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Surname	Other names

Pearson Edexcel
International
Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Subsidiary
Unit 2: Business Structures and Processes

Friday 12 January 2018 – Morning
Time: 1 hour 30 minutes

Paper Reference
WBS02/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer ALL the questions in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 *Software Mill* is a small business with 40 employees. It has a flat organisational structure.

(a) A flat organisational structure has

(1)

A many managers

B quicker decision-making

C a narrow span of control

D a long chain of command

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 1 = 4 marks)

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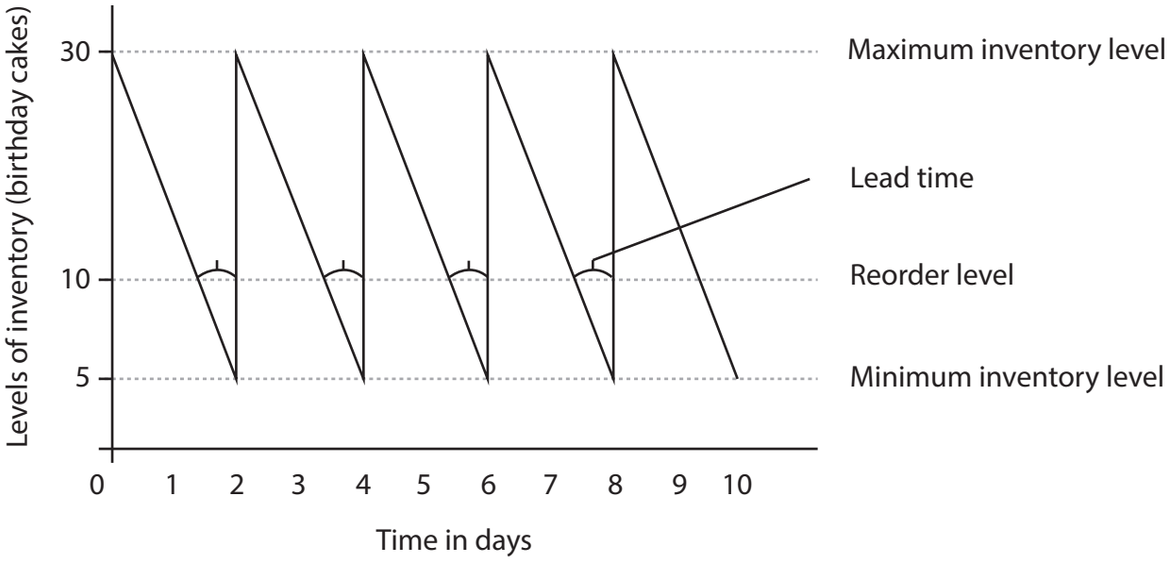
2 The following is an inventory control chart for a small bakery selling birthday cakes.

(a) What is the reorder quantity of birthday cakes?

(1)



A 5

B 10

C 20

D 25

Answer

(b) Explain why this answer is correct. (Show your working.)

(3)

(Total for Question 2 = 4 marks)

3 *Fitbit* manufactures a wide range of fitness accessories. In 2016 it launched its latest product, The Blaze. This has been described as being a question mark/problem child.

(a) In the Boston Matrix a question mark/problem child

(1)

A generates all of *Fitbit*'s profits

B has a high market share

C has potential for growth

D should no longer be produced

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 3 = 4 marks)

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4 Increasing incomes in the UK economy result in a greater demand for clothing at all price levels.

(a) Clothing is therefore **best** described as

(1)

A a normal good

B an inferior good

C a substitute good

D a complementary good

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 4 = 4 marks)

5 In *Alpha Plumbing*'s second year of trading it experienced cash flow problems despite making a high profit.

(a) To improve its cash flow position *Alpha Plumbing* should

(1)

A give longer credit terms to customers

B pay its suppliers immediately

C use a factoring service

D increase its inventory levels

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 5 = 4 marks)

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6 *Beats Electronics* produces audio products. The company was founded by music producer and singer Dr Dre.

(a) The price elasticity of demand for *Beats* headphones is **most likely** to be low if the headphones

(1)

A require a high proportion of a customer's income

B have a unique and fashionable design

C are very similar to competitors' headphones

D have low brand loyalty

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A = 24 MARKS

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SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A: Sustainable innovation promotes growth at *Nike*

While *Nike* has an ambitious revenue target for 2020, the company plans to achieve this as sustainably as possible. Recycled materials are being used in 71% of *Nike*'s footwear and clothing products and the company plans to have no waste from its footwear factories by 2020.

