

Choosing the best ERP solution for general contracting



Technology to enable best practice
construction with fully integrated
project financial control



In an industry where complexity, minimal margins, risks, and demanding schedules are the norm, a defined, integrated approach to project management, financial control, and compliance can mean the difference between success and failure for a General Contracting business.

A General Contractor's ongoing challenges typically include:

Managing complexity

Construction projects are inherently complex; uniting multiple stakeholders, departments and roles and subcontractors is very difficult. Coordinating diverse parties requires a systematic, robust, well-organized approach. Most construction projects are not managed in a consistent way. Often, each project has a unique set of processes and is run using a different set of software systems and Excel spreadsheets. This means that repeatable, best practice processes cannot be used and data cannot be trusted to be accurate or consistent.

Optimizing project delivery

Efficient and coordinated project delivery enables on-time completion—a fundamental KPI to profitability. Often the project plan is not driving the execution of the sub-plans. For example, there are often unsynchronized plans for design and engineering, procurement, subcontract work packages, self-perform construction, equipment, installation and commissioning, offsite manufacturing or production, etc.

“

A 1 % increase in project costs can make the difference between profit and loss, or in other words staying operational or going bust.”

1. McKinsey Global Institute

This disjointed approach of having plans managed in various spreadsheets and point business systems leads to delays and cost overruns.

Controlling project finance

With margins ever tighter, having accurate, timely and trusted information about how the project is performing is critical. This includes managing budgets and forecasting project costs and revenues. Being able to track the accuracy of your estimates is critical to ensuring your business can improve estimating accuracy on future projects. Managing contract change, risk and opportunities is often a challenge as is having accurate project cash planning.

Mitigating risk

Variables such as the weather, project scope and design changes, supply chain challenges, economic uncertainties and unexpected site challenges mean construction projects inevitably face risks. Best practice risk and opportunity management processes are rarely adopted. Often a risk register is managed in Excel at the beginning of the bid stage of the project and is not revisited as a key part of the periodic project review process. This means that actions to mitigate risks are often missed or identified too late. This negatively impacts project timelines, costs, and margins.

The answer: a flexible ERP platform

While these ongoing challenges rarely fluctuate, the biggest overlying issue facing General Contractors today is a lack of integrated technology.

Relying on too many specialist software systems and spreadsheets to manage projects and resources is neither effective nor efficient and hinders future business growth.

As a General Contractor, you need business software that gives you the flexibility to support different contract types. Clients may require arrangements such as:

- Lump Sum or Fixed Price
- Target Cost
- Cost Plus
- Design and Build
- Construction Management
- Term Maintenance
- Schedule of Rates and more.

In addition, you need software to support a mixed construction execution strategy so you can choose any combination of **self-perform** and **subcontract delivery model**.

Being responsible for the day-to-day oversight of projects while also preparing your business to embrace emerging trends such as industrialized construction methods requires an Enterprise Resource Planning (ERP) solution that provides flexibility and adaptability.



Overcoming the commercial pressures facing today's general contractors

The market for general contractors has been growing consistently, from \$15.193 trillion in 2023 to \$15.97 trillion in the beginning of 2024 with an estimated compound annual growth rate (CAGR) of 5%¹.

Drivers of overall market growth include aging or new infrastructure as well as population expansion, urbanization and the construction of smart cities, and an increase in domestic manufacturing. But despite a growing global construction market, General Contractors' profit margins can still be very thin.

Protecting profit margins

Contractors are always under pressure to maintain tighter margins, and skilled labor shortages, supply chain challenges, and raw materials costs, only compound the issue. For most General Contractors, protecting your profit margin is not straightforward. Your profit margin could be dependent on the outcome of 25, 50 or even 100 projects. So, how do you control all these factors?

“

Projects with better preconstruction planning processes were more successful—they saw average profit margins of 23% compared to margins of -3% in projects with poor preconstruction planning.”

2. The Journal of Construction Engineering and Management

Any accounting system can provide a historical account of how much was spent last month. But protecting your margin means having tools to forecast what you think will happen in an accurate, robust way. Ensuring healthy profit margins comes down to how well you can manage the future, not the past.

Business success in construction is also heavily dependent on tight cash management. Your company is basically funding its own project, meaning:

- You must maintain your cash flow,
- Ensure you can purchase the materials and services you need,
- Ensure you can rent and/or fuel the right tools and equipment,
- Pay subcontractors and employees on time,
- And still have enough cash on hand to pay all your other bills on time.

