

Leave
blank

Handwriting practice area with 20 horizontal dotted lines.



Leave
blank

Handwriting practice area with 25 horizontal dotted lines.



Leave
blank

Handwriting practice area with 20 horizontal dotted lines.



Leave
blank

Area with horizontal dotted lines for writing.

Q1

(Total 40 marks)



Leave
blank

Handwriting practice area with 25 horizontal dotted lines.



Leave
blank

Handwriting practice area with 25 horizontal dotted lines.



Handwriting practice area with 25 horizontal dotted lines.



Leave blank

Area with horizontal dotted lines for writing.

(Total 40 marks)

Q2

--	--



Leave
blank

Blank writing area with horizontal dotted lines.



Leave
blank

Handwriting practice area with 20 horizontal dotted lines.



Leave
blank

Handwriting practice area with 25 horizontal dotted lines.



Area with horizontal dotted lines for writing.

Q3

(Total 40 marks)

Quality of Written Communication: 6 marks
TOTAL FOR PAPER: 126 MARKS

END



Paper Reference(s)

6126/01

Edexcel GCE

Business Studies (9076)

Advanced

Unit 6: Corporate Strategy

Tuesday 17 June 2008 – Afternoon

Context

Do not return the context with the question paper.

Printer's Log. No.

N31549A



W850/6126/57570 6/6/6/

This publication may be reproduced only in accordance with Edexcel Limited copyright policy. ©2008 Edexcel Limited.

Turn over

edexcel 
advancing learning. changing lives

CONTEXT

Window On The World

The Present

Grant Hooper looked out over the view of Paris from his hotel bedroom window. He should have been content; the view was almost as peaceful as that of his infant daughter, Georgia, asleep in the child annexe of their room, where his American-born wife Candice was sleeping.

One thing that was irking him was that the window was not one made by Hooper Horizons Windows Ltd (HHW), the family firm of which he was Managing Director. He remembered tendering for the windows of this Paris hotel, though overseas projects were still a new aspect for the company. His father, Frank, now a non-executive Director, had expressed mixed feelings about the hotel being the wrong side of 'La Manche'. In the event they were unsuccessful and it was the third time HHW had failed to secure a contract in Europe. The architects had given no strong reason for rejecting the tenders, and inevitably the issues of distance and the Euro had concerned Grant.

Last year Candice had persuaded Grant to take a long-delayed holiday in the United States of America (USA) and at Aspen they had met Miklos, who was developing a business in solar panels. In the course of this Miklos had also discovered a self-cleaning system for the panels which was equally applicable to windows. Naturally they had a lot to talk about, especially when Miklos said that their revolutionary new self-cleaning system was growing fast in the USA and Miklos's business was looking for someone to handle the European expansion planned for this system and the solar panels. Clearly, exchange rates (see Appendix 1 Table C) would have a considerable bearing.

A French competitor, L'Oeil D'Or, had also lost out in the bid for the hotel window refurbishment, and was now looking to sell its business. This was just one of the reasons Grant was in Paris – the other was to look at premises at Le Mans which might be the site of any European-American collaboration. The HHW private aeroplane that had brought Grant to Paris, would today take him to Le Mans and then, tomorrow, on to the Republic of Ireland to look at possibilities there.

Things always seem to come in threes for Grant. At the board meeting the previous day it had been put forward by the Accounts Director that another form of expansion – and everyone agreed expansion was needed – was to enter the residential housing window market. To date, all HHW focus had been on the industrial/commercial market.

Whichever way the business decides to proceed, it will need to relocate. The existing site in the West Midlands though excellent from a distribution point of view is, despite an extension to the works area in 2005, once again operating at maximum capacity.

Grant or "Hoop", as he preferred to be known to the entire direct workforce of eight, had a management style in complete contrast to that of his father and grandfather, George, known as "King George". Hoop felt that the business today had different needs in terms of management style.

In other ways Grant was his father's son; he also liked to be "hands on" and only a few days ago had jumped in the driver's seat of an HHW delivery van to take products to a customer's site where HHW sub-contractors were installing windows. Grant justified this 'walking manager' approach when reminding his fellow directors at yesterday's board meeting that he had found a breach of Health and Safety procedure in progress at the installation site – not wearing a safety harness when working above ground (See Appendix 1 Table A).

