

WHITEPAPER

Creating the building blocks for a

digital future in construction

Pegasus Software



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We look at the importance of digitisation in the construction sector and explain why urgent change is needed.

Introduction

As the construction industry continues to balance increased demand post pandemic, with a global labour shortage, and rising materials costs to boot, the landscape is challenging. This paper will look at the role of digitalisation in helping to mitigate some of these pressures, reinforcing the sector with the resilience and agility necessary to thrive in the coming years.



Why is change needed?

Construction projects saw workloads spike by 66% in the 12 months to July 2021 (The State of Field Service Sector, a report published by BigChange) with nine out of ten delivered late in 2021, and over two thirds (69%) going over budget by at least 10%.



When you consider that client satisfaction dropped by 60% as a result of these projects being delivered late, it is clear that action is needed to drive transformational change, and capitalise on growth opportunities.



Nine out of ten projects delivered late in 2021



69% of projects went over budget by at least 10% in 2021

Collaboration at the core



Construction projects are inherently complex with high volumes of people and equipment dispersed across multiple locations at any given time. A single forgotten e-mail has the potential to derail everything, highlighting the importance of a complete overview of progress at any given time.

Without tight control of all aspects of a project, it's almost impossible to have a view on whether it is running on time and to budget, and whether predicted margins and profitability will be achieved. Effective collaboration of all parties, from architects and engineers to the end client, is therefore essential.

How digitisation has helped

Against this backdrop, digitalisation has become a prerequisite of success. In the context of the current challenges being faced by the industry, Construction Management Software (CMS) platforms in particular can provide a comprehensive overview which spans all contractors, subcontractors and employees, thus ensuring the right people and equipment are at the right site at any given time. Crucially, they can deliver enhanced communications and workflows which can flag anomalies and provide trends and insights. These insights also support the customer experience, as documents and reminders can be stored to manage communications across the entire customer journey.

Anyone at any location across the project can access a centralised, single source of the truth, which in turn, enhances risk analysis, boosts cashflow and optimises opportunities. This real-time view of a project's status can also help to manage expectations, maximise profitability, and get the project over the line on time.



Controlling costs

Effective contract costing can make or break the profitability of a particular job. Fully integrated with financials, the best systems span all elements of contracts management, managing contract costing, valuations, sales applications, purchasing and subcontractors, from payment applications, VAT invoicing and cash receipt matching. Through being able to measure actual expenses against forecasted costs to flag gaps and facilitate intervention before they get a chance to escalate, costs and audit trails can be identified in real-time. This can then be used to support short term tweaks in the project's budgets and/or timeline, and feed into estimates and projections for future projects to increase accuracy.



-  Monitor costs and audit trails in real-time
-  Flag gaps early and facilitate intervention
-  Measure expenses against forecasted costs

Integrated document management applications store all paperwork, correspondence, invoices, training certificates and accreditations, as well as any legislative documents, to easily retrieve on demand, and facilitate a truly paperless office. In an industry renowned for being particularly document-centric, brings multi-faceted benefits, from increased accuracy to expedited decisions, payments and profit. This also increases efficiency and ensures that governance, health and safety and compliance are adhered to.



It's important that systems have sufficient functionality to support HMRC CIS and Reverse Charge VAT legislative requirements, which govern subcontracting in the UK, providing confidence that all necessary information is being processed and submitted efficiently. The confidence that comes with knowing projects are being tightly controlled in turn, enables construction companies to focus on core business operations.



A digitally savvy approach to talent

Brexit has seen an estimated 50% skilled labour returning to Europe

What are the pressures?

Beyond project management, this kind of platform also instils the scale and resilience necessary to tackle new threats and opportunities, with flexibility to adapt as the market evolves.

One of the greatest emerging pressures on the construction industry is the sourcing of talent and skills. Compounded by Brexit, which has seen an estimated 50% of EU labour return to Eastern Europe, there is a dearth of highly skilled people.



The economic ramifications of this are stark, as according to a report, if workers are reskilled, the construction industry could provide a projected figure of £25Bn per year to the UK economy by 2040. But this figure is hugely dependent on the industry reskilling and embracing productivity improving technologies.

As a younger generation of Gen Zs emerge into the workforce, the negative impact of this skills dearth is likely to subside.

However, the expectations of this generation are inherently different from those of its predecessors. Technology has a pivotal role to play in attracting and retaining the right skills. Generation Z expect technology to work in an intuitive way, therefore having a system which is simple, powerful and intuitive to use, with dashboards to illustrate business insights clearly and in a way which allows greater depth where required, is fundamental.

Embracing a new digital era



The construction industry is a key player in the UK economy and one of the most labour-intensive industries globally, making it incredibly vulnerable to the global labour shortage which is set to remain for the foreseeable future. And while the industry typically recognises the need for digitalisation, it is an industry notorious for being much slower than other industries to embrace change. In many cases, legacy systems prevail, and projects continue to lack the control they so need in today's fast-paced, unpredictable markets.

What drives success?

The most successful construction companies post pandemic, and post Brexit, are those who have opted to embrace technology as a lever for profitability. They are leveraging technology to automate, improve decision-making, and inform strategy. Through being able to improve communication and expedite response times they are able to turn the customer experience into a new source of competitive advantage.

There is no doubt that the future of construction is digital, and those who get there first, will be the leaders of the next generation.

