

constructivesolutions

A division



THE ANSWER COMPANY

2021 Construction Industry Survey

Economic Rebound from COVID



Prepared by Constructive Solutions, a division of The Answer Company.

October 2021

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EXECUTIVE SUMMARY

As the construction industry moves beyond the most challenging phase of the COVID-19 pandemic, many contractors have begun looking at how to take on new projects and increase hiring as the economy rebounds. The pandemic has forced businesses across all construction verticals to make abrupt changes to normal operating procedures in order to keep employees safe and projects running with as little disruption possible.

Earlier this summer, constructivesolutions, a division of The Answer Company, reached out to construction firms across Canada seeking insight on how their businesses have been impacted by pandemic, specific to challenges relating to COVID safety protocols, construction project timelines, hiring trends, revenue forecasts, and mobile and cloud-based technology usage. About 100 Canadian construction, real estate development and engineering firms shared their feedback on what they have experienced. Those responses point to overall construction industry revenue having moved beyond pre-COVID levels for the majority of contractors and that hiring is also picking up.

As anticipated, the highest impacts on construction during COVID relate to higher material costs, project delays, a shortage of skilled labour, and project risks associated with maintaining COVID-19 safety mandates. At this time, most construction firms anticipate increased headcount and revenues coming out of the pandemic. Over 80% of all construction firms expect to utilize some form of mobile application or ERP solution to manage the construction rebound in the coming year.

Signaling that the most challenging part of this pandemic is likely behind us – a mere 7% of companies expect a decrease in headcount in the upcoming year and close to 60% have already met or plan to exceed pre-COVID revenue levels before the end of the year.

Included below are the key findings of the survey, along with the full detail of the survey responses in the [2021 Construction Industry Survey](#).



Patrick Baker, President, constructivesolutions

HEADCOUNT

While 54% of contractors and 70% of subcontractors are anticipating a need to grow headcount in the coming year, the reality is that hiring challenges continue to plague the industry. The construction industry has a historical turnover rate of around 25% and Canada's skilled tradespeople shortage is a growing concern due to the waning interest in the construction trades from new generations and the retirement of more veteran tradespeople magnifying the issue.

A survey of the Canadian Federation of Independent Business (CFIB) members reported a shortage of skilled workers was the most common impediment to sales or growth, with 38% of businesses reporting difficulties.

Even before the pandemic, construction companies were faced with challenges in prioritizing business requirements based upon specific budget constraints and company goals. For many the choice was between hiring more employees or allocating financial and personnel resources towards implementing construction technology to become more efficient within existing staff levels.

This combined with the impacts of the pandemic has seen companies being thrust into a rapidly changing work environment while now managing the rebound coming out of the pandemic.

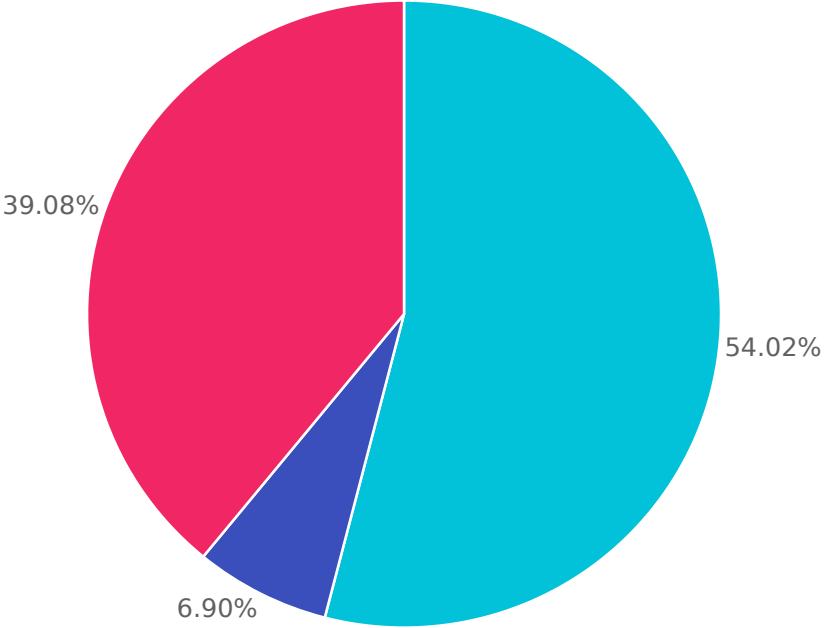
Now more than ever, businesses need to work more efficiently – automating processes, refining best practices, and better monitoring and managing budgets to prepare for the future and to help offset some of the anticipated need for increased wages or strain of employee shortages.

“Competition for workers is going to really put upward pressure on wages ... Are businesses healthy enough to handle that?”

Brendon Bernard, Senior Economist,
Indeed Canada

Q: What changes do you expect in your firm's headcount in 2021?

