Challenges to cash flow in the construction industry

Implementing cultural change and modernization in a complex industry
In late 2018, EY and American Express hosted a series of finance leadership roundtables and conducted research to consolidate views on how the industry is managing complexity while still achieving cash flow objectives. This white paper provides the consolidation of our findings and poses key questions around the industry’s readiness for change.

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Executive summary

“Cash is king” in the construction industry, and that will remain the case, especially if we consider its constant need to finance large projects, withstand long collections cycles and manage cost overruns. Not only that, but construction also requires substantial investment to enable growth and modernization in an ever-competitive environment.

In this white paper, we explore current challenges that construction industry organizations face in relation to their management of working capital and cash flow. Many of the findings and insights were driven by feedback from finance leaders from 24 construction companies and industry associations across Canada during a series of discussion roundtables co-hosted in late 2018 by EY and American Express.
The construction and engineering industry consists of a number of different sectors, each with its own unique operational and financial challenges. How these organizations interact in the project value chains is a key part of how cash is being trapped.

There is a strong case for change in the industry that has the potential to deliver significant efficiency and cash flow gains. However, change isn’t easy in an industry comprised of many entrenched practices.

Canada continues to follow the path of other countries, adopting prompt payment legislation with a primary focus on protecting the financial sustainability of smaller operators in the industry. Even though legislation will be a key component for implementing change, there is a degree of skepticism as to how it will be enforced. Additionally, there are concerns about how such payment shifts will address and improve the resolution of key industry challenges, such as the complexity of contracts and change orders, information demands of billing, limited system integration, maintaining accurate time and expense records, and others.

While not all the inefficiencies and complexities in the industry can be eliminated, standing still is no longer an option. Improving cash flow throughout the industry is a must and will require a cultural shift. It demands an increased focus on finding new efficiencies, driving change internally and taking responsibility for improving the interactions between project and industry partners. The benefits are significant for everyone.

Key industry insights

- **Cash is being trapped**
  EY industry analysis suggests there is C$5-10 billion trapped on the balance sheets of North American construction companies (compared to average sector performance).

- **There is no universal remedy**
  Any change will be a combination of increased industry standardization, system advancements and change management.

- **A new legal reality is on the horizon**
  Legislation is ramping up across Canada to provide protocols that enforce faster payment cycles. However, many organizations may not currently be prepared to comply.

- **Culture still a main blocker for change**
  Organizations need to embrace and hold tight to a greater cash flow culture to ensure changes required are sustainable.

- **How much cash could be released from working capital by addressing underlying business problems?**

- **Are you preparing your business to comply with forthcoming legislation?**

- **What are your cash flow improvement objectives in the next 12 to 18 months?**
Increasing funding to cover working capital

The construction industry has long been characterized by long payment cycles, seasonality and lumpy cash flow, unpredictability of cash and, often, working capital gaps that need to be financed in both the short and long term.

The challenges faced are reinforced by results from an EY analysis of North American construction and engineering companies’ financial performance over the last four years. Using the most recent two years as a comparison, the analysis shows that in an environment of flat revenue growth, the net working capital requirement has increased by 5% (over $2.1b more cash tied up).

Simultaneously, debt has increased by 11%, but cash from operations has decreased by 6%. The situation: more cash is being tied up at a time when finance costs are increasing and potentially reducing financial flexibility.
Days sales outstanding (DSO) – a measure of how quickly cash is collected following execution of services – has continued to increase in the construction industry, reaching a four-year high in 2017-18 of 83 days. This means, on average, companies need to finance three months of revenue in order to do business.

Customer cash conversion performance in every sector in the construction industry varies substantially, with an average gap of 65 days between best and worst performers in each sector. Although this can be partially explained by different business, geographic and industry factors, it also affirms how some companies are managing to address such challenges more effectively. This should be a constant reminder for many that by influencing their own practices, performance can be improved.

