

# Construction in Transition:

Insights from 550+ Industry Leaders



## Executive Summary

The construction industry is undergoing significant transformations amidst unprecedented challenges and opportunities. “Construction in Transition: Insights from 550+ Industry Leaders” provides a comprehensive analysis gleaned from surveying decision-makers within the construction sector. The study delves into critical aspects such as financial health, workforce shortages, customer expectations, and the industry’s readiness for digital transformation.

The findings underscore a dynamic landscape where construction firms grapple with labor and material shortages, compliance complexities, and supply chain disruptions, all exacerbated by the lingering effects of the COVID-19 pandemic. Additional concerns include cash flow management, risk mitigation, and skilled labor recruitment and retention. Despite these challenges, a sense of optimism prevails, with 83% of construction leaders expressing confidence in their companies’ ability to adapt to changing market conditions.

Workforce challenges loom large, with increasing wages and limited training programs hindering talent acquisition and retention. However, respondents express confidence in the skill level of their workforce for the future, underlining the industry’s resilience and adaptability.

Communication and collaboration continue to emerge as pivotal factors for project success and customer satisfaction. Leveraging collaborative project management software, regular team meetings, and remote communication technologies are referenced as effective strategies to address communication challenges among project teams and stakeholders.

With consumer behavior driving heightened expectations for digital tools in construction projects, firms face the imperative to deliver immersive digital experiences. The integration of sustainable practices and workforce diversity initiatives not only aligns with evolving customer preferences but also enhances competitive advantage and fosters long-term success.

Despite all of the challenges, the construction industry stands at a digital turning point, poised to enhance efficiency and innovation through digital transformation. By investing in technology, developing digital skills, and embracing modern ERP solutions, firms can navigate present challenges and shape a brighter, more resilient future for the industry and the communities it serves.

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Construction firms today are facing unprecedented changes and challenges. Both labor and materials are in short supply – and more expensive than ever – causing unforeseen project delays and cost overruns. Adding to that are shifting compliance processes, supply chain disruptions, and higher levels of risk – all across core business functions and processes such as contract management, collaboration and communication, community and government relationships, and costs and quality. What is evident is that the construction industry is in a state of transition, prompting a need for insights from decision-makers in the sector to guide firms through this transformative time.

Our study, “Construction in Transition: Insights from 550+ Industry Leaders,” aims to shed light on the key

challenges and opportunities through the eyes of those making operational and organizational decisions every day. It highlights challenges in financial health, workforce shortages and customer expectations, while emphasizing the industry’s commitment to data and financial health, digital investment and innovation, employee development, and sustainability to manage these areas effectively.

While navigating change and complexity is what construction leaders are familiar with, many are still managing the aftermath of effects of the COVID-19 pandemic. In fact, the majority (65%) of decision-makers we surveyed in the construction field say that the industry is still playing catchup after the global pandemic.

## In your opinion, is the construction industry still playing catchup post-COVID pandemic?

**YES**

**65%**

**NO**

**35%**



Despite some unrest, **83% of construction leaders express confidence in their companies' ability to adapt to changing market conditions.** A significant majority of respondents (54%) also remain optimistic about the industry's outlook over the next five years, reflecting a sense of resilience and readiness amid uncertainty.

External factors are still very much at play, however. **Many are worried about how the 2024 U.S. presidential election might impact construction, with 63% expressing concern.** This underscores the industry's close connection to broader social and political shifts, emphasizing the need to plan for contingencies.

## Are you concerned that the 2024 U.S. presidential election outcomes will negatively impact the construction industry?



Even with these external concerns, our survey reveals a notable sense of optimism within the sector, as demonstrated by the overwhelmingly positive assessment of financial health among construction businesses.

## Checking on the Financial Strength of the Construction Sector

The financial well-being of individual construction firms is vital for gauging industry resilience. Fortunately, our survey shows that 91% of respondents rate their construction businesses' financial health as average or above, signaling overwhelming optimism despite existing challenges.

### How would you rate the current financial health of your construction business?



While optimism prevails regarding financial health, industry leaders are still facing significant challenges threatening their business and the broader industry. To cite an example, cash flow management emerged as the primary concern, highlighting the delicate balance required to sustain liquidity before, during and after projects. Risk management closely followed, emphasizing the need for proactive strategies to address uncertainties common in construction projects. Additionally, the persistent challenge of retaining skilled labor highlights the financial strain imposed by not being able to recruit or retain the skilled workers they need for their projects.

