# Examiners' Report
# June 2019

## IAL Business Studies WBS03 01

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# Introduction

This paper followed the style, format and structure established in the published sample assessment material and previous live papers, with the same Assessment Objectives (AOs) and Mark Band (MB) weightings.

Examiner reports are a valuable resource for helping prepare candidates for external assessment, as they contain lots of general advice that is still relevant and likely to be useful for staff and students in preparation for future papers.

This report should be read together with the examination paper and the Mark Scheme for this paper. My own observations, supported by reports from all examiners who worked on this paper, will sometimes repeat problems or advice that have been raised in reports on other papers. However, any repetition is because these issues continue to reappear in papers and have not been resolved or show signs of improvement.

By June 2019, some candidates will have completed the full, two-year course of study, starting in September 2017; others will have started their work on this unit in September 2018.

For support, candidates may have used sample assessment materials, plus the past papers, mark schemes, and reports from previous series.

As outlined in the Specification, these International Advanced Level qualifications in Business Studies require students to:

- investigate different types of businesses that develop and sell products and/or services in a local, national or international marketplace. At IA2 level, students will study the ways in which companies make decisions, and grow and operate in the global market place

- be able to analyse numerical information and understand how it assists the decision-making process of a business

- understand how a business is managed, how its performance is analysed and how it could trade internationally.

Specifically, this unit (Unit 3) develops the content of Unit 2, which is designated at IA2 standard. This sets the standard required for this unit, but it was evident from some of the answers and papers, that some candidates were not fully prepared, showing gaps in knowledge of specific business terms, a tendency for generalisation, using a rehearsed formulaic approach to answer questions There was also a lack of application in some of the responses as well as little depth of assessment or evaluation.

With this in mind, teachers need to remember that is a Business Studies paper – it is not within the Economics specification, and although it may help some candidates to be familiar with the principles of economics, it would serve them better to be more aware of the world of business and how businesses work in practice.

The June 2019 paper was based on the high-technology TRUMPF Group which offers production solutions in the machine tool and laser sectors. TRUMPF is the world technological and market leader for machine tools used in flexible sheet metal processing and also for industrial lasers.

No specialist knowledge of this organisation or the industries that it serves was required to answer questions. Although focussed on one particular organisation, evidence was provided to candidates which outlined the business, its background, history and more recent developments which affected how it was run. All questions are based on business principles, as featured in the Specification, and should have been accessible to all candidates and, in practice, most candidates attempted all questions. As such, this case study does not appear to have caused any problems for candidates.

All questions should have been accessible to candidates of all grades, and, in practice, most candidates attempted all questions.

## *Question 1 (a)*

Despite the apparent simplicity of questions 1a and 1b, some candidates gave vague generalisations rather than the more precise, knowledge-based answers which are expected at this level.

Question 1a asked 'What is meant by the term corporate culture?' – a basic business concept but not always defined clearly by candidates or with any precision – lots of generalisations, but also some good answers.

Some answers merely stated superficial examples of corporate culture, such as staff uniforms, but missed marks as they did not go on to link the example to the business or decision-making process.

**1** (a) What is meant by the term corporate culture? (Evidence C, line 6)

**(2)**

Corporate culture refers to the set of important assumptions that are shared by people working in a business which shows ~~they~~ the way things are done and decisions are made in a business.

**ResultsPlus**
**Examiner Comments**

This is a good example of a response to 'definition' type questions, Q1a and Q1b.

Candidate has made a basic statement, for 1 mark, followed by a development which demonstrated that they know and understand the term, 1 mark. In total, 2 marks.

## *Question 1 (b)*

This question asked 'what is meant by the term strategic decisions?'

As with Q1a, there was a lack of clear knowledge or understanding for such a basic term. Answers were very general and lacking in focus. Lots of 'mirror answers' i.e. a strategic decision is a decision that is strategic – which is not an appropriate response at this level.

Questions 1a and 1b are not trick questions. They are based on terms that are featured in the Specification, that are in common usage in business, and, as such, should present no problems to candidates who have based their learning on real businesses rather than just learning from a book or relying on general knowledge.

# *Question 2*

The stem of this question noted that new *TRUMPF* machines can cost €1million or more. Candidates were then asked to explain how the provision of *TRUMPF* Financial Services (TFS) – outlined in Evidence B - could give *TRUMPF* competitive advantage.

The question, and marks given, relate directly to this - how the provision of finance from the TFS could give the business, *TRUMPF*, competitive advantage. Context and application is required for an appropriate answer to this question: there are no marks for generic definition in this question.

