

# THE IMPACT OF DEVELOPMENT-HOUSING PROJECTS ON DIFFERENT AREAS OF PERFORMANCE

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**Abstract:** This paper focuses on a systematic assessment of the impact of development projects on different performance areas, with an emphasis on social. In the context of the ever-evolving digital era, development projects are becoming a key element for achieving competitiveness and sustainability in all sectors. The aim of this paper is to analyze how development (housing) projects affect economic growth, firm efficiency, social interaction and sustainable development from a theoretical knowledge perspective.

**Keywords:** housing development, performance, economic area, social area

## 1 Introduction

In general, the term "development" can be considered as a process that creates growth, progress, positive change or addition to physical, economic, environmental, social and demographic components. The goal is to increase the standard and quality of life of the population and to create or expand local regional income and employment opportunities without harming environmental resources (Society for International Development, 2021).

Performance is a measure of the success, efficiency or quality of the execution of an activity, task or system relative to stated objectives, standards or expectations. Performance evaluation can be characterized as a process of developing indicators that aim to assessing progress towards predetermined objectives and comparing actual performance against these indicators. In general, any performance needs to be monitored and evaluated in some way as part of a feedback loop, which makes it worthwhile to address this area in the enterprise (Huyett and Viguerie, 2005). Performance indicators are of a different nature and should reflect the extent to which available resources are used to achieve the desired results (Bumbescu, 2020).

Performance measurement in the construction industry has been carried out over the years using different approaches. These are: Company performance measurements, Project performance measurements, and Benchmarking Programs. Besides this classification, the indicators used in such measurements can be divided into: Result Indicators, Process Indicators and Leading Indicators (Suk et al., 2012).

The first part of the paper can be specified as focusing on the economic impact of development projects, examining their ability to create new jobs, increase productivity and promote innovation in the corporate environment. The second part analyses the impact of development projects on the efficiency of firms through the improvement of corporate processes, work optimization and the implementation of modern technological solutions. In the third part, we look at the social aspects of development projects, examining how they contribute to the digitalization of society, increase the availability of information and facilitate communication between people. The last part focuses on sustainable development and the ecological footprint of development projects. It addresses the question of how modern technologies can contribute to environmental protection and how development projects can be designed to minimize their negative impact on the planet.

The results of this paper can provide important information with respect to understanding the overall impact of development projects on various aspects of society and the economy.

## 2 The impact of development projects on social and economic performance

Development projects include the field of project finance. The developer is the investor in the project, but it is not the final investor. The final investor has an interest in owning the resulting project (either the resulting property directly or at least the company that owns the property), but does not want to take the risk of construction. However, even the developer does not usually carry out the construction itself; it is usually contracted out to a contractor, which is a construction company. In addition to the contractor, a number of other people are involved in the whole project, especially architects, designers, lawyers, etc. (Achour, 2004). Development projects have a major impact on social and economic performance at several different levels. Here are some ways in which development projects relate to these two aspects.

Development projects have a significant overlap with the external environment. So, as the project affects the external environment, it is affected by it. This influence is particularly evident in modifications and changes to infrastructure, manpower and other significant factors. In general, then, the rules that with the size and volume of the considered of a development project, the pressure and scrutiny from the other side increases. The public is attracted to long-term development projects to the public. Very often, then, in the actions of outside of the external environment, there are usually negative emotions and conflicting interests and related activities (Valach, 2006).

If it is a dynamic environment, then transformation is required and a change of transformational character in the units contained therein (Koleňáková et al., 2023).

However, it has become a worldwide trend in development projects that contractors are not keeping up with the expectations of the clients they serve, and indeed many residential contractors have failed to perform. Some studies confirms that the history of construction around the world is replete with projects that were completed late and cost overruns (Habimana and Kwena, 2021). Related to this, several other studies have reported that the construction industry is widely criticized for its scattered approach to projects and its inability to create effective teams. This has resulted in a reduction in the number of projects in terms of delivery efficiency (Egan, 1998; Egan, 2002; Egbuomwan and Anumba, 1998; Bakar et al., 2011).

