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## Mark Scheme (Results)

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Pearson Edexcel International Advanced Level  
In Business Studies (WBS03/01)  
Paper 1: 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: Data response

Question Number	Question	
<b>1 (a)</b>	What is meant by the term profit for the year? (Evidence A, Figure 1, row 3)	2 marks
	Answer	Mark
	<p><b>Knowledge - up to 2 marks:</b></p> <ul style="list-style-type: none"> <li>revenue minus all operating costs <b>(1)</b> such as expenses, overhead costs and taxes <b>(1)</b></li> <li>gross profit minus expenses <b>(1)</b> such as overhead costs <b>(1)</b></li> </ul> <p>1 mark for partial or vague definition but a valid example lifts to 2 marks.</p> <p>Any other suitable alternative.</p>	1-2

Question Number	Question	
<b>1 (b)</b>	What is meant by the term employees? (Evidence C, Figure 2, row 3)	2 marks
	Answer	Mark
	<p><b>Knowledge - up to 2 marks:</b></p> <ul style="list-style-type: none"> <li>People/internal stakeholders whose time/labour is contracted to carry out work for a business <b>(1)</b> for which they are paid by the business <b>(1)</b></li> <li>Named persons who have a contract of employment with a business <b>(1)</b> and the business decides what the person does and how much they will be paid <b>(1)</b></li> </ul> <p>1 mark for partial or vague definition but a valid example lifts to 2 marks.</p> <p>Any other suitable alternative.</p>	1-2

Question Number	Question	
2	Explain <b>one</b> possible corporate objective behind the policy in Evidence B.	6 marks
	Answer	Mark
	<p><b>(Knowledge 2, Application 2, Analysis 2)</b></p> <p><b>Knowledge/understanding:</b> up to 2 marks are available for identifying one corporate objective eg shows a concern for reducing environmental impact <b>(1)</b> which will appeal to investors/get a positive reaction from stakeholders <b>(1)</b></p> <p><b>Application:</b> up to 2 marks are available: 1 mark for each contextualised way that demonstrates the <i>Swatch Group's</i> commitment to its objective: eg supporting farmers <b>(1)</b> planting trees <b>(1)</b></p> <p><b>Analysis:</b> up to 2 marks are available for developing reason/cause/consequence/cost of the corporate objective in Evidence B: eg this demonstrates corporate social responsibility (CSR) <b>(1)</b> by planting more trees, which will help the environment <b>(1)</b></p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
3	<p>Between December 2016 and December 2018 the number of employees in the <i>Swatch Group</i> changed. (Evidence C)</p> <p>Analyse how a decision tree could have helped the <i>Swatch Group</i> to decide whether to increase the size of its workforce.</p>	8 marks
	Answer	Mark
	<p><b>(Knowledge 2, Application 2, Analysis 4)</b></p> <p><b>Knowledge/understanding:</b> up to 2 marks are available for showing understanding of the usefulness of decision trees e.g. that a decision tree helps to show in a graphical way whether to increase the size of its workforce or not <b>(1)</b> this visual format makes decisions easier to identify <b>(1)</b></p> <p><b>Application:</b> up to 2 marks are available for contextualised answers, e.g. there was an increase in the size of the workforce <b>(1)</b> an increase of 1,400 from 35,700 to 37,100 <b>(1)</b></p> <p><b>Analysis:</b> Candidate uses reasons/causes/ consequences to analyse the usefulness of decision trees e.g. a decision tree would be useful because the decision would be based on a formal/logical process rather than gut feeling/opinion <b>(1)</b> this could mean that the business is protecting its costs as the decision tree should take the likely increase in the wage bill into account <b>(1)</b> and offset this against the likely increase in productivity/revenue <b>(1)</b> which may result from the increased size of the workforce <b>(1)</b></p>	<p>1-2</p> <p>1-2</p> <p>1-4</p>

Question Number	Question			
<b>4</b>	Assess the impact on the <i>Swatch Group</i> of the changes in labour productivity between December 2016 and December 2018. (Evidence C)			10 marks
Level	Mark	Descriptor		Possible content
1	1-2	Knowledge/understanding of basic terms.		For example, productivity is the amount of output per worker over a given time period.  For example, labour productivity = $\frac{\text{Output per time period}}{\text{Number of employees}}$ .
2	3-4	Application: calculation of productivity Candidate accurately calculates one or two figures <b>(1)</b> Candidate accurately calculates a range of figures <b>(1)</b>		For example, see table below:
	<b>All figures for year ending</b>	<b>December 2016</b>	<b>December 2017</b>	<b>December 2018</b>
	Average monthly revenue (CHF)	629m	663m	706m
	Employees	35,700	35,400	37,100
	Labour productivity (in CHF)	1 762	1 873	1 903
	Numeric change (in CHF) 2016-2018			<b>+141</b>
	% change 2016-2018			<b>+8 %</b>

