

Strategic Commercial Management

22CVC029

Semester 2 2023

In-Person Exam Paper

This examination is to take place in-person at a central University venue under exam conditions. The standard length of time for this paper is **2 hours**.

You will not be able to leave the exam hall for the first 30 or final 15 minutes of your exam. Your invigilator will collect your exam paper when you have finished.

Help during the exam

Invigilators are not able to answer queries about the content of your exam paper. Instead, please make a note of your query in your answer script to be considered during the marking process.

If you feel unwell, please raise your hand so that an invigilator can assist you.

You may use a calculator for this exam. It must comply with the University's Calculator Policy for In-Person exams, in particular that it must not be able to transmit or receive information (e.g. mobile devices and smart watches are **not** allowed).

Answer **THREE** questions.

All questions carry equal marks.

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Question 1

The market health and capability assessment is central to a construction business's ability to position itself competitively in the market and generate and sustain competitive advantage. The Construction Playbook, published in September 2022, sets out key policies and guidance for the procurement and delivery of public works and programmes. The Construction Playbook, along with its supporting documents, has already been the subject of considerable discussion and is influencing procurement practice across the construction sector. The Construction Playbook highlights a market health and capability assessment as one of several practices considered to be beneficial to supply chain management.

- (a) Identify the key considerations associated with a market health and capability assessment for a major construction contractor. [13 marks]
- (b) Discuss the main outcomes of a market health and capability assessment and their strategic implications for a major construction contractor. [20 marks]

Question 2

- (a) The UK construction sector has experienced several major legislative changes and Grand Challenges that are shaping the way the sector operates and how construction work is procured. Identify the main legislative changes and Grand Challenges and discuss the impact that any two of them are likely to have on UK construction businesses and supply chains. [15 marks]
- (b) Outline the main tools and techniques used to support quality control and quality assurance. Discuss and demonstrate how any two of the tools and techniques identified could be applied, with the aid of appropriate graphics. [18 marks]

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Question 3

The Covid-19 pandemic and Grenfell continue to have a considerable impact on construction commerce. In some cases, as a result of these and other significant events, organisations have gone into administration or liquidation. However, the more robust construction organisations, having survived the initial impact of these exceptional events, are operational, recovering and in some cases growing. Most will have done this by developing appropriate strategies and risk responses.

(a) Discuss the nature of risks that impact on construction organisations describing how risks can be classified, and their attributes. [18 marks]

(b) Using either of the events outlined in the scenario above (i.e., Covid-19 pandemic or Grenfell), work through an example of a risk management process, showing how the event can be broken down and analysed in relation to its potential impact on a construction organisation. In your answer, make use of risk management tools, including a drawing/sketch illustrating how each tool is applied. [15 marks]

Question 4

A construction company engaged in housebuilding prepares at the beginning of each year a financial budget for its contracts department. The situation existing on 1 January is presented in Table 1 below. The mark-up – that is, head office (HO) overheads, and profit – charged to each fixed price contract by the company head office is 10% of sales (turnover), with the breakdown also provided in Table 1.

Table 1: Contract values, durations, and breakdown of mark-ups

| Contract | Status | Tender price | Contract period | Mark-up breakdown | |
|----------|--------------------|--------------|----------------------------|-------------------|---------|
| | | | | HO overheads | Profit |
| 1 | Awarded | £180,000 | 1 Jan to 31 Dec | £8,000 | £10,000 |
| 2 | Awarded | £480,000 | 1 Jan to 31 Dec | £20,000 | £28,000 |
| 3 | Awarded | £120,000 | 1 Jan to 31 Dec | £6,000 | £6,000 |
| 4 | Preferred tenderer | £180,000 | 1 Apr to 31 Mar, next year | £6,000 | £12,000 |
| Total | | | | £40,000 | £56,000 |

Question 4 continues/...

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The budget is reviewed six months later, on 30 June, to reveal the position indicated in Table 2 below. Contract 4 did not materialise. The actual cost of HO overheads to date on each contract is £5,000.

Table 2: Budget review on 30 June

| Contract | Value of work done | Direct cost to date |
|----------|--------------------|---------------------|
| 1 | £90,000 | £84,000 |
| 2 | £240,000 | £220,000 |
| 3 | £50,000 | £40,000 |

- (a) Discuss the tender adjudication function which takes place before a contractor submits a tender. [8 marks]
- (b) Prepare a budget for the year. Assume that the distribution of the value of work in each project over its duration follows an S-curve. [10 marks]
- (c) Calculate the company sales and overhead variances, and the total variance on each contract on 30 June, and thereby obtain the actual profit. What action should management take on the basis of the figures? [15 marks]

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