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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Friday 24 May 2019

Morning (Time: 2 hours) | Paper Reference **WBS03/01**

Business Studies

International Advanced Level
Unit 3: Strategic Business Decisions

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 care with your punctuation and grammar, as well as the clarity of 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

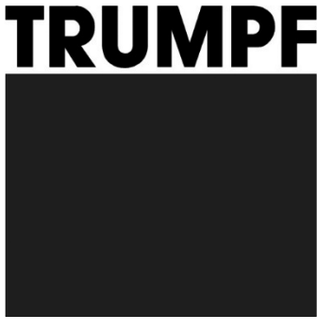
Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

***TRUMPF* Group**

The high-technology company *TRUMPF* 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.



In 2016-17 *TRUMPF*, which has about 12,000 employees, achieved sales of €3.11bn. With 73 companies, it has manufacturing facilities in Germany, France, the UK, Italy, Austria, Switzerland, Poland, the Czech Republic, the USA, Mexico, China and Japan.

(Source: adapted from TRUMPF presents fastest 3D printer in the world and seeks to become market leader, press release REF: TGB 870, November 2017)

Evidence B

***TRUMPF* Financial Services (TFS)**

TFS was set up in 2014 to offer finance to help customers buy its machines. TFS is constantly extending the finance deals it offers. As a result, the level of incoming orders financed by TFS increased by 33% during 2015-16.

TFS now provides financial services in a total of eight countries: Germany, Belgium, Denmark, the UK, Ireland, Italy, the Netherlands, and Spain. In other European, American and Asian markets, it can also provide financing deals with the help of its business partners. One out of every three *TRUMPF* customers worldwide chooses TFS to finance the purchase of new machines.

(Source: adapted from TRUMPF Annual Report 2015-16, page 122)

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Evidence C

Our employees

The labour turnover for the whole Group is low at 3.7%, compared to Germany alone where it is 2.3%.

By conducting regular employee surveys worldwide, we find out how satisfied our employees are and how strongly they identify with our company. This is how we ensure the improvement of our corporate culture in terms of organisation and management.

Demographic change and the lack of qualified staff continue to present challenges. Consequently, recruiting and securing the next generation of skilled workers has high priority for us. This includes long-term measures such as projects and school partnerships, one example being our 'Knowledge Factory' initiative. Our flexible worktime model makes us a very attractive employer, especially in Germany. With a Group-wide safety initiative, we have set ourselves the goal of reducing accidents to a best-in-class level.

(Source: adapted from TRUMPF Annual Report 2016-17, page 113)

Evidence D

Calculating laser cutting costs

The *TRUMPF* product range in laser technology includes laser systems for the cutting, welding and surface treatment of parts. This includes high-performance CO_2 lasers and solid-state disk lasers.

For comparison, this is an example of the variable cost for cutting out one part:

- CO_2 laser = €4.02
- solid-state laser = €3.32

(Source: adapted from https://www.theengineer.co.uk/supplier-network/product/trumpf-looks-at-calculating-laser-cutting-costs/)

Evidence E

Mergers and takeovers

TRUMPF is constantly evolving. We improve our position in markets and technology through targeted mergers and takeovers. Our strategic decisions in favour of takeovers are always very carefully considered. A Mergers & Acquisitions (M&A) Committee, made up of members from our divisions and central departments, reviews any acquisition or takeover projects. Careful research and checking provides us with the greatest possible certainty about the future development potential of an M&A project.

(Source: adapted from TRUMPF Annual Report 2016-17, page 111)

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

(2)

(b) What is meant by the term strategic decisions? (Evidence E, line 3)

(2)

(Total for Question 1 = 4 marks)

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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)

(Total for Question 2 = 6 marks)

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

(Total for Question 3 = 8 marks)

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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)

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(Total for Question 4 = 10 marks)

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

(12)

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence F

***TRUMPF* Sales revenue in €m**

Region	2016-17	Change compared to 2015-16
Total worldwide	3 111	+10.8%
Germany	622	+4.2%
Western Europe without Germany	777	+17.0%
Eastern Europe	276	-1.8%
Americas	540	+11.4%
Asia-Pacific	882	+14.6%
Other	14	-

(Source: adapted from TRUMPF Annual Report 2016-17, page 118)

Evidence G

***TRUMPF*'s number of employees**

Region	2016-17	Change compared to 2015-16
Total worldwide	11,883	+6.3%
Germany	6,023	+7.1%
Western Europe without Germany	2,191	-1.8%
Eastern Europe	743	+37.3%
Americas	1,103	+6.0%
Asia-Pacific	1,823	+4.7%

(Source: adapted from TRUMPF Annual Report 2016-17, page 76)

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Evidence H

Extract from Chairwoman's report

"The economic slowdown in China and Brazil, and the sanctions against Russia did not leave *TRUMPF* unaffected. The financial year 2015-16 was full of more uncertainties than we have had for a very long time. Therefore, it is all the more impressive that the *TRUMPF* Group registered a moderate increase in sales of 3% in 2015-16. Gross profit before taxes in 2015-16 was a very positive €303m, and the net operating margin was 10.8%. For 2016-17 gross profit before tax was €337.2m, with net operating margin again at 10.8%".

(Source: adapted from TRUMPF Annual Reports 2015-16, page 3; 2016-17, 'At a glance' page)

Evidence I

Global presence – close to our customers

The *TRUMPF* Group is represented in all major markets worldwide. We have 73 subsidiaries operating in Europe, the Americas and Asia-Pacific. Our production facilities are in Germany, China, France, the UK, Italy, Japan, Mexico, Austria, Poland, Switzerland, the Czech Republic and the USA.

Our headquarters are located in Ditzingen, Germany. The Machine Tools and Laser Technology divisions are run from there. The Electronics business is managed from Freiburg, Germany.

(Source: adapted from TRUMPF Annual Report 2016-17, page 96)

Evidence J

Investments in fast-growing areas

In the 2016-17 financial year the company increased investments in its assets by 45.6% to €200m (previous year: €138m).

Real estate and construction expansion projects accounted for 52.25% of the total sum invested, plants and machinery for 17.3%, and office and business equipment for 26.5%.

A total of 69.4% of the investments were made in Germany. Of primary importance in Germany were construction projects at our headquarters in Ditzingen, with a sum investment total of around €40m. We are currently constructing a production building with cleanrooms and office space to expand our high-technology production. A state-of-the-art logistics centre was built and put into operation. Furthermore, we expanded capacity at our German locations in Hettingen, Neukirch and Schramberg.

5% of our investments were made elsewhere in Europe and 18.3% in the Americas. In Chicago, we constructed a demonstration factory for fully digitalised production processes. Asia accounted for 7.4% of the investments.

(Source: adapted from TRUMPF Annual Report 2016-17, page 104)

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)

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7 Evaluate the usefulness of investment appraisal techniques to *TRUMPF*.

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

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