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#### Impact of Economic Cycles on the Use of Alternative Procurement Methods in Construction

The project procurement method, which determines the division of labour and contractual and operational relations between the major players, is an organizational means of creating preconditions for the successful implementation of a building project. The appropriate procurement method may be a means of avoiding problems and a key to attaining project-specific goals.

The goals may be, for instance, quick implementation of the project or low acquisition price. On the other hand, the significance of the speed of implementation and the profit expectations of contractors vary according to economic cycles. Thus, it would be natural to favour different procurement methods in different phases of the cycles.

The goal of this study was to assess the impact of economic cycles on the use of various procurement methods. Changes in the use of different procurement methods, which are independent of economic cycles, were also examined. The study is largely based on the shares of procurement methods used and the number of annual building starts in Finland over a ten-year period. The method involved calculation of partial correlations which eliminates the impact of other contributing factors irrelevant to the study. The research material includes over 20,000 new building projects.

The results indicate that the use of Design-build, where a contractor under contract to the owner is responsible for the project's design and implementation as a whole, increases in an economic upturn, for instance, due to the fast implementation it offers. When the economy expands, owners emphasize quick implementation. A partial reason is also the owners' desire to fix costs in a situation where considerable price increases are threatening.

The same factors also reduce the share of the traditional Comprehensive contract as an economy recovers. In that method, the owner assumes responsibility for design and the project is implemented on the basis of a single contract. Thus, the method is slow and delayed conclusion of the contract may result in higher costs as the willingness to submit a tender decreases and profit targets go up, although the setting for extreme price competition is favourable with the traditional contract. Correspondingly, the popularity of the Comprehensive contract in a recession is based, among other things, on people waiting for prices to fall as selection of the contractor is delayed.

The results also show that in an upswing, Separate contracts gains share from the Comprehensive contract since owners wish to ensure tough competition and an advantageous implementation price. In the Separate contracts method, the owner also assumes responsibility for design, but construction is implemented on the basis of a few parallel contracts.

The development trend independent of economic cycles also indicates that use of the Comprehensive contract decreases as the other mentioned procurement methods above are used more. Another form of procurement increasing its share is Management-type activity, where a separate project management organization (consultant or risk-bearing contractor) manages the overall project and implementation is generally realized through numerous partial contracts.

However, the above-mentioned changes are seldom radical. In practice, the selection of a procurement method is affected by so many factors that economic fluctuations may, at best, explain only part of the changes in the use of various procurement methods.