However, we have seen in previous papers, most answers to Q2 tend to start with a generic definition - candidates are evidently missing the point or have been misdirected by teachers. This way of answering Q2, and the problems that it can cause for candidates, has been highlighted in all previous examiners' reports, yet most candidates still follow this pattern when answering Q2 (and Q3, for that matter).

Answers should go beyond the generic knowledge and definition of 'competitive advantage' and explain how the provision of finance for customers would give TRUMPF competitive advantage.

Some candidates did not answer the question posed, writing instead about financial services per se. Some answers were so offbeat and unrelated to question/evidence that it suggests that candidate had not even looked at given evidence, just responded to the words in the question.

So how can we advise candidates to approach this question, and question 3 which has a similar structure?

The key to answering this question well is to actually do what is asked. The 2 marks for knowledge/understanding are based on the basics of how a financial service for customers could give a business competitive advantage. The 2 marks for application require the answer to relate directly to the business, using the information provided in the given evidence. Candidates are, in fact, referred directly to Evidence B. The remaining 2 analysis marks are available for answers which are available for developing reasons, causes or consequence of how *TRUMPF* Financial Services (TFS) provides a competitive advantage.

**2** New *TRUMPF* machines can cost customers €1million or more.

Explain how the provision of *TRUMPF* Financial Services (TFS) could give *TRUMPF* competitive advantage. (Evidence B)

A competitive advantage is an advantage of a business over other business. This has relation with the USP.
Once TRUMF diversificated, by offering a new model of businesses, he entered other markets with new ~~g~~ goods offered which enabled them to have customers from another market and they increased their sales a 33%, meaning they can have more loyal customers. They also have the advantage of the internatical markets, in which they can increase the market share and this way they can have more power over competitors and avoiding the threats of new entrants and ~~s~~ substitutes to the market

**ResultsPlus**
**Examiner Comments**

This answer starts with a generic definition. There are no marks for this on Q2 and Q3.

The candidate does not appear to understand the situation - that TRUMPF's primary business remains high quality engineering, as explained in Evidence A, and that the provision finance is a service for customers, as an alternative to more traditional sources of finance, such as banks. No marks are awarded for knowledge or understanding.

Consequently, the answer becomes vague and descriptive on diversification, which is not what question asked. There is some context in the reference, drawn from Evidence B, that TRUMPF has increased sales, so 1 mark was given.

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**Examiner Tip**

Read all of the evidence provided to develop a full understanding of the business and economic conditions about which the paper is set; this will provide valuable context which can then be applied when answering questions.

Read question fully before starting to write your answer, to make sure that you know what is being asked and what must be answered.

Read answer back to check that the question asked has been addressed and answered and that the answer is not about something else entirely.

This advice would apply equally well to all questions on this paper.

## *Question 3*

Candidates were asked to analyse one advantage and one disadvantage, to *TRUMPF* of its low labour turnover.

As noted under Q2, and extensively in past series, some candidates have found it difficult to deal with Q2 and Q3 where no marks are given for a definition. The change in format for Q3 in this series was designed to improve access, without making the question easier, and give a structure which should aid answering the question. This was only a partial success – most candidates continued to start the question with their definition of labour turnover (which was worth no marks and takes up time and space on the paper), before attempting to give an advantage/disadvantage.

Also, there were a lot of answers which, despite being given clear directions, did not follow the advantage/disadvantage format and are just a general description of the circumstances that might bring about low labour turnover, what low labour turnover signifies, or, in many cases, the advantages/disadvantages to the workforce – rather than to *TRUMPF*, the business itself – a suggestion that candidates are not reading the questions thoroughly, just starting to answer on the first business topic that they see. Consequently, candidates who had not followed the required advantage/disadvantage format tended to score only half the available marks.

To improve their mark for this question, answers should have been based on one clear advantage, and one clear disadvantage, of a low labour turnover to the business, *TRUMPF*.

**3** Analyse **one** advantage and **one** disadvantage to *TRUMPF* of its low labour turnover.

labour turnover refers to a number of employees that leave an organisation during a specific period of time. Trumpf can be seen to having a low labour turnover through the statement ' The labour turnover for the whole group is low at 3.7% '.

One advantage which Trumpf may experience due to low labour turnover is an annual reduction in employee expences. This is the case as trumpf provides highly technical products, therefore demanding highly technically skilled employees to carry out their job correctly. Therefore by Trumpf having a low turnover the employees will not have to consistently ~~pay~~ expend on training and skills development for new employees as much as they would have to if they had a high level of labour turnover. By this occouring trumpf can now invest their finances into other ventures such as diversification and product development.

