

From the CEO

Building Character and Acquiring Knowledge Go Hand-in-Hand



Capital, capacity, and character, the so-called three Cs, are at the heart of successful surety underwriting. Examining capital and capacity essentially looks at a firm's *ability* to fulfill an obligation; examining character reveals a firm's *willingness* or *temperament* to fulfill an obligation. We often associate good character with integrity or, stated

otherwise, moral soundness. A firm of high character is one whose management has a track record of maintaining honest dealings, engendering confidence in those with which the firm contracts. The firm's business record and reputation should point to a distinct history of honest, forthright dealings and the demonstration of a consistent determination to fulfill obligations. Such a record speaks to the firm's and its management's likely way of acting in the future.

In the absence of proper character, however, capital and capacity alone cannot provide confidence to the underwriter that a given firm will perform. Exhibiting high character dependably is even more remarkable given the incredibly competitive and complex construction marketplace for contracting firms. In such an environment, a record of high character is entirely earned and never mere happenstance. Management must set and promote a deliberate culture to achieve high character behavior—not an easy task. Increased compliance burdens and the heightened competitiveness of today's construction marketplace may create considerable pressures to "cut corners" on good decision-making, perhaps tempting more than a few to slacken sound behavior. People may also be tempted to loosen their ethical behavior when they perceive others to be doing the same. They adopt situational ethics—"hey, if they can get away with it, so can I"—as an excuse to justify something they otherwise know or should know to be wrong.

"DO THE BEST YOU CAN UNTIL YOU KNOW BETTER. THEN WHEN YOU KNOW BETTER, DO BETTER."

—MAYA ANGELOU

Mistakes also can be made as a result of not being informed or staying on top of industry developments. Such mistakes sometimes are attributed to slips in character, regardless of whether the mistake was unintentional or arose from ignorance. Making an on-going commitment to staying informed about industry developments and changes demonstrates professionalism and positions producers and their clients to understand what should be done or not done. The whole notion of ethics training underscores the belief that individuals can learn to "do the right thing" and to build sound character.

This Winter issue of the *Surety Bond Quarterly* touches on many of the dramatic changes and attendant pitfalls shaping today's exacting contracting environment for construction contractors and for the surety companies providing them surety support. Articles included focus on the new rules surrounding the U.S. SBA government-wide mentor-protégé program for small firms; the ongoing issue of surety fraud scams; recent developments under the federal False Claims Act; and the danger of owner non-payment. This information is intended to make you and your clients better professionals. The issue also contains an inspiring profile of a high-character contractor, Anvil Builders, whose CEO, Hien Tran, was the 2015 ENR Award of Excellence winner, recognized for his commitment to the construction industry and to assisting veterans to access construction careers.

Those intent on building character are those who embrace that they must never stop learning or striving to do better. I hope the information in this issue encourages you on both fronts.

Warmest regards,

Mark McCallum
NASBP CEO