

# Construction Industry Outlook

**For Finance & Accounting Professionals**

 **insight**software





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## Executive Summary

Thriving in today's construction industry means controlling costs, staying on schedule, and correctly gauging profitability. By controlling data, construction businesses have the keys to navigate the challenges of the current shifting economic climate. As supply chains fluctuate, fuel costs escalate, and the global workforces migrate, strong processes and analytical practices allow businesses to maintain agility and understand where to prioritize increasingly limited resources.

At the same time, construction has been especially hard-hit, as numerous projects have been delayed or canceled in recent months. Businesses are seeking to streamline processes and make sense of a deluge of new information amid rapidly changing conditions.

As the economy recovers from unprecedented disruption, business leaders can benefit from robust and flexible analytical tools that can track up-to-the-minute information from a myriad of different systems.

This ebook explores some of the top trends currently affecting the construction industry and

the challenges those trends create for finance and accounting professionals.

These times call for innovative approaches to the way you do business. Remote work, social distancing, and the ever-present need for greater efficiency are prompting companies to look for new approaches.

Tools built for productivity and collaboration, including real-time reporting capabilities, have received a great deal of attention in the first half of 2022. There is a good reason for that; as workplace collaboration has adjusted to a world in which much of the workforce may need to operate remotely, IT innovation has become more important than ever before. By empowering finance and accounting workers with powerful tools and enabling them to work independently, digital collaboration has become a game-changer for many finance and accounting teams.

Let's begin by looking at some of the key trends affecting construction firms today.



## 1 Construction Market Insights

Like virtually every industry, construction was broadly affected by the COVID-19 pandemic. Since the dust has settled following the waves of pandemic shutdowns, many industry experts have begun to **predict** recovery in markets for the remainder of 2022 and into 2023.

A 9.1% rise in nonresidential construction will be seen in 2022, according to the **American Institute of Architects (AIA)**, with an additional 6% increase in 2023%. Additionally, retail and other commercial new starts rose 20.4% in 2022, while office new construction increased 5.4%, and hotels saw new starts rise nearly 18%.

**Across the industry as a whole, the AIA predicts single- to double-digit increases in construction again in 2023.**

All of that resulted in a 16.5% increase for total commercial in 2022, while it is forecasted to slow a bit in 2023, to 4.4%. Across the industry as a whole, the AIA predicts single- to double-digit increases again in 2023.

The **AIA** predicts that spending on nonresidential construction will continue to increase in 2022, and it estimates another 6.1% rise in 2023.

Construction in public safety and health care has dipped slightly in 2022, according to the **AIA report**. But an increase of 5.6% is forecast for 2022. Overall demand for design is on the rise in 2022, according to the **AIA**.

The **outlook** from the AIA Consensus Construction Forecast Panel, just published in its mid-year update, is more optimistic than what was projected at the beginning of the year, largely due to the “extremely strong gains in the manufacturing category, as well as surprising strength in retail facilities.”



Other opportunities have arisen out of the COVID crisis, as well. Many hotels, for example, are retrofitting rooms and public areas with antimicrobial services and other measures designed to protect the safety of guests and hotel workers.

Supply chains have been a challenge for some, as the availability of some critical materials—especially those originating in China—has been disrupted. Shortages of LVT, rolled rubber, cement, lumber, and other critical supplies have been widely reported.

Skilled labor continues to be in high demand, even as unemployment numbers have spiked. COVID-19 has led to an increase in safety compliance requirements, which has, in turn, prompted businesses to change the way they work. Social distancing requirements have led many firms to expand shift-based work. Prefabrication work has become more common as social distancing requirements have made it more difficult to operate with large numbers of workers on site.

The combination of all these factors has created a perfect storm of challenges for construction firms. Finance and accounting leaders should see this as an opportunity to better understand cost drivers, assess alternatives, and drive efficiencies in ways that were not possible before.







## 2 Top Challenges for Finance and Accounting

The complexity and variability of construction projects represent some distinct challenges for finance and accounting teams. Costing, procurement, subcontractor management, and labor combine to create a level of complexity with which businesses in other sectors generally don't have to contend.

As companies move to digitally connected processes, though, some of that complexity can be more easily managed. The adoption of mobile applications has increased across all industries, but the trend appears to be stronger in construction. Mobile applications enable site managers to access important information from the worksite, resulting in a reduced need for paper-based systems, and an acceleration in the flow of information.

Collaboration tools, likewise, have gained momentum, as large teams managing multiple complex projects seek to work together more effectively and efficiently. In many projects, the office staff is no longer working on-site; in such cases, collaboration tools have been especially beneficial.

As more and more processes go digital, the massive increase in the quantity of available data makes it harder than ever to discern which data points are important and to develop coherent analyses that drive improvements to the business.