### What is the primary financial challenge you face in the construction industry?

| Top-Five Answers (In Order) |                                  |
|-----------------------------|----------------------------------|
| 1                           | Cash flow management             |
| 2                           | Risk management                  |
| 3                           | Retaining skilled labor          |
| 4                           | Project cost overruns            |
| 5                           | Tendering and bidding challenges |

With these as top financial concerns, it's no wonder that many in the industry are planning to leave their current software partner(s) for more tailored offerings.

# Reviewing Workforce and Worksite Challenges and Outlook

Regardless of industry, a company's workforce is critical to competitiveness, business continuity and culture. For construction especially, worksites cannot operate without them. Our survey of over 550 construction decision-makers highlights a range of challenges that are significantly impacting their workforce and worksites.

Thirty-eight percent of respondents cite increasing wages as a primary hurdle, reflecting the intensifying competition for skilled labor and competitive compensation.

Limited training and development programs exacerbate the talent shortage, with 28% of respondents identifying this as a key challenge. The absence of robust training initiatives impedes skill acquisition and career advancement and also undermines long-term workforce adaptability and agility.

Cultural or leadership issues also emerge as a concern, albeit to a lesser extent, with only 4% of respondents citing them as barriers to attracting and retaining skilled personnel. Addressing these underlying issues requires a holistic approach that creates a positive employee experience for staff which helps the firm recruit and retain the best to bid for and win the best projects.

Despite these challenges, **a majority of respondents (78%) express confidence in the skill level of their workforce for the future of construction in the next decade.** This optimism once again proves the industry's resiliency to adapt to change including welcoming in new generations.

## Do you believe your workforce is properly skilled for the future of construction in the next 10 years?



### What challenges do you face in attracting and retaining skilled personnel for your construction projects?



For the 15% of construction firms with noticeable generational gaps, they must adopt proactive strategies to address workforce shortages and enhance their competitive positioning. With aging workers exiting the workforce, organizations must prioritize succession planning and talent development initiatives to ensure proficiency and progress.

## Improving Communication & Collaboration in Construction Today

A critical part of a project's success and customer retention is communication and collaboration both internally and externally – and today's customers and employees expect both to be seamless, and in many cases, digital.

In fact, collaborative project management software has become the top choice for construction companies to tackle communication challenges among project teams and stakeholders. **Twenty-eight percent of respondents found the software most effective in enhancing team coordination**, followed by regular team meetings, and then remote communication technologies. These meetings serve as forums for discussing progress, addressing issues and finding alignment on objectives, ensuring clarity and accountability throughout the project lifecycle.

Thanks to the diverse array of tools and strategies employed, an overwhelming majority of respondents **(85%) believe they effectively communicate and collaborate with stakeholders during projects**. This high level of confidence is likely multifold. While it certainly shows the industry's commitment to fostering open communication channels, it also shows their willingness to leverage technology to overcome communication barriers. Their willingness likely increased during and after the COVID-19 pandemic when there were little choices beyond communicating digitally.

These behavioral changes may have been resisted by some but now are commonplace. The industry is seeing other drastic behavioral changes that have made way for construction firms of every size to invest more in the digital experience their customers receive – or get left behind for more forward-thinking firms.

### How would you describe the current level of intergenerational collaboration within your construction team?

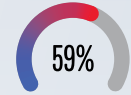
#### EXCELLENT:

Seamless collaboration between all generations



#### GOOD:

Positive collaboration, with occasional challenges



#### FAIR:

Some collaboration, but noticeable generational gaps



#### POOR:

Limited collaboration, significant generational differences



### What is the most effective tool or strategy that your construction firm uses to address communication challenges among project teams and stakeholders?

Collaborative project management software



Regular team meetings



Remote communication technologies (e.g., video conferencing)



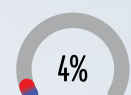
Transparent reporting and updates



Dedicated communication platforms for clients and stakeholders



Cross-functional workshops or training sessions



# Addressing Customer Expectations for Digital Tools

With consumer behavior increasingly shaped by self-service, online shopping and social media consumption, customer expectations for digital tools in construction projects have skyrocketed. A staggering 86% of respondents believe that consumer behavior has heightened customer expectations for digital tools, highlighting the urgency for construction firms to deliver immersive digital experiences.

