

Prepare for a Wave of Change in the Construction Industry by Embracing New Technology



The construction industry was undergoing a sweeping transformation even before the COVID-19 pandemic began. Across all trades, transformative forces were obligating everyone to rethink fundamental expectations and prepare for a future that looks drastically different than the past. The pandemic accelerated these forces in some cases and altered them in others. However, even if recent history had been completely different, the construction industry would still be on a trajectory leading it in exciting, unexpected, and important new directions.

The industry insiders at NextService and [ScaleNorth](#) have been tracking this trajectory for some time now. We believe that significant opportunities lie ahead, propelled by strong tailwinds. But there are obligations standing in the way as well, bolstered by headwinds that make change even harder to accomplish. What is clear to us and most other construction experts is that the status quo is not acceptable any longer. Everyone in construction, from the smallest contractors to the biggest builders, needs to be willing (and able) to do things differently.



That starts by seeing things in new ways. According to **Tania Large, Global Partner Manager at NextService**, “Operational visibility is consistently the core driver that our customers seek. It’s the enabler for identifying efficiency gains, gaps, resources, job management, and true gross profit. It’s especially hard for organizations that work in construction, with longer projects, more moving parts, and complex billing. It’s hard to achieve unless you have the technology stack to support it.”

In this post, we will highlight the forces having the biggest impact on the construction industry right now. Then, we will demonstrate how to adapt to those forces using technology – something that will play a much larger role in tomorrow’s construction ecosystem. With that in mind, don’t get caught flat-footed, but rather use these insights to prepare for a wave of change – and emerge stronger on the other side.

A Macro Perspective on Today’s Construction Industry

In a recent [survey](#) of 400 construction executives, 90% agree the industry needs to change, and the same number agree that the need for innovation has been

amplified over the last 5-10 years. Making matters more difficult, the imperative to change is coming from multiple facets of the construction market, including:

- Cost pressures arising from constrained public spending alongside pressure to construct more affordable housing.
- A rising need for adaptable structures in response to changing weather patterns, growing mandates for energy efficiency, and the widespread embrace of digital technology across the built landscape.
- Shifting asset classes as demand retreats from commercial office spaces and swells around residential construction, often in previously under-developed markets.
- More demanding customer expectations around the performance, cost, sustainability, and speed of construction projects.
- Scarcity of skilled and unskilled labor making it harder to complete projects on time and within budget.
- Evolving logistical requirements in response to new materials and construction methods that are coming online right now or moving quickly towards maturity.
- Stricter regulations for health and safety, including new expectations arising from the pandemic.
- Increased competition throughout the construction industry from new entrants backed by venture capital.
- Changing rules and incentive structures designed to make all aspects of construction more standardized.



Most construction companies have felt some, many, or all of these pressures to one extent or another. Estimates suggest that up to 45% of incumbent value may be in jeopardy. Learning that almost half a company's value could disappear in coming years should be cause for alarm – but there are reasons to be optimistic as well.

As much as \$265 billion in new profit pools will be up for grabs among companies that adapt fast and outperform their competition. The outlook varies depending on the micro-vertical a company operates within and the asset classes it serves. That said, it will be incumbent on *anyone* that constructs, installs, maintains, repairs, or otherwise services the built world to respond to disruptions that are already in progress. To put this imperative into perspective, consider that productivity growth in construction has been just 1.0% in the last two decades compared to 2.8% for the total economy. It is clear that construction must do better, and the pandemic only underlines that fact. Necessary improvements will manifest themselves in multiple ways:

- **Products Over Projects** – A shift towards modular or custom-built materials constructed off-site will increase efficiency over the project-based approach of the past where most materials were 100% unique.
- **Specialization** – Companies can gain a competitive advantage by specializing in particular niches they serve – luxury housing, hospitals, etc. – or specializing in materials and methods they use.
- **Value Chain Management** – Vertical integration and strategic partnerships empower companies to control or manage more aspects of the value chain, which will help to regulate rising costs and minimize supply chain delays.
- **Multi-Line Businesses** – For many businesses, construction is only one of many business segments which must be accounted for as a revenue stream. For example, a wholesale distributor may find significant value in also operating a construction segment, and all business segments must be accounted for in the company's financials.
- **Consolidation** – Companies can achieve the scale necessary to specialize and innovate by consolidating. However, when consolidation isn't possible or desirable, companies must find alternative ways to either fund or facilitate the changes they must make.
- **Customer Engagement** – As companies specialize and focus increasingly on products, they will need to adopt an identifiable brand that is consistent across all aspects of service delivery. In every industry, construction included, strong brands excel at retaining current customers and attracting new ones.
- **New Investments** – To keep up with the speed and scale of change, companies will need to invest in new technology, equipment, or even facilities. Some companies will invest in R&D to innovate from within. Others will spend on proven upgrades with established ROI.
- **Human Resources** – Evolving companies require new staff or, if labor shortages continue, the reskilling of existing workers. In both cases, it will be important to make companies an attractive place to work while ensuring that each employee, in the field or in the office, can maximize their individual contribution.
- **Market Expansion** – Companies have the means to move into new markets as they become more efficient, flexible, and identifiable.