The Past

George Hooper – ‘King George’ – a garage mechanic by training - was an American World War II soldier who had helped build much of the Normandy invasion steel work. George had married a British girl and stayed in the United Kingdom (UK) after the war. He had seen potential in the post-war rebuilding market and with an inheritance founded a metal windows firm, which experienced phenomenal growth and success. 45

Frank Hooper was sent to University and obtained a First Class Honours Degree in Engineering. Grant, in contrast, had chosen Management and his MBA had majored in Marketing, but he had avoided the International Marketing module. 50

Confident that both management and employee engineering skills were adequate, HHW had progressed from operating in a rented factory to owning its own premises. Growth in the size of individual window contracts, while still using the same basic material sections, had enabled the change from following job production to using semi-automated flow production methods. HHW was amongst the first in their industry to introduce cold rolled metal window frames and to achieve BS 5750 and subsequently ISO 9000 accreditation. 55

The financial performance had been good in recent years (see Appendix 1 Table B) but “Change is the only certainty” were the Hooper family watchwords, so other fields were constantly under consideration. 60

HHW had commissioned a report from the AM Consulting Group on several key issues (see extracts in Appendix 2) and that had made demanding reading on the flight over to Paris and lay on the bedside table.

Commercial Practices

65

HHW focuses today mainly on aluminium window assemblies, although an attractive market still exists in providing steel windows for the refurbishment market. Steel was used in many post-war prestige developments in the UK which are now listed buildings.

Aluminium windows are made from specially produced materials, which are available from a small number of dominant manufacturers, a prohibitively high cost market to enter. 70

HHW buys in aluminium frame components and the glass units and then manufactures complete windows to customer requirements. HHW uses sub-contractors, who are well trusted, to install the windows for customers.

HHW has a policy of absolute refusal to accept any late payments and always instructs solicitors to begin winding up proceedings on any delayed payment. 75

The Future

Clearly, Grant Hooper had a lot of decisions to make and not just what to have for breakfast. These decisions would affect many aspects of his business and family – would Georgia inherit an international business and the family estate – or would she be a minority voice in the new Hooper Horizons Windows Ltd? 80

APPENDIX 1

Table A

Accidents in the Construction Industry

Based on industry trends, the number of fatal accidents has been falling during the first decade of the new millennium.

- around 28% of all Worker Deaths are in Construction Trades
- the most predominant cause of fatal accident (41%) was Falls From a Height
- the Rate Of Reportable Injuries per 100 000 employees tends to be around 60% higher in Construction Trades compared with other industries

Source: HSE 2006

Table B

Hooper Horizons Windows Ltd – Financial Extract

Ratio/Year	2003	2004	2005	2006	2007
Gross Margin %	46.5	47	52	50	54
ROCE %	28	29	31	25	32
Gearing %	38	38	55	55	40
Dividend per Share	16p	16p	11p	14p	17p

(Gearing = Long term debt as a % of the total funding, ie loans plus equity)

Table C

Exchange Rates for the £ Sterling against the US \$ and the Euro: 2003 – 2007

	2003	2004	2005	2006	2007
US Dollar	1.59	1.79	1.90	1.75	1.96
Euro	1.53	1.43	1.44	1.45	1.48

APPENDIX 2

Extracts from the AM Group Research Project for Hooper Horizons Windows Ltd

Overview

High levels of technical excellence, customer service and innovation are considered to be the key factors in the success of companies in this highly competitive market.

Product Development in the Domestic Market

There is no substantial market leader in this highly fragmented and highly competitive market.

The commercial installations are more expensive to produce than the residential units.

A change in marketing mix would be needed, for example in terms of personal selling and distribution channels.

Manufacturing of own brand glazing units – this would require considerable capital investment in equipment including CAD/CAM, skilled staff, safety implications and would require larger premises including a showroom.

Fenestration Self Assessment (FENSA) Certification requirements regarding insulation efficiency would have to be adhered to.

European Market Expansion

The Euro currency issue must be addressed.

Large parts of the market in Europe have windows that open inwards and use shutters extensively; this would require designing a completely different window opening system from the UK market. The alternative to this would be to buy a licence to manufacture to European design.

Republic of Ireland

Unemployment levels continue to fall and are trending lower than other European countries.

Premises are available at Dungarvan at approximately 85% of the costs of the current site. There are regular ferry services to Spain and France

Le Mans

Premises are available at around 90% of the current site costs. Le Mans is located approximately 240 kilometres from Cherbourg. There is a continuing unrest amongst French workers about levels of unemployment and the impact of migrant workers from elsewhere in the Euro zone.

L'Oeil D'Or

Based in Paris in modern premises with a 12 year old trading history.

Extract from its recent financial performance: Gross Margin 37%, ROCE 23%, Gearing 77%

The North American Mark and the Franchise of the Self-cleaning System and Solar Panels

The USA market for windows was thought to be around \$21.6bn in 2005 with a forecast annual growth rate of 6%.

An opportunity is being exploited in the windows market by manufacturers of steel windows. This is particularly evident in the Southern States of the USA given recent anomalies in extreme weather conditions and the fact that steel windows are approximately three times as strong as aluminium.

There is a great deal of publicity presently about their 'hurricane proof' qualities.

There appear to be no patents in place for either the solar panels or the self-cleaning system.

BLANK PAGE

BLANK PAGE