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ADVANTAGES AND DISADVANTAGES OF DEVELOPER COMPANIES IN CONSTRUCTION PRODUCTION MANAGEMENT

Abstract. *The article analyzes the nature, advantages, and disadvantages of developer companies as a modern organizational form of construction production management in Ukraine. The relevance of the study is driven by the transformation of the construction market, the growing need for an integrated approach to the implementation of the life cycle of facilities, as well as the necessity of post-war rebuilding of damaged infrastructure. It has been established that developer companies enable the effective integration of investor, contractor, designer, facility manager, marketing, and legal support functions within a single management structure (a holding).*

The study employs logical-analytical, system-based, and comparative methods, as well as analysis of open information sources and recent scientific publications. Based on the source analysis, a comprehensive model of a developer company's organizational structure has been built, covering all stages of a construction project's life cycle—from pre-investment to operation and dismantling. A typical classification of the functional departments of developer structures is presented, along with their interactions with market and public institutions.

It has been found that the main advantages of developer companies include high management efficiency, reduced project implementation time, lower costs, increased asset value, and the ability to respond quickly to market changes. Identified disadvantages include the complexity of organization, high initial capital requirements, and elevated demands on the competence of the main company's management.

It has been substantiated that real estate development holds strong potential for growth in the context of modernization of Ukraine's construction sector and the urgent need for rebuilding damaged infrastructure. The analysis also highlights the growing demand for specialists with engineering, management, and economic competencies, which is evidenced by the emergence of relevant educational programs at leading higher education institutions in Ukraine.

Key words: *real estate development, construction development, developer company, construction production, project management, organizational structures of construction production management, life cycle, rebuilding, investment, managerial decisions.*

Introduction. A significant number of construction enterprises operate in Ukraine. From 2015 to 2019, their number increased rapidly [1]. Since 2022, there has been a sharp decline in the volume of new housing construction for a certain period [2]. However, in addition to new housing development, the need has arisen for the repair of damaged and rebuilding of destroyed buildings and structures. As a result, the demand for construction companies has become increasingly urgent. Educational institutions have begun to respond to labor market demands, including the introduction of new academic programs. For example, starting in 2024, the Odesa State Academy of Civil Engineering and Architecture launched the master's-level educational and professional program «Construction Development» under specialty 192 Construction and Civil Engineering [3]. A similar program titled «Real Estate Development» is offered by the Kyiv National University of Construction and Architecture [4]. This highlights the increasing demand for developer specialists with a solid engineering background.

Construction companies in Ukraine vary in organizational structure. In response to the need to manage the entire life cycle of construction projects, some of these enterprises have begun transforming into more integrated organizations. In particular, construction companies are increasingly taking on the roles of investors and property owners, as well as providing design, facility management, marketing, and other services.

The use of developer companies as a model of construction production management enables the intensification of building processes through integrated management and full life cycle coverage – from the pre-investment stage to the dismantling of the facility.

Therefore, the study of the current state and role of developer companies as an organizational structure for managing construction production is highly **relevant**.

Materials and methods. The research employed a set of theoretical and analytical methods that enabled a comprehensive characterization of the activities of developer companies in the field of construction management. The study applied logical-analytical and comparative methods, as well as a systematic approach.

An analytical review and generalization of theoretical sources were conducted. The research

was carried out using open-access information sources. The study is based on the synthesis of findings from scientific publications, a review of the real estate market, and other publicly available resources.

Review of recent studies and publications. Recent studies [5] have analyzed the implementation of the educational and professional program Construction Development at the master's level in the specialty 192 Construction and Civil Engineering at the Odessa State Academy of Civil Engineering and Architecture.

The activities of developer companies have been widely explored in academic literature. Several notable works include the following:

Malykhin M.O. in [6] investigated the implementation of development projects in the context of the country's digital transformation.

The topic of real estate development has been actively discussed at academic events organized by representatives of the Odessa State Academy of Civil Engineering and Architecture and the Kyiv National University of Construction and Architecture [7; 8].

The presence of not only construction but also marketing functions within developer companies was explored in [9]. Another, arguably the core, function of developer companies – namely, their role as investors and property owners – was investigated by Andreeva V.A. in [10], where development projects are classified as a specific type of investment project activity.

A comprehensive study of construction development was carried out by researchers and graduate students of the Kyiv National University of Construction and Architecture in [11].