## Do you think consumer behavior (e.g., self-service, online shopping, social media consumption) has increased the expectations that customers have for digital tools in construction projects?



While 75% of respondents believe their company provides a good digital experience for customers, even more (86%) believe that consumer behavior has increased the expectations that customers have for digital tools in construction projects. By enhancing project visibility, real-time reporting and self-service capabilities, firms can elevate the customer experience and gain a competitive advantage.

It's critical for construction firms to address these evolving expectations to avoid a widening gap between what they offer and what customers expect. **In fact, 72% of construction leaders believe there's a gap between the expectations customers have and the experience they receive from construction firms which could widen without the right investments.**

## Do you believe there is a gap between the expectations that customers have and the experience they receive from construction firms?

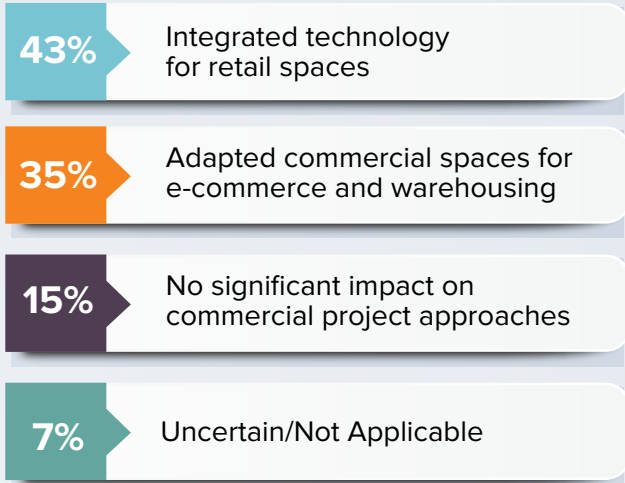


Addressing historical under-investments in the digital space and embracing industry-specific expertise are essential steps in meeting the evolving expectations of B2B buyers. As the construction industry evolves in tandem with consumer trends, aligning technology, talent and strategic vision will be paramount in driving customer satisfaction and long-term success.

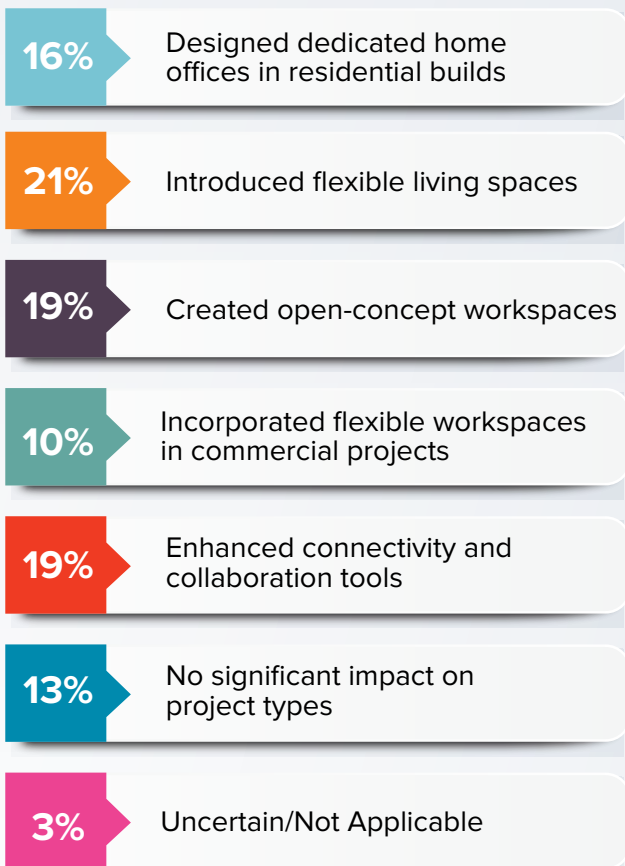




## In response to the growing trend of online shopping, how has your construction firm considered the impact on retail and warehouse spaces in your projects?



## To what extent has the rise of remote working influenced the types of construction projects your firm has taken on?



# Adapting Projects Due to Online Shopping and Work

The landscape of the construction industry is undergoing profound transformations, driven by a convergence of technological advancements, shifting consumer expectations, and evolving socio-economic dynamics. Our comprehensive analysis, drawing insights from over 550 industry leaders, provides a nuanced understanding of the challenges and opportunities shaping the sector's trajectory.

