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RSM

Break ground on digital
efficiency with a cloud-
based ERP solution

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Introduction

Construction is a highly complex, multifaceted industry that faces ever-present uncertainty because of economic factors, labor constraints and supply issues, among other pressing challenges.

To manage risk and complete a project on time and within budget, construction projects require fine-tuned orchestration between the front and back office, subcontractors, suppliers, and clients. Regardless of project size, it's important to find the right mix of planning, management and technology to ensure complex projects run smoothly and are delivered with exceptional customer service, below budget and with timelines intact. Unfortunately, many construction companies work with outdated and disparate systems that make scheduling, budgeting and communication among teams extremely difficult. They often use separate software for tasks such as design, project scheduling and document management, which requires duplicate data entry and opens the door for human error.

Because much of the industry still relies heavily on cumbersome manual processes, spreadsheets and paper trails, companies that implement cloud-based enterprise resource planning (ERP) platforms and integrate their software solutions effectively often have a **competitive advantage**. They will be ahead of the game and find it much easier to expand their business because they can respond faster to market changes, offer better services and adapt to industry trends more readily. Digital transformation is accelerating, and the industry is embracing it, particularly because many of today's construction professionals grew up with technology at the ready and expect to complete administrative tasks on the go. A digital platform with ERP integration allows a construction company to connect disparate systems, streamline processes and reduce duplicate data entry. This ultimately saves money, reduces mistakes and results in more successful projects all around.

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NetSuite, a cloud-based ERP system offered by Oracle, is known for its versatility, scalability and ability to cater to a wide range of industries, including construction. A **cloud-based ERP system** means that construction companies can access their data and applications from anywhere with an internet connection. This is particularly beneficial for construction companies with multiple projects spread out across a city, state or region. Easy **scalability** is also important, because as construction companies grow from midsize to enterprise operations, their needs become more complex. A smaller company may be able to stay afloat with more traditional means of record-keeping, but as the business expands, managing numerous projects becomes too cumbersome and digital tools are needed for efficient data management. Integrated systems can scale more easily than disjointed ones, accommodating higher data volumes and increased operational complexity. NetSuite is scalable and can adapt to changing business requirements, allowing companies to add new features, users and modules as needed without having to change out their ERP. It is also a cradle-to-grave solution, offering features that will see a project through from the initial design phase to bid to closeout.

This playbook will explore these reasons and more why NetSuite is beneficial for construction companies that want to get a head start on their digital operations, outpacing the competition with a growth mindset—and how RSM can help. It will demonstrate how to use a cloud-based ERP system to better manage growth, efficiency, visibility and compliance.

4.3%

As of January 2023, construction spending in the U.S. is valued at \$1.823 trillion, and the construction industry is **4.3% of the gross domestic product.**





Complete integration, from project management to financial management

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From project management to financial management and resource allocation to regulatory compliance, clear communication and accurate data are vital to the health and success of a construction company, no matter the scale of the operation. Construction projects involve complex planning, scheduling and **allocation of resources**, including labor, equipment and materials. These resources are often spread out over several job sites, so efficient allocation is key. The resource management capabilities of a cloud-based ERP system enable construction companies to schedule and assign resources based on project needs, ensuring optimal use and minimizing resource waste. There are also tools for **project management**, allowing construction companies to create project plans, track progress, manage budgets and monitor timelines effectively. The data generated from these operations is vast. NetSuite provides real-time visibility into project performance, financial data and resource use through customizable dashboards and reports, which helps construction companies make informed decisions and identify areas for improvement.

Real-time visibility also improves **collaboration and communication** between field teams and administrative teams, which is often a challenge, particularly when they work in different systems.

NetSuite offers tools such as centralized data storage and communication features that help ensure project teams, contractors and stakeholders are on the same page and can access project-related information easily. For administrative teams, working with a system with robust **financial management** features can help construction companies manage project budgets, estimate costs, track expenses, process invoices, manage accounts payable and receivable, and generate financial reports.

11%

Approximately 7.8 million people work in the construction industry, and **women account for about 11%** of all construction workers in the U.S.

Stay connected with mobile access

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When construction professionals are on the go, it's imperative that they can stay connected and manage projects through a mobile app that provides full access to project information. For example, with **remote project management**, construction managers and supervisors can use the NetSuite mobile app to access project data, track progress and monitor schedules even when they are off-site. This enables them to make informed decisions and address issues promptly. Field workers, such as contractors, engineers and inspectors, can use the mobile app to submit **real-time updates** about work completed, materials used and any issues encountered. This data can be instantly integrated into the main system, providing accurate and up-to-date information to the entire project team. Employees can also use the mobile app to log their work hours, breaks and tasks performed. This information can be integrated with project management and payroll systems, facilitating accurate **time tracking** and **payroll processing**.

\$21/hr

\$51/hr

The average construction labor wage is roughly **\$21 an hour**, while the average construction manager's is **\$51 an hour**.

