

BUILDING A RISK-AVERSE FOUNDATION FOR CONSTRUCTION PROJECTS

November 2016

Construction firms are faced with an increasing amount of financial risk that can put the squeeze on profits. Top performers rely on cloud project management software to improve visibility, which will also enhance agility and collaboration.

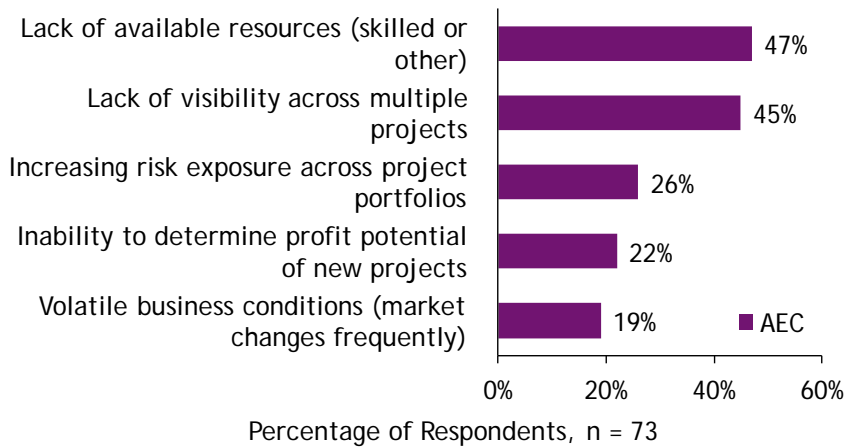


Building a Risk-Averse Foundation

The success of a construction firm rests on its ability to deliver large-scale, high cost projects with many moving parts, on-time and under budget. It is very likely that the project will experience increases in scope and costs, as well as potential delays, due to weather or lack of materials and resources. There are many external forces that could very quickly cause a profitable project to go south. Only by understanding the potential impact of risk and then putting the tools in place to manage it, can construction firms ensure their success.

A recent survey of architecture, engineering, and construction firms (AEC) uncovered the challenges that those firms face in today's business environment (Figure 1). These challenges boil down to a lack of visibility, increased costs, and increased risk.

Figure 1: Top Challenges for Construction Firms



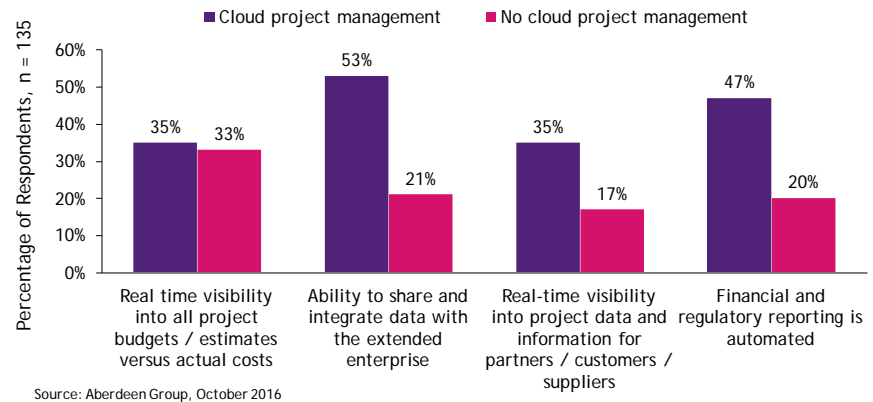
Source: Aberdeen Group, October 2016

Due to a lack of visibility, construction firms cannot effectively manage resources, guide projects towards completion, monitor costs, or predict profitability. Many construction firms lack easy access to the information they need to make effective decisions. These challenges are exponentially greater in a volatile market that lacks predictability. Construction firms are hindered by increased regulatory and financial risk. In such an environment, margins may shrink or vanish, compliance issues can rear their ugly head, and the impact of poor decisions can be amplified. Today's construction firms must take a holistic approach to risk and visibility.

The Solution

Top performing firms look to gain greater visibility and insight into financial data and implement standards that enforce financial discipline and compliance (Figure 2). This can be accomplished by establishing a cloud solution for project management. This will ensure that all essential project data is available to key stakeholders. Making those solutions more accessible for employees, no matter where they are, will ensure collaboration across the organization.

Figure 2: Avoiding Risk, Managing Costs, Maintaining Compliance



Through cloud software, construction firms can ensure that accurate, timely, and relevant financial data is easily available to stakeholders. This internal transparency must also extend externally to customers, suppliers, and subcontractors.

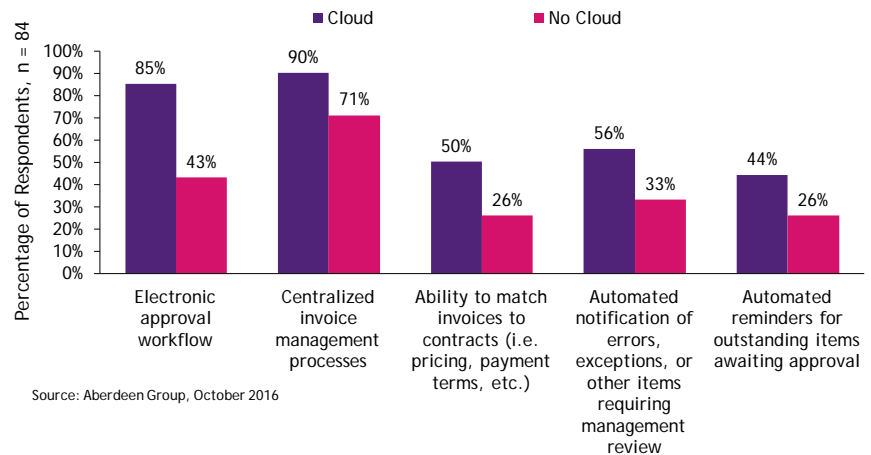
Those with cloud solutions are 2.5 times as likely to share and integrate data externally. For example, this could mean connecting the timing of payments to project data, to better manage costs from change orders. Much of the financial information contained within these solutions is necessary for financial reporting and maintaining compliance. Fortunately, those with cloud solutions are also 2.4 times as likely to have automated financial and regulatory reporting.

To further understand how cloud solutions can help construction firms manage financial risk, examine the impact of these solutions on the payment process (Figure 3). Those with cloud solutions are 98 percent more likely to have electronic payment workflows, adding efficiency and visibility into payment processes. Centralizing these processes will allow users to more effectively match invoices to contracts, fix errors, and react to automated reminders.

These solutions ultimately provide more visibility into how payments are being made, enhancing external communication,

and ensuring regulatory and compliance standards are enforced, reducing financial risk. For example, construction firms can gain broad visibility into the status of lien waivers, helping to ensure that payments are made appropriately while managing a critical risk.

Figure 3: Cost and Compliance Management through Improved Supplier and Contractor Collaboration



Conclusion

By automating these processes through cloud project management solutions, construction firms can better manage costs while reducing risk and exposures as they attempt to deliver profitable projects. In fact, research finds that those with cloud solutions saw a 10 percent improvement in project profitability over the past year. These solutions are the key to meeting project goals and building a risk-averse foundation in a volatile environment.

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