### 2.1 Economic performance

Recently, there have been more fundamental changes in approaches to evaluating and measuring the economic performance of companies. Transition from standard financial indicators and models which are based on accounting profit into financial models that consider rather economic profit, market value and market criteria. Even so, attention is still paid to standard absolute accounting indicators such as economic results, costs, revenues, profitability and indebtedness indicators (Falisová, Glova and Andrejovská, 2023).

*Innovation and competitiveness.* Innovative projects can also bring new markets and business opportunities. Development projects that involve the creation of new products, services and infrastructure can be a driver of innovation and an essential element for increasing competitiveness in the marketplace.

Thanks to the competitive efforts of individual companies (and development companies), there is an effort in lucrative locations to differentiate themselves and to come to the market with something new and thus differentiate themselves from the competition and be desirable to their potential clients (local residents or clients who choose the location for their housing due to its prosperity). It is through this development that localities prosper. Kubík (2014) states that one of the main prerequisites of

strategic management is to monitor the competition and apply such measures so that the business remains competitive. In his article, Porter's analysis is practically applied to multiple enterprises. His conclusions declare the fact that it is very important for management to focus on competitive rivalry and the increasingly strong bargaining power of customers. In case a given enterprise experiences a decreasing tendency of competitive rivalry, it should use this situation to its advantage and focus on differentiating and increasing its competitiveness. Its practical part focused on an enterprise outside the real estate market, SCHOTT, a company that is focused on the hand assembly of industrial fiber optic products. Broadly speaking, his conclusions apply to management decision making in any business and therefore these factors need to be taken into account.

*Labor market growth.* The development of the software and IT industries contributes to job creation and labor market growth. Developers and IT specialists are highly sought-after professionals, which has an impact on economic performance in terms of employment and wages. In an era characterized by rapid technological progress and global interdependence, the relationship between development projects and labor market growth is increasingly complex. It highlights the need for a detailed understanding of the symbiotic relationship between development activities and the labor market in order to promote sustainable economic growth. The basic analysis includes several key dimensions:

*Job creation and industrial dynamics:* Examines the direct and indirect jobs created by development projects in different sectors; explores the impact of project types such as infrastructure development, technological innovation and social programs on specific sectors of the labor market.

*Skills development and human capital enhancement:* Examines how development projects contribute to skills development, training, and overall human capital enhancement; analyzes the match between project skill acquisition and the evolving demands of the current labor market.

Examines the impact of technology-oriented development projects on job roles, occupational structures and the emergence of new industries. Examines the potential disruptions and opportunities created by automation and artificial intelligence in the labour market (Pereira and Pereira, 2020).

*Cost-effectiveness and productivity.* Automation and process optimization can increase productivity and profitability. Productivity can be considered a key performance indicator. It examines how factors such as innovation, technology adoption and workforce efficiency contribute to higher levels of productivity.

Implementing innovative technologies and practices within development projects can significantly increase productivity and reduce costs by automating repetitive tasks. Effective communication and collaboration within the team and with the client can minimize misunderstandings and inefficient work, contributing to overall cost efficiency and productivity. Considering sustainability and the overall project life cycle can bring long-term savings and productivity gains (Danish, Khan and Haneklaus, 2023).

Further specifies that project cost control involves influencing the individual factors that create changes in the cost baseline, ensuring that the required changes are agreed, managing the actual changes as and when they occur, and monitoring cost performance to identify and understand variances, recording all relevant changes accurately, preventing inappropriate or unapproved changes from being included in cost calculations, even if they are changes that are inconsistent with the principles of reported costs, and working to bring expected cost overruns within acceptable limits (Bakar et al., 2011).

Within the Result Indicator it is possible to mention construction cost, by comparing the budget based on the plans and

specifications with the target cost of the project (Orihuela, Pacheco and Orihuela, 2017).

*Revenue and profit.* For example, the development and successful deployment of a software product can increase sales and generate new revenue.

