I recently found myself in a discussion with colleague of mine who, like me, has for many years been employed as a construction estimator and project manager. Our talk centered on whether a good construction estimator was merely a "technician" who was simply more detailed and skilled in the nuts and bolts of compiling an estimate, or whether there was more to the picture. We both easily agreed that nothing could replace sound, technical experience and attention to detail, but then we went on to explore what we called certain "human intuitive qualities" that separate the good estimators from the truly great. We then attempted to identify qualities; the professional and (perhaps more important) personal traits that often separate the two levels. It was an interesting conversation, and soon it became evident that, though...
seldom discussed, there’s clearly far more that goes into winning in the construction estimating game than good estimating alone. You also have to know how to bid.

**Estimating Versus Bidding: Sticks and Stones**

So what’s the difference between estimating and bidding?, you may ask. Aren’t they essentially the same thing? The answer is no. *Estimating* the cost of a construction project—whether it be the smallest garden sheds or the most massive skyscraper—is still at any level only a game of Tinker Toys’. It’s the gathering, organizing and presenting of many pieces to make a whole, and to ultimately arrive at a cost for that particular project. Period. The estimator has gathered up (what is commonly called) the direct costs (the cost of the actual “hands-on” construction), general requirements/conditions (the cost that is not directly attributable to the physical construction itself; think of it as “hands-off” construction, like the field, trailer, phone, transportation costs) and indirect costs (the cost of performing the business of construction—costs such as bonding, insurances, office overhead, labor burdens and so on).

Let’s call all these numbers the “body” of the estimate. Once the number is determined and every effort has been made within the individual line items to be as complete and competitive as possible, the number rendered is, for all intents and purposes, finite and dormant. The estimating exercise is finished. With the body finished and already as competitively priced as the estimator’s talents allow, all that awaits is the addition of a percentage most often referred to as profit margin.

Yes, I know people calculate profit margins in different ways. Different criteria are often used. And sometimes (sadly), no criteria are used. But for our purposes and for clarity, we’ll view the margin percentage as that which is enough to potentially obtain growth for the company’s future and to allow for specified personal and professional goals.

It was here in our conversation where we felt that things were really starting to get interesting, because this is where the human factor took over. Here’s when the sweating really started. It’s here where the estimate become a bid.

**Risk and Reward**

Unlike the term ‘estimating,’” “bidding” carries with it the implication that you (the contractor) are indeed going after the job. You want the work. You may even need the work to keep your people working and crews loyal to ensure them not wandering off seeking steady work with your competitors.

But herein lies the dilemma in determining that final percentage: You’re now faced with the challenge of having to be comfortable that your proposed margin...
is safe enough to be profitable and helpful to your company (should you win), yet still aggressive enough to win the work without accepting an irresponsible level of risk against your business should something run afoul during the construction process. Believe me, this is not an easy determination. But the bid deadline rapidly approaches, and that very decision is in your lap. Now you’re faced with the (paradoxical?) task of not being overly aggressive while at the same time not being too passive.

So it’s time start feeling. It’s time to add a little human element and employ some of those human “intangibles” that can’t be taught. These are those indefinable elements such as how you feel toward the market all around you, or how you feel about the passiveness/aggressiveness of your competition . . . or even how you feel about the potential players with whom you’ll be involved, should you win.

There’s much to consider and digest, but time is growing short. Your base, lifeless estimate number at the bottom of the paper awaits your decision. It’s time to adjust margin accordingly, and it’s time for strategy, experience, instinct and (sometimes) just plain ol’ “guts” to take over.

**Breakdown: “Human” Considerations**

I know this all may seem a bit nebulous in concept, so let’s see if we can identify some of the items to which I refer. Let’s examine further some human “intangibles” that I’ve encountered over the years—those additional considerations that “fall outside the spreadsheet” and that turn an estimate into a bid:

**The Players.** If you win the project, how well do you work with the potential people and firms who will make up the construction team? Very often you’ve had previous experience—good or bad—and you know that working with one architect can be a cakewalk while working with another can be a trip to hell. The same goes for the owner, inspectors and jurisdictional regulators. What about that city’s engineering department? Are they going to run you through hoops and not return your calls? What about the subcontractors and/or suppliers with whom you’ll be working? Have you had a bad experience with a proprietary supplier in the past? Has a particular subcontractor (the one you listed on your bid form) been petty with change orders and demands in the past? The point is, there really is a difference among building teams, and those differences do (sometimes vastly) translate into money. They affect your potential margin during construction, and it’s only now, during the bidding process, that you can adjust your margin to accommodate the costs associated with working with just such a brood.

