Pearson Edexcel

Mark Scheme (Results)

Summer 2019

Pearson Edexcel International Advanced Level
In Business (WBS03)
Unit 3 Strategic Business Decisions

Summer 2019
Publications Code WBS03_01_1906_MS

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A: Data response

Question Number	Question	
1 (a)	What is meant by the term corporate culture? (Evidence D, line 6)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • the set of important assumptions that are shared by people working in a particular business **(1)** and influence the ways in which decisions are taken **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative.	1-2 marks

Question Number	Question	
1 (b)	What is meant by the term strategic decisions? (Evidence E, line 3)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • Long-term options/choices/plans for a business **(1)** which will influence the future development/goals of the business **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative.	1-2 marks

Question Number	Question	
2	New *TRUMPF* machines can cost €1million or more. Explain how the provision of TRUMPF Financial Services (TFS) could give TRUMPF competitive advantage. (Evidence B)	6 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for knowledge/understanding of how *TRUMPF* Financial Services (TFS) could give the business competitive advantage. e.g. providing a financial service that competitors do not offer **(1)** this makes *TRUMPF* distinctive in the market **(1)** **Application**: up to 2 marks are available for contextualised answers based on the application of the competitive advantage of TFS e.g. *TRUMPF* machines are very expensive **(1)** its financial services provides an alternative to traditional banking/own finance **(1)** **Analysis:** up to 2 marks are available for developing reasons/causes/consequence of how TFS provides a competitive advantage e.g. customer loyalty is created because customers have easy access to finance to purchase their machines **(1)** customer's financial commitment to *TRUMPF* effectively blocks out competitors which do not offer the same financial service **(1)**	1-2 marks 1-2 marks 1-2 marks

<table>
<tr><th>Question Number</th><th>Question</th><th></th></tr>
<tr><td>3</td><td>Analyse one advantage and one disadvantage to TRUMPF of its low labour turnover.</td><td>8 marks</td></tr>
<tr><td></td><td>Answer</td><td>Mark</td></tr>
<tr><td></td><td>(Knowledge 2, Application 2, Analysis 4)

Knowledge/understanding: up to 2 marks are available for showing understanding of an advantage and disadvantage of low labour turnover

e.g. lower recruitment costs (1) fewer new employees (1)

Application: up to 2 marks are available for application relating to an advantage and a disadvantage

e.g. Group labour turnover is only 3.7%/labour turnover in Germany is only 2.3% (1) TRUMPF is a world leader in high tech machine tools (1)

Analysis: up to 2 marks are available for developing reasons/causes/consequence of low labour turnover as an advantage and a disadvantage to TRUMPF

e.g. this leads to a reduction in recruitment, selection, induction and training costs as fewer staff need to be recruited (1) this increases profitability for TRUMPF/allows them to invest elsewhere (1) this restricts the inflow of new ideas and working practices (1) which it needs to maintain its position as market leader in such a high tech industry (1)</td><td>1-2 marks

1-2 marks

1-4 marks</td></tr>
</table>

Question Number	Question	
4	Evidence D shows the variable cost of cutting a part using either a CO_2 laser or a solid-state laser. Assess the importance of contribution to TRUMPF's customers when deciding which machine to purchase.	10 marks

Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of contribution *Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.*	e.g. the amount that each product/part contributes towards covering the fixed costs/overheads e.g. contribution = selling price - variable cost per unit/part
2	3-4	Application must be present i.e. the answer must be contextualised and applied to the decision of which machine to purchase. *Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.*	e.g. each machine has a different variable cost for cutting out one part e.g. variable cost for cutting out one part using a CO2 laser is €4.02 and a solid-state laser is €3.32
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of the importance of contribution when deciding which machine to purchase **N.B. if analysis is not in context, limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. because the contribution is dependent on the variable cost of a product/part it is important to know what this cost is e.g. the cost for one part made on the solid-state laser is lower than for one part made on the CO_2 laser e.g. it would therefore make sense for the business to choose to use a solid-state laser e.g. as contribution would be increased by using the laser which produced the cheapest parts

