GradeMax



Mark Scheme (Results)

Summer 2018

Pearson Edexcel International
Advanced Level
in Business Studies (WBS03)
Paper 01 Strategic Business Decisions

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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

Question Number	Question	
1 (a)	What is meant by the term organic growth? (Evidence D, line 14)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • Expansion from within the business itself **(1)** based on its own resources/rather than expanding through takeover or merger **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. • Any other suitable alternative.	1-2

Question Number	Question	
1 (b)	What is meant by the term strategy? (Evidence D, line 15)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • An action or decision that is designed to have a long term effect **(1**) which supports the aims and the objectives of the business/as part of business planning **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. • Any other suitable alternative.	1-2

Question Number	Question	
2	'Ambition for 2020' outlines a number of strategies for *Henkel*. (Evidence D) Explain how contingency planning could be used by *Henkel* to reduce the risks of following these strategies.	6 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for knowledge/understanding of how contingency planning could reduce risks, e.g. By backing up IT data **(1)** by having alternative plans for growing the business **(1)** **Application:** up to 2 marks are available for contextualised answers based on risks associated with the use of digital technology, e.g. the use of digital technology could carry risks associated with employees not being able to keep up with developments in digital technology/IT **(1)** or risks associated with the security of information **(1)** **Analysis:** up to 2 marks are available for developing reasons/causes/consequence of using contingency planning to risk to the business, e.g. business will be prepared for risks before they occur **(1)** and should be able to continue without too much loss of time/productivity **(1)**	1-2 1-2 1-2

Question Number	Question	
3	Evidence B, D and E outline *Henkel*'s future plans. Analyse how *Henkel* might have used SWOT analysis when drawing up its future plans.	8 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 4) **Knowledge/understanding:** up to 2 marks are available for showing understanding of how SWOT might be used, e.g. To identify *Henkel's* Strengths, Weaknesses, Opportunities, Threats **(1)** to help *Henkel* make upcoming business decisions **(1)** **Application:** up to 2 marks are available for identifying examples of *Henkel*'s Strengths, Weaknesses, Opportunities, Threats, e.g. *Henkel*'s existing global operation (strength) **(1)** increased use of digital technology/IT (opportunity) **(1)** **Analysis:** up to 4 marks are available for showing how *Henkel* might have used SWOT analysis, e.g. by identifying its strengths *Henkel* will know which areas to further develop **(1)** areas of weakness will need to be addressed and improved **(1)** potential opportunities can be explored and developed **(1)** possible threats can be identified and planned for **(1)**	1-2 1-2 1-4

Question Number	Question			
4	Evidence E gives information about the corporate culture that *Henkel* wants to establish. Assess the likely impact of this corporate culture on *Henkel*'s employees.			10 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of basic terms. *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. corporate culture is the set of important assumptions that are shared by people working in a particular business and influence the ways in which decisions are taken. e.g. corporate culture is a way of running a business that affects the attitudes, decision making and management style of employees.	
2	3-4	Application: basic points developed to show how the corporate culture of *Henkel* is likely to impact on the employees. *Material is presented in simple, logical, easy to follow way 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. empowering teams of employees e.g. fostering an entrepreneurial spirit amongst employees e.g. promoting openness to change e.g. enlarging employees' decision making powers e.g. providing strong feedback on ideas	
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of the impact of the corporate culture on the employees **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. employees are likely to be more positive towards the business/the employer e.g. increased employee engagement in producing new ideas and business initiatives may increase their motivation and job satisfaction e.g. if the corporate culture succeeds this may increase potential profits and employees may be rewarded with higher wages and better working conditions	

4	8-10	Evaluation must be present and in context, i.e. a candidate balances the weaknesses of the corporate culture at *Henkel*, as outlined in Evidence E **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. not all employees will want extra responsibility and may seek other employment e.g. employees may resist these changes and be reluctant to take part e.g. employees may become distracted by changes in the culture, become less productive and therefore could earn less e.g. it is all positive stuff when the business is doing well, but economic change could cause the initiative to be dropped and employees feel cheated/let down