A major driver for change in the construction industry has been to support the financial sustainability of the 20,000 small and medium-sized operators in Canada. Recent EY research found that small companies have higher cash conversion cycles than large companies – 28% higher (construction); 16% higher (engineering). This is placing additional liquidity needs on companies that have fewer options available for short-term financing.

Research and feedback from industry leaders suggest the cost of financing extended cash conversion cycles is driving up bids and increasing the costs of projects, with smaller operators having no choice but to recover these costs to be competitive.

Deteriorating performance is not sustainable. Companies have actively focused on cost-cutting and margin containment for years, but eventually savings will be harder to achieve. To address cash flow challenges in today’s environment, there needs to be more transformative action and a broader industry-wide change in practices.

Increasing DSO is increasing the cash tied up in working capital

<table>
<thead>
<tr>
<th>Year</th>
<th>Days</th>
<th>Cash Tied Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-2015</td>
<td>78</td>
<td>$34.0Bn</td>
</tr>
<tr>
<td>2015-2016</td>
<td>80</td>
<td>$45.0Bn</td>
</tr>
<tr>
<td>2016-2017</td>
<td>81</td>
<td>$46.3Bn</td>
</tr>
<tr>
<td>2017-2018</td>
<td>83</td>
<td>$48.4Bn</td>
</tr>
</tbody>
</table>

$2.1Bn more cash tied up in net working capital in last year extending cash conversion cycle

Wide variation of performance across and within sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Days</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction – contractors</td>
<td>29d</td>
<td></td>
</tr>
<tr>
<td>Heavy construction other than building contractors</td>
<td>66d</td>
<td>+2%</td>
</tr>
<tr>
<td>Construction – special trade contractors</td>
<td>34d</td>
<td></td>
</tr>
<tr>
<td>Engineering services</td>
<td>46d</td>
<td></td>
</tr>
<tr>
<td>Water, sewer and utility lines</td>
<td>35d</td>
<td>+2%</td>
</tr>
<tr>
<td>General building contractors</td>
<td>101d</td>
<td></td>
</tr>
<tr>
<td>Operative builders</td>
<td>79d</td>
<td></td>
</tr>
<tr>
<td>248d</td>
<td></td>
<td>+1%</td>
</tr>
</tbody>
</table>

Source: S&P Capital IQ: 74 North American public companies; EY analysis
Legislation: a foundation for change, but not the solution

Over the last few years, there has been a momentum of regulatory change in Canada's construction industry at the federal, provincial and in some cases, municipal levels. This follows the US, UK and other countries, which have already adopted some form of prompt payment legislation or codes of conduct.

The effect of late payment practices is a detriment to the industry. It has been linked to increased construction costs (as premiums for debt-carrying costs are embedded in bids), smaller bidding pools, reduced employment, lower investment in equipment and, in the worst cases, forced closures and bankruptcies.

Major drivers of legislation

- PROMPT PAYMENT BETWEEN PARTIES (5-30 DAYS)
- EFFECTIVE DISPUTE RESOLUTION
- MODERNIZING LIENS
- VISIBILITY TO PAYMENTS
- EASING HOLDBACK RULES WITH MANDATORY RELEASES
In Ontario, sweeping changes to the Construction Lien Act (renamed the Construction Act) are providing a blueprint for the rest of Canada. Key improvements are driven by a prompt payment regime, restrictions in the timeframe to dispute invoices, mandatory and accelerated adjudication of disputes, work termination provisions, lien windows and other changes designed to modernize the act. Certain changes came into force in 2018; full changes will be in effect in October 2019.

Other provinces have been active in addressing shortfalls in existing legislation (see diagram), although the extent and scope of changes vary significantly.

Across all provinces, the main driver for change is balancing the needs of contractors and their customers. Legislation provides a robust set of accelerated payment timelines from owners to prime contractors to sub-contractors (within 28 to 30 days of invoice receipt to the prime contractor and within 5 to 7 days to their subcontractor and so on down the value chain). Assuming that invoices are not disputed, which is a very real and ongoing risk, this will significantly enhance liquidity in the industry.