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Managing documents, tracking time and expenses, and collaborating with colleagues are also easier with the mobile app, which is important since construction projects involve a large volume of documents, including blueprints, permits, contracts and invoices. The mobile app allows users to upload, access and share these **documents** from their mobile devices, ensuring that the right documents are available when needed. On-site **expenses**, such as equipment rental and material purchases, can also be recorded and submitted through the mobile app. This streamlines expense tracking and ensures accurate financial records. Managers can **review and approve** project-related requests, such as purchase orders or change orders, directly from their mobile devices. This accelerates decision-making and ensures that critical processes are not delayed when they are not physically on the job site.

In addition, construction professionals can use the mobile app to **communicate** and **collaborate** better, share updates, and coordinate tasks in real time, fostering better teamwork and project coordination. For example, inspectors can use the mobile app to document and photograph any issues or noncompliance instances directly from the construction site. This **site inspection** information can be shared with relevant stakeholders for quick resolution, which is important because traveling back and forth from a job site to resolve issues can quickly eat into profits, especially in big cities where traffic can cause a project manager to lose hours of their day.

Key functionalities of a cloud-based ERP system are **notifications and alerts** sent by the mobile app regarding project milestones, deadlines or any issues that require immediate attention. This helps construction professionals stay informed and take proactive measures to address challenges. Users can also access customizable dashboards and reports from the mobile app, providing insights into project performance, financial metrics and other key indicators.



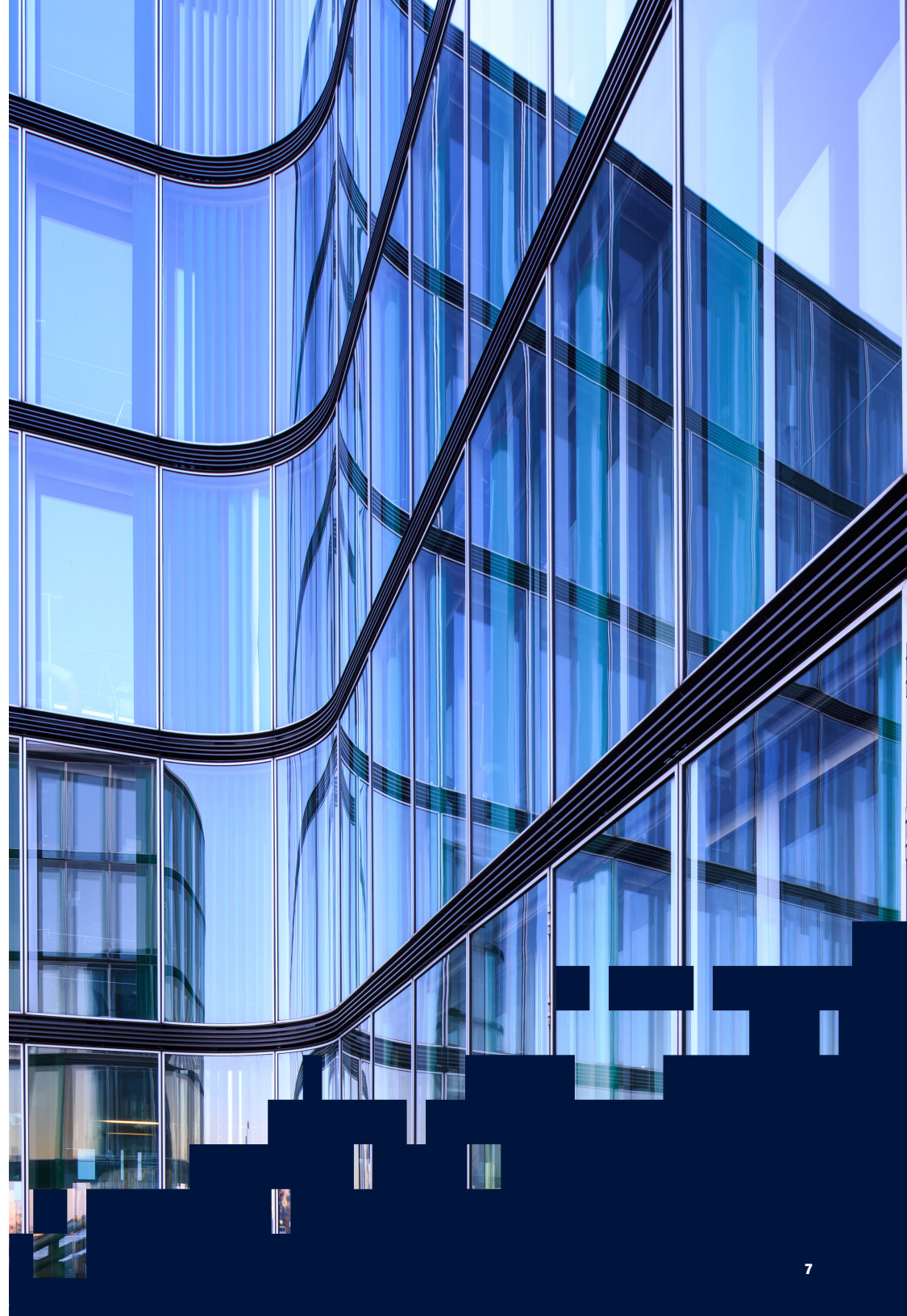
Importance of integrating software solutions

In the construction sector, it's critical that companies integrate estimating software and other third-party software, which **streamlines workflow** by automating processes that involve multiple software applications. This leads to reduced process bottlenecks and smoother collaboration among teams. Integration can extend to customer-facing systems as well, providing a **unified experience for clients** with easier access to project updates, billing information and other relevant data.