4	8-10	Evaluation must be present and in context, i.e. the candidate qualifies the importance of contribution when deciding which machine to purchase **N.B. if there is evaluation but no context at all, limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. contribution is only one factor that might influence the decision e.g. purchase price is not known therefore hard to assess relative merits of each machines contribution e.g. don't know how long each machine will take/last e.g. choice will depend on the suitability of the machine for the product being produced

<table>
<tr><th>Question Number</th><th colspan="3">Question</th><th></th></tr>
<tr><td>5</td><td colspan="3">Assess the extent to which the corporate strategy outlined in Evidence E can be effective in maintaining TRUMPF’s position as market leader.</td><td>12 marks</td></tr>
<tr><th>Level</th><th>Mark</th><th>Descriptor</th><th colspan="2">Possible content</th></tr>
<tr><td>1</td><td>1-2</td><td>Knowledge/understanding of corporate strategy or market leader

Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.</td><td colspan="2">e.g. the way in which a business has chosen to run itself to meet its long-term aims and corporate objectives

e.g. the business with the greatest influence in the market</td></tr>
<tr><td>2</td><td>3-4</td><td>Application must be present, i.e. answer must be contextualised based on the strategy outlined in Evidence E

Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.</td><td colspan="2">e.g. takeovers are always considered carefully by the M&A committee to make sure that they provide either advances in technology or improved market position

e.g. TRUMPF carefully targets its mergers and takeovers</td></tr>
<tr><td>3</td><td>5-7</td><td>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of using takeovers to maintain market leader position

N.B. if analysis is not in context, limit to Level 2.
Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.</td><td colspan="2">e.g. targeted acquisitions and takeovers bring the latest technology to the business

e.g. targeted acquisitions and takeovers give access to new markets

e.g. reduces competition and help to maintain the position as market leader

e.g. strategy has resulted in 73 subsidiaries and world-wide production and distribution</td></tr>
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4	8-12	Evaluation must be present and in context, giving the downside, exploring the problems, associated with a strategy of takeovers to maintain position as market leader **Low Level 4:** 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by identifying the problems associated with takeovers **High Level 4:** 11-12 marks. Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate, leading to a convincing conclusion. **N.B. if there is evaluation but no context at all, limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. there is a risk of culture clash with business taken over e.g. there could be diseconomies of scale from expanding too much e.g. there is a risk that the takeover will fail to meet predicted outcome e.g. business taken over may have exaggerated its position in the market e.g. takeover will take time to come into operation, during which time competitors could strengthen position e.g. takeovers are an expensive and high risk way of maintaining its position as market leader

Section B: Essay questions

Question Number	Question		
6	In 2016-17, 69.4% of *TRUMPF*'s total investment was in Germany. Assess this decision, with reference to Evidence F, G and H.		20 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of investment strategy *Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.*	e.g. investment is the spending of resources in order to generate future returns
2	3-6	Application must be present, **Low Level 2:** 3–4 marks. Application is weak; candidate uses basic examples of growth in context. **High Level 2:** 5–6 marks. Application is clear, candidate used a range of examples of growth in context *Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.*	e.g. makes use of data in evidence F, G and H to support arguments e.g. uses sales figures from different parts of the world compared to German figures e.g. uses employment figures from different parts of the world compared to German figures e.g. economic slowdown in China and Brazil and sanctions in Russia

3	7 -12	Analysis in context must be present, **Low Level 3:** 7–9 marks. Analysis limited: only one or two reasons/causes/costs or consequences are outlined. **High Level 3:** 10–12 marks. Analysis is more developed: two or more reasons/causes/costs and/or consequences are outlined and developed. **N.B. if analysis is not in context, limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. Germany is the headquarters of TRUMPF e.g. over half of the employees are based in Germany e.g. much of the Research and Development may be done in Germany, this will require higher levels of investment than expanding production elsewhere e.g. skilled employees are important for developing new products likely to be based in Germany e.g. political instability means that Germany is less risky to invest than China and Russia e.g. highest growth in revenue is in Western Europe, therefore Germany is ideally placed to service this market

