A Professional is….

Someone who works ON their company… not just in it.
Setting the overview:

Where is your business getting you?

- Strategic Plan: Estimate your annual profits needed and write a plan to get them.
- GOALS: Estimate your net worth needs.
- Resources: Estimate your job costs that can achieve annual profits.
- Execution: Compare Estimate vs. Actual to see if jobs are producing necessary profits.
- Monitoring: Track net worth on a year to year basis. Is your company contributing to your financial security?
The reason to be in business is?
The concept first presented itself to Schneider in 1997 when he won a National Remodeling Quality Gold Award. One of the speakers at the event, Silver Award winner Bill Asdal, CGR of Asdal Builders in Chester, NJ, discussed using his business to leverage other financial and personal interests. He stressed that remodelers should know why they’re in business and what the purpose of their business is.

“It was the most empowering thing I’d ever heard,” says Schneider. “I wondered if I could do that, and if I stepped away, if my business would be able to run itself. Little did I realize that I’d already inadvertently set up my business to make that possible.”
Skills development: What do you need to achieve your goals through learning

Sources of education:
The School of Hard Knocks
Multigenerational businesses
Personal mentoring

*Trade press*
Trade schools
Trade Associations
Internet sites
Supply Chain support
Do you have any deficiencies in business?

(Opportunity Cost)

- Are they informational?
- Are they motivational?
Understanding the most important number on an estimate—Projected Profit

*Establishing the profit number is based upon your income needs
  Set a personal budget
  Establish your savings needs

*Setting a working budget for the company that can accomplish your personal needs

*Profit can be expressed as a percentage of budget

*Use last years numbers as a baseline for an established company
  Calculating overhead
  Calculating profit
  Total compensation
Figuring out how much to make...... what company is needed to generate this income

Sales = 3 ~ 10^x \times \text{company income}

Profitable jobs

Your annual income needs

income needs

Gross Sales

Range of Risk Tolerance

3

10+
Solid estimating alone does not insure a successful company.
There is a clear flow to the estimating process.

Understanding it will keep you organized and find the liability points.
Estimating

• Data collection
  • field conditions, scope, terms, plans

• Current Pricing collection
  • Materials, labor, subcontractors, allowances

• Repetitive process
  • Forms, checklists, flow chart, scheduling

• Measurable evaluation of accuracy

• Job logs, budget vs. actual
The single most common error in estimating is.....

Omission

Process control, forms, repetition, clarity, help to diminish this occurrence
Data Collection-
a repetitive process
begins with the site inspection ...

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<td>Location</td>
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<td>Hours (restrictions)</td>
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Assembly and Pricing

• Gather and organize all your data
• Enter consistent values and tasks
• Verify each line item that is possible; for the rest, add some number and keep going!
• Subtotal tasks for your progress payment schedule
• Add overhead and profit
Seven Ways to get the Numbers

1. Lump sum pricing
2. Allowances
3. Linear Footage
4. Square footage
5. Contract prices
6. Day rate
7. Quantity take-off

Each line should minimize risk to profit.
Multiple Uses

- Client interview
- Site inspections
- Take-offs checklist
- Estimate guide
- Proposal
- Payment schedule
- Statement
- Change Orders
- Chronological Job Analysis

Spreadsheet Estimates-

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<tr>
<th>Permits/Fees</th>
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<td>Building permits</td>
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<td>COAH</td>
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<tr>
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<tr>
<td>Electric service</td>
</tr>
<tr>
<td>Telephone service</td>
</tr>
<tr>
<td>Other utility connection</td>
</tr>
<tr>
<td>Portable sanitation</td>
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</table>
Minimize risk to profit

A Clear and thorough contract and processes, defining expectations to each party includes

Terms and conditions -
Specifications -
Performance standards
Site analysis
Transfer of risk – allowances, fixed price subcontracts, T & M unforeseen conditions, change orders
ADDENDUM

Addendum to contract dated __________ between Asdal Builders, llc and __________

1. Definitions: Asdal Builders, llc will also be referred to as the "contractor"; the term "owner" includes any representative designated by the owner to act on his/her behalf in the absence of the owner; substantial completion means the remodeled area can be used for its intended purpose by the owner.