Maintaining that fine balance during project execution is what a finance-centered, construction-designed ERP system like IFS Cloud helps you do. And since no project stays the same from start to finish, your ERP system also needs to improve how well you manage change and contract variations.

This is just covering everything you do during project execution to protect your margin. You can also get better over time at estimating and bidding on projects from the beginning. With an ERP platform that offers built-in AI and data analysis tools like IFS Cloud, you can predict project costs and outcomes better, which means you can bid on projects more accurately to ensure higher profits.

Best practice pre-construction planning

Setting projects up for higher margins also requires excellent preconstruction planning. It helps your business:

- Account for all project costs
- Determine project schedule and timeline
- Identify stakeholders and their assigned tasks
- Reduce project costs and delays

A capability that sets IFS Cloud apart from other ERP systems is its ability to help contractors identify all demands on a project—labor, material, plant/equipment, and subcontracts—before they begin execution. All these demands can be fed into your resource planning and schedule of work (SOW). You can use our platform's built-in estimating capability or easily integrate the estimate from your preferred tool.

Specific capabilities IFS offers include:

- Schedule of Work (SOW) to create or import multiple estimate versions,
- The SOW upon approval performs a resource roll-up calculation which can then be used to generate project material, equipment and services, resource labor plans, and/or purchasing or procurement plans including the negotiation of subcontract packages
- Additionally, items can be transferred to a subcontract which is specifically designed to handle interim monthly payments, retentions, and contract change orders.

Ensuring regulatory compliance

Another determining factor in financial success is how well you manage compliance. Compliance with building codes and regulations is mandatory and complex. In some territories, meeting closing out regulations can be a major exercise, consuming time and resources to compile and deliver the required project documentation.

IFS Cloud can automate compliance tracking and reporting, reducing the risk of costly violations and delays. The platform also helps you ensure that all subcontractors have the right certificates of insurance, bonding, and signed contracts before you begin work on any project. The system ensures that every subcontractor is always in compliance, and it will even withhold payment if they are not. In that way, IFS Cloud gives you visibility to see where your business is exposed to risk and automates all the necessary checks and balances.



From Engineer to Design, Build, Operate and Maintain

IFS Cloud is project-driven, aligning data, schedules and capabilities to keep everyone on time, informed and empowered. The project itself is the engine, ensuring high-level visibility and transparency throughout. The solution provides full flexibility for all projects, whatever their size or complexity, and templates can be made for every type of project. Every person and every department integral to your business success—be they project managers, commercial directors, quality assurance/quality control, finance, operations, or compliance—can easily track progress, costs and revenues related to the different activities.

Integrated project plan and scheduling capabilities

Often, the project plan is not integrated to the project processes leading to a disconnect when it comes to proper execution. IFS Cloud solves this problem by easily integrating into your Microsoft® Project™ or Primavera system so that all the project execution processes are driven from the master project plan. In addition, the shorter-terms work package plan can be optimized using IFS's smart AI-based automated scheduling tools.

Industrialized construction

Industrialized construction, including offsite, modular and prefabricated construction methods, improve project performance and profitability. To compete against new market entrants, more General Contractors are adopting this method. In addition to supporting traditional construction and facilities management requirements, IFS Cloud also provides a fully integrated world-class engineer-to-order manufacturing solution for offsite, modular and prefabricated construction. Manage shop-based and site-based work in the same contiguous solution to maximize productivity and efficiency while minimizing risk.



Equipment maintenance and rental

For contractors that own their own equipment, IFS also provides a fully integrated solution to manage the rent in and out processes, project charging and the ongoing maintenance of the equipment. KPI's such as asset utilization, availability and profitability can also be managed in IFS Cloud.

Total asset lifecycle support

Some General Contractors are starting to offer long-term maintenance contracts that deliver predictable, recurring revenues. As well as stable revenues, this 'Contracting for Outcomes' business model also encourages assets that are designed to perform well and be easy and cost efficient to maintain. Whether your organization is involved in delivering projects as a sub or prime contractor, IFS enables you to build, refurbish or dispose of assets and deliver maintenance or facilities management contracts and project warranties. The IFS Cloud platform has world-class project lifecycle, asset management, and field service management solutions—a combination rarely found in one integrated software solution.

IFS Cloud: Designed for Your Business

General Contractors who want to build successful, sustainable businesses select IFS as their partner. The IFS Cloud ERP solution embeds best practice processes for construction project delivery and integrated project financial control as well as innovations like AI and automation to help your business thrive in today's disrupted market.