**Ugliness (The Project Itself).** Sometimes you get a project that just looks plain “ugly.” I use this term a lot and people laugh, but I think most estimators know what I’m talking about. These are the projects where (for instance) accessibility to the work is difficult or many of the details on the plan have (what could be) hidden consequences that linger ominously in your mind, even though they’re not delineated in the documents. These often include jobs with a lot of “selected demolition” (saw-cutting, knocking out for new doors/windows/vents, etc.) or “scary” subterranean details where (if you’ve been in the business awhile) you know
anything can pop up. The ugly jobs are the opposite of a nice, clean-cut brand new block building on a nice rectangular new slab—straight-forward and clean. Assuming there’s no clear-cut contingency to cover such costs—and take it from me, contingencies, if even present, are never clear-cut—I’ve adjusted profit margins according to “ugly.”

**Ugliness (The Bidding Documents).** I could write a book on this, but my experience certainly has been (and many others have told me the same thing over the years during my speaking engagements) that there is a vast chasm between the best and the worst of architectural/engineer documents. These bidding documents most often include a set of working drawings and a specification guide and the quality, completeness and accuracy (or lack thereof) can definitely effect your margins. Personally, I’ve built projects from documents that fall into any of these categories:

- Detailed, complete and accurate. My hat’s off to these firms.

- Detailed, complete and entirely inaccurate. This includes specifications that don’t match the drawings, working drawing pages that don’t mesh with other pages, detail notations that lead nowhere, cross-sections/specifications taken from boiler-plate books circa 1890, structural elements held up by “magic” and much more.

- A growing favorite: You get the architectural pages but with no reference as to how electrical, HVAC, plumbing or equipment will fall into place. (Phone call: “Oh,” comes the reply. “We’re gonna ‘design/build’ those aspects.” Uh huh.)

- “Renderings,” as I call them, of what the designer wants the project to eventually (kinda’) look like. Hardly more than outlines, with little or no detail . . . often on 8-1/2-by-11 paper or napkins.

And yet, with all this variation, we contractors still bid on and even take these jobs because of (say it with me):
Market Competitiveness. How competitive is this bid going to be? Are there three bidders? Six! Twenty-eight? True note: I actually bid and then attended an open letting with 28 bidders. Now ask yourself, “Would you really want to be the low bid out of 28 bids?” I thought so. But the number and quality of your competitors can affect your thinking and often play a role in determining that final proposed margin.

Your Own Need for Work. Most any contractor will admit that there have been leaner times when the only important thing to do at the time was to sacrifice margin in order to get the work and keep crews and staff loyal and busy. And I’m not sure this is a bad thing. If it’s applied wisely, it can be sound business. If it happens too much, that clearly signals something is wrong and that a thorough re-examination of processes is in order.

Your Goals

How badly do you want to work with this new owner? Sometimes, it’s just good business to get your foot in the door. Yes, I know some people call it “low-balling,” but let’s face it: It’s certainly no secret. It’s done all the time, and sometimes it works. The danger, of course, is that if it’s only a one-time affair, you’ve only given a job away with little margin.

How badly do you want to work with this new architect? Particularly in commercial, A/E firms control the front end of many meaty construction projects and therefore it behooves the contractor to get in their good graces. In many locales, there’s only one or two major architectural players who handle the majority of work, and they keep a “preferred” bidders list that’s handed out to the owners who bring them projects.

How badly do you want to beat a competitor? Is your competitor someone who has taken the last four jobs away from you? (Admit it . . . you’ve done it!)

How badly do you want to increase sales volume? Even if it means a decrease in profit? Depending on your business philosophy, there are some contractors who strive to reach a certain sales plateau before focusing on profit and processes alone. I find this a bit backward myself, but I’ve known many contractors who’ve
taken just such an approach. With some, it’s worked tremendously well, and the others are out of business.

Now this is just a sampling, but I think you get the picture. Clearly there’s more to bidding than simply adding up numbers. We’re in a service industry that is arguably more social than it is technical. Human intuitiveness and life experience is paramount to success and often spells the difference between being a winner and being an also-ran. I don’t know about you, but for some reason, that’s comforting to me. With the advent of computers, powerful software programs and automation that does everything but dress you in the morning, it’s nice to know that we puny humans still play some role in this whole thing.

About the Author
S.S. Saucerman retired last year after 26 years in the construction industry. He also taught part-time in the Building Construction Technology program at Rock Valley college in Rockford, Ill., for 11 years. Today he is writing, speaking and consulting on a full-time basis.