



**RIB**

**BuildSmart**

# **11 REASONS BUILDSMART TRUMPS GENERIC ERP SOLUTIONS**

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# Chapter 1

## The Inherent Flaws of Generic ERP

Construction management has come a long way since the world's first megaprojects were developed thousands of years ago. Technological advancements over the past four decades have raised the minimum level of digitisation that companies must embrace to remain relevant in the contemporary construction sector.

Enterprise resource planning (ERP) systems have been commonly used since their emergence in the 1990s, when businesses around the world sought to replace obsolete infrastructure with ERPs before the start of the new millennium. It is understandable that engineering companies joined this bandwagon, but times have changed and there is greater knowledge today about the limitations of using ERPs to manage construction projects.

As contractors contend with modern industry challenges such as cash flow constraints and payment delays, the very idea of using sector-agnostic ERPs is a deeply flawed business decision.

Generic ERPs inherently feature a perception gap and the way in which a technology manufacturer designs a standard ERP platform does not match how a construction company will need it to perform.

This incompatibility exists due to the uniqueness of the building industry's tasks and activities. Generic software is not made to handle the ever-evolving nature of construction components or deal with the nuances of a construction company. Construction accounting requires unique and integrated processes specific to the industry.

As such, it is incorrect to believe that a standardised ERP platform popular in the retail or healthcare industries, for example, could be adapted for construction.

A common industry rebuttal to this worrying gap is customisation. However, while standard ERPs can be customised in collaboration with vendors, research shows this exercise not only carries a burdensome cost but is also likely to add no value to operational efficiencies.



A 2019 study by Hewavitharana and Perera (EDP Sciences<sup>1</sup>) states it is, “difficult to predict,” whether standard ERPs can fit in organisations such as construction companies. While some companies can customise ERP systems so they, “do not have to change their working environment,” these processes are, “costly and risky,” the study adds.



Using generic ERPs – regardless of how heavily they may have been customised – could be detrimental for contractors in the contemporary industry climate. Even the costliest of overhauls and upgrades will prove to be insufficient as project teams and regulatory environments become more complex across the world. The only way forward for contractors is to use specialised software that meets the unique requirements of this challenging industry.

<sup>1</sup>Hewavitharana, F.S.T., and A.A.D.A.J. Perera. “Gap Analysis between ERP Procedures and Construction Procedures.” *MATEC Web of Conferences*, 2019. [https://www.matec-conferences.org/articles/mateconf/pdf/2019/15/mateconf\\_iconbee2019\\_03011.pdf](https://www.matec-conferences.org/articles/mateconf/pdf/2019/15/mateconf_iconbee2019_03011.pdf).

# Chapter 2

## Build Better with BuildSmart

Having collaborated with engineering and construction companies for more than 60 years, RIB has unique insight into the best practices that are essential for construction companies to successfully deliver projects across all categories of complexity. These superlative standards have been built into all of RIB's solutions, which are used by thousands of industry professionals and deliver real-time information to decision-makers in over 80 countries.

These users are further served by RIB's network of offices and distributors featuring specialist teams of construction professionals. Users are only a short meeting or call away from receiving the support they need for uninterrupted business operations.

RIB continually invests in research and development efforts to ensure its solutions remain up to date and compliant with changing industry conditions and local legislation. This industry focus has made RIB the unrivalled leader for construction cost and project management technology over the years.

BuildSmart is a fully integrated, cloud-deployed, enterprise management solution. Its comprehensive construction management features add value to every stage of the project lifecycle. It is designed to activate efficiencies in the construction sector and help enterprises monitor and maintain profit margins, eliminate departmental silos, and promote transparency and data clarity within their organisations.

Extracting meaningful insights is an invaluable benefit for contractors and project business practices, the majority of construction data tends to be unstructured and, therefore, is underutilised. Contractors can make better business decisions by harnessing this wealth of big data, provided they are equipped with the right technology to drive their construction management processes.

As a specialist industry platform, BuildSmart is the optimal solution for the built environment with features and functionality that outperform generic enterprise resource management tools.

# Chapter 3

## BuildSmart Highlights

BuildSmart trumps standardised ERPs. The key features that make this construction-specific solution the ideal platform for engineering and construction companies include:

### 1. Invoicing

Unlike a standard invoice process in generic accounting software, contract debtors' invoices are based on the valuation process; taking into account the construction elements of total work done, previous and current month combined with the control of advances, and contra charges and retentions with release dates.