This analysis shows that developer companies, which only recently emerged in the Ukrainian construction sector, are already undergoing active modernization through the integration of digital technologies, management tools, marketing strategies, investment practices, and more.

The purpose of the study is to analyze the implementation of developer companies in Ukraine.

The following research **tasks** have been identified:

1) to perform a substantive analysis of the organizational structure model for managing construction projects through developer companies.

2) to identify the advantages and disadvantages of using developer companies in comparison with other organizational forms of construction production currently applied in Ukraine.

Main body. Before considering the essence of the use of developer companies as an organizational structure for managing construction production, it is necessary to define terminology.

Investor – a legal or natural person (Ukrainian or foreign company, state, private individual) who makes financial investments in assets and projects to generate income [12].

The term «project» is commonly understood as a chain of tasks that must be completed within a set timeframe and with the expenditure of certain resources to achieve a result. Another definition of a project is the process of solving a problem – from the conception or idea of a solution to the final implementation of the idea [13].

General contractor – a legal entity directly responsible for organizing construction and installation works on the site and accountable to the investor or customer for the entire scope of construction works until the facility is commissioned [12].

Contractor – a natural or legal person who undertakes, for a specified fee, to perform certain types of work and is responsible for the quality of their execution [12].

Project management – activities aimed at solving tasks and achieving the set goals of the project [13].

Project management is understood as the application of knowledge, skills, tools, and

techniques to execute the project according to specified requirements [13].

Project resources – labor (engineering and technical staff and workers), financial, time, technical (equipment, machinery), and/or material (consumables) resources used to perform project tasks [13].

One of the organizational forms of construction production management is the design-and-build method, also known as the turnkey method (Fig. 1). When applying this method, a holding company is usually created (which controls the work of a group of companies) based on the principle: investment – management – construction. A holding is a group of commercial firms legally connected with each other. The unity of economic activity is ensured by gathering participants of all three processes under the holding's management [11–13].

Initially, one type of this turnkey method gained popularity – the «customer-developer» model. The name suggests that in this case, the customer simultaneously performs the functions of the developer. The holding assumes design and construction functions and can also act as the customer (investor). In the development of the turnkey method, a new type appeared – the «customer-developer and operation service» model. In addition to the participants mentioned in the «customer-developer» structure, this type may include operation and/or maintenance services of buildings.

At the latest modern stage of the turnkey construction management method development, the most comprehensive organizational structure type has emerged – developer companies.

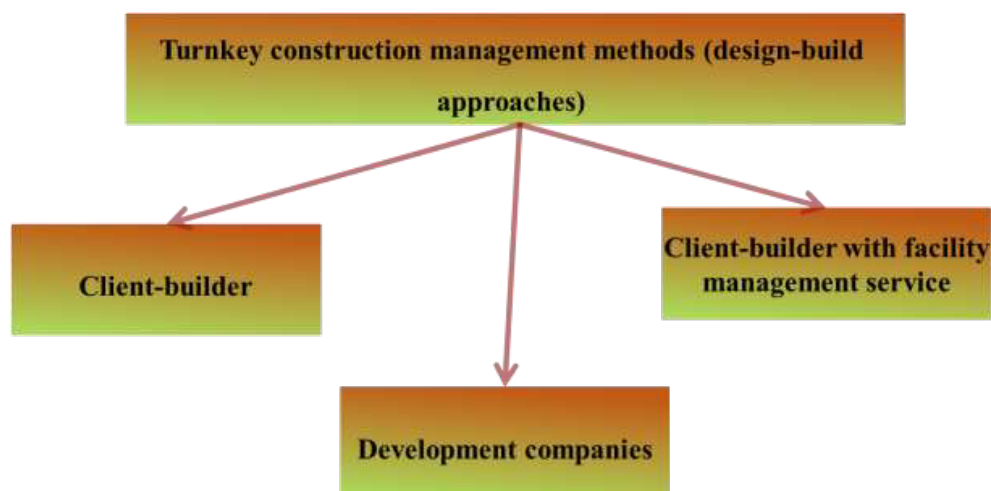


Fig. 1. Types of design-and-build («turnkey») organizational forms of construction production management

The goal of developer companies is to obtain profit or a positive outcome (development of production, solving social problems, etc.) through the transformation of a territory, land plot, real estate object, and construction of buildings and structures.

