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Viewpoint -- Competing Well Means Being Well-Prepared

For U.S. manufacturers to remain competitive and to thrive in today's global, economic environment, leadership must remain firmly rooted in the past, the present and the future.

By Jeff Gorman, President and CEO, The Gorman-Rupp Company

Dec. 17, 2008 -- Founded in 1933, The Gorman-Rupp Co. can trace our meager beginnings to a time of economic turbulence. Lessons learned from the past, as well as a comprehensive understanding of what our customers will need in the future, has helped to frame a model for what could be the formula for American manufacturing success, despite any fluctuation within the economy.

Past Lessons

During the early '30's, the philosophy of manufacturers at the time was to make a product that could be sold. Pretty simple. Although my grandfather's philosophy was a bit different, progressive, in that it followed more of a marketing mindset, it was still a straightforward approach. Two professionals set out to offer a quality product, delivered on time, backed by service and at a price that offered an equitable return. What these partners envisioned was a product that could sustain to return an equitable return to shareholders while providing employees with competitive wages and benefits. These ideals remain intact today, and have accounted for the company's success, both on Wall Street and on Main Street over the past 75 years.

If American manufacturers have learned anything over the past seven decades or so, we have learned the importance of taking care of the customer. More than just a plaque on the wall, it's a cultural mindset and a basic principal of the corporate culture that needs to resonate throughout the hallways within a manufacturer's operation. Without it, the perspective of value -- before, during and after the sale -- is totally lost in a potential customer's mind.

By evolving from a straight manufacturing mindset to a customer-focused environment, manufacturing has continued to thrive. Today, we better understand our customers. We know they have differing yet immediate expectations in mind when they contact us for solutions. It might be delivery for an emergency pumping situation, a need for more capacity to meet a new application or simply that the existing pump needs spare or replacement parts. Regardless of the situation, it is paramount that the customer's needs are met on a constant and ongoing basis.

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To meet and exceed all of those different customer expectations on a regular basis, manufacturing operations have to flow seamlessly. Today, U.S. manufacturers must rely on sophisticated technology and computerized support, as well as the human mind. It all comes back to the founding beliefs of the organization; putting the customer first and everyone working together to achieve a common goal.

As a runoff effect of this strong cultural mindset, American manufacturers have found they can actually cut costs by reducing turnover. A commitment to quality that trickles from the top down is important to people and only enhances the corporate culture that facilitates excellent customer satisfaction. Within our environment, which stems from the plant floor to the operations and sales, the on-going commitment to American manufacturing and pride is something we are humbled by. And, when you get to the point where the operation itself begins to drive the culture, turnover rates drastically reduce and loyalty from employees, customers and shareholders exponentially increases. People are looking for a company that's committed to them. In turn, we're looking for people to commit to, as well.

Today's Successes

For American manufacturers succeeding in today's global environment, how a product is introduced to the market is of critical importance. For 75 years, Gorman-Rupp has worked diligently to not just define a distribution network, but to focus on building the best distribution network in the industry. Many of our distributors have been a part of our organization for several decades, and have embraced our team approach to taking care of the customer. In fact, only if the distribution network and the manufacturer team together to own the customer will success inevitably follow. It is imperative that the distribution network and the manufacturer's team work seamlessly together and are in constant communication with each other at all times.

The manufacturer must take total responsibility for the quality of the products - backed by service and repair/replacement parts to meet future needs. With a zero tolerance for excuses, our organization is committed to earning and retaining each customer's business day-by-day. We work diligently to help our distributors find new customers - but perhaps more importantly to be certain we're giving existing customers no reasons to look elsewhere for their next pump. As an American manufacturer, our commitment to quality and integrity gives us a competitive edge.

A competitive edge still has a strong rate of return, and today, our organization continues to prove to be strong. Up until the tragic events of 9/11, Gorman-Rupp experienced 10 back-to-back years of records sales and earnings. And, since 2004, we've returned back on that same success track. Dividends to shareholders have increased for each of the past 35 years - quite remarkable, frankly, from any manufacturer's standpoint. Further, as a result of this team's success, the company has been honored by several industry awards; including "One of the 200 Best Small Companies" by *Forbes* magazine.

The Future for American Manufacturing

The pump industry is fortunate. As long as we have waste, petroleum or other liquids, be it human waste, processing debris, oil and gas or wastewater that needs to be moved from point A to point B, the pump industry will remain. To that end, our industry is sustainable. But, like any other manufacturing segments, we'll likely see consolidations in the future and companies attempt to increase market share, as they should. That's where a strong strategy must be called upon. At Gorman-Rupp, we have three pillars: continued organic growth, intelligent expansion and meaningful acquisitions that will ensure our on-going success!

Continued Organic Growth will allow us, as manufacturer, to continue to do what we do best -- make pumps that work better and are designed to meet the needs of customers, backed up with parts and customer service. Continuing to reinvest heavily in the education for our people, plant and equipment will lead this charge, strategically. A learning organization is an important management concept that cannot be ignored.

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Continued expansion of our international business helps us to remain competitive in a global marketplace. Today, our international sales account for roughly a third of our total revenue -- nearly doubled from just a few years ago. Continuing to believe in global opportunities -- especially in the international water and wastewater markets - has made Gorman-Rupp successful internationally. What does that mean for U.S. manufacturing? 80% of our international sales are manufactured domestically -- that's a strong contribution to the U.S. manufacturing industry.

Our third strategic pillar helps us to keep a sharp eye on meaningful acquisitions over the past several years. And, we will continue to look for opportunities moving forward that meet our criteria. There is no room for resting on the past. Rather, success is rooted in continuing to play a strong leadership role in both the industrial manufacturing arena and in the pump sector, constantly reminding ourselves of the need for continuous innovation and customer service. Our organization has made a number of successful acquisitions that will allow us to continue growing our customer base.

Lessons learned from humble beginnings, mixed with talented minds have helped us navigate and anticipate future needs while our U.S.-based manufacturing operation has thrived -- growing to six separate and unique operations located across the country. But today, consolidation is more important, and, as a result, we have broken ground on the future of Gorman-Rupp manufacturing, with a new state-of-the-art facility that will both increase manufacturing capacity while also bringing manufacturing efficiently under one roof -- solidly planted on U.S. soil, rooted in strong Midwest values -- in Mansfield, Ohio.

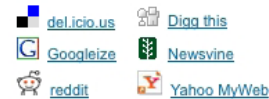
Jeff Gorman is President and CEO of The Gorman-Rupp Co. which is a manufacturer of pumps and pumping systems for the municipal, water, wastewater, sewage, industrial, construction, petroleum, fire and OEM markets.
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