Evolving prompt payment landscape
Despite such nuances, practical challenges will exist for all companies to comply with the expectations of the new acts. For example:

- Establishing processes that are efficient and effective enough to have cycle times for both invoice processing and payment processing that can operate within legislative targets.
- Smoothly managing a portfolio of projects, each subject to different legislative requirements.
- Preventing and monitoring under-billing or overpaying as accelerated requirements put pressure on review and validation.
- Determining how notices and awareness of value chain payments work in practice, particularly within short timeframes (5 to 7 days).

Despite the positive nature of the changes, there are reservations that legislation will not have the desired impact without an industry consensus and cultural change to ensure the success of such amendments:

- The value chain can only benefit from prompt payments if it can produce “proper invoices” – that is, complete, accurate and timely invoices. If there is a huge wave of rejected invoices (within defined timeframes), will cash cycle times actually be improved?
- What will be the recourse of non-compliance? It is unlikely that a central body will be able to effectively adjudicate and enforce rules.
- The acts are effectively institutionalizing a paid-when-paid arrangement. This places great dependencies on all partners to operate effectively to trigger the payment flows.
- Government bodies are highly bureaucratic and inherently not as prepared for accelerated modernization.

I remember the first time I saw a pay-when-paid clause, and we just refused to sign it. That was back in 1994. Now, hardly anybody refuses to sign it—because if you don’t sign it, you won’t get the work.

— Bill Black
President, Calgary Construction Association

Without cultural change, I am not persuaded that the legislation in and of itself is going to have that big an impact.

— Paul Raboud
Director of the Board at Bird Construction and Past Chair of the Ontario General Contractors Association
For prompt payment to be an objective in the industry, it will ultimately be driven by a combination of factors:

- **Education and awareness:** Increase understanding of the legislative changes, the projects being impacted and respective responsibilities, both internally and between companies. This needs to be underpinned by more effective and timely communication between parties in the construction pyramid.

- **Process improvement:** Ensure effective processes in the finance function, supported by operations to produce accurate, timely and complete invoices.

- **Technology:** Digitize smart contracts, supported by automation and integration between value chain participants. This will rely on ongoing modernization in the industry and a move toward increased data standards.

- **Policy:** Increase contractor requirements during bids, while calling out persistent rule-breakers and restricting their ability to bid on new projects.

- **Legislation:** Enact legal recourse for non-compliance and effective adjudication.

- **A willingness to change!**
Q&A with industry experts

Interviews with

Paul Raboud, Director of the board at Bird Construction and past chair of the Ontario General Contractors Association

Bill Black, President, Calgary Construction Association
Will the ongoing impact of prompt payment legislation be easily adopted across project value chains?

Prompt payment legislation was driven by demand from subtrades and suppliers. It was designed to have an impact on the trades, and I do believe it will translate up and down the value chain.

There are two things this legislation does: One is in respect to cash flow and the payment timeline. An owner has to pay an invoice within 28 days, the general contractor has to pay within seven days, and down the chain. This will probably have a limited effect—or the effect it does have will just be a function of how much it encourages a change to the culture of payments in the industry.

The second thing the legislation provides is adjudication remedy. That, I think, will actually have an impact on cash flow. Now that people have the option of adjudicating, owners are going to deal with issues more expeditiously because there is a credible alternative for a payee.

Overall, prompt payment legislation will benefit subtrades more than others in the payment chain. They’re the ones who are most likely to see an improvement in cash flow.

In my view, the ultimate point of the legislation is to change the culture. That’s what we want – the cultural change where everybody works together and cooperates. A formally structured litigious construction environment does not promote efficiency.

What are the top actions that small and medium-sized companies can take internally to improve their own position and performance?

There’s a rich opportunity to shorten DSO just by streamlining your receivables’ administration. It’s amazing how many payment delays could be resolved simply by reading what the contract says and submitting the proper pieces of paperwork. Most projects have a procedure where you can pre-vet an invoice with the owner so it doesn’t get rejected.

