



BUSINESS MODELS IN CONSTRUCTION – CONSTRUCTION MANAGERS’ VIEWPOINT

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ABSTRACT

Business model – nowadays, in other sectors a widely used managerial practice for designing, comparing, and analysing the value creation logic of an organization – is a less discussed and researched concept in the field of construction. Current business model literature sees the concept as an essential part of successful business as its main purpose is to separate a company from the others and to give it an advantage in regard to its competitors. A business model defines the way company operates, how it creates value for its customers and how it captures value from its operations to make profit. Thus it forces managers to think about their business and how it functions as a whole. Recent developments in this field of research have also led to visualizing business models, resulting a better understanding of different business logics and a position where business models are used as an effective management tool to communicate and execute strategy.

The aim of this research is to explore the way how construction managers understand and use business models. Research is based on ten semi-structured interviews conducted in Northern Finland between February and March 2013. Respondents have a vast amount of experience from the construction business and act in chief executive or regional manager positions in their companies which size varied from small to large. In addition, company websites and other publicly available materials are used in formulating an understanding about the logics according to which these construction companies operate.

According to the results, construction managers understand business models very differently than what is accustomed in other sectors or within the academia. The main difference is that they relate these models to different project delivery and contract types such as housing development, design-build, and design-bid-build. The outcome of business model analysis is thus more a certain figure describing a desired level for return on investment rather than an analysis of what the actual customer needs are and how value could be created for the



customers. Another finding is that the most of the prevailing business models in construction have no significant differences which results in a fierce price competition where companies provide exactly the same value through mostly uniform activities and structures.

The results have several implications for both theory and practice. First of all, research in the field of construction business models is under developed and the current theory is unable to guide and inspire the construction managers, who operate mainly in local old-fashioned business where market volatility is remarkable, to challenge their prevailing business models. Another theoretical implication is the concept's connection with different project delivery and contract types. Practical implications are provided by elaborating the theoretical viewpoint of business models and presenting examples of how different business logics can prove valuable also in construction. The research is valuable both for researchers, who should find new avenues for future research from the study, and for practitioners, who want to challenge the traditional business models in construction.