Question Number	Question		
5	Assess the extent to which stakeholder groups in *Henkel* share common aims.		12 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of stakeholder or common aims. *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. stakeholder groups have a direct interest in the operation or performance of a business e.g. a common aim is a shared vision held by different stakeholder groups
2	3-4	Application must be present, i.e. stakeholders must be identified *Material is presented in simple, logical, easy to follow way 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. one of the stakeholder groups is 50,000 employees who work for *Henkel* globally e.g. shareholders are expecting an increase in earnings per share from 7% to 9% e.g. customers will benefit from increased customer focus

3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences which show the extent to which all stakeholder groups in *Henkel* can share common aims **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. all stakeholders want to see the business grow and succeed as they should benefit from a successful *Henkel* e.g. all stakeholders likely to support the 2020+ initiative as it promises to expand and develop the business and make it more profitable, which will in turn, benefit them e.g. communities and employees share a common purpose as they want more money from the business to help them economically e.g. customers and consumers share a common purpose as they both want *Henkel* products to remain available for them to buy and sell/use
4	8-12	Evaluation must be present, giving the downside, exploring the problems associated with stakeholders sharing common aims **Low Level 4:** 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by identifying the problems associated with stakeholders sharing common aims **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. shareholders will want the business to be more profitable, so that they maximise the return on their investments, which can be achieved by keeping prices high, in contrast to consumers who would like to see prices kept low so that they can afford to buy products e.g. employees will want maximum wages, which will reduce profitability, which will affect shareholder returns adversely e.g. customers will want a narrow range of products that sell well and return good margins, consumers will want a wide range of products to choose from e.g. the state will want to maximise tax returns from *Henkel*, supporting the

			further expansion of its business, which could clash with local communities who may want to see a reduction in the expansion of *Henkel* as it has an effect on the environment

Section B: Essay questions

Question Number	Question			
6	Evidence H shows the financial performance of the three selected business divisions and *Henkel*'s overall performance, 2011 to 2015. Using appropriate calculations, evaluate the likely implications for *Henkel* of these results.			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of how financial performance can be gauged from financial statements *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 financial statement shows the performance of the business over time, in terms of revenue and profit e.g. statement of sales revenue (Evidence H) can be used to show the income generated by the business over time e.g. profitability can be calculated by comparing operating profit with revenue	
2	3-6	Application must be present, i.e. candidate must calculate change in revenue and operating profit from 2011 to 2015, for *Henkel* as well as for each of its individual business divisions. **Low Level 2:** 3-4 marks Candidate accurately calculates figures for *Henkel* and one business division **High Level 2:** 5-6 marks Candidate accurately calculates figures for *Henkel* and two or more business divisions *Material is presented with some relevance but there are likely to be calculations that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.*	***Henkel* 2011-2015** Sales revenue +15.9% Operating Profit +49.8% Profitability 11.3% to 14.6% **Laundry & H.Care 2011-2015** Sales revenue +19.3% Operating Profit +87.6% Profitability 9.7% to 15.3% **Beauty Care 2011-2015** Sales revenue +12.8% Operating Profit +19.1% Profitability 13.8% to 14.6% **Adhesive Tech. 2011-2015** Sales revenue +16.1% Operating Profit +45.9% Profitability 12.9% to 16.2%	

3	7 -12	Analysis in context must be present, i.e. the candidate must analyse the implications of the figures giving reasons/causes/costs/consequences of the financial performance of *Henkel*'s three business divisions from 2011 to 2015 compared to the performance of the business overall **Low Level 3:** 7–9 marks. Analysis limited: only 1or 2 reasons/causes/costs or consequences are outlined. **High Level 3:** 10–12 marks. Analysis is more developed: 2 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.*	**Laundry & Home Care** e.g. in terms of sales revenue the division has performed ahead of the overall business e.g. in terms of operating profit the division has nearly doubled its operating profit from 2011 to 2015, compared with *Henkel*, which has only increased by +49.8% e.g. Henkel should therefore consider further development and further investment **Beauty Care** e.g. the sales revenue for the division has not kept up with the business overall, increasing by 12.8% compared with 15.9% e.g. the operating profit for the division has lagged behind the overall business, growing just 19.1% compared to 49.8% e.g. *Henkel* must decide whether to sell or invest **Adhesive Technologies** e.g. the sales revenue of the division at 16.1% has just about kept pace with the overall business e.g. operating profit for the division is lower than the % for the overall business, at 45.9% against 49.8% e.g. *Henkel* might decide not to intervene in this division