The second thing I suggest is involving the operation folks in the collections — people like the project manager — instead of some faceless department in one company speaking to a faceless department in the other company. I don’t think it’s fair to put it off on a collections department or on receivables because they just don’t have all the tools. I am stunned at how effective it is when an operation is engaged in collecting bills.

People need to understand that the culture of the company is, “We collect our bills on time, and that’s how you’re evaluated as a project manager. It’s not just getting the job done on time; you are also responsible for collections.” And that needs to be communicated to the owner: “We’ll do our part, but you have to do your part as well.” When that respectful relationship gets built, owners will pay on time. The cultural change has to be on both sides.
Q&A with
industry experts

What other industry-wide changes are needed to address endemic problems?

There’s an amazing amount of process and information flow required to construct a project. The degree to which we can systematize and streamline these processes will make a big difference. The potential to speed up the flow of information and to reduce the number of coordination issues between the mechanical, electrical and architectural and structural drawings, and to be able to disseminate that information and improve coordination, is ultimately where we need to go.

To have better cash flow and profitability, it’s essential to improve the quality of the documents and the planning upfront. Planning is much more economical than jackhammering after the fact, or 20 workers standing in the field not knowing what to do because something hasn’t been properly organized.

The quality of the documents in construction makes an enormous difference. When you have poor-quality drawings and documents, everything gets bogged down. There are change orders back and forth, and endless disputes. This requires extra communication, which delays the schedule.

There’s a constant downward pressure on price for consultants on drawings; everything is faster than it used to be. As a result, designers have less time to perform, and less money because it’s so competitive. But the quality of drawings makes a huge difference in terms of the success of these projects, and ultimately the profitability and cash flow. My advice to owners is to focus on procuring a quality design, not on minimizing design cost.

Something we’ve been pushing for as an industry: quality-based selection when picking consultants, instead of the government owners picking the cheapest consultants. It’s about the value you’re getting for the dollar. It may not be the cheapest bottom line price for design, but it’s the best price that matches up with the best service, which will result in savings for the overall project.

Overall, prompt payment legislation will benefit subtrades more than others in the payment chain.
Will the ongoing impact of prompt payment legislation be easily adopted across project value chains?

It won’t necessarily be easy. I think it will take a long time, and not everybody will be happy with the method that’s used. Each province is doing it their way, and consistency might be a challenge. But it’s still going to be progress. The legislation is a positive step – it sets a standard.

However difficult or drawn out prompt payment may become, the alternative of having no legislation is continued stress, especially on small to medium-sized contractors. You cannot afford to be financing projects while people take their time paying.

Quite frankly, too many entities have decided that not paying their bill is a form of leverage on suppliers of construction services, consulting and trade contractors. And some people will not want to give up that leverage.

What are the top actions that small and medium-sized companies can take internally to improve their own position and performance?

They have to look at their businesses as businesses. I’ve seen a number of organizations that have pursued work based on volume as opposed to profit. But to survive in a tighter and more demanding economy, there needs to be more of that profitability focus because at the end of the day, volume is not enough. You need to say no to bad work. Don’t work for people who don’t pay. Don’t work for people who don’t manage projects well, because it will cost you money to deal with the problems on site. You need to get very, very good at knowing your costs, knowing the difference between good and bad business, and chasing profitability rather than volume.

What other industry-wide changes are needed to address endemic problems?

The industry needs to continue to think about diversity, especially in terms of more women in the industry – we still tend to be male dominated. Our industry needs to think carefully about succession, about how to make construction an attractive prospect for high school kids to enter construction as a career path. The stereotype of construction is, “If all else fails, I can always become a construction worker.” It’s unfortunate that it’s looked at as a last resort. I don’t think we’ve done a very good job with advocacy and PR for our industry, and what a great opportunity it can be for young people, for women and for new Canadians.