## 2.2 Social performance

Economists commonly believe that competition is good for motivation and efficiency. But the question is whether market competition is also a driver of corporate social responsibility. Efforts to behave in a socially responsible manner come at a significant cost to companies: according to a 2015 report published by the Varkey Foundation, global Fortune 500 companies spent a total of \$19.9 billion on these efforts. It is possible that firms may be willing to make such expenditures purely out of altruism or to create a positive social image (Nickell, 1996; Benabou and Tirole, 2010).

Social performance generally encompasses a wide range of aspects such as community, environment, human rights, and treatment of employees. For example, companies operating in locations where there are problems in labor practices may compromise their competitive advantage, so they may focus on addressing these problems rather than environmental issues. Given the costs that arise from such social performance, firms should be judicious in choosing which dimensions to consider and on which to focus. The impact of market competition on firms' social performance may not be uniform across the CSR landscape (Leong and Yang, 2020).

*"Result Indicators from the social area compares the social impact level caused by the design with the level set in the project baseline. Process Indicators consider compliance with design standards and the availability of spaces for social and productive life. Some of the Leading Indicators are the professional, ethical and moral responsibility towards compliance with the design standards that project designers and investors must have, as well as the good disposition to include spaces that allow people to socialize, relax and practice sports, and flexible productive spaces to promote the creation of cottage industries"* (Orihuela, Pacheco and Orihuela, 2017).

*Improving quality of life.* This can include health apps, education apps, communication platforms and others that can improve access to information and services.

Thanks to the development of residential housing, individual districts are improving and becoming more lucrative places for families in their cities. Otherwise, the locations in question are steadily declining and interest in these addresses is dropping significantly. Economic and social theory refers to this as the 'broken windows theory'. Its authors are James Q. Wilson and George Kelling, who stated that in locations showing less interest from city residents, graffiti, street litter, broken windows, destroyed benches, etc. appear. In addition, people living in these locations lose interest and efforts to improve these areas (Roberts, 2014). With new construction, this situation can change in a major way. However, there must be interest in this from the leadership of the cities and municipalities concerned and, most importantly, from the development companies themselves.

The article by Brabec et al. (2015) is focused on the topic of the construction of residential units, which are being built in the Czech Republic mainly in Prague, but this trend is also spreading to other cities, e.g. Brno, Olomouc, Karlovy Vary and others. Even so, residential units in Prague represent more than 80% of all realized in the Czech territory. There can be many motivations to live in these closed "areas". Their research showed that when making decisions, it is not the presence of a security agency or the closeness of the unit that are above-standard elements, but expectations of a better quality environment and social conditions.

Development projects that support the creation of cultural and recreational facilities enhance the overall quality of life by providing opportunities for leisure, creativity, and community engagement (Fookes, 1987).

Within the indicators, it is possible to mention in this area Result Indicator is measured through Customer Satisfaction by comparing the estimation of customer satisfaction level. The satisfaction of the end user is one of the main goals of any construction project (Orihuela, Pacheco and Orihuela, 2017).

*Employment and professional growth.* Development projects create employment opportunities and promote professional growth. This can help people improve their social and economic position.

The relationship between real estate market development and employment was the subject of an article by Hanna et al. (2013). It should be noted that while the increase in demand may be due to employment opportunities, it may also be due to other factors. His study focused on rental housing. It is clear that changes in employment have caused changes in the demand and prices of rental housing. As the number of employment opportunities increases, the demand for housing will increase and so will the price of rent. Linked to this is the need to build new housing developments so that there is a balance in the area and the location remains desirable in the context of employment and training opportunities. Thus, developers are thinking in multiple directions in making decisions about their projects. In their paper, Kempa (2015) and other co-authors focus on this topic, looking at housing preferences and the properties themselves from the perspective of students. The results of this paper can serve mainly for residential investors who mainly direct their activities in locations of so-called "student cities". Kempa and his colleagues chose six universities in Poland where the research was conducted in the form of online questionnaires. The students were divided into two groups that differed in their field of study. Both groups agreed that the most important factors were the address of the property, the amenities in the area, the functionality, the layout and the size of the apartment.