One disadvantage which may occour due to low labour turnover is a reduction in new inovative idea's thus resulting in the company becoming uncompetitive in the market. This may occour as Trumpf is operating in a highly competitive, inovative and technologically advanced industry therefore by the company having a low labour turnover means that they mainly have the same employees. This may result in stagnation of ideas as employees may run out of innovative creations. This may result in Trumpf experiencing a decline in new innovative products thus becoming uncompetitive on the market and thus loosing market share and profits in the long run.

**(Total for Question 3 = 8 marks)**

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Examiner Comments

This answer starts with a generic definition of the term 'labour turnover', for which there are no marks, and a basic repetition of information given in the question – that TRUMPF has low labour turnover.

However, the rest of answer suggests that the candidate has read and understood the requirements of this question.

The rest of this answer is presented as requested, one advantage, one disadvantage, to TRUMPF. Within each section, the candidate demonstrates knowledge and understanding of how low labour turnover can affect the business, there is some context, and each part of answer shows sufficient analysis of the reasons/causes/consequences of low labour turnover.

An example of a good answer which scored full marks.

# *Question 4*

Evidence D showed the variable cost of cutting a part using either a CO2 laser or a solid-state laser.

Candidates were asked to assess the importance of the contribution to *TRUMPF*'s customers when deciding which machine to purchase.

This was the first time that this part of the Specification - the Nature and purpose of contribution - has been tested. This resulted in a lot of vague and confused answers and a number of blank pages with many candidates not understanding the financial concept of contribution.

If a candidate had a clear understanding of 'contribution' in a business context, then the rest of answer tended to be good and high-level, resulting in high marking. However, if understanding was low or generic, the answers tended to be vague and repetitive, lacking in precision, at Level 2 or Level 3, giving a mark of around 5-6 marks. In general, there was very little evaluation attempted on this question.

To move marks up to Level 3 and into Level 4, not only would an answer need to show analysis and/or evaluation, but must also be in context, applied to the business and evidence provided.

## *Question 5*

This question asked candidates to 'assess the extent to which the corporate strategy outlined in Evidence E can be effective in maintaining *TRUMPF*'s position as market leader'.

To answer this question, candidates had to read the given evidence and identify the corporate strategy that TRUMPF was pursuing – principally that of 'mergers and takeovers'.

If a candidate did identify 'mergers and takeovers', then there was little stopping them from achieving a good mark. This part of the specification seems to be well known and understood by a majority of candidates. However, familiarity with the topic tended to encourage some candidates to overwrite their answer, producing several pages of unrelated text, expanding on their basic knowledge, but adding little to help increase their mark.

**5** **Assess the extent to which the corporate strategy outlined in Evidence E can be effective in maintaining *TRUMPF*'s position as market leader.** → Dec vAs

**(12)**

Corporate strategy refers to the route taken by a business to achieve its overall objectives. According to evidence E, TRUMPF's corporate strategy can be identified as mergers and acquisitions ~~takeovers~~. This is a form of external growth, where one firm buys over another, with the view of becoming the new owners. When TRUMPF takes over other well established machine tool manufacturing business, it will ~~not~~ immediately lead to an increase in marketshare for them and since their output ~~increases~~ and firm size increases, they will be in a position to exploit economies of scale. Example, they will be able to purchase the alluminium and steel needed to make the $CO_2$ laser in bulk and receive discounts. They would face lower average costs and can then charge more cheaper competitive prices for their machines, which will attract more customers, allowing them to maintain their position as market leader.

Secondly, when they takeover other high technology companies, they would be able to derive the benefits of synergies. According to evidence E, they have a M&A committee that will review any potential takeover project to check its certainty. ~~As~~ ~~therefore~~ the specialists from both the ~~fields in vari~~ firms in different fields such as production, marketing, R&D and human resource will come together as one team. ~~and~~ They can then share their knowledge, expertise and brainstorm to come up with better quality decisions, such as which new laser machines to develop and introduce. As a result, of the improved and better quality decisions being made they will be able to gain a first mover advantage in introducing new machines and thus protect their position as market leader, because this would be their USP.

However, Trumpf would face a significant drain in their finances as the cost of buying over other technologically advanced firms would be very high. This would lead to less available funds for other areas such as research and development.

Further, ~~when taking over~~

**(Total for Question 5 = 12 marks)**

**TOTAL FOR SECTION A = 40 MARKS**

another firm might have completely different management styles, communication forms and corporate culture, so taking over might lead to a culture ~~gap~~ ~~c~~ clash which would demotivate workers and lead to lower productivity and higher costs.

In conclusion, when any firm get involved in a takeover, it would face short ~~term~~ term costs of needing to adapt and change to the other firms requirements but long run benefit of scale or economies of scale would enable them to cover these costs.
So in long run, benefits outweigh costs.

