



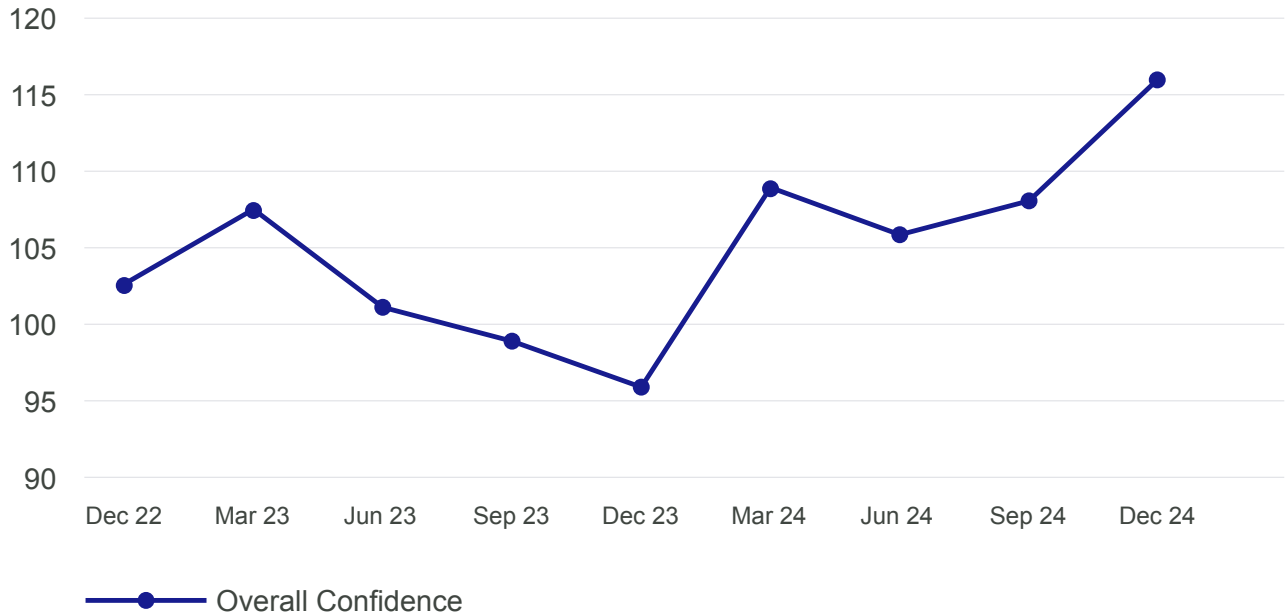
Construction Quarterly

Let the Data Drive You

February 2025

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Overall CONFINDEX Confidence Index



“More business decisions should be driven by data than by emotion.”

We encourage our clients to adopt this maxim, especially in times of political, societal, or economic change. Feelings reflect perceptions, and though perceptions are important, they don't always align with reality. It's important that we know when to de-emphasize feelings and focus on a more objective approach.

Confidence is up. Should it be?

The most recent Construction Financial Management Association (CFMA) quarterly CONFINDEX survey threw us for a loop.

This quarter's survey, which charts construction industry CFO and CEO confidence, was conducted during the presidential election cycle. We assumed that election uncertainty would yield a drop in confidence, but the opposite was true. Construction company leaders were more confident this quarter than they were last quarter. Confidence was up in the following categories:

- Overall confidence
- Current confidence
- Future confidence
- Confidence in business conditions (both current and future)
- Confidence in financial conditions (both current and future)

However, when we dig deeper into the survey results, the comments tell a different story. In direct opposition to their confidence ratings, Respondents listed objective reasons related to concerns about the future, which were in direct opposition to their confidence ratings. Some of these comments were:

- “Competition has increased.”
- “The interest rates and capital availability are still a concern ...”
- “Credit seems to be tighter now ...”
- “Qualified and experienced craft workers and equipment operators continue to be in short supply.”
- “Overhead is going up, but margins are not keeping pace.”
- “Increased freight charges ... is of great concern to us.”

Why did respondents feel confident when their data should have led them to the opposite conclusion?