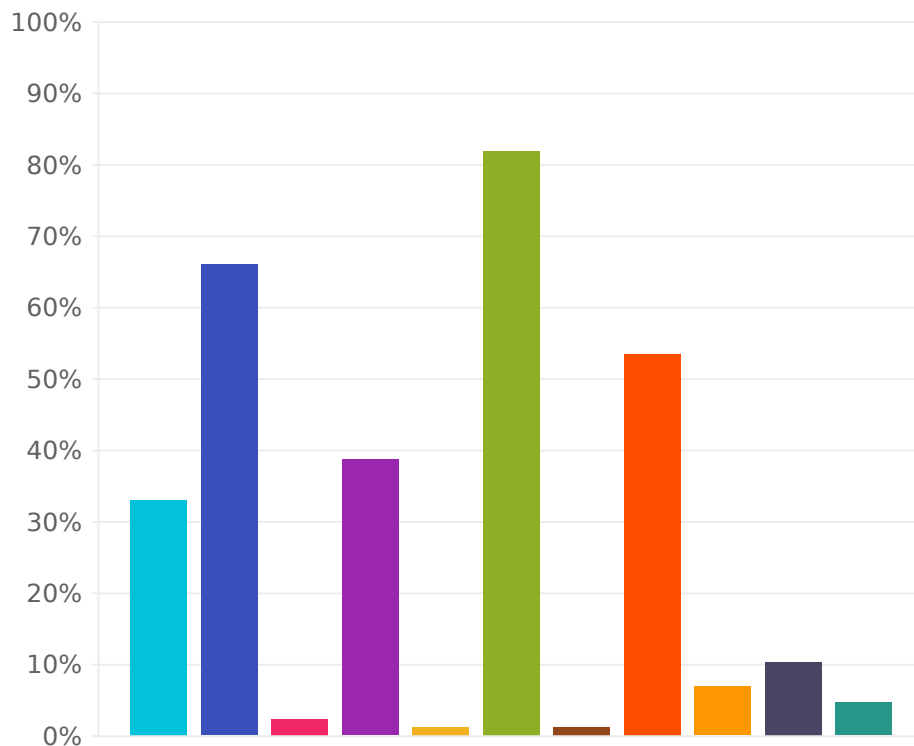
- Increase
- Decrease
- No change



PROJECT IMPACTS

The pandemic caused some short-term challenges in the industry shown by the survey results, with 81% of respondents having higher-than-anticipated costs and nearly $\frac{2}{3}$ seeing projects take longer than anticipated. Many construction companies now have large backlogs due to high demand and constraints on resources. Real-time visibility on the jobsite and in the office is crucial. Connected construction ERP technology offers the best way to increase efficiencies and monitor budgets.

Q: What impact has the pandemic had on your projects for 2021 and beyond (if any)?



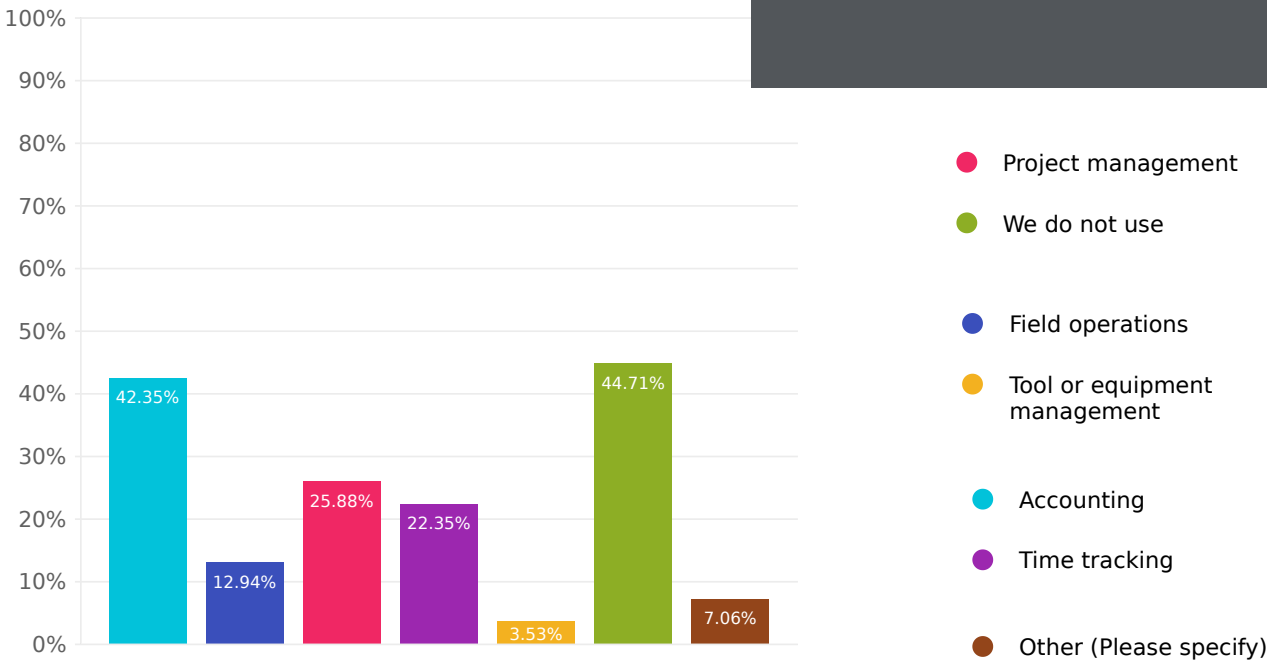
- We have won new projects or add-ons to existing projects
- Projects have taken longer than we anticipated
- Projects have taken less time than we anticipated
- We have put longer completion times into our bids or contracts
- We have put shorter completion times into our bids or contracts
- Costs have been higher than we anticipated
- Costs have been lower than we anticipated
- We have put higher prices into our bids or contracts
- We have put lower prices into our bids or contracts
- No impact
- Other (Please specify)

CLOUD TECHNOLOGY ADOPTION FOR ACCOUNTING/PROJECT MANAGEMENT (PM)

Prior to 2020, the construction industry had been slower to adopt technology than other sectors of the economy but due to the disruption the pandemic wrought, and as we see the economy recover, we are seeing an increase in ERP technology adoption. Organizations that embrace cloud technology have gained an early competitive advantage, are better positioned to compete and are more agile in the volatile environment that has become the 'new normal'.

