The Mid-market Construction Snapshot

Despite some significant cost pressures and ongoing skills-shortages, mid-sized construction businesses on both sides of the Tasman are performing well and are bullish about the future. These businesses are also making major innovation investments and becoming increasingly digitised. Focusing on technology – especially through centralised cloud workflows – should help the industry tackle key challenges, including poor visibility around workflow, capacity and costing.

Business performance
At the present time, is your business revenue (or gross turnover or sales) up or down on a year ago, or about the same?

And how do you expect your business revenue (or gross turnover or sales) in 12 months’ time to compare with your business revenue at the present time?

Please indicate how much work you have got on, or what sales you have in the pipeline, in the next 3 months, compared to what you would usually expect for this period?

Business challenges
Mid-sized construction businesses we surveyed in Australia and New Zealand are fairly confident about the prospects for the local economy over the next 12 months, with 53% of Australian businesses and 46% of New Zealand businesses expecting the economy to improve. However, many are still facing significant challenges like rising costs, skills shortages, and disrupted supplies.

What are the biggest challenges facing your business today?

**NEW ZEALAND – TOP FIVE**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Shortage of skilled employees</td>
<td>48%</td>
</tr>
<tr>
<td>2 Increased cost of materials</td>
<td>45%</td>
</tr>
<tr>
<td>3 Disruption of supply/materials from overseas</td>
<td>37%</td>
</tr>
<tr>
<td>4 Inflation</td>
<td>35%</td>
</tr>
<tr>
<td>5 Rising interest rates</td>
<td>28%</td>
</tr>
</tbody>
</table>

**AUSTRALIA – TOP FIVE**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Increased cost of materials</td>
<td>63%</td>
</tr>
<tr>
<td>2 Shortage of skilled employees</td>
<td>49%</td>
</tr>
<tr>
<td>3 Increased cost of business overheads</td>
<td>42%</td>
</tr>
<tr>
<td>4 Inflation</td>
<td>40%</td>
</tr>
<tr>
<td>5 Rising interest rates</td>
<td>39%</td>
</tr>
</tbody>
</table>
What do you believe your industry will change significantly in the next five years?

**NEW ZEALAND**

- 69% Yes
- 31% No

- Increased cost of goods: 41%
- Shortage of skilled employees: 39%
- Disruption of supply/materials from overseas: 32%
- Increased cost of business overheads: 30%
- Inflation: 28%

**AUSTRALIA**

- 85% Yes
- 15% No

- Increased cost of goods: 48%
- Shortage of skilled employees: 47%
- Inflation: 39%
- Rising interest rates: 36%
- Low availability of resources/materials needed for our business: 32%

By how much do you estimate the cost of construction materials and other goods for your business, have increased over the last year?

**NEW ZEALAND**

- We have had to absorb some additional costs: 49%
- We have had to reduce our margins: 42%
- We have had to pass on higher costs to customers: 39%
- We have missed out on some jobs due to higher-than-expected quotes: 36%

**AUSTRALIA**

- We have had to reduce our margins: 51%
- We have had to absorb some additional costs: 49%
- We have had to pass on higher costs to customers: 41%

What impact has this had on your business?

**NEW ZEALAND**

- We have had to reduce our margins: 49%
- We have had to absorb some additional costs: 42%
- We have missed out on some jobs due to higher-than-expected quotes: 39%

**AUSTRALIA**

- We have had to reduce our margins: 51%
- We have had to absorb some additional costs: 49%
- We have had to pass on higher costs to customers: 41%

Innovation and change

With a large number of organisations expecting to see significant change in the sector over the next five years, mid-sized construction businesses MYOB polled have been investing in technological solutions and increased automation in order to drive greater efficiency.

What do you see as being the biggest changes over the next five years shaping your industry?

**NEW ZEALAND**

- Rising cost of materials: 61%
- New design technologies e.g. AI assisted design: 38%
- More skilled workers: 35%
- Bigger business buying up smaller businesses and competitors: 35%
- More automation of processes, e.g pre-framing, robotic machinery: 32%

**AUSTRALIA**

- Rising cost of materials: 49%
- New design technologies e.g. AI assisted design: 42%
- More skilled workers: 36%
- New construction technologies e.g. modular or prefab construction: 36%
- More automation of processes, e.g pre-framing, robotic machinery: 35%
Has your business invested in innovation over the past 12 months?

- NEW ZEALAND: 64% Yes, 16% No, 2% Don’t know
- AUSTRALIA: 33% Yes, 3% No, 64% Don’t know

Looking ahead to the next 12 months, what do you plan to innovate/change in your business?