At the same time, capturing the undervalued certificate – as well as any overstated valuation – and recording these values accurately not only affects the project, but the company and group financials. When it comes to contract revenue, it is not as simple as referring to the value of the debtor's invoice.

### 2. Management reports

BuildSmart can produce intelligent and concise reports for decision-makers that focus on critical datasets such as:



costs



earned value management



budgets versus allowables



cost value reconciliations

These reports enable one of the most important aspects of a project – understanding how profitable it will be. This is achieved by separating completed tasks from those still in progress. Once you know your final revenue forecast, you can then accurately state the current final position of a project. Knowing where your project stands will enable you to correct and influence its outcome.

### 3. Procurement

BuildSmart's procurement module is integrated with Candy – RIB's estimating and project control solution – and works with the latter's shopping resource list. This ensures that there is visibility of the resource level allowable in terms of quantity rate, and total effect during the entire construction process.

## 4. Income and expenditure tracking

As specialist construction software, BuildSmart breaks down income and expenditure by project, contract, cost, codes and activity, as well as by plant item and overhead division or department.

These breakdowns are critical for construction companies seeking to understand the actual value of their contract, as well as areas in which greater financial efficiencies can be achieved through renegotiation with suppliers or operational streamlining.

## 5. Differentiation between subcontractors and creditors

To initiate the payment process, creditors typically follow a reconciliation path that flows from purchase order to delivery and then invoice.

A subcontractor follows a completely different process that requires specific controls. Firstly, a purchase order is required to raise the committed cost, followed by a certification process of current, previous and total-to-date work done which includes interim payment applications and certificates. Only once these processes are complete can a final account be issued.

To efficiently fulfil these payments, users must have complete control of the quantities, rates and values since the award; including the control and reporting of retentions, advances and contra charges. With subcontractors playing a major part in delivering projects, this level of control has an impact on the contractor's profitability.

## 6. Ledgers

Unlike generic accounting systems, BuildSmart has a ledger with a dedicated costing section. It also accounts for profit allocation as per the IFRS 15 standard for construction and offers complete control of, and reporting on, work in progress.

## 7. Contract timespans

Being able to report on a contract over multiple financial years provides the life-to-date position of the contract after taking into account current financial transactions. This allows for accurate year-to-date reporting.

## 8. Statements

Customer statements are essential to stay on top of every invoice and payment made. Contract debtors' statements require retentions and advances to be reported correctly, particularly since retentions have an impact on cash flow.

## 9. Consolidation

BuildSmart is flexible and can serve multiple organisations at no additional cost, including full and/or partial consolidations based on percentage shares of joint ventures or shareholding. International groups are fully covered by excellent multi-currency functionality both at a transaction and consolidated level.

## 10. User permissions

User permissions are important to bring all stakeholders onto the same platform but limit access according to the role they play in the business. By aligning these with contracting, through electronic workflows, construction site teams and management members can be included based on their role and authority matrix.

## 11. Plant

BuildSmart provides a complete toolbox to support plant monitoring, ownership, maintenance and running costs at a group category, or individual-item level. This includes monitoring plant availability, utilisation, breakdown and breakeven from a single source of input. Coupled with fuel and servicing, these features enable the complete management of a plant fleet – no matter its size or location.

## The Way Forward

BuildSmart's ability to provide construction stakeholders with data most relevant to them makes it a must-have tool for projects regardless of sector or size.