With the growing trend of online shopping, it's imperative for construction firms to adapt their approaches to accommodate changes in retail and warehouse spaces. According to our data, 43% of respondents indicated that they have integrated technology solutions into retail spaces to enhance the customer experience and facilitate online transactions. Additionally, 35% of firms have adapted commercial spaces specifically for e-commerce and warehousing purposes, recognizing the increasing demand for logistics and distribution centers. However, it's crucial to note that 15% of respondents reported no significant impact on their commercial project strategies, indicating a potential gap in addressing the evolving needs of the market. As the landscape continues to evolve, construction firms must remain agile and proactive in responding to these shifts to stay competitive and meet the demands of their customers effectively – the survey points to similar shifts due to remote work.

The rise of working remotely has also influenced the types of construction projects taken on by firms and how they conduct business. While 21% have adapted by introducing flexible living spaces, others have incorporated designing dedicated home offices in residential builds (16%), while 10% have incorporated flexible workspaces in commercial projects to accommodate changing work dynamics.

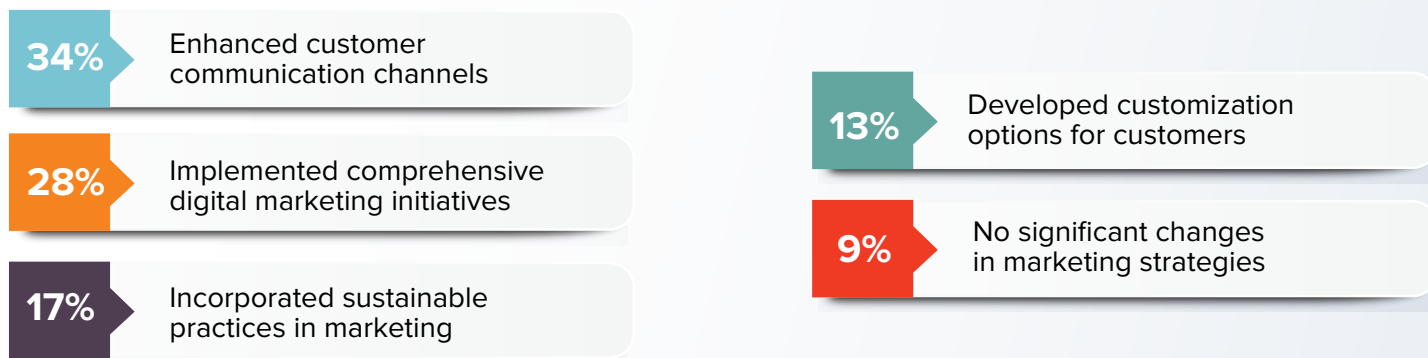
**Enhanced connectivity and collaboration tools (19%) further facilitate remote collaboration and communication, enabling seamless project management and customer interactions in a distributed work environment.**

Our survey data further reveals how construction firms are adapting their strategies to meet the rising demand for enhanced digital experiences and tailored solutions.

In response to changing consumer behaviors, construction companies are, for example, recalibrating their marketing and customer engagement strategies to stay ahead of the curve. Enhanced customer communication channels (34%) and comprehensive digital marketing initiatives (28%) are key tactics employed to connect with customers in an increasingly digital landscape.



## In response to evolving consumer behaviors, how has your construction firm adapted its marketing and customer engagement strategies?



The integration of sustainable practices in marketing efforts (17%) demonstrates the industry's commitment to environmental stewardship and resonating with environmentally conscious customers (addressed more in the pages below). However, a notable portion (9%) indicate no significant changes in marketing strategies which will require improvement to align marketing efforts with evolving customer and prospect preferences.

## Elevating Competitive Advantage through Environmental and Inclusion Initiatives

Today's buyer – whether it be for consumer goods or commercial property – wants to feel good about the businesses they support. Just as employees want to work for a company that aligns with their values, so do business leaders. A strong stance on sustainability has emerged as a cornerstone of success in many industries but particularly the construction industry.

**An overwhelming 86% of respondents acknowledge sustainability's positive impact on a company's revenue, reputation and relationships.** This recognition stresses the growing significance of sustainable practices in shaping industry standards and driving business outcomes.

Very similarly, a vast majority (86%) perceive investing in sustainable and environmentally friendly practices as a financial opportunity. This dual endorsement of sustainability highlights its multifaceted benefits, ranging from cost savings and operational efficiency to brand differentiation and market positioning.

