GradeMax

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Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Level
Unit 3: Strategic Business Decisions

Thursday 7 June 2018 – Afternoon
Time: 2 hours

Paper Reference
WBS03/01

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.

You should spend 60 minutes on this section.

Evidence A

Henkel is a global business organisation that was founded in 1876. It sells in both consumer and industrial sectors, and employs around 50,000 people globally. In 2015 *Henkel* generated sales revenue of €18.1bn.

Henkel has three main business divisions that have leading brands in global markets:

- Laundry & Home Care, with brands including Persil
- Beauty Care, with brands including Schwarzkopf
- Adhesive Technologies, with brands including Loctite.

5

(Source: adapted from http://www.henkel.com/blob/649592/3114cace3e481ea5f34d2eff434eeddb/data/2015-facts-and-figures.pdf)

Evidence B

***Henkel 2020+:* Focus on growth, digital technology and business initiatives**

Henkel presents its new strategic priorities and financial ambition, which will shape its business until 2020 and beyond.

Clear strategy and priorities:

- continue to deliver profitable growth and attractive returns
- become more customer-focused, innovative, responsive, and fully digitalised
- takeovers to strengthen existing product portfolio.

Financial ambitions for 2020:

- revenue growth of between 2% and 4%
- earnings per share to increase from 7% to 9%
- improve gross profit margin.

(Source: adapted from http://www.henkel.com/press-and-media/press-releases-and-kits/2016-11-17-henkel-2020-focus-on-growth-digitalisation-and-agility/724504)

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Evidence C

"At *Henkel*, we share a common purpose – to create sustainable value – for our customers and consumers, our employees, our shareholders, as well as for other stakeholders including the communities in which we operate. In addition, our values guide all our actions, decisions and behaviour," said Hans Van Bylen, Chief Executive Officer of *Henkel*.

(Source: adapted from http://www.henkel.com/press-and-media/press-releases-and-kits/2016-11-17-henkel-2020-focus-on-growth-digitalisation-and-agility/724504)

Evidence D

Ambition for 2020: Continue *Henkel*'s successful development

"We want to continue *Henkel*'s successful development in a fast-moving business environment, characterised by globalisation, increased use of digital technology and rapidly changing markets. By 2020 and beyond, our ambition for *Henkel* is to generate more profitable growth and to become more customer-focused, more innovative, more responsive, and fully digitalised in our internal processes and customer-support activities. In addition, we aim to promote sustainability in all our business activities, reinforcing our leading position," Hans Van Bylen explained.

"In order to achieve this ambition, we will focus on:

- growing the business
- improving our organisation and teams
- funding our growth through targeted initiatives
- increasing our use of digital technology and reliance on IT systems.

In addition to organic growth, mergers and takeovers will continue to be an integral part of our strategy in order to further strengthen our portfolio," said Hans Van Bylen, summarising *Henkel*'s future strategic direction.

(Source: adapted from http://www.henkel.com/press-and-media/press-releases-and-kits/2016-11-17-henkel-2020-focus-on-growth-digitalisation-and-agility/724504)

Evidence E

Overview of strategic priorities: Increase business responsiveness

In a highly volatile and dynamic business environment, increasing the responsiveness of the organisation will be important for *Henkel* in the future. This will include motivated and empowered teams, fastest time-to-market as well as smart and simplified processes.

In order to create this kind of organisation, *Henkel* will:

- encourage the entrepreneurial spirit of its employees
- promote the acceptance and advantages of change in the workplace
- encourage adaptability of employees
- enlarge employees' decision-making authority.

This will be supported by the strong performance culture at *Henkel*, with open feedback as well as rewards and recognition for excellent results.

(Source: adapted from http://www.henkel.com/press-and-media/press-releases-and-kits/2016-11-17-henkel-2020-focus-on-growth-digitalisation-and-agility/724504)

1 (a) What is meant by the term organic growth? (Evidence D, line 14)

(2)

(b) What is meant by the term strategy? (Evidence D, line 15)

(2)

(Total for Question 1 = 4 marks)

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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.

(Total for Question 2 = 6 marks)

3 Evidences B, D and E outline *Henkel*'s future plans.

Analyse how *Henkel* might have used SWOT analysis when drawing up its future plans.

(Total for Question 3 = 8 marks)

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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)

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(Total for Question 4 = 10 marks)

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5 Assess the extent to which stakeholder groups in *Henkel* share common aims.

(12)

(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B BEGINS ON THE NEXT PAGE.

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence F

Overview of strategic priorities

Promoting growth in mature and emerging markets will be a key strategic priority for *Henkel*. The company will launch a range of targeted initiatives to create superior customer and consumer engagement. This will strengthen its leading brands and technologies, develop exciting innovations and services, and capture new sources of growth.

Henkel will also complement its strategic focus on promoting growth in its existing core businesses by capturing potential new sources of growth. One example would be entering into new markets. Strategic takeovers will help to build *Henkel*'s product portfolio, strengthen its position in the marketplace, and expand into new markets.

In order to support its growth ambition, *Henkel* will increase its investments and raise capital expenditure from around €2bn in the period from 2013 to 2016 up to €3bn over the period from 2017 to 2020.

While *Henkel* aims to increase organic growth, takeovers and mergers will be an integral part of the company's strategy to further strengthen its product portfolio.

(Source adapted from: http://www.henkel.com/press-and-media/press-releases-and-kits/2016-11-17-henkel-2020-focus-on-growth-digitalisation-and-agility/724504)

Evidence G

***Henkel* takeovers 2016**

Business Division	Objective	Key Brands	Country
Beauty Care	Takeover of leading hair care brands	Pert, Shamtu, Blendax	Russia, Saudi Arabia, Turkey
Adhesive Technologies	Takeover of tile adhesives business and associated brands of *Alfagres SA*	Alfalisto, Pegalisto	Colombia
Laundry & Home Care	Takeover of the detergent business and the associated brands of the *Behdad Chemical Company PJSC*	Tage	Iran
Laundry & Home Care	Takeover of 57.5% of the shares in *Expand Global Industries UK Ltd*	Waw, Nittol	Nigeria
Laundry & Home Care	Takeover of *Sun Products Corporation*	All, Sun, Snuggle	USA, Canada

(Source: http://www.henkel.com/investors-and-analysts/strategy-and-facts/acquisitions-divestments)

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Evidence H

Overall financial statement for all *Henkel* business divisions in € million

	2011	2015
Sales Revenue	15 605	18 089
Operating Profit	1 765	2 645

Financial statements from selected *Henkel* business divisions in € million

	2011	2015
Laundry & Home Care		
Sales Revenue	4 304	5 137
Operating Profit	419	786

Beauty Care		
Sales Revenue	3 399	3 833
Operating Profit	471	561

Adhesive Technologies		
Sales Revenue	7 746	8 992
Operating Profit	1 002	1 462

(Source: adapted from *Henkel* published annual reports for 2011 and 2015)

6 Evidence H shows the financial performance of 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)

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(Total for Question 6 = 20 marks)

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7 Assess the benefits to *Henkel* of growing by using a strategy of takeovers.

(20)

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(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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