2. Help us avoid misunderstandings! Any discussions or presentations that occurred prior to the signing of a contract which involve scope of work and specification, or any changes, additions or deletions thereto, are preliminary in nature and usually include the offering of multiple alternatives for your consideration. From this preliminary process an agreed approach was evolved for inclusion as the basis of our contract. This contract is intended to reflect only that agreed approach and any other alternatives and/or options, unless they are expressly spelled out within the contract document as being available for election through a certain date or milestone, are to be deemed abandoned and not a part of the resulting contract. If you feel something that was discussed should be a part of this contract please bring it to our attention at this time so that it can be considered for incorporation into the contract prior to its signing by you. We must be certain of what you expect and have it written into the contract so that it may be communicated in writing to all involved.

3. Our contract pricing and construction schedule anticipate that, once the work has commenced, we will have continuous access to the work site and will be able to perform our work in a continuous manner. Work stoppage and discontinuous work flow requested by the owner will create additional costs and therefore a change order billing commensurate with additional expenses incurred.

4. Unless otherwise provided by the contractor, all work completed by the contractor will be warranted for one year from the date of its completion. All claims to the contractor must be made within one year from the date of substantial completion.

5. The contractor’s one year Warranty to the owner is voided if the customer fails to make any payment on the contract or fails to make payment on any change order or the contractor, in exercising its rights hereunder, stops the work before it is completed.

6. All warranties are void if work performed by the contractor is repaired or corrected by others. Material failure is not the responsibility of the contractor.
Liability for profit erosion (●) during the process can be identified, then strategies implemented to curtail losses to profit.
Sales & Marketing

• Leads
• Site visit
• Estimate delivered
• Contracts
• Construction
• Billed work
• Customer data base

Pre-qualify which estimates to tackle
Handoff from Sales to Production

Each line item of the estimator communicates clarity to the homeowner as well as the trades.

The spreadsheet estimate allows detailing for each line item

<table>
<thead>
<tr>
<th>Insulation</th>
<th>#15 roof felt/Tyvek house w</th>
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<tbody>
<tr>
<td>roof and ceiling</td>
<td>R-30</td>
</tr>
<tr>
<td>wall</td>
<td>R-13</td>
</tr>
<tr>
<td>floor</td>
<td>R-19</td>
</tr>
<tr>
<td>weatherstripping and vapor barrier</td>
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</tr>
<tr>
<td>labor</td>
<td>included</td>
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</tbody>
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| Drywall                                   |                              |
| material                                  | 1/2" drywall                 |
| labor                                     | tape, spackle, & sand smooth |
Production Systems

- Workflow - Overall job scheduling
- Work orders
- Daily job logs
- Change Orders
- Punch list
- Procurement

There are opportunities to protect profits at each of these activities.

The production phase makes the estimate come alive….

With accountability!
Communication

Employee communication
- employee manual
- work orders

• Customers
  • Expectations
  • Schedule
  • Payments
  • Job site condition
  • Subcontractors

Estimating clarity can support clear customer and worker expectations thus minimizing risk to profits.
Financial Management

- Job Costing
- Accounts Payable
- Accounts Receivable
- Budgeting – tracking
- Industry Standards
- Identify areas of improvement
- Cash Flow analysis

The estimating process supports the goals and enables the financial success of the company.

Vision + execution = Reality
Business Management

Hiring
• Productivity monitoring
• Scheduling
• Planning
• Organizing
• Measuring
Reliability is constantly in flux....

Review and Update your database, checklists, terms and conditions, contract language regularly.
Estimating is a process

Defense is a proactive state of mind

Defensive Estimating minimizes risk to profits

Defensive Estimating from NAHB Bookstore title - The Paper Trail Systems and all the Forms to make them work by Bill Asdel & Wendy Jordan
Where do you go from here?

• Profit protection opportunities abound

• Deterioration of profits must be stopped through solid management and thorough estimating beyond counting “sticks and bricks”

• Estimating is not an isolated activity, it is a component of management minimizing risk to profits and should be integrated throughout the company

• Information will be more accurate and clearly communicated

• Risk reduction to profits will consistently garner greater results
Additional information:

The Paper Trail – Systems and Forms for a Well Run Remodeling Company  Bill Asdal & Wendy Jordan
www.builderbooks.com

e:mail  Bill@asdalcompanies.com

www.asdalbuilders.com

Now.. Get the number you want !  

Thanks for your attention