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Examiner Comments

This answer shows Level 4 work with good knowledge and understanding throughout.

From the first page, and on to the second, there is good Level 3 analysis of how TRUMPF's corporate strategy, based on mergers, takeovers and acquisitions, helps the business to maintain its position as market leader.

The second page also has good examples of Level 4 evaluation of this strategy, giving the downside, exploring the problems, associated with a strategy of takeovers to maintain position as market leader.

Application is present throughout as the candidate supports each point in context.

The final conclusion confirms the high quality of this answer which was give the full 12 marks.

**ResultsPlus**
**Examiner Tip**

In addition to this answer reflecting the standards set by the Mark Scheme and the high standards established in previous series, it is concise and presented within the space provided in the question paper booklet. This shows that the candidate has not overwritten or wasted time producing unnecessary words which can obscure knowledge and understanding and make it difficult to identify where marks should be applied.

For this reason a concise answer can often produce higher marks than an overlong answer.

## *Question 6*

This is an essay length question, marked using levels.

Section B on the question paper provided candidates with a new set of evidence:

- **Evidence F** presented *TRUMPF* sales revenue in €m 2015-16, and 2016-17; Evidence G stating the number of employees for the same time periods.

- **Evidence H, I and J** featured selected highlights from the *TRUMPF* Annual Report 2016-17, the general economic climate in which the business operates.

Question 6 began by stating that, in 2016-17, 69.4% of *TRUMPF*'s total investment was in Germany.

It then asked candidates to assess this decision, with reference to Evidence F, G and H

This question produced some strong answers, which were well-argued and made good use of evidence.

Weaker candidates tended to focus their answers on investment per se, rather than what was asked in the question i.e. the high proportion of investment in Germany as opposed to other regions. This suggested either a misreading of the question, or writing about a well-known topic to cover particular weaknesses related to lack of knowledge or understanding of the focus of the question.

Some candidates just wrote about ratio analysis - what it is, how and when it is used – completely ignoring the nub of the question i.e. that the majority of investment is in Germany.

Consequently, these more basic answers only reached Level 2 or Level 3 marks. To achieve higher marks in this question, answers should be well-argued, make good use of evidence and come to a firm conclusion, in context, for Level 4, 13+ marks.

**6** In 2016-17, 69.4% of *TRUMPF*'s total investment was in Germany.

Assess this decision, with particular reference to Evidence F, G and H.

**(20)**

~~proportion of~~ sales made in Germany as a proportion of Worldwide sales $= \frac{622,000,000}{3,111,000,000} \times 100\%$

$= 19.9\%$

~~Proportion of~~ sales made in Germany as a proportion of the rest of western Europe $= \frac{622,000,000}{777,000,000} \times 100\%$

$= 80\%$

Total labour productivity $= \frac{3,111,000,000}{11,883}$

$= 261803$

labour productivity in Germany $= \frac{622,000,000}{6023}$

$= 103270.8$

The calculations above show that the total sales made in Germany as a proportion of Worldwide sales accounted for one-fifth of sales. Which is a large proportion considering the fact that they operate in many other countries.

Similarly, Germany accounted for 80% of ~~#~~ sales made in western Europe which again is very large. This shows that the investment decision of investing 69.4% of total investment in Germany may have been necessary as they can capitalise on the opportunity where their products are mostly demanded. This can help Trumpf further increase sales.
Moreover, the labour productivity in Germany is also higher than the same in the rest of the countries. So, an investment in Germany may be more worthwhile than anywhere else. They may be able to see quicker returns from an investment in Germany rather than in any other country.
However, it may have been better for Trumpf to invest more in other countries such as in eastern Europe, the Americas and Asia so that they may ~~boost~~ use the investments to better themselves in those countries. Often the ~~country~~ least performing aspect may require more of a boost than the already successful one. If the sales revenue and labour productivity in other countries also improve, it will amount to more profit than ~~in Germany alone in~~ the increase expected through Germany.
Furthermore, Germany's market may already be saturated, therefore a increase in investment may not be

worthwhile. Because there's only so much more you can expect from a single market.
Heavy investment in Germany may also put off managers and staff in other countries as they may feel as though they are less valued ~~in~~ by the shareholders.
Moreover, other Western European countries have showed a ~~XXXX~~ * 17.5% increase in sales revenue, whereas Germany only showed an increase of 4.2%. This shows that more investment in other ~~we~~ western european countries might be a better strategic decision ~~than~~ for the long term.