### Do you think that a strong emphasis on sustainability in construction projects positively influences a company's revenue, reputation, and their customer relationships?



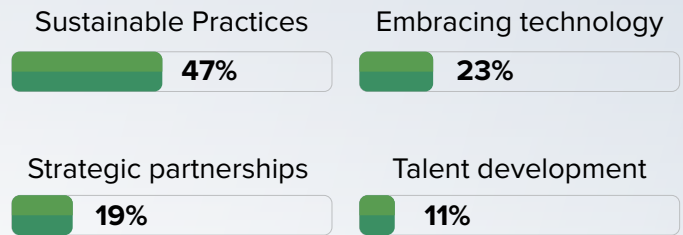
### Do you think investing in sustainable and environmentally friendly practices is a financial opportunity?



When asked about the most innovative strategy to enhance competitive edge, sustainable practices emerged as the frontrunner, with 47% of respondents endorsing them. This strong preference for sustainability underscores its pivotal role in driving differentiation, resilience, and long-term value creation in a rapidly evolving industry landscape.

In tandem with sustainability, workforce diversity is gaining prominence as a strategic and inclusive initiative for construction companies. **A significant majority (79%) indicate that their company prioritizes and invests in workforce diversity, recognizing its potential to foster innovation, creativity, and inclusivity within the organization.**

### In your opinion, what innovative strategy could most enhance your construction company's competitive edge in the industry?



### Is your company prioritizing and investing in workforce diversity?



Sustainability and inclusion are indispensable pillars of success for construction companies seeking to thrive in a competitive marketplace. By embracing sustainable practices, prioritizing workforce diversity, and fostering a culture of innovation, firms can position themselves as industry leaders, driving positive business outcomes and shaping a more sustainable and inclusive future for the construction industry.

## Embracing Digital Transformation in Construction

Driven by mounting customer expectations, the aftereffects of COVID, changing consumer behaviors and competitors, the construction industry is on the cusp of a profound transformation via digital innovation. Our survey reveals that a staggering **80% of construction decision-makers plan to undergo a digital transformation project within the next 12 months.** This surge in digital adoption shows clear industry recognition of the importance of embracing technology to remain competitive and future ready.

### Will you undergo a digital transformation project in the next 12 months?



One goal of these digital transformation initiatives is to reduce manual efforts and increase automation. Seventy percent of respondents say this is a top priority for them in the next 12 months. This goal emphasizes the industry's shift toward streamlining operations, enhancing efficiency, and mitigating reliance on manual processes, which are susceptible to human error and inefficiencies.

### Is reducing manual efforts and increasing automation a top priority for you in the next 12 months?

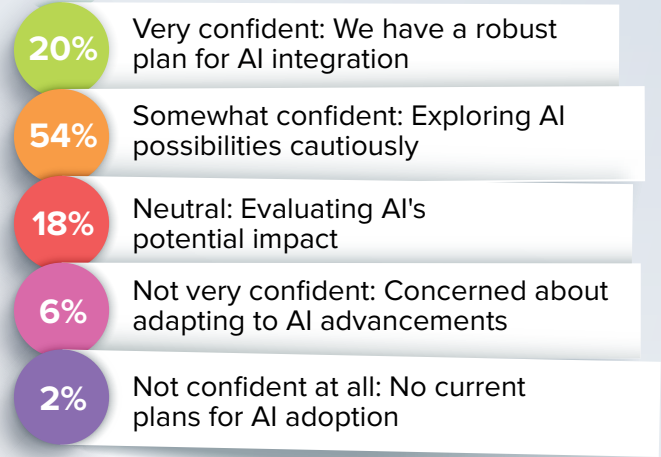


Despite the focus on automation and transformation, challenges persist in maximizing the potential impact of technology. While 74% of respondents believe they are effectively using data analytics and business intelligence, for example, a significant portion (26%) express reservations about effectively leveraging emerging technologies such as artificial intelligence (AI) and robotics. Firms must focus on reducing the digital skills gap and fostering a culture of innovation and experimentation or risk falling behind.