Developer companies are analogous to the previously discussed holdings and associations but have some distinctive features:

- the developer is primarily the investor and owner of the real estate asset (land plot); they may invest in the entire project, including marketing, design, construction, surveys, operation, building materials production enterprises, and more;
- only the developer interacts directly with government authorities;
- unlike others, developer companies may include real estate agencies, marketing and consulting firms, production and/or distribution enterprises for building materials, etc.;
- the main managing developer company can both self-invest in all stages of construction (through its own investment campaigns) and attract external investment campaigns (which may act as clients) [11–13].

The most comprehensive model of a developer company is illustrated in figure 2.

From figure 2 and the analysis of sources [1–13], it can be emphasized that the main tasks solved by developer companies are:

- changing the land use designation according to market needs;
- construction and operation of buildings and structures;
- rehabilitation, rebuilding, and repair of existing buildings;
- changing the functional purpose of buildings and structures (or their parts).

Figure 2 clearly demonstrates that developer companies enable the implementation of all stages of the building project life cycle:

- pre-investment stage (forming the development idea, searching and analyzing the development object, auditing the real estate asset, etc.);
- investment stage (developing the project concept and business plan, purchasing the development object, obtaining necessary permits and approvals, conducting engineering surveys, design and construction works, obtaining occupancy permits, state registration of ownership rights, etc.);
- operational stage (marketing campaigns; realization of project spaces – operation, leasing, sale, etc.).

The article reviews open information sources [1–13] and investigates the essence of developer companies. This has made it possible, in comparison with other organizational structures for construction production management, to highlight the following advantages and disadvantages.

Advantages of construction management through developer companies.

1. Thorough market analysis and proper selection of land plots by the developer team allow making investment decisions that exceed “average market” indicators by 20–50%.

2. Preliminary investment justification generally enables optimizing the use of investor funds by an additional 10–15%.

3. Proper registration of property rights for real estate assets and resolution of other legal issues can increase the value of a land plot (or other real estate objects or their parts) by 150–300%.

4. It is possible to reduce the duration of project development and implementation by 7–15%.

5. It is possible to reduce overall project costs by 5–15% (construction cost savings by 10–20%; reduction of labor intensity at the implementation stage by 5–15%; reduction of operational costs by 15–25%).

Disadvantages of construction management through developer companies.

1. A large amount of initial capital may be required.

2. High qualification requirements for the management of the main developer company.

3. Long-term nature of projects and the need for continuous control over their implementation (increased importance of planning and forecasting; accounting for changes in the external environment – demand, supply, surrounding infrastructure, etc.).

4. Developer companies are mainly applied in complex, large-scale, and long-term construction projects.

The prospects for the use of developer companies in Ukraine are highly ambitious. This is due to the growing need for post-war rebuilding of Ukraine. An important factor for the broader implementation of developer companies is their ability to ensure a comprehensive approach to project delivery – from land search and audit, through design and construction, to the further operation of the facilities. This format makes it possible to optimize time, financial, and other

