

# IFS EXECUTIVE

# SUMMARY

## MANAGE MARITIME PROJECT, FINANCIAL CONTROL AND GOVERNANCE WITH IFS APPLICATIONS.

Every shipbuilder, infrastructure contractor or maintenance repair and overhaul (MRO) provider will run accounting software. But unfortunately, the project operational activities that determine whether you are making or losing money usually resides outside of that system. After all, a shipyard is not really a single business, but rather is a collection of projects that operate as their own profit and loss centers. If your projects are successful, your business is successful. But most maritime companies house project information in Microsoft Excel or other grey IT systems that lack proper visibility, governance and control. IFS Applications provides true enterprise resource planning (ERP) software for the maritime industry that provides real-time visibility and control of project operational and financial performance.

Project financial control is critical regardless of whether you are building maritime vessels, offering MRO services, building maritime infrastructure like dry docks or designing and fabricating offshore drilling rigs or vessels.

If you are like most companies in the maritime industry, you have a monthly project control report—probably in Microsoft Excel. Your spreadsheet probably has multiple tabs, and is designed to track the project from estimate into a project budget and then track performance against baseline. Perhaps the most important tab in that spreadsheet is the project forecast that should give management visibility of estimate to complete (ETC) and estimate at completion (EAC) for an end position of revenue, cost and margin. What is wrong with running these projects in Microsoft Excel or other grey IT disconnected from the system or record? Plenty. Excel and other systems outside of an enterprise software application like ERP do not include preventive and detective controls against manipulation. It is easy and too tempting for a project or commercial manager to “massage” the data to make their project look profitable, hiding landmines that will blow up in the controller’s face in later project phases. This is a real risk because lacking a single ERP system, there is no way to reconcile the contents of the project forecast against any authoritative source.

A project that can last anywhere from one to 10 years spans multiple fiscal planning periods. Problems can spin out of control and potentially sink a project or even an entire company if cost and timeline overruns are severe enough. At the very least, these issues damage relationships with project owners and drain margin.



### EVM THROUGH INTEGRATION

Most defense agencies and more and more private vessel owners require the additional financial control that earned value management (EVM) delivers.

Because IFS commercial off the shelf functionality integrates resource forecasting with project forecasting, we can easily support earned value analysis and measurement against specific milestones. This gives your customer and your own executive team objective visibility of project operational and financial performance. And it can easily support multiple and changing reporting requirements specific to individual customers or projects.

We do this by establishing a resource financial control budget for expected hours for each department or category. The activities assigned to projects feed directly into each project budget. During periodic project review, departments contributing to a project can confidently predict their estimate at completion (ETC) number of hours, based on committed/spend hours and actual progress reported on work packages. To make it simple to analyze this data, IFS Applications includes metrics such as earned value, actual cost of work performed, schedule performance index (SPI), and cost performance index (CPI).

### BUSINESS AT RISK

With IFS Applications, you are finally in control of your projects, the project plan and financial forecast, in an auditable, reliable, secure ERP application. IFS Applications includes integrated functionality to manage all the project cost drivers:

- Materials
- Equipment
- Labor/Resources
- Subcontractors
- Expenses

This means you can produce a forecast based on trusted data rather than on spreadsheets that can easily be massaged to serve the interests of

individual contract, project managers or internal teams.

IFS has developed this project control functionality in close partnership with a number of maritime and other customers involved in enterprise projects. IFS customers may run multi-year projects with hundreds of subcontractors including the management of project variations that impact the client contract and linked subcontracts. Each project change revises the profit and loss forecast through the end of the project life. In IFS Applications, you can handle changes efficiently while preserving margin and avoiding surprises. For each change order, it will be impossible to miss or obscure the financial impact, which lets you remove risk from your operation.

### CASH IS KING

While cost, revenue and margin are important, you must also ensure that you have sufficient cash on hand to support project operations between liquidity events. A good deal of the risk involved in your project may result from imbalance between the inflow of cash resulting from payment milestones or progress claims and the outlay of cash anything from materials to equipment rental.

IFS Applications will enable you to forecast your cash position over the project lifecycle. During estimating and in the initial negotiations with the project owner, you will be able to establish tie-ins between risk and opportunity. As the project definition changes, you can quickly use forecasting tools to identify any risks in cost, cash and impact on the expense and cash flow timeline. IFS Applications includes cash flow tools that let you control and hedge your cash position in multiple currencies.

### PROACTIVELY MANAGE RISK

IFS Applications provides tools to manage other project risks with an embedded risk management module. Just like the project forecast, companies in the maritime industry often handle risk management in Excel, and that spreadsheet is often not consulted or altered once the project is underway. Managing risk continuously lets you identify the necessary

contingencies in the forecasting process and ensure that risks are consistent with the forecast. Most importantly it allows actions to be assigned and tracked to mitigate the risks.

If there are project delays, are there penalties that result? Do your subcontractors have insurance? Do they have the right insurance amount required by the contract? When does it expire? Are you confirming it has not lapsed at that expiration date? IFS Applications includes specialized tools for indemnities and insurance that track the expiration and documentation around bank guarantees and insurance.

### **COST BREAKDOWN STRUCTURE VERSUS WORK BREAKDOWN STRUCTURE**

Most maritime companies think about cost in terms of cost code structures tied to account numbers in a general ledger. A cost breakdown structure (CBS) in IFS Applications lets you break cost categories in a granular fashion without resulting in an overly complex general ledger. You can also opt to create a consistent CBS across projects so you can more easily template costs from one project to the next and most importantly get a consistent management view and cost reporting coding structure to rollup project performance across the entire enterprise. A work breakdown structure (WBS) meanwhile can be unique for each project according to the project owner's requirements. IFS Applications WBS and CBS lets you meet unique customer expectations while preserving a consistent approach across multiple projects. The WBS is integrated with the project plan (e.g. Primavera or MS Project) so this means that the official project timeline can now be used to drive the financial forecasting as well. IFS offers the flexibility to manage the project budgeting and monthly project forecasting process at any level of the cost or work breakdown structure. This means that large projects can be run using a top down cost control methodology driven from a Cost Breakdown Structure while smaller projects might be run using a bottom up WBS methodology.

### **LEARN MORE**

To learn more about how IFS can put you in financial control of your projects, visit

<https://www.ifsworld.com/us/industries/engineering-construction-infrastructure/shipbuilding/>

For general information about IFS Applications, visit [IFSworld.com](https://www.ifsworld.com)