AI has the potential to support construction firms across a myriad of areas such as helping to schedule tasks, allocate resources and track project progress for improved project management. AI can make job sites safer by detecting and alerting workers of risks. AI can also optimize the supply chain, manage quality control, reduce labor-intensive work with robotics, optimize energy usage, predict equipment failures, engage customers by providing real-time project updates and more. It's not "if" AI will impact a construction firm, rather it's when. With 33% of construction leaders being neutral or not open to AI, it will be important to learn the practical uses of AI and the value a firm can receive.

One of the practical uses of AI will be to make recommendations to a construction firm based on existing data. The good news is 74% of respondents believe they have a single source of truth across their workforce and worksites. **For the full 80% of firms planning a digital transformation project this year, this is a positive finding as overcoming data silos is critical to unlocking the full value of these initiatives.**

### In a world where AI transforms construction, how confident are you that your firm's current strategies can compete with AI-driven innovations in project efficiency?



### What is your stance on the incorporation of AI to the construction industry?



### Do you believe you have a single source of truth across your workforce and worksites?



In the face of evolving industry dynamics and heightened competition, it is clear that construction firms have recognized the pivotal role of technology in driving digital transformation. Even so, a significant majority (70%) believe their company underspends on digital technologies compared to the competition.

### Do you believe your company underspends on digital technologies compared to the competition?



As construction firms allocate budgets to digital initiatives, they must contend with multiple factors shaping their investment decisions. Post-COVID catchup, historical under-investments in digital and evolving buyer expectations converge to drive increased digital budget allocations within the industry.

The quest for seamless integration, real-time visibility and enhanced customer experiences also drive the demand for next-generation financial and project management solutions tailored to the unique needs of the construction sector. Software buyers, however, seek more than just off-the-shelf solutions; they crave industry-specific expertise and personalized support to navigate the complexities of their operations effectively.