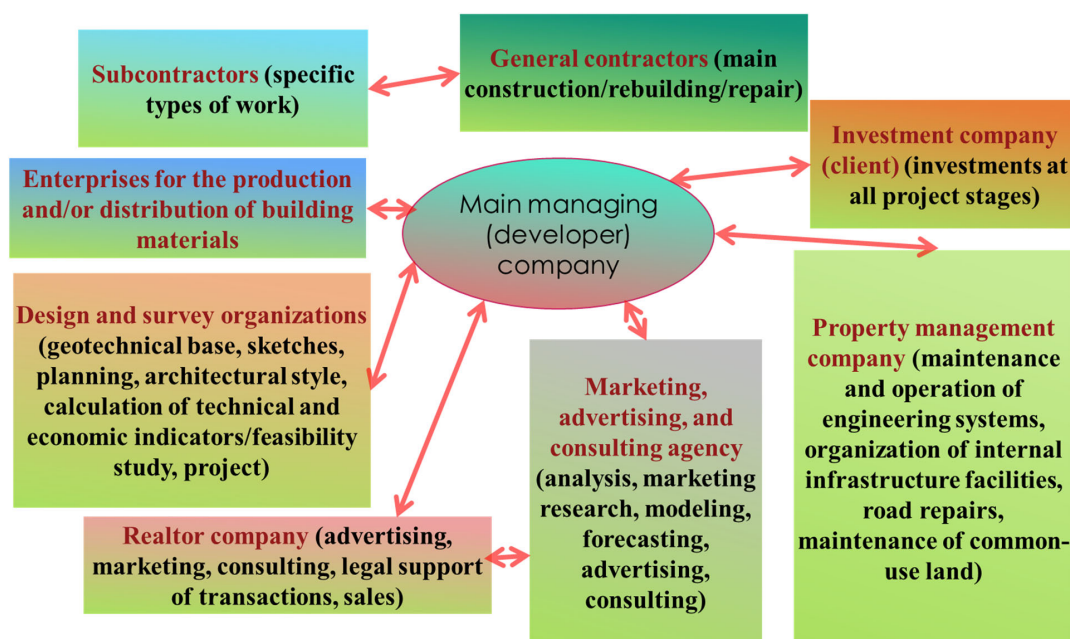


Fig. 2. Management structure model of a developer company

resources, improve the quality of construction project management, and establish effective cooperation with government authorities and investors. Thanks to digital tools, marketing strategies, and financial flexibility, developers are becoming key players in Ukraine's rebuilding. Moreover, the emergence of relevant educational programs in leading Ukrainian construction universities (such as Kyiv National University of Construction and Architecture and Odessa State Academy of Civil Engineering and Architecture) confirms the growing demand for developer professionals. Their main value lies in the balanced development of engineering, managerial, and marketing competencies. This forms the basis for a new generation of specialists capable of implementing modern approaches

to integrated real estate development. Thus, developer companies can become one of the key elements in the reform of Ukraine's construction sector in the coming years.

Conclusions. The analysis of open information sources and the conducted research allowed for the identification of the essence of developer companies, the potential for their wider application in Ukraine, and the development of a block diagram of the most complete version of the management structure of a developer company.

The analysis of the essence of developer companies has made it possible to identify their advantages and disadvantages in comparison with other organizational structures for construction production management.

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ПЕРЕВАГИ ТА НЕДОЛІКИ ДЕВЕЛОПЕРСЬКИХ КОМПАНІЙ ПРИ УПРАВЛІННІ БУДІВЕЛЬНИМ ВИРОБНИЦТВОМ

Анотація. У статті проаналізовано сутність, переваги та недоліки девелоперських компаній як сучасної організаційної форми управління будівельним виробництвом в Україні. Актуальність дослідження зумовлена трансформацією будівельного ринку, зростанням потреб у комплексному підході до реалізації життєвого циклу об'єктів, а також необхідністю післявоєнного відновлення зруйнованої інфраструктури. З'ясовано, що девелоперські компанії дозволяють ефективно інтегрувати функції інвестора, забудовника, проєктувальника, експлуатаційної організації, маркетингової та юридичної підтримки тощо в межах єдиної керуючої структури (холдингу).

У межах дослідження застосовано логіко-аналітичний, системний і компаративний методи, а також аналіз відкритих інформаційних джерел і результатів сучасних наукових публікацій. На основі аналізу інформаційних джерел побудовано найбільш повний варіант моделі організаційної структури девелоперської компанії з урахуванням охоплення повного життєвого циклу будівельного проєкта – від доінвестиційного етапу до експлуатації та демонтажу. Наведено типову класифікацію функціональних підрозділів девелоперських структур і їхню взаємодію з ринковими та державними інституціями.

Встановлено, що основними перевагами девелоперських компаній є висока ефективність управління, скорочення термінів реалізації проєктів, зменшення витрат, зростання вартості активів, а також здатність оперативно реагувати на зміни ринку. Серед недоліків виділено складність організації, високу потребу в початковому капіталі та підвищені вимоги до компетентності менеджменту головної компанії. Обґрунтовано перспективи розвитку девелопменту в умовах модернізації українського будівельного сектору, а також відзначено зростання потреби у фахівцях з інженерно-управлінськими та економічними компетенціями, що підтверджується появою відповідних освітніх програм в провідних вищих навчальних закладах України.

Ключові слова: *девелопмент нерухомості, девелопмент будівництва, девелоперська компанія, будівельне виробництво, управління проєктами, організаційні структури управління будівельним виробництвом, життєвий цикл, відновлення, інвестиції, управлінські рішення.*

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