**NEW ZEALAND**
- 49% New software solutions to manage our business e.g. ERP, workforce management, payroll, etc
- 34% Improving our project management
- 29% Tightening/improving our supply chain
- 29% Rapid construction technologies e.g. pre-fab designs or components
- 28% More automation of previously manual processes, e.g. pre-framing

**AUSTRALIA**
- 47% New software solutions to manage our business e.g. ERP, workforce management, payroll, etc
- 47% Improving our project management
- 36% Tightening/improving our supply chain
- 31% More automation of previously manual processes, e.g. pre-framing
- 30% Hiring different expertise into the business

Which of the following best describes your top ambitions for the next 12 months? (Top 3)

**NEW ZEALAND**
- 44% Bringing on more staff
- 42% Becoming a more sustainable/green business
- 37% Diversifying/expanding the business offering

**AUSTRALIA**
- 47% To maintain a steady revenue
- 41% Scaling/growing the business
- 38% Diversifying/expanding the business offering
Increasing business digitisation

Mid-sized construction businesses are increasingly digitising their operations, supporting workflow and providing greater visibility over key activities and costs. In New Zealand, over 57% of mid-sized construction businesses surveyed conduct more than half of their business operations using digital technology, tools and software, while 49% of Australian businesses surveyed currently have that level of digitisation. However, nearly twice as many Australian businesses polled are using a cloud solution compared to New Zealand.

Which of the below best describes the set-up of your current systems in terms of how you manage or keep track of work conducted/required for external parties on your projects?

**NEW ZEALAND – TOP FIVE**
- 28%: We have a couple of different digital solutions and add-ons to track the work
- 23%: We have one central online/cloud system that manages everything
- 15%: We have different/individual digital solutions to track project components for each external party
- 14%: We use a mix of digital business solutions and manual processes to keep track of work for external parties involved
- 14%: We have a couple of different digital solutions and add-ons to track project components for each external party

**AUSTRALIA – TOP FIVE**
- 30%: We have one central online/cloud system that manages everything
- 24%: We use a mix of digital business solutions and manual processes to keep track of work for external parties involved
- 22%: We have different/individual digital solutions to track project components for each external party
- 12%: We have a couple of different digital solutions and add-ons to track the work
- 8%: We have one central desktop system that manages everything

Which of the following workflow actions/functions are the biggest challenge for your business at the moment? (Top 5)

**NEW ZEALAND**
- 49%: Material procurement and costing
- 39%: Quantity surveying
- 37%: Quotes and estimates
- 31%: Contracts and acceptance
- 31%: Project management, including visibility over projects, and change/approval of workflows

**AUSTRALIA**
- 39%: Material procurement and costing
- 39%: Job forecasting
- 38%: Contracts and acceptance
- 30%: Quotes and estimates
- 30%: Project management, including visibility over projects, and change/approval of workflows

Research for MYOB’s Mid-market Construction Snapshot was conducted by Dynata. A combined total of 274 mid-market business leaders and decision makers (with between 20 and 500 employees) in the construction sector from Australia and New Zealand, took part in the survey. Respondents were sampled from the Dynata online business profile panel sources, and screened to ensure they met the qualifying criteria. The survey was conducted from 27th April-29th May 2023.

About the survey

Research for MYOB’s Mid-market Construction Snapshot was conducted by Dynata. A combined total of 274 mid-market business leaders and decision makers (with between 20 and 500 employees) in the construction sector from Australia and New Zealand, took part in the survey. Respondents were sampled from the Dynata online business profile panel sources, and screened to ensure they met the qualifying criteria. The survey was conducted from 27th April-29th May 2023.

About MYOB Enterprise

Scalable to meet the needs of growing businesses (from 20-1,000+ FTEs), MYOB Enterprise offers an integrated, all-in-one business management platform that helps mid-market businesses achieve their ambitions by connecting critical workflows through Enterprise Resource Planning, Customer Relationship Management, Payroll, and Workforce Management solutions – all backed by world-class software tailored specifically for the Australian and New Zealand markets. MYOB Enterprise also offers leading practice management solutions for Professional Services businesses. MYOB’s award-winning Advanced Business platform (powered by Acumatica) has been rated 4.5/5 stars by mid-market customers across Gartner’s Digital Market brands (Capterra, GetApp and Software Advice), and is named as a shortlist recommendation and 2021 category leader across the sites. MYOB Advanced has also been independently recognised as a leader in innovation through the global SaaS Awards and named an ABA100 Winner in The Australian Business Awards 2022 for ERP Innovation and Cloud Innovation.

For more information, visit myob.com or follow MYOB on social channels.