



Profitable Estimating

When it comes to estimating, efficiency and profitability go hand in hand. Accurately assessing a project saves time, money, and resources in the long run. This skill is especially pertinent in the construction and manufacturing industries. Accurate estimating is critical to ensuring that your monthly, quarterly, or yearly financial reports are painting a realistic picture of your company's health.

What does the Bible say?

Even scripture illustrates the importance of estimating: *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 first know how much it will cost, which is a key component of good estimating.

Before Estimating, You Must:

- ✓ *Understand what the customer wants.*
What does the architect ask for in the



blueprint? Seek to understand the full scope of the customer's needs and expectations. Good communication prevents misunderstandings and future entanglements.

- ✓ *Know what resources are needed for the project.* Noting every element of a project's scope and creating a detailed estimating sheet is critical. Remember, the more detailed an estimator is, the more profitable a company can be.

Goals of Estimating

- ✓ *Ensure profitability.* Your goal as a business is to make a profit—on every job. Profit is how you gain and share your abundance. Wasted time and labor equals a loss of profit margin. Profitability allows your company to be sustainable and care well for your employees.

- ✓ *Eliminate wasted moves.* Careful calculation eliminates the need for recalculations and saves you valuable time. Create and use take-off sheets to aid you in accuracy.

Common Estimating Mistakes

- ✓ Not adding a buffer to material and labor costs*
- ✓ Not adding 10% to the total dollars spent on all materials
- ✓ Not adding 20% or more to time or hours calculated

*Do not let adding a buffer lead to careless and inaccurate calculations.

Why Estimating Can Be Difficult

- ✓ *Miscalculating time.* While sitting in an office, it is easy to calculate for perfect days. Cold weather may extend the time by 10%. Your current mix of employees may also affect efficiency.
- ✓ *Not saying “no.”* Be prudent and choose the work you know fits your employees and preferred customer base. Saying “no” frees you to become profitable faster while saving you valuable time.

- ✓ *Tardiness in returning estimates.*
If you cannot return an estimate to the customer on time, turn down the job. Slow turn-around time sends the unspoken signal that you do not want the job and could give you a negative reputation.
- ✓ *Not meeting in person.* Always meet your customer in person at least once, especially when reviewing and signing off on an estimate. At the outset of a project, discuss the job, the challenges, and the timeline with your customer.

Gehman Business Advisors can assist you in learning how to perform consistent, efficient, and profitable estimating.

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