

PIPELINE

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A Lesson from Christmas Past

By Dan Pope of Old Republic Surety

Early in my career as a surety rep, I had my second annual meeting with a general contractor in a small town in the midst of Ohio coal country. I was eager for the early January meeting as I had a valuable message for the owners of the company.

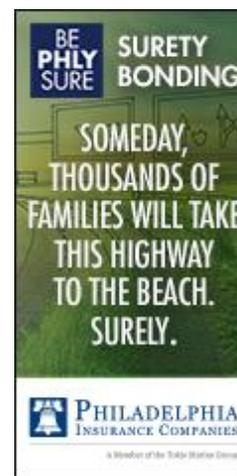


The construction company was well run. The two brothers, in their 50s, who owned it, lived a comfortable life but were not wealthy by any standard.

A few holiday decorations lingered in the parlor-turned-conference room of what had been one of the larger brick Victorian houses in town. The contractor had bought the abandoned property for back taxes and restored it while converting it to office space. The restored oak and walnut woodwork were impeccable. My eye was drawn to the spectacular, new ornamental plaster crown molding bordering the high Victorian ceilings.

Because this general contractor was located in such a rural area, the brothers self-performed nearly all of their work. They employed a skilled workforce that could do nearly anything involved in constructing a building. It was evident they had taken pride in their work on the new company office.

The meeting was pleasant. They had successfully finished a middle school and had performed work for the local bank as well as remodeling the only grocery store in town. Overall, the company had



made a respectable annual profit.

But one division stood out for lack of profit. Several years prior, the brothers had begun a factory to manufacture the construction company's own casework for doors and windows to control cost and the delivery schedule for the casework to their jobs. Over time it had expanded to supply other customers. Summoning all three years of wisdom and knowledge I had gained in construction accounting and finance, I laid out five-year revenue, overhead, and profit trends. I presented irrefutable numbers on how much more profitable the company could have been had they just shut down the casework factory. I was confident the business case I had made for this change in strategy was value-added service. The brothers heard me out and asked a couple of polite questions. Then the brother, who was the president of the company, invited me to come with him to tour the factory.

We hopped into his pickup and took what I soon realized was not a direct route to the factory. At the edge of town, we passed a mobile home park that had seen better days. We rounded a curve on a country road where the fenced entrance to a strip mine failed to conceal dilapidated, rusting machinery. A little further we passed another entrance with faded signs for a long-past bankruptcy auction. As we drove, he explained that the local mining boom ended abruptly a decade earlier when the market turned away from high sulfur coal. The companies that had come to the area to support the mining operations left as quickly as the mines closed.

As we toured the casework factory, the president greeted each worker by name and asked about his or her family. Was his son still doing well in high school? Congratulations to another on her daughter getting her driver's license. He seemed to know something about all of the employees. We were there for more than an hour as he introduced me to people and taught me a little about how to manufacture casework. I also learned how the factory was managed.

We discussed the benefit of controlling the quality and the scheduling of the production. He outlined how much of the raw materials were locally sourced and how the company controlled overhead. One of the rules mentioned puzzled me. They would not hire an immediate family member of a current employee. This seemed odd and limiting in such a small town. As we drove a more direct route back to the office, I asked about the family member rule, thinking it had legal ramifications regarding nepotism.

He smiled a little and was quiet for a moment. His eyes focused beyond the road in front of us. What he said next, I have never forgotten. They had the rule to make sure they employed people from different families. This spread the jobs around the town as much as possible. Without the factory, there would be 50 fewer jobs. Without the factory there would be no Christmas in 50 homes. The goal was to provide income to as many households as they could.

My value-added strategy was shattered. I was deeply humbled. Clearly the brothers knew full well how much more profit was within reach. They lived in a town that was suffering. They found a way to help. It is one of the deeper examples in leadership and humanity I keep with me.

The lesson I learned that day was to fully understand a business and the motivations of the people who own and run it—especially before doling out unsolicited advice on strategy. There can be more



to it than making money. Much more.



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