Based on our survey results, only 55% of firms use some type of cloud technology for their construction financial and project management needs. Specialty contractors lead the way in cloud technology adoption at 68%.

Q: Does your firm use cloud-hosted technology for any of the following?



Every decision made in the field can incorporate accounting data, and every decision made in the back office can include field intelligence to drive coordinated, strategic outcomes.

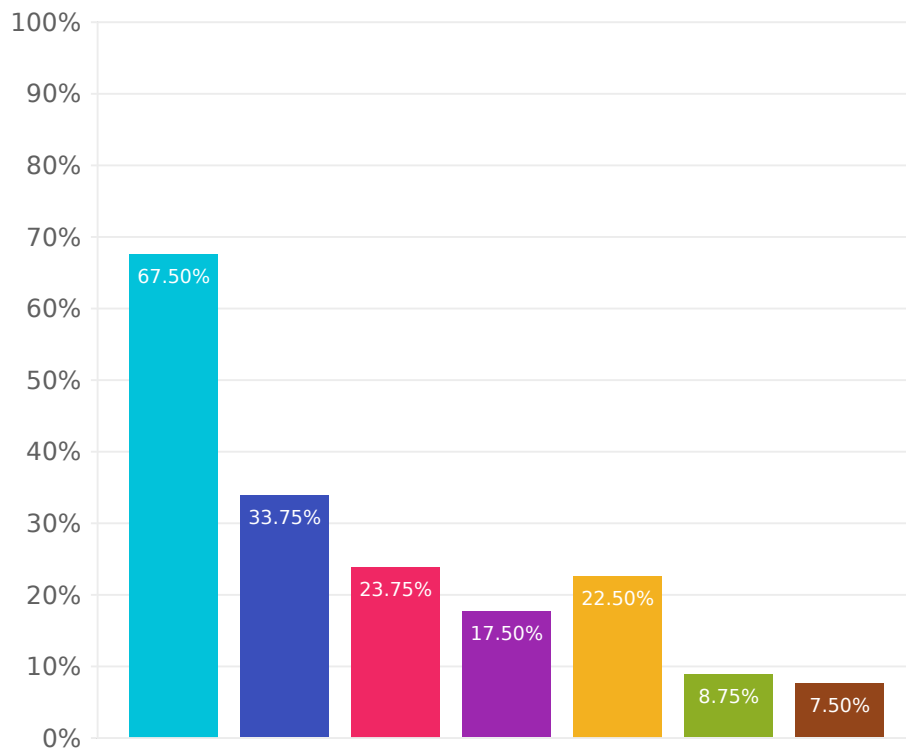
-Ajoy Krishnamoorthy,
Vice President of
Platform Strategy,
Acumatica

TOP CHALLENGES

As has been common with other industries throughout the pandemic, the question of labour availability, supply chain disruption and new health and safety measures rang true in the construction industry, too.

Some 68% of companies had challenges with labour shortage/inexperienced workforce, 34% were impacted by the steps needed to minimize risks from COVID-19, and the 3rd most common response was safety hazards caused by 3rd parties impacting work – 24% of companies.

Q: What challenges, if any, do you see regarding the safety and health of your firm's workers (mark all that apply)?



- Inexperienced skilled labour/workforce shortage
- Steps needed to minimize risks from coronavirus
- Safety hazards created by third parties (e.g., nonemployees potentially spreading coronavirus on jobsite)
- Poor subcontractor safety and health performance
- Lack of cooperation from government agencies or regulators
- Low quality of available safety and health training
- Other (Please specify)

PROJECT TIMELINE IMPACTS

Approximately 40% of construction companies surveyed have not seen any projects cancelled since the pandemic started, while 30% have seen projects pushed out to 2022. The biggest impact on project timelines has been with subcontractors, who have seen more delays than other groups, but this appears to be on the rebound as they now lead the way in post-pandemic hiring plans.

While some delays can be directly attributed to the pandemic itself, those delays are further magnified by a lack of visibility between field, office and third-party stakeholders stemming from disconnected legacy construction applications.