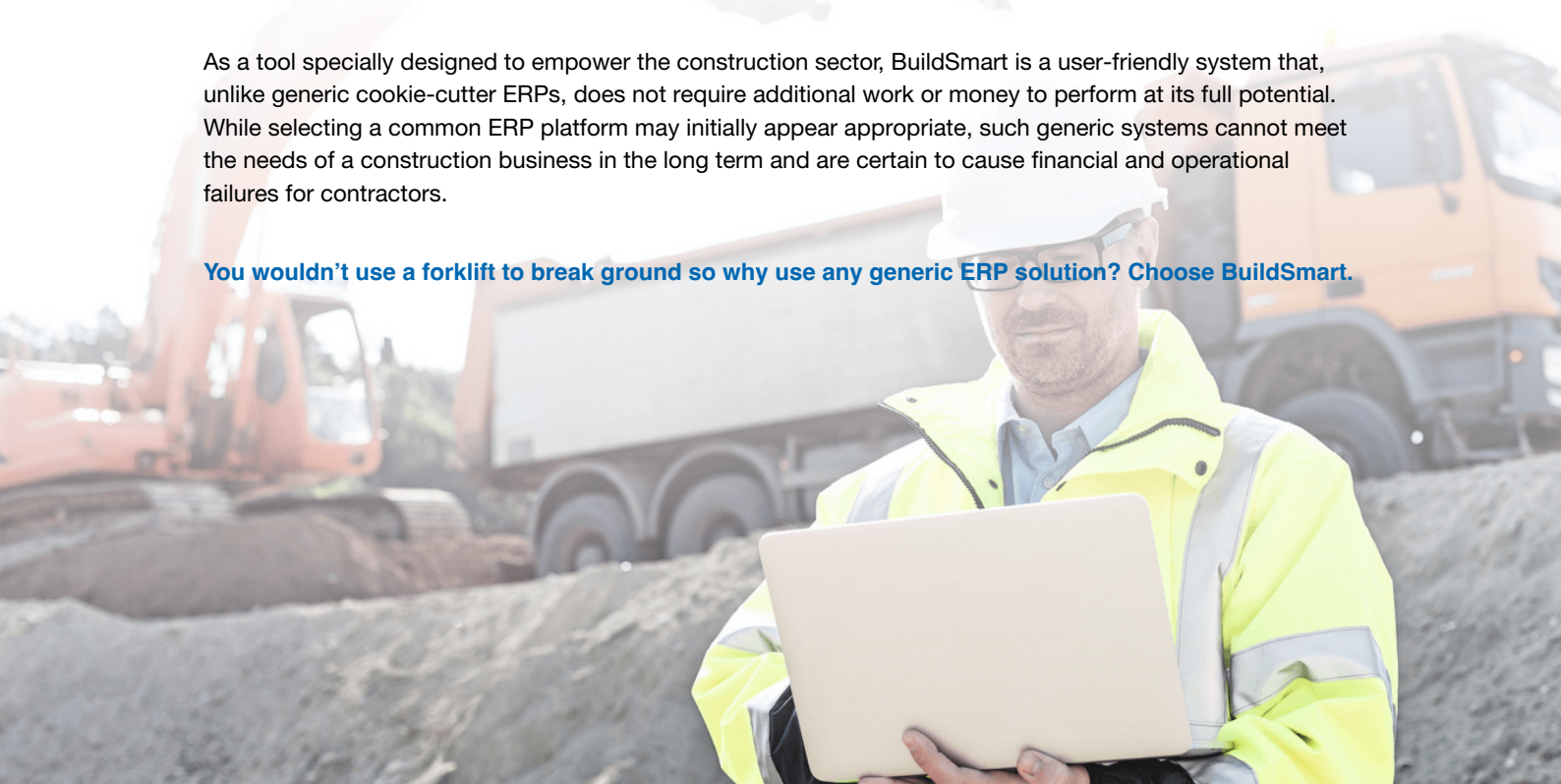
Having the upper hand over competitors in this way is essential, but will become even more important in the years ahead as contractors around the world face shrinking liquidity and greater performance pressures in a fast paced, ever changing economy.

BuildSmart's significance to the industry is underlined by its portfolio of global clients and projects. The solution has not only helped deliver some of the most iconic and modern construction developments in the world but also assisted local contractors and subcontractors, thereby enriching the world we live in.

All cost elements, whether they be direct or indirect – including labour, subcontractors, plant and equipment – are recorded and controlled via a single solution that provides users with real-time results from tender to final account. This benefits engineering and construction companies on a daily basis because they now have the tools to make informed decisions using data which is always up to date.

As a tool specially designed to empower the construction sector, BuildSmart is a user-friendly system that, unlike generic cookie-cutter ERPs, does not require additional work or money to perform at its full potential. While selecting a common ERP platform may initially appear appropriate, such generic systems cannot meet the needs of a construction business in the long term and are certain to cause financial and operational failures for contractors.

**You wouldn't use a forklift to break ground so why use any generic ERP solution? Choose BuildSmart.**





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