared to other performance measures
- u. analyze and interpret ROI calculations and compare these results to RI calculations
- v. identify and analyze other financial ratios that could be used to evaluate financial performance (i.e., liquidity, leverage, activity, profitability, and market ratios)
- w. identify and explain international measurement issues for multinational organizations, including transfer prices, currency fluctuations, different standards for products and services, and income tax differences
- x. discuss possible problems in measuring performance, including a short-term focus and suboptimization of goals
- y. recommend guidelines for evaluation for an organization; i.e., minimum amount of key information, monitoring of most important activities, timely measures, using both long-term and short-term measures, focus on exceptions, and emphasis on rewards and accountability
- z. define and describe the importance of a post-completion audit for strategic initiatives
- aa. recommend performance measures and a periodic reporting methodology given operational goals and actual results
- bb. prepare a summary analysis and memo reporting results for an organization given a scenario

### Section C.5. Governance, social responsibility, and ethics

The candidate should be able to:

#### Agency theory

- a. define agency theory
- b. demonstrate an understanding of the issues that arise when shareholders/members delegate decision authority to their agents, the managers; e.g., managers may avoid risky decisions to protect their jobs rather than making decisions for the long-term success of the organization, thus resulting in a conflict of interests
- c. explain ways of mitigating the effects of the principal-agent relationship in an organizational setting

#### Role of the Board of Directors

- d. identify the Board of Directors' responsibilities with respect to strategic planning and to ensuring that the company is operated in the best interest of shareholders (for-profit companies) or members (nonprofit organizations)

#### Role of the CEO and CFO

- e. demonstrate an understanding of corporate governance, including the rights and responsibilities of the CEO, the CFO, the Board of Directors, the Audit Committee, managers, and other stakeholders

#### Incentives

- f. explain how incentives can be designed to motivate managers to perform in the best interests of the corporation; e.g., stock-based compensation, performance bonuses

### Organizational structure

- g. demonstrate an understanding of how organizational structure can facilitate decision-making and the implementation of strategy; i.e., assigning responsibilities and tasks and specifying how all tasks and responsibilities within the organization will be coordinated with the goals of achieving operational excellence and amplifying distinctive competencies

### Ethical decision-making

- h. identify and explain ethical issues in strategic management, including manipulation of financial information, concealing quality and safety issues, self-enrichment at the expense of the company, anticompetitive behavior, exploitation of employees, fraud, and willful pollution of the environment
- i. discuss corporate responsibility for ethical conduct and explain why it is important for an organization to have a code of conduct
- j. demonstrate an understanding of the role of “leading by example” or “tone at the top” in determining an organization’s ethical environment
- k. discuss the issues organizations face in applying their values and ethical standards internationally
- l. using IMA’s Statement of Ethical Professional Practice, evaluate a given business situation for its ethical implications; identify and describe relevant standards that may have been violated and explain why the specific standards are applicable
- m. identify the practices that the U.S. Foreign Corrupt Practices Act prohibits and apply these antibribery provisions to a business scenario describing a U.S. company doing business globally
- n. recommend a course of action to take when confronted with an ethical dilemma in the business environment

### Social responsibility

- o. discuss social responsibility as a factor to consider in the strategic planning process; i.e., the extent to which companies have responsibilities to society beyond making a profit for shareholders
- p. identify and explain how sustainable business practices are those that can satisfy current needs without jeopardizing the needs of the future
- q. identify and explain how corporate social responsibility strategies and environmental sustainability strategies can advance a company’s competitive advantage if they offer both valuable social benefits as well as superior fulfillment of customer needs