Other calculations which candidates may produce:			
<b>Year on year changes</b>		<b>December 2016 to December 2017</b>	<b>December 2017 to December 2018</b>
Average monthly revenue (CHF)		+3.4m	+4.3m
% change		+5.4	+6.5
Employees		-300	+1 700
% change		-0.8	+4.8
Labour productivity (CHF)		+111	+30
% change		+6.3%	+1.5%
3	5-7	<p>Analysis in context must be present, ie the degree that labour productivity has changed over the time span shown in Evidence C, based on reasons/causes/ consequences of change in the size of the labour force.</p> <p><b>NB if analysis is not in context, limit to Level 2.</b></p>	<p>For example, labour productivity rose each year.</p> <p>For example, labour productivity rose more between 2016 and 2017 than it did between 2017 and 2018.</p> <p>For example, taking on more employees would appear to have resulted in an increase in productivity across the time period shown in table, 2016-2018.</p>



4	8-10	<p>Evaluation must be present and in context, ie a candidate balances their answer.</p> <p><b>NB if there is evaluation but no context at all, limit to Level 3.</b></p>	<p>For example, taking on more employees will have increased the wage bill.</p> <p>For example, more employees will have resulted in higher costs such as taxes and training.</p> <p>For example, time span is very short and the long-term effect of an increased workforce may have other benefits or costs which are not obvious in given figures, Evidence C.</p>
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Question Number	Question		
5	Assess the extent to which the <i>Swatch Group</i> could be classified as having a 'role culture' as defined by Charles Handy. (Evidence D)		12 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of the classification of corporate cultures, in particular the model developed by Charles Handy.</p> <p><i>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.</i></p>	<p>For example, Handy identified four types of organisational cultures – power, role, task and person cultures.</p> <p>For example, role culture is a culture where every employee is delegated roles and responsibilities according to their specialisation, educational qualification and interest to extract the best out of them.</p> <p>For example, that the recognition of the culture of an organisation is helpful for the understanding of the way the organisation is behaving/is likely to behave in given situations in the future</p>
2	3-4	<p>Application must be present, ie the answer must be contextualised and applied to show awareness of a role culture within the <i>Swatch Group</i>.</p> <p><i>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.</i></p>	<p>For example, that the <i>Swatch Group</i> trains its apprentices with particular skills for particular roles.</p> <p>For example, that the <i>Swatch Group</i> trains apprentices as mechanical professionals.</p> <p>For example, that the <i>Swatch Group</i> trains apprentices as watchmakers.</p>

3	5-7	<p>Analysis in context must be present, ie the candidate must give reasons/causes/costs/consequences of why the <i>Swatch Group</i> could be classified as having a role culture.</p> <p><b>NB if analysis is not in context, limit to Level 2.</b></p> <p><i>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.</i></p>	<p>For example, by training apprentices in specific roles the <i>Swatch Group</i> makes sure that it has trained employees in the future which will ensure that the group can continue producing high quality watches.</p> <p>For example, by producing a stream of apprentices trained in particular roles the business hopes that this will lead to innovation.</p> <p>For example, the <i>Swatch</i> training will result in apprentices being able to find good jobs in the future.</p>
4	8-12	<p><b>Low Level 4:</b> 8-10 marks. Evaluation must be present ie a candidate balances their answer by showing that the <i>Swatch Group</i> may not be classified as having a 'role culture'.</p> <p><b>High Level 4:</b> 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.</p> <p><b>NB if there is evaluation but no context at all, limit to Level 3.</b></p>	<p>For example, that by designating apprentices to different roles, the business is in fact exerting power over its employees so could be classified as having a power culture.</p> <p>For example, by segmenting apprentices into different area skill sets, the business is demonstrating the division of labour, another demonstration of power culture.</p> <p>For example, that by training its apprentices in 39 different professions the <i>Swatch Group</i> could be preparing the workforce for task culture.</p>

		<i>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.</i>	For example, there is not sufficient evidence to conclude that the <i>Swatch Group</i> could be classified as having a 'role culture'.
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## Section B: Essay questions