Conversely, they have a mandate to investigate new opportunities as competition for customers increases.

- **Going Green** – Calls for more sustainability will create business opportunities for some companies like solar panel installers. For everyone else, though, the green movement creates an incentive to use sustainable materials and methods while making it harder to continue without positioning sustainability as a priority.

In the same survey of construction executives referenced earlier, the vast majority (75%) agreed that all the changes outlined above are likely to occur, many within just five years. For a construction industry in flux, having a map for how to proceed forward represents a huge asset. But it raises a difficult question – how will companies transform as quickly and completely as their competitive advantage requires?

Transformation Comes Easy with the Right Technology

For decision-makers watching the construction industry transform, knowing what to do first and which measures to prioritize can feel extremely uncertain. Ignoring these calls to action isn't an option. But neither is making the *wrong* changes or investment.

Before anyone rewrites their business strategy or switches up service delivery, it is important to have tools in place that can both inform and facilitate the many changes yet to make. Construction has been slower to adopt connected technologies than other industries. That needs to change. Companies with integrated technology that connects the back office, the front office, and everyone in the field makes all the changes we have outlined in this piece possible. Arguably, they are *only* possible when an entire company uses the same tools and data. Anything less makes change, especially transformational change, much harder ... when it's possible at all.

Some companies are ahead of the curve, though. And while they span across different corners of construction, they have a robust tech infrastructure in common. All indications suggest a company's first and most important change

should be technological. That may mean adding complementary tools to an existing ERP like [NetSuite](#). Or it may mean adopting an ERP for the first time, along with add-ons for construction administration and field service delivery.



David Lasky, Managing Director at ScaleNorth, illustrates the tremendous potential of tech-driven construction, not just for operational excellence but for overall competitiveness. “Technology offers the ability for construction companies to provide visibility to their customers, whether that’s a building owner or a general contractor. Currently, customers just get an invoice or percent-to-completion figure. There’s technology that can wire

into NetSuite that could greatly facilitate communication and transparency with arguably the greatest constituent, the customer, which is a real differentiator for construction companies that can crack the code.”

Confirming the importance of digital transformation in construction is [data](#) showing that spending on transformation will grow from \$9.7 billion in 2019 to over \$29 billion as early as 2027. Even if technology represents a new and rising cost, it is one that forward-thinking companies think is justified by the current climate and future outlook. To help understand why, consider a few ways that best-of-breed [SuiteApps](#) integrated with a comprehensive ERP helps adopters accomplish (not just attempt) the improvements they need to make:

- **Efficiency** – Greater synchronization between service delivery, project management, and business administration leads to efficiency gains in all three. Companies that need to control costs, streamline value chains, or optimize service delivery can do that (and much more) by integrating the underlying parts onto one platform.
- **Mobility** – Working from multiple sites at once represents one of the oldest challenges in construction. Integrate technology that extends to mobile devices keeps everyone in the field closely linked to the home

office, resulting in fewer errors and delays and more chances to turn exceptional services into increased revenue.

- **Visibility** – Transformation can't happen without a clear view into everything happening inside an organization. Visibility – in the form of greater access to more data – gives decision-makers better insights into what can and must change, how to orchestrate that effort, and whether it is working.
- **Scalability** – Technology helps a company scale as quickly and extensively as it can without compromising the work it does in all departments. At the same time, the insight, innovation, and efficiency that technology promotes helps foster the conditions that make growth possible and then sustainable.
- **Marketability** – Customer engagement improves when construction companies become known for precision, efficiency, and consistency. They can retain more customers, attract plenty of new ones, and begin to establish a brand that differentiates them in a crowded market of similar companies.
- **Best-of-Breed** – Integrating best-of-breed technologies optimizes a construction-centric solution.

The Future of Construction Starts Now

Construction companies fall farther behind for every day they continue business as usual. This is no time to be complacent or content, even if the past few years have been prosperous ones. The moves a company does (or doesn't) make right now will affect its success for years to come, either giving it a competitive resurgence or dooming it to irrelevance. Prepare to thrive in tomorrow's construction industry by taking the logical next step: upgrade and integrate the tech infrastructure to be the foundation for the future