4	13-20	Evaluation must be present and in context, explaining the potential downside of growth through expansion into many international markets **Low Level 4:** 13–14 marks. Some evaluative points are made, outlining potential problems related to expansion into many international markets without arriving at a conclusion/judgement **Mid Level 4:** 15–17 marks. A judgement is attempted with some effort to show that there may be problems associated with expansion into many international markets **High Level 4:** 18–20 marks. Convincing evaluation with a conclusion, on the extent to which the business may have problems as a result of the way that it has grown through expansion into many international markets Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion. **N.B. if there is evaluation but no context at all, limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. Germany shows the smallest increase in sales revenue e.g. other markets such as Asia-Pacific and the Americas show higher growth in revenue than Germany and therefore should be developed with greater investment e.g. Eastern Europe has seen a large increase in employment and a small decrease in sales revenue, suggesting a need for greater investment e.g. increased investment in Germany is likely to require more skilled workers who may not be available e.g. the high level of investment in Germany could lead to neglect the development of TRUMPF world-wide operations e.g. increased investment in Germany concentrates risk in one country e.g. many businesses are moving their operations/investments east to take advantage of growing markets and lower costs e.g. Germany has high labour and resource costs, cheaper alternatives may be available

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<tr><th>Question Number</th><th colspan="3">Question</th><th></th></tr>
<tr><td>7</td><td colspan="3">Evaluate the usefulness of investment appraisal techniques to TRUMPF.</td><td>20 marks</td></tr>
<tr><th>Level</th><th>Mark</th><th>Descriptor</th><th colspan="2">Possible content</th></tr>
<tr><td>1</td><td>1-2</td><td>Knowledge/understanding of investment appraisal techniques

Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.</td><td colspan="2">e.g. business tools/techniques that can be used to help management make strategic decisions, such as simple payback/average rate of return/discounted cash flow.</td></tr>
<tr><td>2</td><td>3-6</td><td>Application must be present, showing where TRUMPF is investing

Low Level 2: 3–4 marks.

basic points developed to show where TRUMPF is making major investments

High Level 2: 5–6 marks.

Several detailed points developed to show where TRUMPF is making major investments

Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.</td><td colspan="2">e.g. TRUMPF is investing €200m

e.g. investment has increased year-on-year from €138m to €200m, +45.6%

e.g. investment in German headquarters totalled €40m, 69.4%

e.g. TRUMPF expanded capacity throughout Germany</td></tr>
</table>

3	7-12	Analysis in context must be present, i.e. the extent to which the investment appraisal techniques in the specification would be useful for the massive investments planned by TRUMPF **Low Level 3:** 7-9 marks. Candidate will attempt a very basic analysis, making general points, on one or two elements from the evidence. **High Level 3:** 10-12 marks. Candidate makes a more detailed analysis, making specific points, on elements drawn from across the evidence. **N.B. if analysis is not in context, limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. using these techniques may give the TRUMPF a useful guide as to which of its many investment projects may be the most worthwhile and profitable e.g. these techniques may indicate that TRUMPF should increase or decrease investments in particular projects e.g. simple payback would indicate to TRUMPF how long it would take to recoup its investments, based on current/historical rates of sale. e.g. ARR would indicate to TRUMPF which is the most profitable investment e.g. as a result of the findings from a discounted cash flow TRUMPF would be able to make informed decisions about investment.

4	13-20	Evaluation must be present and in context, explaining the shortcomings of investment appraisal techniques featured in the specification **Low Level 4:** 13-14 marks. Some evaluative points are made, **Mid Level 4:** 15-17 marks. Candidate gives a range of arguments highlighting weaknesses in the investment appraisal techniques **High Level 4:** 18-20 marks. Candidate gives a wide range of arguments, explaining the problems associated with relying too much on investment appraisal techniques Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion **N.B. if there is evaluation but no context at all, limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. That the investment appraisal techniques such as pay back, may be too simplistic and may not be useful to TRUMPF e.g. that an average rate of return enjoyed in the past is no indication of future rates of return. e.g. discounted cash flow assumes interest and inflation rates remain stable, which they may not e.g. there are other factors which may be more important when making investment decisions than basic appraisal techniques such as government incentives/economic conditions/political and social stability e.g. there may be competitive/customer based/market oriented reasons which outweigh financial appraisal which means that the business may be willing to accept low level returns in the short term with the prospect of better returns in the future

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