Integrated project financial control

IFS has developed its project control functionality in close collaboration with major enterprise-size contractors around the world. In one integrated solution, IFS Cloud for construction delivers world class accounting plus the ability to manage all project cost drivers including procurement, subcontractors, labor, and external and internal equipment rental. Produce forecasts based on trusted real-time data. Run multi-year projects with hundreds of subcontractors, including the management of project variations that impact the client contract and linked subcontracts.



We had a litany of spreadsheets filled with duplicated, outdated or inaccessible data and simple management reports were taking seven weeks to finalize. With IFS, we now have immediate access to data across the business, and the processing time for management accounts has been dramatically reduced. IFS has brought our business processes and reporting systems up-to-date.”

Matt Mussell, Financial Director, Clancy Docwra.

IFS Cloud delivers:

- More accurate, efficient and timely project cost control
- Improved efficiency and automation
- Effective control of project change orders and variations
- Improved management of risks and opportunities
- More accurate project and company cash forecasting
- Improved project estimating accuracy
- Improved project margins

Embedded best practice

General contractors need to deliver consistent, high-quality work faster and at lower cost. Implementing best practice standardized and repeatable processes to achieve this requires agility and the ability to take advantage of the latest technologies.

IFS Cloud has innovation embedded and supports best practices in processes including:

- Bid to Contract
- Planning and Pre-Construction
- Procurement & Material supply
- Construction & Execution
- Commercial
- Periodic Project review



A modern, future-proof platform

To build for the future, your business must be agile. It must be able to anticipate market demands and adapt using new business processes and solution capabilities. This is only possible by embracing transformative digital technologies such as AI and automation, BIM and IoT. IFS Cloud provides a future-proof platform that can readily integrate with existing systems thanks to its open architecture design. Evergreen updates let you choose when to deploy new functionality, giving your business total control. Interfaces are easy to configure and use, ensuring employees rapidly adopt the solution.

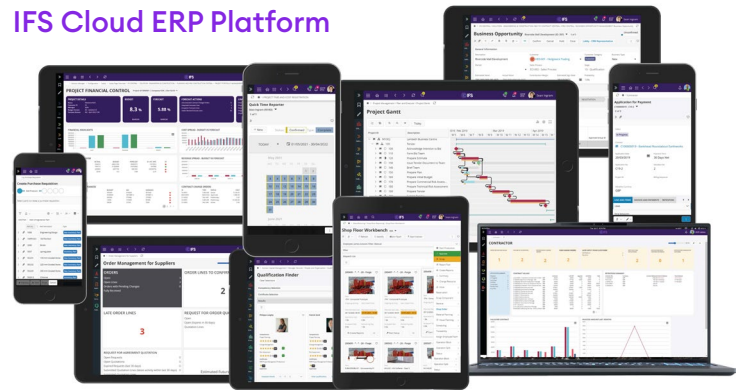
In short, IFS Cloud will allow your General Contracting business to embrace new opportunities, revenue streams and business models, backed by accurate real-time information and project-based financial control.

“

IFS is agile and has the flexibility to cope with our growing needs. We use IFS to manage the end-to-end processes of multi-million-dollar projects with 1,000 end users. IFS allows our management to trust that the information given by the system is true and reliable. Our data now comes from one source of truth. We spend less time reporting and more time doing what matters.”

Charlie Bolt, Chief Risk Officer, Multiplex

IFS Cloud ERP Platform



Build a Better Construction Business with IFS

Start your digital transformation journey by visiting www.ifs.com/industries/construction-and-engineering

1. <https://finance.yahoo.com/news/construction-global-market-report-2024-161800386.html?guccounter=1>
2. <https://ascelibrary.org/doi/10.1061/%28ASCE%290733-9364%282010%29136%3A2%28235%29>

About IFS

IFS develops and delivers cloud enterprise software for companies around the world who manufacture and distribute goods, build and maintain assets, and manage service-focused operations. Within our single platform, our industry specific products are innately connected to a single data model and use embedded digital innovation so that our customers can be their best when it really matters to their customers – at the Moment of Service™. The industry expertise of our people and of our growing ecosystem, together with a commitment to deliver value at every single step, has made IFS a recognized leader and the most recommended supplier in our sector. Our global team of over 5,500 employees every day live our values of agility, trustworthiness and collaboration in how we support thousands of customers. Learn more about how our enterprise software solutions can help your business today at ifs.com

#MomentOfService