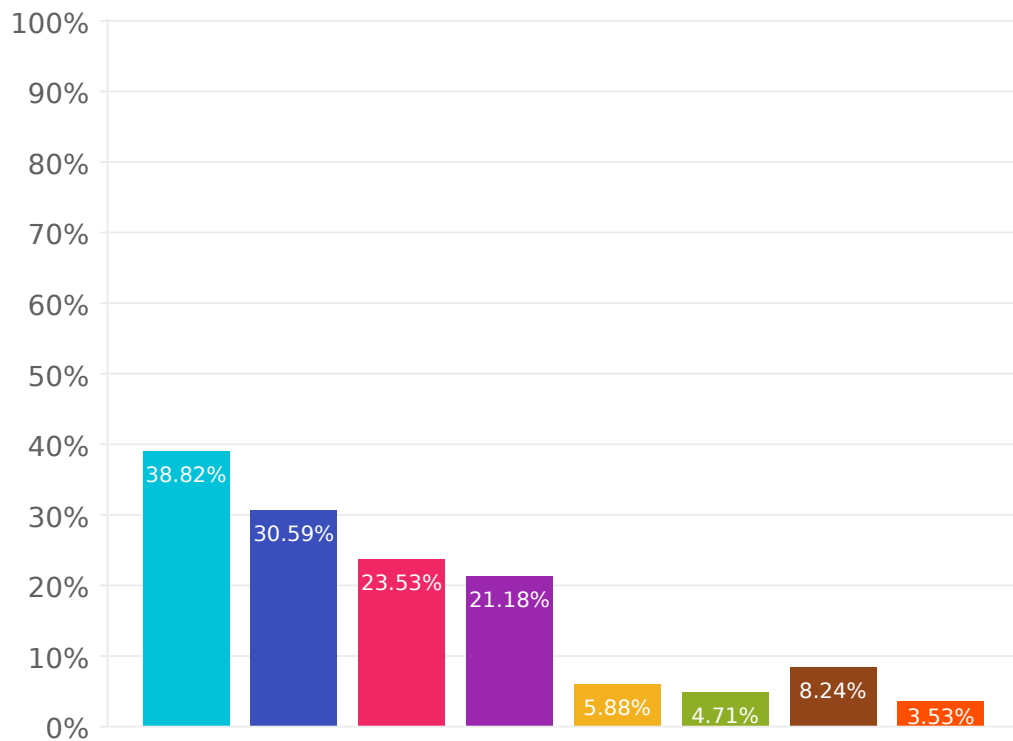


“People often think of project execution as being separate from project accounting, when they are really two sides of the same coin. When gaps exist between accounting and operations systems, teams must not only spend extra time entering and reconciling information—they are also forced to make decisions without the information they need.”

-Tooy Courtemanche,
Procore founder and CEO.

According to [Procore's 2020 Construction Technology Report](#), over 50% of companies are still relying on spreadsheets to manage many ERP workflows. This can lead to double-data entry, costly mistakes, and can create a delay in delivering data back to the accounting team – potentially impacting subcontractors' payment, account reconciliation, and change order processing because decisions are being made based on incomplete data sets.

Q: Did an owner postpone or cancel any projects that were scheduled to start in 2021 or 2022? (Mark all that apply)



● No projects have been postponed or canceled

● Scheduled to start in January-June 2021 but postponed

● Scheduled to start in July 2021 or later but cancelled

● Postponed from 2021 to 2022

● Scheduled to start in January-June 2021 but cancelled

● Other (Please specify)

● Canceled; not rescheduled

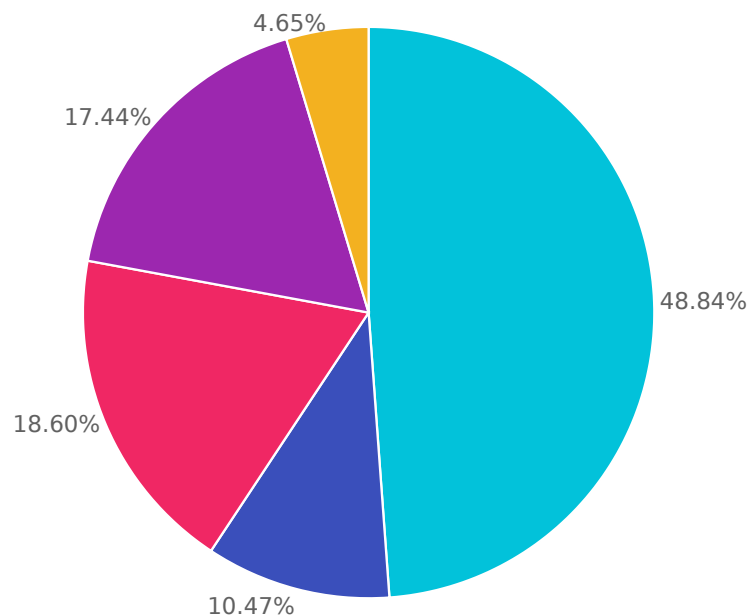
● Scheduled to start in July 2021 or later but postponed

REVENUE RETURNING TO PRE-COVID LEVELS

Survey results point to a rebound to pre-COVID levels, with 60% of contractors already seeing revenue match or exceed levels they achieved prior to COVID-19, or they will before the end of 2021.

ConstructConnnect reports house starts in Canada of +50.5% year-over-year growth. In preparation for the construction spike after 2021, many construction companies are already negotiating contracts and discovering new projects, but with growth comes complexity. As your construction firm grows, so does the size and number of projects – as well as an inevitability of having to onboard a large number of subcontractors. [Cloud construction management software](#) can transform your construction business and create a profitable environment where both your customers and employees are happy.

Q: When do you expect your firm's volume of business will return to its normal level relative to one year earlier?



● Volume of business already matches or exceeds year-ago level

● 1-6 months

● More than 6 months

● Don't know

● Other (Please specify)

