

A



**A-level  
BUSINESS**

**Paper 3 Business 3**

**7132/3/INS**

**Insert**

**Source 1: DWS Ltd**

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## THE BUSINESS

**DWS Ltd was founded in 1989 by Mike Chappell, who, after five years as an apprentice metalworker, set up his own business making metal tubing. The tubing is used in the manufacture of products as diverse as furniture, cars and buildings. The operations process involves buying in sheet metal and, at extremely high temperatures, shaping and joining the metal to create the shapes required by customers. DWS Ltd has always focused on producing the very highest quality products, adding significant value and charging relatively high prices.**

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## **BUILDING A PROFITABLE BUSINESS 1989–1994**

<b>DWS Ltd really struggled to attract customers in its first few years.</b>	
<b>Mike spent much of his time visiting potential clients, to try to build a loyal customer base. He often did not see his two deputy managers, in charge of operations and marketing, for several weeks – which left them waiting for advice from Mike on how he wanted their departments to operate. Money was scarce – most of the start-up capital was used to purchase expensive machinery and equipment. Mike struggled to track what was happening with the finances and often had to use an overdraft. In 1991, Mike introduced a budgeting system to help with managing the company finances.</b>	<b>20 25 30 35</b>

**[Turn over]**



**By 1994, Mike had inspired his workforce, developed a motivated and committed management team and found enough customers to create a profitable business. 40**

## **ONGOING SUCCESS 1994–2009**

**DWS Ltd grew to employ 120 staff. The business gained an outstanding record of customer satisfaction and extremely high levels of repeat business. Financial performance was excellent, allowing growth to be financed using retained profits. 45**

**Mike's approach to Human Resource Management remained clear. He always expected 100% commitment from his staff. In return, staff were paid salaries above the national averages for the industry. The company invested heavily in training and at the beginning of 2008, Mike 50**

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**persuaded his fellow Directors to introduce a works council. Since its introduction the works council has met monthly and discusses major strategic issues facing the business. 60**

**Mike has been described as a charismatic and inspirational leader whose staff are fiercely loyal to him and the business. The Human Resource data provided in APPENDIX A seems to support this view. 65**

## **RESPONDING TO CHALLENGES 2009–NOW**

**Since 2009 DWS Ltd has been experiencing increased competitive pressures. 70**

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**Problems have been caused by foreign rivals:**

- **improving their quality so that it is now much closer to DWS Ltd's levels**
- **charging lower prices.**

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**In response, DWS Ltd has worked to boost its operational efficiency. In 2010 Mike introduced a new approach to operations. This new approach involved three elements:**

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- **Just in Time production with smaller, more frequent deliveries of inventory**
- **a 'right first time' approach to quality assurance which involved extensive training for staff**
- **The creation of kaizen groups to discuss how to make improvements to the business's systems and processes.**

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**Mike estimated that introducing lean production cost around £3 million.**

## **AN INVESTMENT DECISION**

**The company aims to set objectives that balance profit and Corporate Social Responsibility. Its environmental performance is of particular interest to Mike. 95**

**Prompted by increasing energy costs, the business is currently considering whether to invest £1 million in a project to fit solar panels to the roof of its factory in order to generate most of its own power from renewable sources. This is 100**

**expected to lead to lower annual energy costs, although there will be some running costs – see APPENDIX D. 105**

**[Turn over]**



## THE FUTURE

**Mike is under pressure from several 110  
Directors to adjust the corporate  
strategy for the next five years.  
Foreign rivals are becoming ever  
more competitive and most of  
Mike's attempts to cut costs have 115  
only seen limited success. Mike's  
proposal for the new strategy is to  
produce only the very highest value  
added, technically difficult items.  
This would involve stopping 120  
attempts to keep prices competitive  
by cutting costs. Some Directors  
would prefer the business to move  
downmarket instead. They want to  
target a wider market segment by 125  
reducing labour costs and levels of  
customer service as well as some  
expensive elements of being a  
socially responsible business.**



**The agenda for next week's Board meeting will feature discussion of:** **130**

- **the proposed investment in solar panels**
- **corporate strategy for the next 5 years.**

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**The group of unhappy Directors plan to present a SWOT analysis of DWS Ltd to Mike at the meeting.**

**[Turn over]**

## **APPENDIX A**

### **Human Resource performance data for DWS Ltd versus Industry average**

	<b>2003</b>		<b>2008</b>	
	<b>DWS Ltd</b>	<b>Industry average</b>	<b>DWS Ltd</b>	<b>Industry average</b>
<b>Labour turnover (%)</b>	<b>5</b>	<b>15</b>	<b>2</b>	<b>10</b>
<b>Employee costs as a % of turnover</b>	<b>60</b>	<b>48</b>	<b>65</b>	<b>50</b>

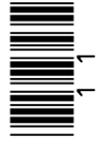


## APPENDIX B

### Operations data for DWS Ltd versus Industry average

	2008		2013	
	DWS Ltd	Industry average	DWS Ltd	Industry average
<b>Faults per 1000 units made</b>	<b>5</b>	<b>12</b>	<b>1.5</b>	<b>8</b>
<b>Cost of 1 tonne of sheet metal (£) (DWS Ltd's raw material)</b>	<b>1100</b>	<b>1000</b>	<b>1350</b>	<b>1050</b>
<b>Averaged value of finished goods inventory (£m)</b>	<b>4</b>	<b>5</b>	<b>0.1</b>	<b>3</b>

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## **APPENDIX C**

### **Selected financial data for DWS Ltd**

	<b>2008</b>	<b>2013</b>	<b>2018</b>
<b>Number of customers placing orders</b>	<b>2400</b>	<b>2000</b>	<b>1500</b>
<b>Revenue (£m)</b>	<b>36</b>	<b>40</b>	<b>33</b>
<b>Profit for the year (£m)</b>	<b>3</b>	<b>2</b>	<b>0.2</b>

# APPENDIX D Investment appraisal data on fitting solar panels to reduce energy costs

Initial investment = £1m

Year	Reduction in energy costs (£m)	Running costs to maintain solar panels (£m)
1	0.3	0.2
2	0.7	0.3
3	1.0	0.3
4	1.3	0.3

END OF SOURCES



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