One of the things our industry is not very good at is collaborating across all the disciplines. General contractors, trade contractors, architects, engineers and owners do not spend enough time learning how to collaborate. So initiatives that allow all the different stakeholders to get in the same room and discuss industry issues are important.

For example, Calgary’s Owners, Architects, Engineers, and Contractors Group is an attempt to get all of these different entities in a room to discuss the issues that are impacting each one of us – to try to create the dialogue and initiatives that will allow us to perform better when we end up on the same project.

Another issue is the lack of technological aspects in our business. Our industry needs more innovation, and the trouble is that when everybody’s struggling with shrinking margins and profitability, it becomes difficult to invest in that innovation because it’s non-billable hours.

We need prompt processes as well: processes for approving invoices, approving work and managing quality. And these processes cannot contribute to the time constraints over getting paid. So we need prompt processes and prompt payment legislation where people are held to a certain standard.

Part of the problem is that nobody builds software for eight-person companies. We need an Autodesk-like organization – something that is large and scales up and scales down. So there is a trade contract or portal and a trade contractor scaled component, and you could begin to create an effective model where the trade contractors are paid to play a nominal amount that feeds into a bigger subscription. The benefit of this is that we all have a system that plugs up to one master system, and the flow of money, information, requirements and communication is all consolidated into one platform. What a difference that would make!
Addressing the finance modernization challenge

According to a recent EY survey\(^1\) of construction industry executives, most of them (98\%), believe a digital strategy is critical to their ongoing success. At the same time, however, only 28\% noted they actually have a strategy in place, and a mere 9\% defined themselves as having digital readiness.

While modernization and embracing a digital strategy are priorities, they’re challenging for many companies. And with modernization comes the need for investment. To meet cash flow goals and improve cycle times, those in the finance function will need to carefully understand how investments can generate the best returns while also meeting business objectives.

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\(^1\) EY Survey: How are engineering and construction companies adapting digital to their businesses? 2018
The need for modernization is found in benchmarks. Comparing construction finance functions with those of other industries partially reveals the outcome of underinvestment in technology:

- More than half (51%) of those in construction finance functions are engaged in transaction processing, compared with 38% to 46% across other industries. This translates into more time spent on manual processes and less time on decision support for the business.

- Cycle times for invoice processing are three to six times higher than in other industries and require a much higher level of resource requirement.

- The majority (70%) of finance function costs are spent on people, compared to 50% to 60% in other industries. A lower proportion of finance budget is being spent on technology compared to other industries, which has resulted in gaps in efficiency and the inability to future proof the function.
Discussions held with industry leaders revealed a consensus in key focus areas for the near future:

**Increasing standardization and professionalism**

Many companies have assessed or embarked on a strategy of centralization and standardization of practices, particularly administrative processes. This could involve development of centres of excellence or shared services centres, creating offshore processing hubs or simply enforcing a standard set of procedures across operating entities.

Industry players indicate that in either a centre-led strategy (driving standard practices across multiple locations) or a centralized strategy (collapsing common processes into a shared service centre), there remains a high dependency on cultural change to adapt to new practices and to align with finance goals (typically not a key priority within the business).

In addition, common problems include the treatment of redundant partial full-time equivalents (FTEs), managing cost allocations and very importantly, gaining the buy-in and support of those responsible for business operations.

Although standardization continues to be a valued practice to gain efficiencies, it is often a challenging effort, especially when so many projects have their own non-standard contracts and requirements. Also, having to adapt processes for all customers poses a common difficulty for finance teams that are often unaware of such demands until after a project starts and the needs become evident.

For many, the benefits of standardization and centralization outweigh the challenges. Any driver of change can start with a benchmarking of current business costs to evaluate if the current operating model is too expensive. It is then important to assess key business requirements and how they could be fulfilled through different strategies. Finally, once a strategy is defined, it should be paired with a comprehensive change management plan to assure its effectiveness.