BIGGEST CONCERNS FOR 2021 & BEYOND

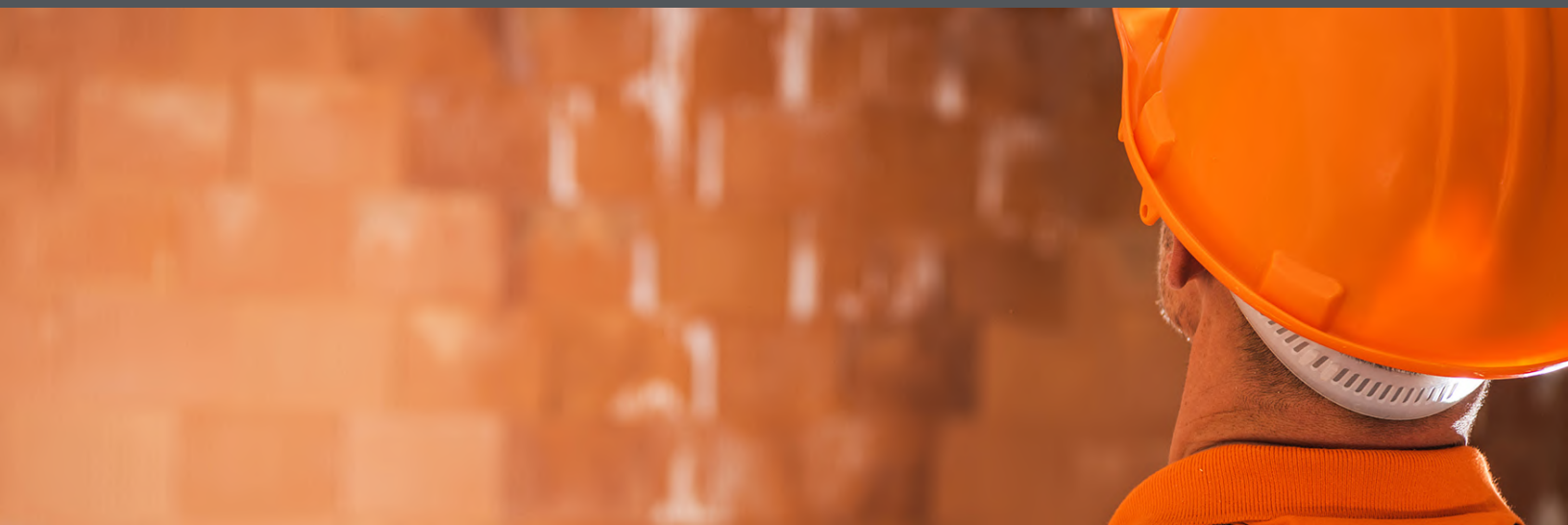
Material costs were the number one concern for companies – 91% of companies. Worker shortages impacted 60% of companies, subcontractor availability in 44%, and rising labour costs at 36%.

General contractors and specialty contractors can mitigate the fluctuating material costs with accurate cost estimating, which enables them to have more visibility on profitability.

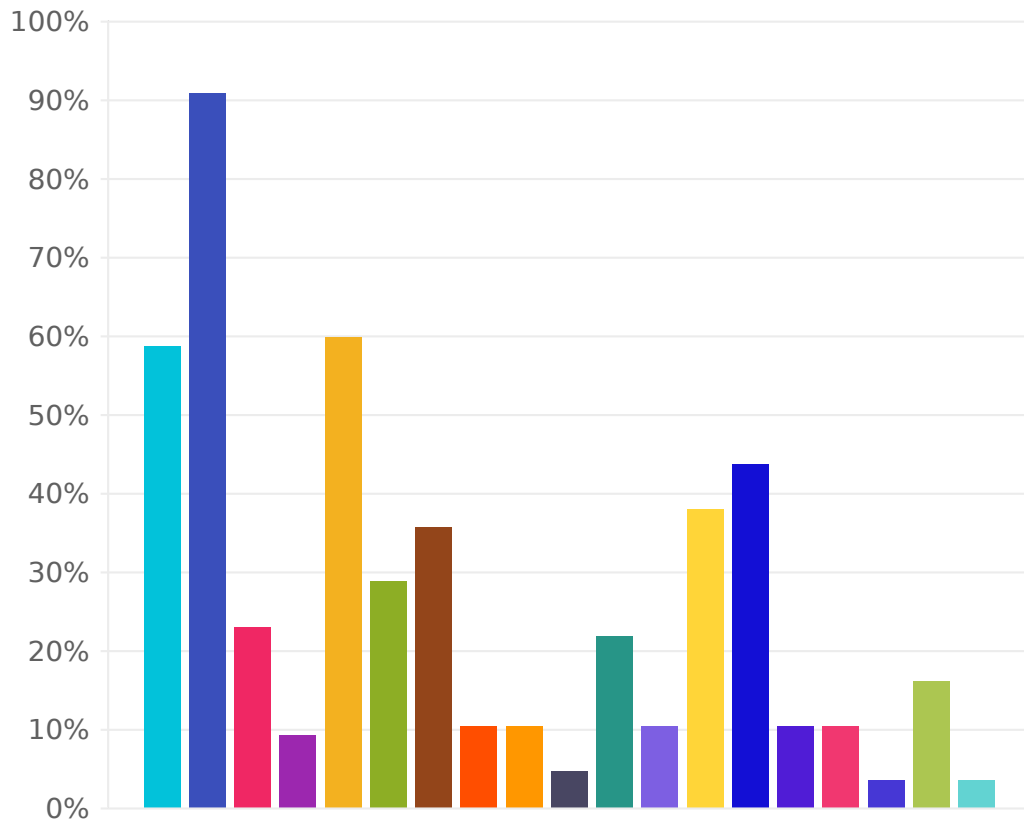
Gain insight into your pre-construction bidding process by using a formalized construction estimating database, providing your company with historical data on completed projects in order to negotiate the best price with your vendors and subcontractors.

“With Sage Estimating and eTakeoff, I’ve created a situation where the owner can focus on the overall direction and strategy of the business without being involved in every detail of its running... and reduce estimating time by an additional 50 percent”

-Michael Seay, president, Seacon Construction



Q: What are your biggest concerns for this year/next?