Integration ensures that data flows seamlessly among different software systems, reducing the risk of errors that can occur during manual data entry. This maintains **data accuracy and consistency** across all integrated platforms and leads to cost savings over the long term because it reduces the need to invest in manual labor for data entry and reconciliation and minimizes the chances of costly errors. Integrated software solutions also eliminate the need for duplicate data entry and manual transfers between systems. This boosts **efficiency and productivity** by saving time and reducing the chance of data discrepancies. Integration enables **real-time data sharing**, allowing decision-makers to access up-to-date information from various departments instantly. This supports informed and **timely decision-making**, critical in the fast-paced construction industry.

88%

About 88% of contractors say they have **difficulty finding skilled workers**



The challenge of maintaining regulatory compliance

Staying compliant with numerous government agencies is crucial for construction companies because of the highly regulated nature of the industry. Noncompliance can lead to legal issues, fines, project delays and reputational damage. The primary challenge is the sheer number of regulations that must be adhered to, including but not limited to licensing and permitting, building codes, environmental regulations, workplace safety laws, tax regulation, contractual obligations, employee rights, health and safety standards, zoning regulations, and insurance requirements. Navigating these regulations requires a dedicated compliance team or officer who can keep up with the ever-changing legal landscape and ensure that a construction company operates within the boundaries of the law. Integrated systems facilitate regulation compliance by ensuring that data is consistently and accurately reported. NetSuite can assist in **tracking compliance** with industry standards and regulations, ensuring that projects adhere to stringent legal requirements and industry best practices.

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ASC 606 revenue recognition regulations

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Interpreting contracts and billing rules has become more complex, as outlined in Accounting Standards Codification (ASC) 606, and it is a critical aspect of financial reporting for construction companies. ASC 606 provides a comprehensive framework for recognizing revenue from contracts with customers, ensuring consistency and comparability across industries. ASC 606 replaces the industry-specific guidance previously used for construction revenue recognition. The new standard emphasizes the importance of understanding the nature of promises made in contracts and evaluating when control is transferred to the customer. Given the complexities of construction contracts and the potential for long project timelines, revenue recognition in the construction industry can be intricate. Many construction companies work closely with professional accountants and auditors to ensure accurate and compliant revenue recognition based on ASC 606.

Billing can also be quite complex because of the unique nature of construction projects, the involvement of multiple parties and the long project cycles. Accountants and auditors can also assist with **billing requirements** such as progress billing, change orders and retainage. Because construction projects often involve long timelines, billing based on milestones or percentage of completion requires accurate tracking of project progress and verification by both parties. Changes in project scope or design can lead to further billing complexities. Differentiating between original scope and change-order work, and ensuring appropriate pricing and documentation, is crucial, as is calculating and managing retainage and ensuring timely release. Retainage, also known as “holdback,” involves withholding a portion of the payment until the completion of the project.

In 2022, **new residential construction starts** in the U.S. were just over 1 million.



Cloud-based ERP—a key tool for growing construction firms

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Construction companies looking to implement NetSuite, integrate software systems, and overcome the complexities of revenue recognition and billing while growing their firms should work with consultants who have in-depth experience helping construction companies assess and improve performance during challenging business cycles. RSM understands the multiple risks involved in managing construction projects and offers a consultative, customized approach based on a construction firm's unique needs. As a leading provider of assurance, tax and consulting services for the middle market, RSM has the scale, industry insight and multidisciplinary range of services to help companies better manage growth, efficiency, visibility and compliance.

At RSM, we understand the unique needs of the construction industry. We've spent decades servicing construction industry clients. With over 3,400 satisfied construction industry clients, RSM is the name to trust.

RSM goes beyond technology solutions to offer a holistic approach to digital transformation for construction companies. RSM is a full-service firm offering audit, tax, security, risk and advisory services to our construction industry clients. We bring a team of industry subject matter experts (SMEs) across all functional areas. With decades of experience, the RSM team goes

beyond technology to offer insights into the complex issues that are critical to your company's success. They'll work closely with you to tailor solutions to your unique needs. You're not just investing in technology; you're investing in a brighter future for your construction business.

Our expertise in the industry has allowed us to bring a solution that simplifies your daily tasks, from project management to financials. Now, with NetSuite as your core financials hub, you have the best of both worlds with integration to industry-leading operational solutions for construction. Whether you're a seasoned pro or just starting out, NetSuite for construction has the power to transform your operations and take your construction business to new heights. Our integration with NetSuite streamlines your financials and operational systems, reducing data silos and ensuring you have a clear, real-time picture of your business. Say goodbye to manual data entry and hello to automated, accurate insights.

Our team of over 250 NetSuite consultants is ready to guide you through the integration process. They understand the intricacies of NetSuite inside out and will ensure a seamless transition.

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+1 800 274 3978

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