To make the situation even more challenging, the pace of change has accelerated dramatically in 2022. Business leaders in every industry have learned just how important it is to foster agility and resiliency in the enterprise. To respond decisively in a rapidly changing business environment, business leaders need to quickly and accurately assess the situation. When major events disrupt the status quo, the questions to which those leaders need answers may change in an instant.

Finance and accounting teams need to be able to quickly and easily access information without relying on IT departments or outside consultants. They need to be able to update and analyze data in real time and to draw accurate conclusions based on up-to-the-minute business conditions. Companies that fail to meet this standard will be slower to respond during a crisis.

Recent events provide some vivid examples of the need for agility. When the coronavirus crisis hit, many businesses were required to make rapid adjustments. To maintain social distancing, for example, some construction firms moved to an expanded shift schedule that could allow for greater physical separation between workers.

These kinds of changes have significant implications on efforts to maintain profitability, especially in the context of very complex projects. Finance and accounting teams that could quickly access information in real time and analyze that data with robust, flexible tools were at an advantage when the coronavirus crisis hit.



### 3 Integration and Automation Ease the Burden

Fortunately, there are some very effective ways to manage complexity and build agility and adaptability into finance and accounting processes. For years, businesses across a wide range of industries have used systems integration and process automation to increase efficiency and accuracy and to support better decisions using insights provided by strong data analysis capabilities. As finance and accounting organizations continue to adjust to the disruptive effects of the COVID crisis, as well as shortages in skilled labor and materials, integrated systems and process automation have taken on greater importance.



Many organizations today are using multiple systems for ERP, billing, customer relationship management, and other functions. Managing this web of disparate information systems can seem overwhelming. Two decades ago, integration capabilities in many of those applications were limited. As software technology has matured, however, the opportunity to automate processes has grown considerably. Integration hubs and business process automation platforms have increased in number and in functionality. This has made exchanging data between critical operational systems easier, faster, and more efficient.

Unfortunately, many businesses are still relying on the built-in report writing tools that come with those existing software systems. Those tools are generally built to be “just good enough”; that is, they lack the flexibility and robust capabilities that most finance and accounting teams really require. As a result, most organizations do some amount of copying and pasting of data from system reports into Excel or other tools where data can be manipulated and analyzed more easily.

The copy/paste method is inefficient and subject to errors, and it precludes the possibility of updating data in real time. Changes in any of the source systems require that data be queried again and that a new round of copying





and pasting data be repeated. This makes it extraordinarily difficult to produce accurate and timely month-end closes.

The result is a “rearview mirror” approach to collecting and reporting on your business data. Contrast this with real-time reporting, in which dashboards and reports immediately reflect changes based on updates and adjusting entries, so there is no time lag. Companies that commit to a real-time platform will benefit from data that reflects current conditions, not a snapshot from the past.

A modern, fully integrated suite of financial reporting tools solves the issues of inefficient processes and stale data by serving as the information hub for your entire organization. Finance professionals can have a “single source of truth” from which to view all facets of the organization. By connecting to all your

company’s internal systems (and potentially even to supplier or customer systems), strong reporting tools provide you with the power and flexibility you need to understand the key data driving your business.

Simplified reporting and visualization tools enable end-users to view information in a variety of formats, create custom reports, and share key data in easily digestible formats. Users can quickly drill down on source data to better understand the details, research variances, and gain insights into key business drivers. When the finance team has full ownership of the reporting process, it has the power and flexibility to deliver meaningful information to the people who need it most, without relying on external consultants or IT specialists.



## 4 Real-Time Reporting Opens Up Opportunity

**Real-time reporting** presents multiple opportunities to make your organization more responsive, more accurate, and more efficient. Many of the resulting efficiencies are obvious. By bringing together live data from multiple sources, you gain the ability to see all your information through a single lens, including things like job costs, costs of work in progress (WIP), and payroll. With a unified view of the business, you can have greater confidence that information is accurate and up-to-date.

### Achieving Organization-Wide Financial Intelligence

This opens the door to true financial intelligence. Financial intelligence goes beyond having access to the right numbers in a timely manner. When the finance team owns the reporting process, it is empowered to tell the story behind those numbers. When you can share a clear, consistent story, you are able to raise the level of financial intelligence throughout your organization.

### Improved Cash Flow

With significant money at stake, it's critical that costs be properly allocated and billed promptly. Mistakes can be costly. Real-time reporting ensures proper allocation by providing users with the most accurate and up-to-date data available, ensuring nothing slips through the cracks.

When reports are based on real-time data, finance and accounting teams can quickly identify and efficiently monitor overall project expenses, WIP, and retainage.