- Continuing impact of pandemic on projects, workers, or supply chain
- Material costs
- Increased competition for projects
- Not enough private sector work
- Worker shortages
- Worker quality
- Rising direct labour costs (pay, benefits, employer taxes)
- Federal regulations
- Inadequate funding for infrastructure
- Inadequate legal protection against unwarranted coronavirus-related claims from worksites
- Provincial and local regulations
- Inadequate funding for public building projects
- Other costs (e.g., trucking, insurance, services)
- Subcontractor availability or quality
- Safety
- Inadequate construction career education and training
- Relations with owners, subs and/or vendors
- Impact of border closure on labour supply
- Other (Please specify)

BIGGEST IT CHALLENGES

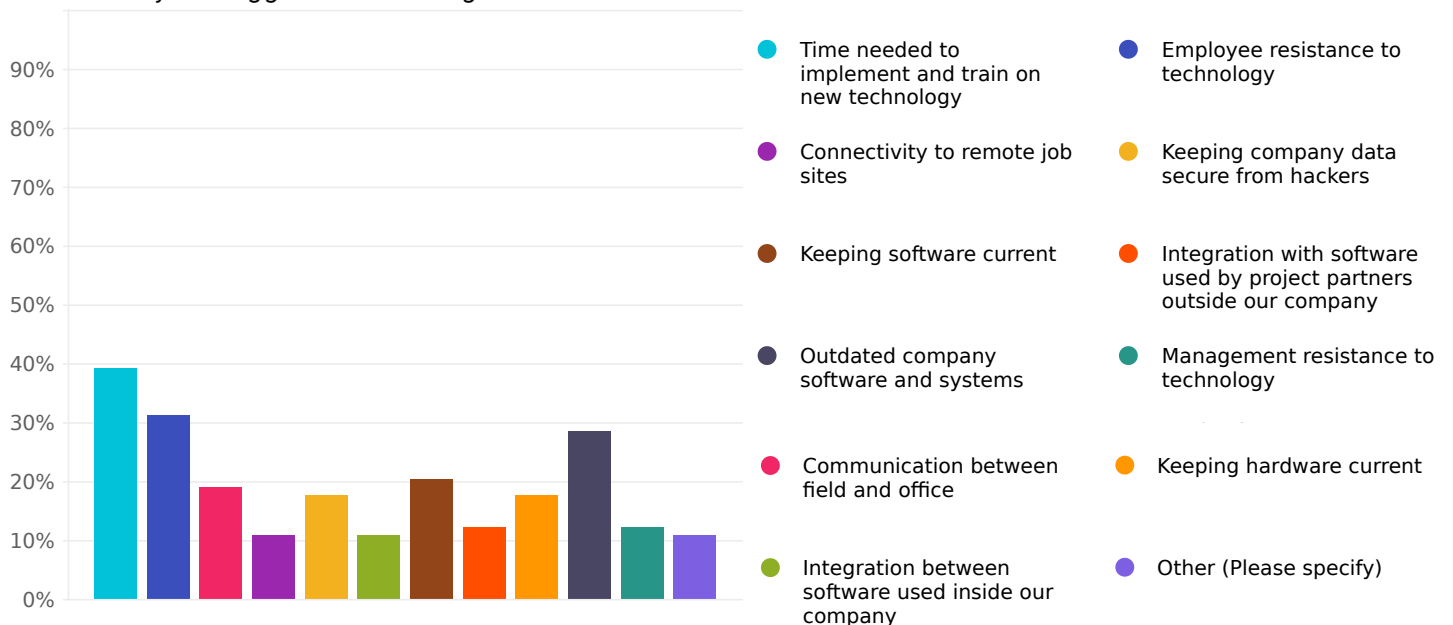
40% of companies said time to implement/train on new technology is the biggest reason they have held off from implementing new technology, followed by 31% who said employee resistance to technology has impacted their business, while 28% say outdated software & systems have impacted their organization.

Every year constructivesolutions works with over 50 contractors across Canada, implementing construction ERP software to increase visibility and profitability. Our tried-and-true implementation methodology and phased implementation approach minimizes downtime and leverages best practices that our expert ERP consulting team have developed. Remcan, for example, was up and running and seeing benefits within six weeks.

Business leaders that clearly communicate the benefits using new technology and positive impact on the organization, as well as the individual employee, encounter less resistance and quicker adoption with employees. Furthermore, today’s best cloud construction software, such as Acumatica, which is ranked #1 for usability, makes the move as frictionless as possible.

Acumatica cloud ERP ranked highest (out of 11 leading ERP systems) in Customer Satisfaction and ranked #1 in eight Momentum, Usability, and Relationship reports within the categories of Accounting, Distribution, ERP Systems, and Project-Based ERP. Acumatica on Top: G2 Users Rank Acumatica Cloud ERP Highest in Customer Satisfaction | Acumatica Cloud ERP.

Q: What are your biggest IT challenges?



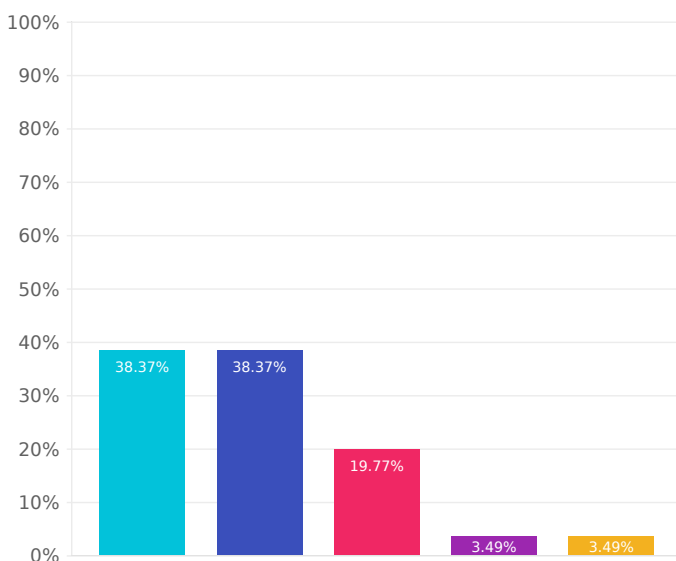
TECHNOLOGY STRATEGY

With so much uncertainty initially caused by the pandemic, it is crucial to have a plan for what you can control, so that your company will not need to constantly catch up. Our survey found that 58% of companies surveyed realize the importance of futureproofing their business – showing that they have or plan to create a formal IT plan to support business growth in the coming year.