# Navigating Through the Future of Construction

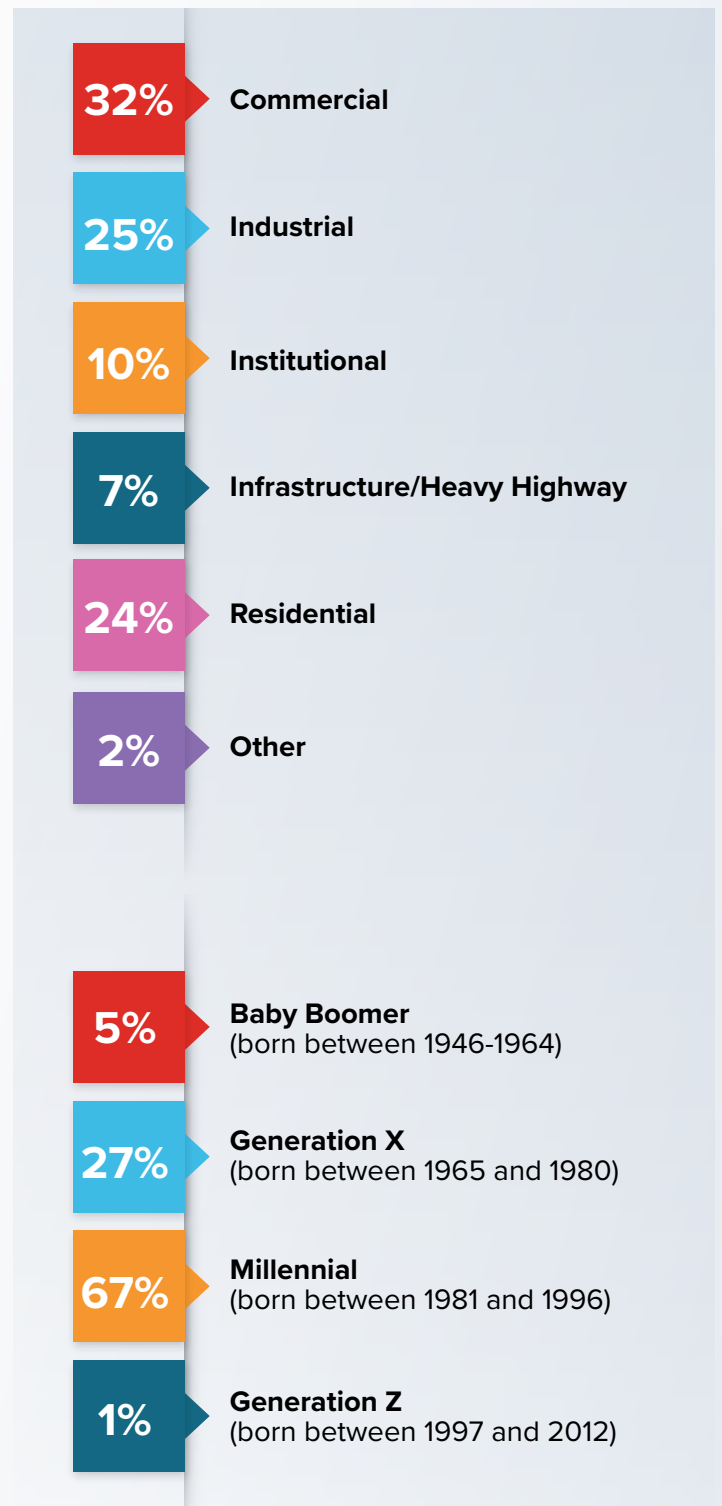
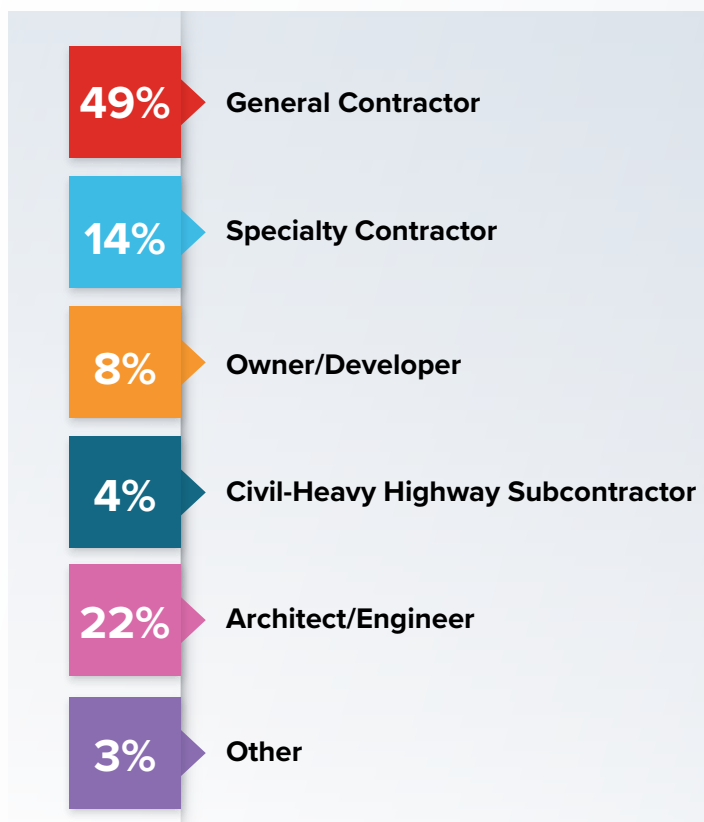
The construction industry is at a digital turning point, ready to enhance efficiency and innovation through digital transformation. By developing digital skills, firms can overcome present challenges and thrive in the digital age. Aligning technology, talent, and strategic vision is crucial for sustained success, alongside a focus on innovation, inclusion, and sustainability.

Prioritizing sustainable practices, fostering workforce diversity, and embracing digital change position firms as progressive entities, driving positive impact and ensuring long-term prosperity.

By working together to navigate upcoming challenges and act on opportunities, the industry as a whole can shape a brighter, more resilient future and the communities it serves.

## About This Research:

CMiC surveyed over 550 decision-makers working in the construction industry during February and March 2024 – primarily in North America. Please note that figures may not add up to 100% or may go over 100% due to rounding to the nearest whole number and eliminating selections that received .49% or lower of responses. We took great measures to ensure the quality and unbiased nature of the data with the respondent demographics as follows:



## About CMiC:

As an industry pioneer, CMiC delivers complete and unified Financials and Project Management software solutions for construction and capital projects firms. CMiC's powerful software transforms how firms optimize productivity, minimize risk and drive growth by planning and managing all financials, projects, resources, and content assets—from a Single Database Platform™. With customers throughout North America and overseas, CMiC serves one-quarter of ENR's Top 400 Contractors and hundreds of small and mid-sized construction firms, from general and specialty contractors to heavy/highway and project owners. Over \$100 billion in construction revenue is handled by CMiC annually.

To learn more about CMiC's next generation construction ERP, please [click here](#).