The construction industry globally operates in a highly competitive environment, with narrow EBITDA margins. Unexpected events, such as the current COVID-19 crisis, are creating additional challenges. Engineering, and Construction (E&C) companies have been diversifying their business portfolios. The motivations behind this are common to all sectors and consist of growth, synergies, reduced risk and cash flow recurrence and stability.

Digital transformation brings new challenges and new diversification opportunities. In this article we explore how E&C companies will ramp up growth now and into the future.

1. Providing non-construction services to clients
2. Expanding the business portfolio
3. Performing activities included in the asset life cycle

The agenda for the future

Construction 4.0 will continue to transform the industry through digitization (through, for example, the automation of construction sites and artificial intelligence). Market disruption forces companies to be agile, i.e., to reassess their strategy and operations (with the utilization of technologies such as cloud computing, big data, and IoT). Market disruption forces companies to be agile, i.e., to reassess their strategy and operations (with the utilization of technologies such as cloud computing, big data, and IoT). Market disruption forces companies to be agile, i.e., to reassess their strategy and operations (with the utilization of technologies such as cloud computing, big data, and IoT). Market disruption forces companies to be agile, i.e., to reassess their strategy and operations (with the utilization of technologies such as cloud computing, big data, and IoT). Market disruption forces companies to be agile, i.e., to reassess their strategy and operations (with the utilization of technologies such as cloud computing, big data, and IoT). Market disruption forces companies to be agile, i.e., to reassess their strategy and operations (with the utilization of technologies such as cloud computing, big data, and IoT). Market disruption forces companies to be agile, i.e., to reassess their strategy and operations (with the utilization of technologies such as cloud computing, big data, and IoT).
greater degree), choosing between building up core activity, integrating the value chain and embracing new businesses. Despite this, and following market trends, the construction segment will continue to have the biggest share of the pie, after divestments of non-core businesses. Companies will rethink their participation in knowledge-intensive segments to free up investment capacity for capital-intensive segments (construction). Pure construction players will keep the focus on their single core business and invest in strategic assets, such as technology, to develop competitive cost advantage (efficiency).

Conclusion

E&C is an industry in evolution. In the coming years, companies must continue to invest in technology if they are to sustain their position. Innovation and growth will be centered on core business, despite the potential collateral contribution to diversification. Diversified E&C groups will come up with reinvented business portfolios and the growth and competitiveness of other activities, especially non-construction, are expected to fall.

There are two key takeaways: the need to explore new ways to grow as a key success factor and the importance of making strategic decisions tailored to the degree of diversification and profile of each company.