The pandemic has accelerated technology adoption across the construction industry.

Constructivesolutions has seen an increase of 65% year-over-year in cloud technology adoption as businesses scrambled to cope with the disruptive events and immediate shift to the working environment caused by COVID. Forward-thinking leaders recognized the strategic advantages of embracing cloud technology to minimize risk and gain a competitive advantage in the challenging environment.

Q: Does your firm currently have a formal IT plan to support business objectives?



“The next generation of construction leaders are demanding ‘anywhere – anytime’ access to their information, and Acumatica’s unique unlimited user licensing brings all team members together on a single platform.”

-Patrick Baker,
President,
constructivesolutions

- Yes
- Don't know
- Not yet
- No
- Other (Please specify)

VISIBILITY INTO COMPANY FINANCIALS

In the construction survey, companies not using cloud ERP were much less likely to have visibility into their corporate financials vs those who are. About ¼ of companies not using cloud ERP reported not knowing where their organization was financially.

Key to every profitable construction project is the ability to keep track of costs from pre-construction onward and make sure those estimated costs for supplies, equipment, and subcontracts remain as consistent as possible when bidding on potential jobs. While manual calculations are doable, it is highly likely that you will encounter errors and inconsistencies. Using a [construction ERP solution](#) across all your projects allows you to monitor revenue and profit estimations throughout the project. At the end of a project, easily compare gross margin numbers and measure it beside several other metrics that are automatically calculated and displayed in comprehensible and concise reports.

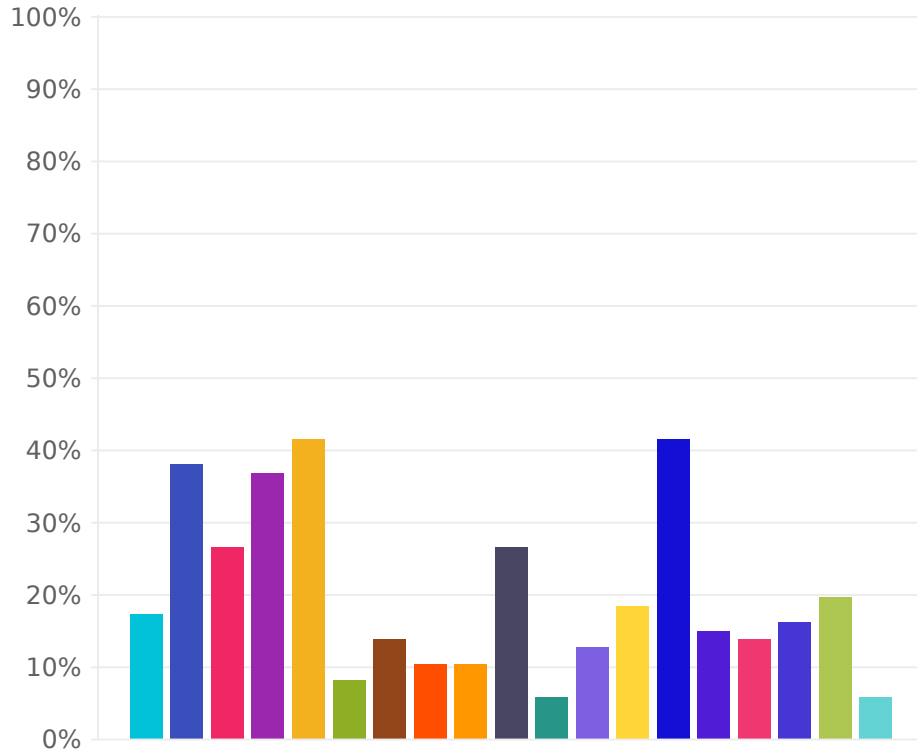
- Recently, we helped Canadian railway contractor Remcan realize the benefits of full financial integration between field and office, resulting in both time and money saved.

“We’re now able to run reports and analyze data in a much more meaningful way to support our strategic decision making.”

-Andrea Deakove, Project Lead, Remcan



Q: When do you expect your firm’s volume of business will return to its normal level relative to one year earlier?