Question Number	Question		
6	Assess how contingency planning could have been used by the <i>MCH Group</i> to protect its Baselworld watch fair. (Evidence E)		20 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of what is meant by contingency planning,</p> <p><i>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.</i></p>	<p>For example, plans prepared in advance for unwanted/unforeseen/unlikely possibilities, so that the business can implement the plan if things go wrong or problems arise.</p> <p>For example, when a business conducts a risk assessment before making changes, and puts in place plans which will be ready in case the initial plan does not work as expected.</p> <p>For example, when a business makes ready and is prepared for all eventualities, to protect itself from disasters or shocks.</p>
2	3-6	<p>Application must be present, ie the answer must be contextualised and applied to the <i>MCH Group</i> or the Baselworld watch fair.</p> <p><b>Low Level 2:</b> 3-4 marks. Application is weak.</p>	<p>For example, Evidence E shows that the <i>MCH Group</i> has lost a major exhibitor.</p> <p>For example, that the <i>Swatch Group</i> was a major exhibitor.</p>

		<p><b>High Level 2:</b> 5–6 marks. Application to the <i>MCH Group</i> or the Baselworld watch fair is clear.</p> <p><i>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.</i></p>	<p>For example, that new technology, such as social media, had become more relevant than trade fairs to the watch industry.</p> <p>For example, the number of exhibitors in 2018 was half that of 2017.</p>
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Level	Mark	Descriptor	Possible content
3	7 -12	<p>Analysis in context must be present, For example, the candidate must give reasons/causes/costs/consequences for the <i>MCH Group</i> of using contingency planning to protect its Baselworld watch fair.</p> <p><b>Low Level 3:</b> 7–9 marks. Analysis limited: only one or two reasons/causes/costs or consequences are outlined.</p> <p><b>High Level 3:</b> 10–12 marks. Analysis is more developed: two or more reasons/causes/costs and/or consequences are outlined and developed.</p> <p><b>NB if analysis is not in context, limit to Level 2.</b></p> <p><i>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.</i></p>	<p>For example, <i>MCH Group</i> could have prepared for the loss of its single largest exhibitor by using contingency planning.</p> <p>For example, contingency planning could have prepared <i>MCH Group</i> for changes in the needs of the watch industry.</p> <p>For example, future of the trade fair/Baselworld could have been protected if the <i>MCH Group</i> had not become so dependent on large customers/exhibitors such as the <i>Swatch Group</i>. Contingency planning may have prepared them for the loss of <i>Swatch Group</i> as a major contributor.</p> <p>For example, contingency planning could have proposed new/alternative ways of promoting watches.</p> <p>For example, contingency planning could have prepared <i>MCH Group</i> for the way in which modern communication technology/use of social media has changed.</p>

Level	Mark	Descriptor	Possible content
4	13-20	<p>Evaluation must be present and in context, considering the use of contingency planning for the <i>MCH Group</i>.</p> <p><b>Low Level 4:</b> 13–14 marks. Some evaluative points are made, based on analysis of the business situation without arriving at a conclusion/judgement.</p> <p><b>Mid Level 4:</b> 15–17 marks. A judgement is attempted with some effort to show how contingency planning may not have saved Rene Kamm, the <i>MCH Group</i> or Baselworld.</p> <p><b>High Level 4:</b> 18–20 marks. Convincing evaluation on the extent to which contingency planning may not have saved Rene Kamm, the <i>MCH Group</i> or Baselworld. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion.</p> <p><b>NB if there is evaluation but no context at all, limit to Level 3.</b></p> <p><i>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.</i></p>	<p>For example, the development of new technology/social media was an inevitable consequence of IT developments and contingency planning may not have been able to do anything about it.</p> <p>For example, changing attitudes in the industry would not have been taken into account by contingency planning.</p> <p>For example, contingency planning cannot take into account all eventualities.</p> <p>For example, contingency planning has an opportunity cost in terms of the time and resources involved and may never be needed.</p> <p>For example, the costs associated with contingency planning may outweigh the cost of the problem that they are designed to avoid.</p> <p>For example, contingency planning does not prevent things from going wrong.</p> <p>For example, contingency plans might be out of date or too complex to be effective.</p>