*Inclusiveness and Diversity.* Responsible development projects can promote inclusiveness and diversity in the sector. This means taking into account the diversity and needs of different user groups. Initiatives aimed at strengthening social bonds, fostering community engagement, and promoting cultural activities can enhance the sense of community and social well-being. The literature review shows that housing is a key issue for specific groups of people. Inadequate housing can cause a sequence of interlocking difficulties, both at the public and personal level, ranging from narrowed employment choices, exposure to deteriorated living environments and relationships in suburban areas, deteriorated living environments and relationships in the area, time-consuming travel to the workplace, etc. A significant group may be people with disabilities for whom living in a home that does not meet basic standards in terms of building barriers to accessing the home or moving freely within the interior. Distance from social services, schools etc. can also be an important aspect, which can lead to some social exclusion (Alexiu, Ungureanu and Dorobantu, 2010).

Another paper, which although focused on IT technology, can no doubt be applied to development projects is presented by Rymarzak and Sieminska (2012). He focused on how a given project will affect the location in which it is developed and how the investors themselves (in our case the developer) approach the location decision. The choice of location can dramatically affect the success or failure of a given project or the operation of a firm. At the first stage, each investor must decide what the project will bring to its operations and, more importantly, to its future clients. In the case of building an apartment building to be rented out to students, the choice of the location must be focused on i.e. "Student Towns" where there is a large number of students. With this, the size of the individual apartments, their amenities and many other development tools to decide on the set strategy of the project. Otherwise, when it wants to offer a

luxury product - luxury housing units, it has to look for acquisitions in lucrative locations and associated with this is the quality of the building and its amenities.

*Education and skills.* Development projects can have a significant impact on education and skills, playing a crucial role in enhancing human capital, promoting lifelong learning, and contributing to overall socio-economic development. The goal is not only to increase access to education but also to ensure that the skills acquired align with the evolving needs of the labor market and society. In the context of education, environmental practices that need to be respected and educated about can also be mentioned.

The ecological footprint of development projects refers to the environmental impact and resource consumption associated with the planning, implementation, and operation of these projects. Assessing the ecological footprint is crucial for sustainable development, as it helps to understand and minimize the environmental consequences of human activities. Development projects often require significant resources, such as raw materials, water, and energy. Assessing and managing the sustainable use of these resources is essential to reduce the ecological impact. Construction and operation of development projects can contribute to greenhouse gas emissions and energy consumption. Implementing energy-efficient technologies and renewable energy sources helps minimize the ecological footprint. Development projects should consider the conservation of local flora and fauna. Implementing measures to protect biodiversity, such as habitat restoration and creating green spaces, helps offset ecological impacts.

Process Indicators can be listed the energy efficiency, water efficiency, promotion of sustainable transportation, and environmental pollution, whose considerations in the design phase reduce the environmental impact.

Some of the Leading Indicators are knowledge of low power and water-saving devices, knowledge of advanced monitoring devices for energy and water consumption, the environmental commitment of project designers and investors' knowledge of green transportation benefits, and knowledge of the reduction of heat islands, light pollution and rainwater management. Everything should lead to a reduction in the impact on the environment (Orihuela, Pacheco and Orihuela, 2017).

### 3 Conclusion

The impact of housing development on overall performance is a multifaceted and complex interplay of various economic, social and environmental factors. From the point of view of performance evaluation, it is clear that housing development is not just a physical transformation of the landscape, but an accelerator of broader socio-economic progress.

Well-planned housing projects and urban development initiatives contribute to creating safe, sustainable, and inclusive living spaces. It's important to note that successful development projects are often those that involve active community participation, respect cultural nuances, and address the specific needs and aspirations of the people they aim to serve. A holistic and inclusive approach is key to ensuring that development projects contribute positively to the quality of life.

By integrating ecological considerations into the planning and execution of development projects, stakeholders can work toward more sustainable and environmentally friendly outcomes, balancing human development needs with the preservation of ecosystems.

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**Primary Paper Section: A**

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