The company sees sustainability as a way to achieve greater performance from its equipment by thinking differently about manufacturing and design. An example of this innovation is *Nike*'s Flyknit. This design features a one-piece upper in the shoe and does not require multiple cuts that are typically used to make a sports shoe. Since this innovation eliminates waste, the use of this technology has reduced *Nike*'s environmental footprint by 1,890,910 kilos of waste.

(Source: adapted from © Nike, Inc)

Evidence B: 3D printing: the next biggest trend in shoes

The next revolution of the shoe industry is undoubtedly in 3D printed shoes. All the big companies, *Nike*, *Adidas*, *New Balance* and *Under Armour*, are positioning themselves for this change.

In the 2016 Rio Olympics, where *Nike* was one of the official sponsors, 2012 Gold Medal Runner Allyson Felix wore *Nike*'s 3D printed Zoom Superfly Flyknit training shoes. The shoes have been reported to save a tenth of a second off a runner's time, enough to turn a fourth-place runner into a gold medalist.

Mass produced shoes currently are made to fit people of varying sizes, meaning millions of a single shoe model treat the foot the same way. 3D printing is a fully customisable process that is tailored to the individual, allowing for greater performance.

While 3D printing has been around for years, it is yet to be used for mainstream products. The shoe industry could be the catalyst that takes this niche industry to the mass market. The shoes are literally made to order. With excess inventory always playing a key role in any clothing company's business, 3D printing could potentially change the entire shoe industry.

(Source: adapted from © Benzinga)

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Evidence C: *Nike* is transforming manufacturing

We are transforming manufacturing at every level by changing the way we work, who we work with and what we expect of our partners. We know that real progress happens when factory management understands that a lean, green, equitable and empowered workplace is a productive, profitable and successful business model. One result of this is shorter product lead times.

Every factory in our supply chain is subject to a rigorous set of compliance standards, which starts with *Nike*'s Code of Conduct – the minimum standard we expect each factory to meet. Our future suppliers will be those that invest in transforming their manufacturing model with workers at the centre and who maintain a low labour turnover.

Currently, we operate in 42 countries with 663 factories and 1,066,041 workers. We are constantly looking to expand our operations around the world recruiting the best clothing and sports designers, engineers, marketing and merchandising workers.

(Source: adapted from © Nike, Inc)

Evidence D: *Nike*'s CEO, Mark Parker



In a recent profile of *Nike*'s Chief Executive Officer (CEO), Mark Parker, Fortune magazine reported that Parker is notorious for constantly asking questions that push employees to think harder. Fortune magazine quoted Andy Campion, *Nike*'s Chief Financial Officer: "What's fascinating about [Parker's] use of questions is that it leaves other employees empowered to find the answers themselves and act on them."

Parker acknowledges that questioning is a key part of his leadership strategy and a way to support his employees' development. "I end up asking a lot of questions, so the team thinks things through. I don't say 'Do this, do that'. I'm not a micromanager. I don't believe in that. At *Nike*, we have incredibly strong people. They know what to do." said Parker of his leadership style.

Research suggests that Parker has found a winning management tactic: leaders who ask questions and encourage their team to find the answers tend to be more effective than those who try to know and do it all themselves.

(Source: adapted from © Business Insider Inc)

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7 Explain **two** benefits for *Nike* of using recycled materials.

(Total for Question 7 = 6 marks)

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8 (a) Analyse **two** reasons why *Nike* wanted to be associated with the 2016 Rio Olympic Games.

(6)

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(b) Explain **two** advantages for *Nike* of having short product development lead times.

(6)

(Total for Question 8 = 12 marks)

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9 (a) Explain **one** benefit for *Nike* of using 3D printing to manufacture its shoes.

(4)

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(b) Assess the likely importance to *Nike* of having low labour turnover in its factories.

(8)

(Total for Question 9 = 12 marks)

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10 As *Nike* continues to expand it will need to recruit more staff.

Assess the benefits for *Nike* of using external recruitment methods.

(12)

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(Total for Question 10 = 12 marks)

11 *Nike*'s Chief Executive Officer, Mark Parker, has a leadership style that could be described as laissez-faire.

Evaluate the possible benefits of this leadership style to *Nike*.

(14)

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(Total for Question 11 = 14 marks)

TOTAL FOR SECTION B = 56 MARKS
TOTAL FOR PAPER = 80 MARKS

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