

The logo features a green mountain range silhouette within a circular frame, topped with a compass rose design.

The Gehman COMPASS

Volume 4 Issue 1

Spring 2023 Newsletter

Estimating Your Way to Better Profitability

By Ken Nisly, Business Advisor

Efficient estimating for both construction and manufacturing is key for company growth and profitability. If you do not accurately estimate the actual costs of each individual job, it can be like navigating a boat with no rudder: You have no control over your company's destination. With accurate estimating, you ensure that your monthly, quarterly, or yearly business numbers reflect a healthy company with sustainable profit margins.

What Does the Bible Say?

Even scripture illustrates the importance of estimating. The Gospel of Luke says, *For which of you desiring to build a tower does not first sit down and count the cost, whether he has enough to complete it?* (Luke 14:28 ESV) Before starting a project, you must know how much it will cost, which is what good estimating is all about.

Know the Scope

Before beginning, you need to know the full scope of the project and understand exactly what the customer wants. Good communication between you and the customer is important for preventing misunderstandings and future entanglements. Whenever a project involves more than one person, there is a likelihood of something being misinterpreted.

Know Every Detail

Noting every element of a project's scope and creating a detailed estimating sheet are critical. Do you have the appropriate plans and an architect to create the blueprints? Keep in mind that the more detailed an estimator is, the more profitable a company can be.

Profit Is Your Goal

Your goal as a business is to make a profit—on every job. Wasted time and labor on the job is more than just a frustration. It equates to loss of profit margin. Remember that you work for a greater purpose than

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just yourself. You work for your family, your employees, and your community. With that in mind, if profit isn't your goal, you should ask yourself why you are running a business in the first place?

You Are Only Human

As humans, we are less than perfect and prone to making mistakes. Of course, it's important to eliminate mistakes to the best of your ability; however, mistakes happen and life sometimes throws you curve balls. The purpose of doing a thorough, accurate estimate is to mitigate your mistakes.

Frequent Mistakes Contractors Make

Contractors make a few common mistakes when creating an estimate. These can include:

- » Assuming the best employee mix and the best weather scenario
- » Not adding a buffer to material and labor totals*
- » Not adding 10% to total dollars spent on all materials
- » Not adding 20% or more to time or hours calculated

*Do not let adding a buffer make you sloppy in your calculations.

Transparency is Mandatory

At the outset of the project, discuss the job with your client, including any challenges and the timeline. Be proactive and always do periodic check-ins with your client and provide regular updates. Do not give overly optimistic reports or half-truths. No matter how difficult the information is, you must always be transparent. Your clients will appreciate your effort to keep them fully informed.

Just Say No

Although you may be known as a jack-of-all-trades, that doesn't mean you should say yes to every job. Be prudent and choose the work that is right for you, with people you would like to have as clients. Your

competition can probably do smaller jobs for much less than you can because of lower overhead. Saying no may sound counter-intuitive, but it can be freeing. It can help you discern what is important and allow you to become more profitable in less time.

Unforced Errors

Sometimes we can be our own worst enemy in the estimating process. Here are some pitfalls to watch out for:

- » *Not returning estimates in a reasonable time frame.* Slow turn-around time is a definite error. You could be sending the wrong signal to a client, implying that you don't really want the job. This could give you a negative reputation. Keep in mind your clients will likely tell their friends about their experience with you.
- » *Not meeting in person.* Always meet your client in person at least once. This is especially important when you are reviewing and signing the estimate. Face-to-face meetings lead to interpersonal connections that can strengthen your relationship and build trust.
- » *Botching the estimate.* An inaccurate estimate complicates a project and usually results in one of two outcomes. Either you eat the cost, or you must go back to your client to negotiate for additional funds, which makes you look bad. Be sure to get it right the first time.
- » *Wasting your mistakes.* After each job, compare your estimate to your actual cost. If mistakes were made, how can you prevent them in the future? If you do not have an estimating retrospective, you could repeat same the mistake in the future.

Good estimating is key for company profitability. Don't let the urgent matters of the day-to-day keep you from refining and developing your estimating process. Take the time to count the cost, and you won't regret it. 🐦

Arriving on Purpose

By Steve Miller, Business Advisor

The Gehman Business Advisors have the opportunity to work with people from all walks of life. The objective is to get them from their current state to a future state by asking three critical questions:

- » Where are we now?
- » Where do we want to go?
- » How do we get there?

Answering these three questions requires some preliminary work. First, we must track key performance indicators within the business. These indicators are essential to knowing what's going right in your business and what parts to fix when things go wrong. We also need to decide on the desired destination.

Say you're walking down the street when a friend pulls up in his car and says, "Jump in!" The first thing you might say is "Where are we going?" Less than 30% of business owners can answer that question. Most of the time it is not that we don't want to have a plan—we just aren't sure how to come up with one.

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Business Owners Workshop

May 3, 2023 — 8 am to 4 pm

Location: Yoder's Kitchen, Arthur, Illinois

From confusion to confidence.

Literally learn what you don't know!

Limited Seating. Registration Required.

Call Steve Miller for details and to register.

717-351-3266

Team Member Spotlight

Paul Lamicela



What is your role at Gehman Accounting and how long have you worked here?

- » I'm a QuickBooks consultant working in the QB department. I've been with Gehman since August 2022 (but did similar work for years prior).

What's the last book you read?

- » I'm a big reader. One of the most recent books was *Destroyer of the Gods* by Larry Hurtado, on how different early Christianity was from its Greco-Roman environment.

What's something most people don't know about you?

- » I was born in NYC and lived there until age 10.

How do you define success?

- » Faithfulness over the long haul

Tell us a little bit about your family.

- » My beautiful wife, Laura, and I have been married for 3.5 years. We're expecting our first child.

What motivates you to wake up and go to work?

- » The satisfaction of a cleaned-up, working QuickBooks file. Helping clients gain the confidence to understand and use their books.

What do you do for fun?

- » I love reading, travel (especially to Europe), and am a bit of a foodie.

Tell us about your last vacation.

- » My wife and I spent a month in Colmar, France last summer! We had an amazing, peaceful time in a beautiful, old town, biking around vineyards, etc. 🦋

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In a parable in the Bible, two men started building two different houses.

One of the men built his home well, knowing that while the weather might be beautiful at the time, a storm would eventually come. And it did and his house stood.

The other man built his house as if the fair sky would last forever. And his house fell with a mighty crash.

Planning is important to keep our house from falling down any time there's a storm. And when something does happen, we can rebuild. It can feel intimidating to come up with that plan, but that's why we are here to help. Our customers have peace of mind knowing they don't have to figure it out on their own, and with our help, they can create a desired destination and arrive on purpose. 🕊