			<p>For example, most evaluation of contingency planning would conclude that it is essential for a business, a bit like insurance – it needs to be in place, with the hope that it is never needed.</p> <p>For example, to be effective, contingency planning will need to focus on a realistic risk assessment and not concentrate on unlikely extremes such as the earth being hit by a meteor etc.</p>
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Question Number	Question		
<b>7</b>	Evaluate the benefits to the <i>Swatch Group</i> of the joint venture with <i>Jinjiang International</i> for this project. (Evidence F)		20 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of what is meant by a joint venture.</p> <p><i>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.</i></p>	<p>For example, when two or more businesses set up a new business which will be operated jointly.</p> <p>For example, joint ventures are usually time-limited.</p>
2	3-6	<p>Application must be present, ie the answer must be contextualised and applied to the joint venture between the <i>Swatch Group</i> and <i>Jinjiang International</i>.</p> <p><b>Low Level 2:</b> 3–4 marks. Candidate makes a basic comment on the joint venture between the <i>Swatch Group</i> and <i>Jinjiang International</i>.</p> <p><b>High Level 2:</b> 5–6 marks. Candidate makes a detailed reference to the joint venture between the <i>Swatch Group</i> and <i>Jinjiang International</i>.</p> <p><i>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.</i></p>	<p>For example, the <i>Swatch Group</i> is a Europe-based business, entirely dependent on the manufacture and distribution of watches.</p> <p>For example, <i>Jinjiang International</i> is based in China so would know the market/culture.</p> <p>For example, the joint venture is taking place in one of the most historic buildings in China.</p>

Level	Mark	Descriptor	Possible content
3	7-12	<p>Analysis in context must be present, ie the candidate must give reasons/causes/costs/consequences for the joint venture being the best method.</p> <p><b>Low Level 3:</b> 7-9 marks. Candidate will attempt a very basic analysis, making general points, on one or two elements from evidence.</p> <p><b>High Level 3:</b> 10-12 marks. Candidate makes a more detailed analysis, making specific points, on elements drawn from across the evidence.</p> <p><b>NB if analysis is not in context, limit to Level 2.</b></p> <p><i>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.</i></p>	<p>For example, <i>Jinjiang International</i> is Chinese and will understand how to do business in China, making the joint venture likely to be more successful.</p> <p>For example, <i>Jinjiang International</i> could bring its skills in the area of tour operating to support the joint venture.</p> <p>For example, the joint venture provides the <i>Swatch Group</i> with retail opportunities in one of the biggest markets in the world.</p> <p>For example, the <i>Swatch Group</i> would be diversifying and producing a new income stream in case the watch market declines in the face of new technology.</p> <p>For example, a base in China would give the <i>Swatch Group</i> an opportunity to introduce its prestigious brands to a large market.</p>

Level	Mark	Descriptor	Possible content
4	13-20	<p>Evaluation must be present and in context, explaining why a joint venture may not have been the best method for the <i>Swatch Group</i> and/or <i>Jinjiang International</i>.</p> <p><b>Low Level 4:</b> 13-14 marks. Some evaluative points are made, based on why a joint venture may not have been the best method without arriving at a conclusion/judgement.</p> <p><b>Mid Level 4:</b> 15-17 marks. Candidate gives a range of arguments, drawn from different pieces of evidence to show why a joint venture may not have been the best method for the <i>Swatch Group</i> and/or <i>Jinjiang International</i>.</p> <p><b>High Level 4:</b> 18-20 marks. Candidate gives a wide range of arguments, to support reasons as to why a joint venture may not have been the best method for the <i>Swatch Group</i> and/or <i>Jinjiang International</i>. Convincing evaluation of why a joint venture may not have been the best method for the <i>Swatch Group</i> and/or <i>Jinjiang International</i>. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion.</p> <p><b>NB if there is evaluation but no context at all, limit to Level 3.</b></p>	<p>For example, the history/experience/skills of the <i>Swatch Group</i> are all in the manufacture of watches and time-related technology, moving into hotel services is bound to be risky.</p> <p>For example, the <i>Swatch Group</i> would be at risk from financial loss.</p> <p>For example, joint ventures are all very well, but there is a risk that having established the new business, the partners may have different objectives or may change their requirements from the other partner.</p> <p>For example, joint ventures require the sharing of sensitive information which could be damaging if the venture fails.</p> <p>For example, a joint venture could end in disaster/a break up which will have a negative impact on both parties.</p> <p>For example, there could be issues relating to a mismatch of corporate cultures, communication problems with different languages.</p>

		<p><i>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.</i></p>	<p>For example, <i>Swatch Group</i> could have found another partner for a joint venture. For example, <i>Swatch Group</i> could have thought that it was powerful enough to develop the Peace Hotel alone, without the need for a partner.</p> <p>For example, despite the risks, the market opportunity in China is so massive that <i>Swatch Group</i> is willing to take the risk and form the joint venture.</p>
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