### Improving the Accuracy of Estimates

In a world full of uncertainty, accurate estimates can be more difficult than ever. The scarcity of materials, skilled labor shortages, unforeseen compliance requirements, and fluctuating prices all combine to make a difficult task even more challenging. Traditional reports merely present historical information. Integrated real-time reporting tools, such as **Spreadsheet Server** from insightsoftware, create opportunities for additional analysis. Information from multiple systems can be combined, manipulated, and analyzed based on up-to-the-minute information from across the enterprise.

### Speeding Reconciliation and Month-End Processes

There are numerous other benefits of having real-time reporting tools. Consider month-end close processes, for example. Reconciling accounts across multiple systems typically requires a manual comparison of balances from different systems. Does WIP tie to the General



Ledger balance in the ERP system? Do monthly cash receipts and net change in receivables tie to the income statement? Month-end close tasks typically require a long checklist of such validations.

Integrated real-time reporting offers a better, more efficient way to reconcile accounts and results in dramatically accelerated close processes. Reports that pull data from multiple sources can automatically compare balances and flag variances for additional research. An integrated view of disparate systems can support this “management by exception” approach, substantially increasing efficiency and accuracy.

## **Integrating Across Multiple Corporate Entities**

Integrated real-time reporting can make it easier to perform such reconciliations across multiple corporate entities as well. With integration across the entire business, it is a relatively straightforward matter to validate

balances across multiple ledgers in a subsidiary or multi- company scenario. Once again, by enabling this management-by-exception approach, an integrated real-time reporting hub speeds up processes and makes for fast, accurate period-end closings.

## **Better Internal Controls**

With custom-designed reports that pull information from multiple systems in real time, finance and accounting managers can more easily identify suspected fraud and abuse as soon as it happens.

## **Finding the Insights that Drive Better Decision-Making**

Real-time reporting provides critical insights and enables managers to respond promptly to changing conditions. Executive dashboards offer a holistic view of your data in an intuitive, visual presentation.





## 5 Working Smarter with insightsoftware

Now more than ever, construction sector leaders are challenged with pulling together complex datasets from multiple systems that have limited integration points, or often are not integrated at all.

As a leader in enterprise performance management, insightsoftware understands these challenges. Our suite of solutions connects with over 140 different ERP and EPM systems and vertical software products, including Viewpoint, Spectrum, Sage, COINS, ProContractor, SAP, and others. Pre-configured integrations reduce your costs, shorten implementation time, and ensure

a smooth rollout of insightsoftware's financial intelligence tools across your organization.

End-user configurability is a key design principle at insightsoftware. Our products are built with a deep understanding of financial data structures, which enables finance and accounting professionals in the construction industry to easily design and configure the reports they need, without relying on IT or outside consultants. Our mobile-accessible reports provide managers with immediate visibility to key metrics, anytime and anywhere.



For years, insightsoftware has been helping construction firms work smarter and more efficiently. Here are just some of the ways that integrated real-time reporting from insightsoftware can help:

## Gain More Insights from Data

With insightsoftware, finance team members can create self-service, ad hoc reports for billing and accounts receivable, general ledger, and much more. Users can also create visualizations and drill down to the underlying details to access supporting data.

## Remove IT Dependency

Native tools (like many of the ERP vendors' built-in report writers) simply don't have the flexibility needed to address the challenges of financial reporting. They require IT experts to build and modify complex reporting formats. That process can often take days or weeks. In a rapidly changing world, that's no longer acceptable. By contrast, insightsoftware's tools allow for self-service reporting.

## Shrink Reporting Cycles

When finance and accounting can fully control the process, it opens the door to faster, more agile reporting processes throughout the organization. Period-end closings can happen faster, and ad hoc reports can take minutes instead of weeks.

## Real-time ERP Integration

Offers a single version of the truth and data that can be trusted, so important decisions such as whether to acquire a smaller construction firm, invest in new equipment, or bid on a project are based on consistent, reliable, and accurate information.

## Keep Data Secure

insightsoftware uses the security rules already established in your ERP system to ensure that information is only accessible to authorized users, and that users only see data that is relevant to their specific role.

Now more than ever, businesses across every industry must focus on agility and responsiveness. Construction is an essential industry that directly affects the lives of millions, and innovations that improve efficiency and quality can bring enormous benefits.

To learn more about how insightsoftware can benefit your organization, contact us to **[request a free demo](#)**.

## About insightsoftware

insightsoftware is a leading provider of reporting, analytics, and performance management solutions. Over 30,000 organizations worldwide rely on us to support business needs in the areas of accounting, finance, operations, supply chain, tax, budgeting, planning, HR, and disclosure management. We enable the Office of the CFO to connect to and make sense of their data in real time so they can proactively drive greater financial intelligence across their organization. Our best-in-class solutions provide customers with increased productivity, visibility, accuracy, and compliance.

Learn more at [insightsoftware.com](https://insightsoftware.com).



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