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**Investment in digital and new technology solutions**

Installation and upgrades in enterprise resource planning (ERP) software and financial systems remain the construction industry’s greatest investments in technology. Despite the steep funding costs, they’re seen as fundamental requirements to enable competitiveness. The major drivers for this technology include: consolidating business platforms and eliminating legacy systems, supporting growth strategies (organically and inorganically), improving the availability and quality of information across all levels of the organization to support better and timely decision-making, and continuing to more effectively manage costs.

While many construction companies have achieved major improvements from implementing ERPs, the reality is that these systems quite often do not meet key construction business requirements. Common challenges include integration issues with customer and supplier software, the ability to capture time and expenses accurately and the need for effective management of varied customer requirements (e.g., change orders).

Software developers are continually making advances in construction industry software. There is also a growing trend for in-house software development to meet the very specific requirements of industry companies, driven by feedback that the cost to configure ERP of off-the-shelf software is too high. This in-house software is providing integrated capabilities between front office, the field and back office, and even improved integration with third parties. Such solutions consist of digital timesheets, systemic records of material movements, digital documentation, workflow and quick access to contracts, project files and pay schedules. The key in any implementation is the ability to integrate project modules with back-end accounting.

Industry leaders have noted that there is a prime opportunity to achieve enhanced integration and standardization via a cross-industry collaborative investment in technology or data standards that reduce the existing high levels of complexity.
Well-run medium-sized companies are some of the strongest in our industry right now because they’re big enough to have more discipline, and they are small enough that they haven’t created too big a monster that needs to be fed. So they have more control over the scalability of their business, and they have the ability to specialize. It’s the perfect place to be right now in terms of maintaining some agility and energy in the market.

— Bill Black
President, Calgary Construction Association
Addressing the finance modernization challenge

There is a growing trend for contractors to commission sub-contractors to enter information into their own portals. This has been met with resistance and been perceived as a delegation of work effort. However, given a lack of systems integration, this process is helping reduce a portion of the rework that comes with using disparate software, and is creating greater visibility into invoice requirements.

Despite the complexity of the construction industry, there have been developments in the potential use of new technologies like blockchain, including its integration with building information modeling solutions (BIMs). At this point, blockchain technology could be applied to basic construction supply chains handling contractual relationships using smart contracts and electronic interchanges between parties. Early pilot projects will likely broaden the options for the future.

Reducing manual processes

Today’s digital solutions can take arduous processes and create increased efficiencies. Robotic process automation (RPA) is designed to do just that. RPA mimics manual paths taken by humans, moving or populating data in prescribed locations, documenting and auditing trails, conducting calculations and triggering downstream activities.

There are a number of repetitive processes that could be automated in many construction industry organizations to free up people's time to focus on more complex or value-added activities. The starting point is on identifying and understanding the manual processes currently in existence and the development of a business case for automation.

Enablement of business-to-business (B2B) payment platforms

There has been a growing trend for organizations, including construction companies, to take advantage of cloud-based payment platforms. Although the industry’s adoption has been slower compared to other industries, companies in this sector are seizing the opportunity to process payments ahead of terms for a cost that is at or below financing charges.

No matter what improvements are in focus, a transformative approach has the potential to enable significant improvements at the company level, which will have knock-on effects across construction value chains in Canada. In many cases, small changes can make a large impact, which is why companies are advised to critically evaluate their short- and long-term priorities to determine new ways to optimize their business that can reduce costs, improve cycle times and streamline redundant processes.

“Construction is part of the input costs in every industry. So the degree to which you can make that more efficient helps the economy as a whole.”

— Paul Raboud
Director of the Board at Bird Construction and Past Chair of the Ontario General Contractors Association
Key pain points in the ability to modernize

1. Lack of integration between systems
2. Shortage of trained staff to operate digital technologies
3. Buy-in for adoption
4. Funding
5. Unwillingness or inability to transfer investments to the customer
Facing the challenge of forecasting cash flow

A consistent challenge for construction companies is the ability to forecast cash flow, including having the visibility to predict cash flow requirements within a reasonable time horizon. It’s a big challenge in an environment of tight margins and where high levels of cash are tied up in working capital.

