

# Supporting Strategic Growth through Surety Partnerships

by Gregory Steele, Director at Construction Risk Partners

The sustained healthy construction economy has helped contribute to record backlogs and profitability, resulting in bigger balance sheets and increased surety capacity. This, coupled with the continued soft surety market conditions, has led to a sense of “unlimited capacity” for most construction firms of strong credit quality. While this is obviously favorable for growing construction firms, it’s important for all contractors to remain disciplined around pursuing projects that suit your strengths and align with your business goals. That said, now is an important time as ever to engage a surety team that fully understands and buys into your business plan. A well-equipped surety broker can be a valuable lifeline when you face challenging decisions. Whether it’s a new territory, project type, onerous contract terms, record job size, your surety team is there to advocate and support you when you feel opportunities fit within your risk appetite.

Given the Work in Process schedule is the lifeblood of a construction company, construction C-Suites are highly focused on operational predictability and successful outcomes. Most of the strategic planning currently is around right-sizing backlog, margins, overhead, and resources to successfully navigate an inevitable slowdown in the economy. Frequent questions in monthly Cost to Complete meetings include:

- How much backlog can we successfully undertake and properly match available resources, while maintaining peak productivity?
- What is our optimal work portfolio risk composition, in terms of average job size, scope, duration, location, self-perform vs. subcontract, and owner mix?
- How does this holistically fit into our project specific go/no-go strategy?

- How are we ensuring that upcoming work opportunities are priced with appropriate risk/reward?
- Are we carefully considering the cash flow and working capital requirements to successfully prosecute the work on hand?

While we continue to have a positive outlook for the next 18-24 months, best in class firms are inherently focused on continuous improvement. They consistently evolve their business strategy to capitalize on the current marketplace. Moreover, they find ways to gain competitive advantage and outperform their peers when the economy slows. They manage their tougher jobs better (sometimes by not taking them), proactively invest in technology, establish contingency plans, diversify their sources of work opportunities, and retain their key human capital. Another recurring trait is that they leverage their surety team to help drive key business decisions.

Your surety broker and carrier partners should be trusted advisors to support your short and long term business strategy. They have significant data available along with industry expertise to leverage on your behalf, including but not limited to: due diligence support, historical WIP trending and metrics, cash flow analysis/projections, actuarial loss statistics, financial forecasting, and lessons learned from industry peers. They can be a vital soundboard to help assess the risks of breaking through new growth ceilings. The best surety partnerships are those built on transparency, visibility and stability into the future. Are you leveraging your surety partnerships to be the best contractor you can be?



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