Feelings are powerful, yes, but data doesn't lie.

Emotions can play a worthwhile role in business. Gut decisions, for example, can be useful when there is so much information that it paralyzes you toward inaction.¹ When there is a large gap between what you're feeling and what the data is telling you, it's wise to step back and reflect. Harvard Business Review author Cheryl Strauss Einhorn says, “Naming our feelings can help create a little space between our emotions and our actions. Gaining that distance allows us to examine the emotion ... without letting the emotion drive the decision.”²

The CONFINDEX survey respondents feel confident about the construction industry. But why are they feeling that way? The resounding response we saw in the comments section was that they believe the new administration will be good for business. While there are certainly reasons to be optimistic about changes to come, there are also policies coming down the pike that will objectively make life more difficult for the industry. Let's look at the facts surrounding three hot button issues that have been circulating this election cycle.

¹When It's OK to Trust Your Gut on a Big Decision,” hbr.org, October 22, 2019.

²“Emotions Aren't the Enemy of Good Decision-Making,” hbr.org, September 9, 2022.

Heather Alley, partner at Forvis Mazars in the [Washington National Tax Office](#), talks tariffs:

“While sometimes thought of as synonymous with taxes, tariffs are not actually part of the tax regime. Unlike true taxes, tariffs may be implemented, altered, or removed without legislative action.

“Historically, tariffs have been used to target specific countries and discrete goods. But the current administration intends to use tariffs more broadly. This can create a highly volatile pricing environment for materials. Contractors need to consider these risks when bidding on projects and managing their supply chains.

“To be proactive, contractors can get involved in their trade organizations' efforts to talk to legislators. Legislators need to know from the source how tariff-induced high materials pricing could affect their constituents and the construction industry as a whole.”

Follow the Washington National Tax Office at Forvis Mazars for the latest lobbying and legislative happenings on the hill.



Heather Alley
Partner



Tariffs

Most construction contracts allow for contractors to recover costs resulting from tax law changes. The same cannot be said for tariffs. If tariffs raise materials prices, those additional costs may not be recoverable within your existing contracts.

Aprille Bell, managing partner at Forvis Mazars, likes to remind her clients to “... look to organizations like the Associated General Contractors of America (AGC) for facts that can be used to make informed decisions.” The AGC released a memo in late January that outlines what federal contractors need to know about tariffs, but they provide valuable insight for all contractors.

Immigration

Construction companies almost always cite labor shortages as a top concern. You may find yourself pushed to the brink if immigration policies shrink the labor supply even further.

Artificial Intelligence

The new Administration is pushing for more AI innovation. [AI can be a great tool for construction businesses](#). Still, if AI is being developed with less federal regulatory oversight than it has been in the past, then there’s risk that you’ll be pushed to adopt AI tools before you’re ready, or adopt AI tools that haven’t been fully vetted.

We’ve played devil’s advocate with these three topics not to sway opinions, but to prove a point: feelings like optimism can be useful tools to drive change, but they should be assessed alongside relevant data before settling on any strategic decision.

“AGC Memo: Tariffs and Construction – What Federal and Federal-Aid Contractors Need to Know,” smithcurrie.com, January 23, 2025.

“AGC Memo: Tariffs and Construction – What Federal and Federal-Aid Contractors Need to Know,” smithcurrie.com, January 23, 2025.

“Trump Vows to Deport Millions. Builders Say It Would Drain Their Crews and Drive Up Home Costs,” nbcnews.com, October 19, 2024.

“Trump Revokes Biden Executive Order on Addressing AI Risks,” reuters.com, January 21, 2025.

What data should we use to make decisions?

If data is as important as we say it is, what's the next step? What data should you be using, and how should you be employing it to make better decisions?

We like to break it down into the following three categories:

Know your costs.

In general, the better you know your costs, the more successful you'll be. And that's because when costs are known, you feel safe tapping contract margins to:

- Place more competitive bids
- Explore new types of projects
- Invest in training
- Negotiate with suppliers
- Rewrite contracts
- Adopt new technology
- Overhaul your benefits package

We have tips and tricks to help you gain a better understanding of your costs—many of which you can find in our archive of [Construction Quarterlies](#)—but, if your business isn't harnessing technology, you won't gain a full understanding of your costs.