In conclusion, it can be said that it depends on where the investment is used and on which aspect of the business in Germany. If it is invested in research and development that is being done in Germany ~~also~~ only, then the ultimate result will positively affect the whole business. This investment may also have been the reason why the whole business had a net profit margin of 10.8%. Furthermore, the investment in Germany was also practical since other countries such as China and Russia were uncertain markets due to political ~~tension~~ an economic tension.
Evidence J also says that the ~~m~~ investment in Germany was for construction ~~of~~ projects for headquarters

**(Total for Question 6 = 20 marks)**

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**Examiner Comments**

This candidate has chosen to use the first page of their answer to analyse data provided in evidence. This has not been a waste of space or time, as this Level 2 application has clearly helped them to develop the rest of their answer.

Following the calculations, we see Level 3 analysis based on these figures and a strong Level 4 evaluation of the situation with a firm conclusion.

Knowledge and understanding is evident throughout this answer which was given the full 20 marks available. It is a good example of how to answer one of the essay-length questions which come into Section B of this paper.

**ResultsPlus**
**Examiner Tip**

Use the space provided and do not overwrite. A definite conclusion can often raise the mark, if the rest of the answer is already into Level 4.

## *Question 7*

This is an essay length question, marked using levels.

A very 'open' question to end the paper - 'evaluate the usefulness of investment appraisal techniques to *TRUMPF*' – which produced lots of general answers, requiring more application to move up from Level 2, and certainly application in context, linked to analysis and evaluation, to move answers up through Level 3 or into Level 4.

Weaker candidates found it difficult to identify any real evaluation in this question, as many chose to write a paragraph about each of the three investment appraisal techniques listed in the Specification, namely: simple payback, average rate of return and discounted cash flow. Within each descriptive paragraph, the candidate may have included the advantages, disadvantages and downside of each technique – nothing wrong with that, if the answer is applied to *TRUMPF*, but evaluation had to be searched for, rather then it being presented as a conclusion to the answer, which would have put an answer firmly into Level 4.

To move an answer into Level 4, it should be realistic and in context, rather than being generic description, actually relating the relative usefulness of different investment appraisal techniques to *TRUMPF*, and conversely, some of the drawbacks and alternative measures that could be used.

# Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- **Preparedness -** Some candidates were not fully prepared, showing gaps in knowledge of specific business terms, a tendency for generalisation, using a rehearsed formulaic approach to answer questions, plus a lack of application in some of the responses, and little depth of assessment or evaluation. However, in contrast, it has become obvious that some candidates are being over prepared, trained, drilled almost, in the process of answering questions on this paper. Many answers are laid out in a format that matches the mark scheme i.e. being split into distinct sections to cover knowledge, application, analysis and evaluation - this can be seen clearing by the regular use of 'however...' or 'in conclusion...' to signal to the marker that the answer was about to present some 'evaluation'. This is certainly one approach, but it is the candidate's business knowledge, application, analysis and evaluation that we are looking for - not their ability to lay out an answer in a given format.

- **Rewriting the question and copying given evidence -** Whilst it would appear that some candidates find it a good way to lead their thoughts into an answer, candidates should be reminded that simply rewriting a question is not usually sufficient to gain marks. Rewriting the question or information given in the evidence will not produce marks unless it is being used in context, to support a statement being made in the answer. The question asked needs to be answered.

- **Not answering question -** Some candidates pick a word or topic from within the question, and then write all they know about that particular word or topic, rather than answering the question asked. This could be a way of demonstrating knowledge of general business terminology, but candidates need to understand that marks are only given for an answer that addresses the specific question asked. Candidates need to focus on the question asked, and answer it, rather than just writing about something referred to in the question which they may know about. Linked to this is a tendency for weaker candidates to throw into their answer general expressions such as '...increase profit...', '...grow market share...', '...sell more...' etc. Again, candidates should be made aware that such general terms are unlikely to result in marks unless they are related directly to an answer to the question asked. Just writing '...which means or which will lead...to more sales and more profit...' at the end of an answer will not lead to more marks.

- **Overwriting -** Quantity does not necessarily equate to quality nor to higher marks. Some candidates appear to think that if they fill the space in the answer booklet, plus several extra pages, then they will get higher marks: this is rarely the case. Often the sense of what the candidate is writing gets lost in the words which just fill the pages. Markers read every word to see if there are points worthy of credit within the text, but this can be difficult if they are hidden within long general descriptions. The space provided in the answer booklet is planned to match the marks available and consequently the amount of writing that candidates should produce: any more than this and they are usually wasting time in the exam. As candidates move from education and into the world of business, they will soon learn that a concise analysis or report is much more useful than a long and rambling piece of writing.

# Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx

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