

Understanding Backlog in Construction: What it is and Why it Matters

Written by: RedTeam Builder Blog Editors

In the fast-paced world of construction, staying on top of projects, finances, and forecasts is critical for long-term success. One of the key indicators that construction companies use to measure future business stability and growth potential is backlog.

WHAT IS CONSTRUCTION BACKLOG?

In simple terms, backlog refers to the value of work – measured in dollars – that a construction company has contracted but not yet completed. Think of it as a forward-looking financial snapshot. It includes all the projects a company has signed contracts for, but that are either partially completed or haven't yet started.

Backlog can include:

- » New projects scheduled to begin soon
- » Ongoing work that is still in progress
- » Approved change orders not yet performed

For example, if a contractor signs a \$5 million contract and has completed \$2 million worth of work, the remaining \$3 million is considered part of their backlog.

WHY IS BACKLOG IMPORTANT?

Backlog is more than just a number – it's a window into the future health of a construction business. Here's why it matters:



1. Predictable Revenue Stream

Backlog provides a forecast of future revenue. It helps companies estimate how much work they have lined up and what income can be expected over the coming months or years.

2. Strategic Planning

With clear visibility into backlog, companies can plan their workforce, equipment, and resource allocation more effectively. It informs decisions about hiring, cash flow management, and when to pursue new bids.

3. Business Valuation and Creditworthiness

Financial institutions, investors, and bonding companies often look at backlog to gauge the financial strength and future

viability of a construction firm. A healthy backlog signals strong demand and stability.

4. Growth Indicator

Tracking how backlog grows (or shrinks) over time can help company leaders assess market trends and internal performance. An increasing backlog may indicate strong sales and marketing efforts or an uptick in industry demand.

BACKLOG VS. PIPELINE


It's important to distinguish backlog from the sales pipeline. While backlog refers to contracted work, the sales pipeline includes potential projects that are still in the proposal or bidding stage. A strong sales pipeline is necessary to maintain a healthy backlog.

HOW TO MANAGE AND MONITOR BACKLOG

Staying on top of backlog requires accurate project tracking and reporting. Many construction firms use project management or construction ERP software to:

- » Track contract values and project progress
- » Forecast revenue recognition
- » Identify capacity gaps

Regular backlog reviews – monthly or quarterly – allow companies to catch warning signs early, such as a shrinking backlog or overextension.

In construction, backlog is a vital metric that tells the story of where your company is headed. It's not just about the contracts you've won – it's about how effectively you manage and deliver on them. By understanding and monitoring backlog, construction leaders can make smarter decisions, ensure sustainable growth, and stay competitive in a demanding industry. 



About the Article

The [Builder Blog by RedTeam](#) was launched in 2023. It serves as a resource for construction professionals with industry insights, in-depth articles about solutions, and helpful customer stories. From best practices to workflow guides, the blog builds on RedTeam's expertise and knowledge of the industry to help create a better tomorrow for everyone in construction. You can learn more about RedTeam at redteam.com.

Any views and opinions expressed in this article may or may not reflect the views and opinions of the Construction Management Association of America (CMAA). By publishing this piece, CMAA is not expressing endorsement of the individual, the article, or their association, organization, or company.