- Equipment tracking
- Scheduling
- GPS tracking (e.g. fleet tracking)
- Daily field reports
- Employee time tracking and approval
- Processing payments in the field
- Processing service work orders in the field
- Inventory tracking
- Material acceptance at job site
- Estimating/eTakeoff
- Building Information Modeling (BIM)
- Reports to owners, regulatory compliance reports
- Access to customer and job information from the field
- Sharing of drawings, photos and documents
- Access to job cost and project reports from the field
- Punch lists
- RFI/Issue tracking
- No plans to use
- Other (Please specify)

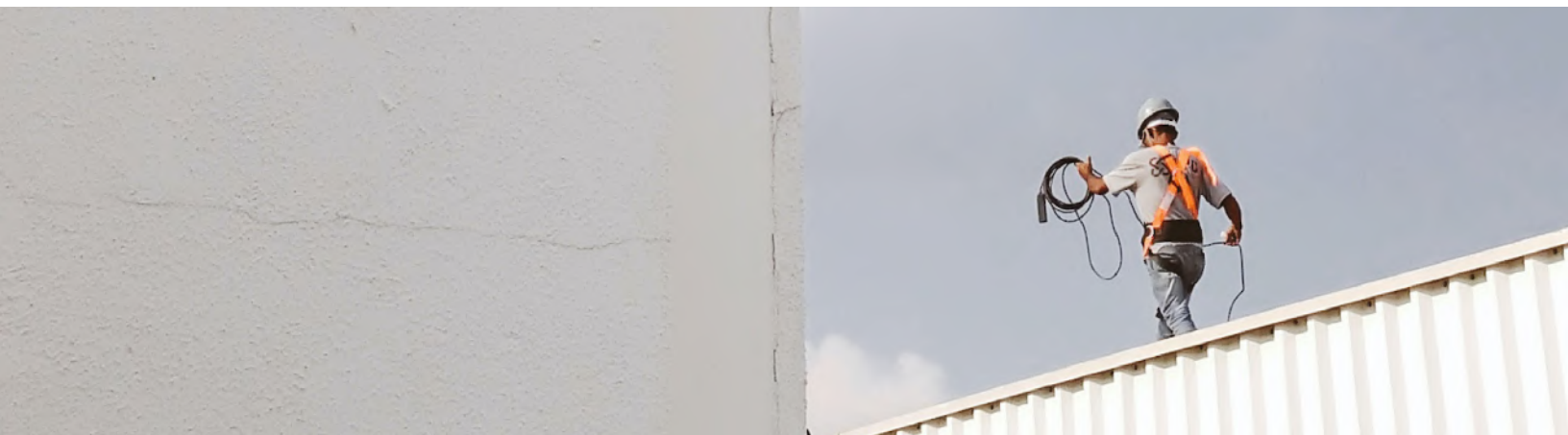
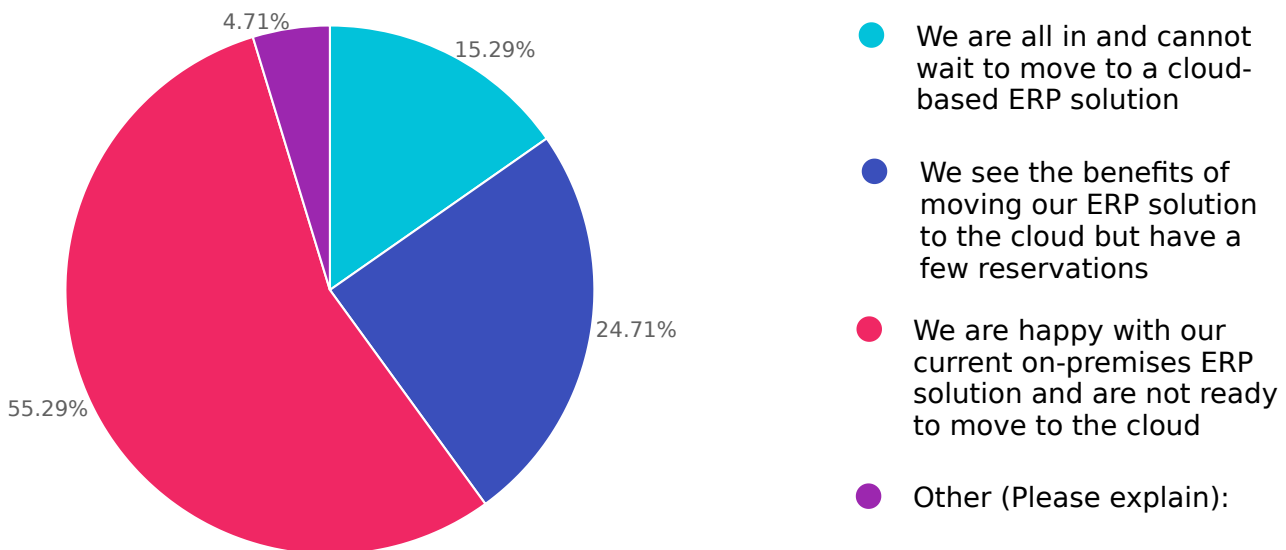
TOP USAGE OF MOBILE CONSTRUCTION TECHNOLOGY

Construction Financials 45%, Employee time tracking – 42%, Project document sharing 41%, Estimating 27%.

Overall, 82% of all construction firms do or plan to use some mobile applications to manage their projects.

These statistics speak to the rapid digital transformation underway within the construction industry and how companies investing in technology are gaining a competitive advantage over those that are on the sidelines. Technology adopters are reporting increased efficiency, productivity and improved decision making.

Q: How does your company plan to use mobile software technology? (Mark all that apply)



ABOUT CONSTRUCTIVESOLUTIONS

Canada's premier Construction Software Partner, based in New Westminster, BC. Providing 'best of breed' solutions that connect financial management with field operations and project management, giving clients the power to manage all stages of the job in real time.

With over 750 Canadian construction & real estate clients, Constructive Solutions is the largest construction industry vendor in Canada and, a trusted technology partner with a proven record of accomplishment in software sales and solution implementations.

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While cloud technology is the future of the industry, we understand that every construction business is different, and you may not be ready to move to a native cloud solution yet. We believe in the power of choice and are here to support you with the right technology for wherever you may be on your construction ERP cloud journey.



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