The finance team typically builds cash forecasts by project and consolidates in the centre. For many, this is an arduous and manual process. The lack of effective technology solutions has been cited as a factor, but even when platforms exist, the accuracy of data entered from the project teams has been a concern. In addition, many projects can have a range of cash flow profiles.
Facing the challenge of forecasting cash flow

The outcome for many is a constant inaccuracy (over or under) in cash flow projections against actuals. This is driving the need to retain a cash headroom to absorb the variances, further cash being tied up when cash is potentially scarce. It also impacts capital allocation decisions and increases risk against covenant ratios.

There are an increasing number of solutions available to companies to improve cashflow forecasting. Treasury Management Systems and standalone web based tools can collect information in flexible templates and with workflow or reminders, be collected quicker. Analytics can review accuracy at more granular levels and provide performance reviews and feedback.

Despite the quality of tools, there remains a high dependence of accurate information and meaningful engagement from participants. Ultimately, discipline needs to be driven through measurement and accountability. Progress can be made through establishing a common set of KPIs to measure cash flow accuracy with internal stakeholders being held more accountable for information being shared.

Key issues raised include:

- ✔ Highly manual processes, often managed through emails and spreadsheets
- ✔ Lack of an effective technology solution
- ✔ Insufficient insight provided for differences between actual cash flows and schedules
- ✔ The task of managing multiple project changes and the impact to cash flow
- ✔ Lack of understanding from project managers and teams in determining their influence and impact on cash flow (e.g. missing billing cycles)
Is your company ready for change?

Are you ready to change the industry?

The overarching response from finance leaders is that cash flow remains a high priority. However, significant challenges must be addressed to support improvement in its availability, management and forecasting. Legislative changes may now force some companies to accelerate their agendas or lead to struggles to meet the increasing legislative requirements.
Is your company ready for change?

Are you ready to change the industry?

As indicated in this white paper, there is no universal remedy for the modernization required to transform the industry. Change is difficult and can be expensive. Companies will need to evaluate their priorities and identify the people, processes and technology to meet ongoing objectives, such as:

- Addressing underlying process and policy issues internally impacting cash conversion within a broader change management exercise.
- Engaging in better and more fact-based conversations with construction partners and challenging existing norms.
- Developing a strategy for managing prompt payment and other legislative changes.
- Identifying financial solutions that can support greater flexibility for their company and/or its suppliers.

There is a strong appetite for improvement, and many organizations have commenced initiatives or projects to address their underlying gaps. The phrase “cultural change” is often used, and its importance in the construction industry cannot be overstated. It will demand a huge number of people and organizations to recognize that the collective values, practices and behaviors will need to change, and this will require effort, money and some short-term pain. These will be investments that will pay off in building a better future.

The coming months and years will be a critical period for the construction industry. Are you ready?

Challenge to the industry

Do you have a defined execution strategy for the next 12 - 18 months?

Are you prepared to fully adopt new legislation?

Is your organization ready to implement the changes necessary to realize your cash flow objectives?

Have you considered the costs of resisting change?
Let's connect

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How we can help

EY's global network of working capital professionals brings leading capabilities to identify, evaluate and prioritize the practical improvements that can liberate cash from working capital. With its holistic approach to understanding your organization's needs, EY can develop strategies to modernize processes, enhance technology and improve governance that start to shift cultural norms to achieve cash flow objectives. Learn more at www.ey.com/ca

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EY's global network of working capital professionals brings leading capabilities to identify, evaluate and prioritize the practical improvements that can liberate cash from working capital. With its holistic approach to understanding your organization’s needs, EY can develop strategies to modernize processes, enhance technology and improve governance that start to shift cultural norms to achieve cash flow objectives. Learn more at www.ey.com/ca
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