4	13-20	Evaluation of the implications must be present and in context as a result of comparing the financial performance of *Henkel*'s three business divisions from 2011 to 2015 against the performance of the business overall	e.g. with just sales revenue and operating profits figures there is not sufficient data to draw any conclusions or suggest reasons why each business division has performed at a different rate

		Low Level 4: 13-14 marks Some basic evaluative points are made, about the comparisons. **Mid-Level 4**: 15-17 Candidate gives a range of arguments in their comparison. A conclusion/ judgement may be attempted. **High Level 4**: 18-20 Candidate gives a wide range of arguments discussing their conclusion. 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. the data only exists for 2011 and 2015 and it is therefore impossible to analyse whether these changes have been consistent or changeable between 2012 and 2014 e.g. there is no information on external influences that could have impacted on one division but not the others e.g. *Henkel* would have to look at consumer trends in each division before finalising its decisions e.g. comparing its divisions against competitors in that market before making final decisions on its strategy e.g. *Henkel* must decide whether these are short-term variations or part of a long-term trend

Question Number	Question			
7	Assess the benefits to *Henkel* of growing by using a strategy of takeovers.			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of takeovers *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. takeover is a strategy for company growth based on a business taking ownership of another business through the takeover of more than 50% of the share capital e.g. a takeover is an example of inorganic growth e.g to take complete control of the operations and management of a business	
2	3-6	Application must be present, i.e. candidate must give a contextualised answer relating *Henkel's* strategy of takeovers. **Low Level 2:** 3–4 marks. Candidate identifies 1 or 2 examples of takeovers. **High Level 2:** 5–6 marks. Candidate identifies and makes detailed references to more than 2 examples of takeovers. *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. all takeovers in evidence fit existing business divisions/product range e.g. three out of five takeovers in 2016 for the Laundry & Home Care division e.g. takeovers in 2016 aimed at building on/strengthening existing business divisions, nothing from outside existing business areas e.g. *Henkel* states that it wants to promote growth in emerging markets such as Colombia, Iran and Nigeria. Russia is one of the BRIC emerging markets e.g. *Henkel* is supporting its takeovers by increasing its capital expenditure from €2bn 2013-2016, to €3bn 2017-2020	
3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/ causes/ costs/ consequences of the benefits of a strategy of takeovers **Low Level 3:** 7-9 marks. Candidate will attempt a very basic analysis, making general points	e.g. takeovers mean that growth can be managed along strategic lines based on 'strategic fit, availability, and financial attractiveness' e.g. by aiming for specific businesses *Henkel* can reinforce its product	

		about the benefits of takeovers **High Level 3:** 10-12 marks. Candidate makes a more detailed analysis, making specific points about the benefits of takeovers **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.*	portfolio. e.g. in the fast moving and dynamic global market takeovers are a rapid and effective means of growth e.g. takeovers reduce competition e.g. takeovers are means of acquiring brand names and patents e.g. takeovers can increase market share
4	13-20	Evaluation must be present and in context, based on the drawbacks of a strategy of takeovers **Low Level 4:** 13-14 marks. Some basic evaluative points are made, referring to the drawbacks of a strategy of takeovers **Mid Level 4:** 15-17 marks. Candidate gives a range of comments on the drawbacks of a strategy of takeovers **High Level 4:** 18-20 marks. Candidate gives a wide range of arguments, to highlight the drawbacks of a strategy of takeovers 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. the increase in capital expenditure from €2bn 2013-2016, to €3bn 2017-2020, increases risk/means that *Henkel* has to raise a considerable amount of extra money e.g. there is a risk in takeovers as many fail to yield anticipated benefits e.g. there is a risk of a corporate culture clash e.g. some stakeholders may not approve/be sympathetic to some of the planned takeovers and this could affect investment/sales negatively e.g. takeover strategy assumes that the current business and the world economies will continue to expand at a rate that will support *Henkel*'s plans, which may not be the case

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