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## A Solid Estimating Workflow Can Improve Your Bottom Line

By David Moyer, Sage Software

In a highly competitive industry such as home building, an effective estimating workflow is critical to a successful bottom line.

A true cost estimating workflow is not the typical price comparisons done every now and then. It allows you to present clearer options to your home buyers, track and adjust for variances before and during construction, and finish the job with a healthy profit and a satisfied customer.

By implementing a best practices workflow approach rather than a "quick fix," you can build on, refine and continually optimize your basic estimating processes. This approach will potentially reveal new efficiencies, create cost savings, reduce your estimating time and increase your accuracy. This will result in far less wasted effort and guesswork, better awareness and communication of all costs and a boost to overall productivity.

Among the tools NAHB offers builders to help them improve their business practices are the builder-tested contracts and forms in "[Home Builder Contracts & Management Forms](#)" on disk.

Whether you are a custom or production builder, the following step-through process can help you take a fresh look at your business that goes beyond simply calculating labor, materials and costs.

### First, Take Stock of Your Needs

Your answers to the following questions will give you a thumbnail sketch of your current estimating strengths, areas that could use some help and potential new factors that may warrant exploration. Combined, these factors will also help orient your thinking toward an estimating business workflow:

- Do you rely on individually created systems to produce your bids?
- Do your estimators also double as project managers and are they hampered by spending too much time estimating projects and not enough time managing them?
- Is take-off taking longer than you think it should?
- Do you have a systematic approach for keeping prices and/or assemblies updated?
- Have you established a system to capture knowledge within your entire firm, rather than relying on the kept knowledge of key individuals?
- Do you capture historical estimating data for later comparisons or future estimates?

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- Do your actual costs exceed your estimates by 5% or more?
- Have incorrect prices or estimating errors eroded your profits on more than one occasion?
- Is it difficult for you to link your estimates with job cost accounting?
- Can you easily create reports requested by your clients?
- Do you use estimating as a tool in other areas, such as marketing and value engineering?

**Now, Develop Your Estimating Workflow**

With your answers in hand, develop your own estimating workflow based on the following topics. This will enable you to improve your data and data delivery from creation to final budget comparison.

**Maintain Current Pricing**

Keep a current price book on all suppliers and subs (not just those you use most often) for easy reference when preparing a project or custom home estimate.

In addition, ask your subcontractors and suppliers to update their book prices on a monthly or quarterly basis using a template form. This will help standardize your data tracking.

Attach a current and reliable price to every product, option and upgrade you offer. This will save time updating a bid or responding to a buyer's request for a price. (This can be especially helpful when buyers wait until the last minute to choose their options or decide on upgrades.)

Also, seek out suppliers who post their prices online for off-hours access or who offer private and secure access to negotiated price lists and special order items and use template materials lists for easy generation of comprehensive bids and/or take-offs. Access to current prices will help you avoid schedule slippage, especially when timelines become tight and leave little room for scouting out last-minute price updates.

**Improve Your Speed and Accuracy**

Assemblies and pre-built databases simply take the repetition out of your work and can shave hours off even the most complex of estimates. Depending on how you set up your assemblies, you can estimate any type of project easily and quickly. Plus, you can use your assembly as a checklist to ensure you don't omit materials or labor.

**Digitizing Does It:** If you're still completing your take-offs manually, consider digitizing your process with any one of the many systems available. For instance, rather than manual take-off with a calculator, digitizer estimating software allows you to trace a plan or area on paper and identify various dimensions of a house plan. A magnetized digitizer board captures these dimensions, which then enables you to calculate costs or values from pre-loaded prices.

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With electronic plans and the programs available, by working on a computer not only can you increase your speed, you can create audit trails to track design changes and their resulting effects on costs.

Aside from digitizing completed plans, model-driven estimating enables you to create detailed, line-item estimates before the design is even drawn. For instance, a home builder can input the most basic details — such as square footage, number of stories, foundation type and the like — to arrive at a detailed cost estimate. If design changes are made, a new estimate can be calculated quickly for cost comparisons.

#### **Choose Subs Who Work Wisely**

In order to simplify your solicitations, create a template quote or bid form for your subs and suppliers to use when bidding their portion of the project. This process also can double as a way to update your price book.

Don't choose subs and suppliers on price alone, either. Consider selecting subs and suppliers who offer to install their products. This will limit your liability and guarantee job costs and scheduling. Also, because they know their materials, tools and processes, these suppliers will likely have a better rate of quality workmanship and installation performance.

Consider well the reliability and past performance of subs and suppliers, not only in meeting budgets, but in meeting schedules and maintaining construction quality standards, too.

#### **Enhance Customer Relations**

Use value engineering when working with your subs, suppliers — and customers — to compare costs, options, design and materials, whenever possible. Evaluate each plan or project with your subs, suppliers and managers to find ways to simplify production, reduce the materials and equipment needed and avoid wasted materials and time.

By working with your customers, especially in custom work, you can leverage value engineering to help them stay on budget and provide realistic cost expectations while making smart design and material decisions.

Also, monitor your buyers' trends to determine the most (and least) popular options and upgrades. Once you have this information, consider narrowing your options list. It will save you time and effort and help you keep your prices current as well as determine their costs vs. profits margins.

By saving your historical estimates, you can play "what-if" scenarios to determine the optimal mix of design, materials and cost for a given project or timeframe.

### **Business Processes**

Integrate and automate your business processes. Automated systems help prevent data-entry errors, lost data or unnecessary time lags between stages.

Work to limit data entry points (which will increase your accuracy and speed) by integrating your entire back-office system so that approved cost estimates are transferred automatically to purchasing, scheduling, billing and production..

With a linked system, you can also make regular, timely reports to your custom home client on costs to date and cost-to-estimate comparisons.

### **Embrace New Technology**

Is your current business system still easy to use and still intuitive about the way you do business? Can you transfer data between estimating and accounting, scheduling or production management? Gauge whether your estimating system needs fine tuning or a complete overhaul.

You should be able to easily upgrade your system or add to it as your needs and business expand. In addition, ensure that you have the proper technical support, consulting or training when considering a system addition or upgrade.

*David Moyer is the director of channel relations for [Sage Timberline Office](#) for [Sage Software](#), a product suite of integrated accounting, estimating, project management and production management software. Sage Timberline Office features integrated accounting, estimating and information management software designed to improve operations for all types of residential builders. [BuilderMT](#) (Management Technology) provides implementation, business and custom end-user training and consulting services to help builders recognize the benefits of organizing internal work processes and workflow as a means of increased productivity and profitability. For more information, visit [www.sage timberlineoffice.com](http://www.sage timberlineoffice.com) and [www.buildermt.com](http://www.buildermt.com).*

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Resources are added weekly, so bookmark [www.nahb.org/biztools](http://www.nahb.org/biztools) to go directly to these vital business management resources.

Local and state home builders associations can link directly to [www.nahb.org/biztools](http://www.nahb.org/biztools) from their Web site and give their members instant access to these resources. It will make

your HBA's Web site the place to go for the information and guidance that members need to succeed.

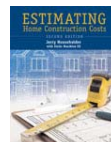
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### **'Estimating Home Construction Costs' Available at BuilderBooks.com**



'[Estimating Home Construction Costs](#),' available through [BuilderBooks.com](http://BuilderBooks.com), has been newly revised and updated to help you bring your houses under budget and make your construction process more efficient. "Estimating Home Construction Costs" includes a new, larger floor plan and new elevations, work sheets, checklists, a comprehensive glossary and a list of resources and recommended reading. To view or purchase this software online, [click here](#), or call 800-223-2665.