Right now, we encourage our construction clients to consider AI as a cost management tool. AI uses machine learning to collect key data (like historical information and market reports) and build more accurate, real-time cost analyses, estimates, and projections. This technology can also:

- Identify risks and bottlenecks in your supply chain
- Build cost variances to be used in the bidding or budgeting process
- Suggest different pricing strategies
- Determine the most efficient use of construction inputs (labor, supplies, tools, materials, equipment, etc.)
- Identify purchasing patterns
- Notify management if costs exceed budgets
- Detect suspicious spending

Having detailed and insightful information about your job costs can help you hone your job bidding and job costing strategies. Maddox summarizes it best when he says, “strategic investments in AI ... are essential for evaluating new opportunities [and] remaining competitive.”

“In times of uncertainty, construction companies must leverage technology to manage job performance effectively and efficiently. By adopting advanced technologies, companies can monitor job performance in real time, optimize resource allocation, and improve overall productivity.”



Steve Maddox
Managing Director
Construction Technology Solutions & Services

Know your partners.

Who you surround yourself with matters. Think about all the people and businesses you encounter to get a contract, from the starting line to the finish line. This list likely includes:

- Architects
- Engineers
- General contractors
- Subcontractors
- Employees
- Contracted workers
- Suppliers
- Shipping companies
- Lenders
- Banking partners
- Developers
- Municipalities
- Software providers
- Waste management companies
- Appraisers
- Rental companies
- Lawyers
- Insurance companies

These partners are essential to navigating a construction project. If you choose the right ones, it may help to maintain compliance, experience fewer financial challenges, and thus your jobs will proceed smoothly.

Enterprise resource planning (ERP) systems can help improve many of these relationships. For example, a well-vetted ERP system will streamline workflows and reduce information silos so that all players in the project, both inside and outside of your organization, will know where you are in the project lifecycle. Construction-specific ERP systems can also:

- Predict labor availability
- Assign tasks to team members
- Summarize vendor information
- Generate invoices
- Track payments
- Build project performance reports
- Track inventory levels

The technology that you choose is crucial. The right software will not only help you and your business partners complete projects more efficiently, but it can also expose how well those business relationships are serving you. With this knowledge, you can invest your resources in your most reliable partnerships.

Know your contracts.

Your contracts are the backbone of the construction project. They are the road map, the outline, your chart for success. And that's why building your contracts correctly is paramount to your business.

When you bid on a job, what happens next? If you track the outcome of each bid, you'll have useful information about how to adjust bids and ultimately how to adjust contracts going forward.

But what's the best way to get this information?

Customer relationship management (CRM) systems are nothing new, but construction-specific CRM systems can help you win more projects and build stronger contracts. Salesforce is a CRM system we suggest to our construction clients because it offers software that was built specifically to support construction and infrastructure initiatives. The Salesforce software:

- Collects and analyzes information about each of your bids and their outcomes
- Assesses the likelihood of you winning future bids
- Routes customers to the right person when they have questions
- Forecasts sales demand
- Analyzes and builds decision-useful reports surrounding subcontractors used, budget accuracy, project timelines, repairs, inquiries from customers, etc.
- Tracks materials orders
- Integrates sales data with revenue reports
- Helps you build a strong backlog
- Allocates resources among multiple projects
- Improves relationships with customers and vendors

You will have the data you need to build optimal contracts by using software that collects this type of information from all bids and contracts, and then aggregates and organizes that information for you.

Our Construction Technology Solutions group can help.

Having detailed insights into your costs, your partners, and your contracts can give you a clear, objective foundation for making better decisions. Don't discount your feelings but temper them with facts, so that your business can move forward with confidence even in an uncertain tax and regulatory environment.

If your organization wants to build its ideal technology stack, connect with our [Construction Technology Solutions](#) group at Forvis Mazars. We can help with your software selection process to find you the software that fits your needs.



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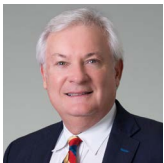
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