

# Grayway

## WITHSTANDING THE COLLAPSE

*A Guide to Post-Recession Renewal*



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America's three-year recession is slowly fading away, but there is one topic that remains at the top of board meeting agendas across the nation: how can our company thrive in the new economy? The opinions on this topic are vast and diverse, but we believe some of the best advice can be gleaned from those who have not only fought hard to save their companies, but have come out on top.

This issue of the *GrayWay* presents a sampling of opinions from business leaders who we believe handled the recession with courage, tenacity and a true desire to win. We hope you find some of the stories and advice offered here helpful as you face the challenges of thriving in America's new economy.

A handwritten signature in white ink, appearing to read "Scott Parker".

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RECESSION



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**HOW CAN AMERICAN BUSINESSES NOT ONLY SURVIVE BUT COME OUT OF A RECESSION EVEN STRONGER THAN WHEN IT BEGAN?** This is the million-dollar question business leaders across the nation are asking as the economy attempts to recover from the pounding it took over the past three years. While there is no perfect answer to this question, there is also no shortage of opinions on how this might be accomplished.



Rafael Pastor

Rafael Pastor leads an organization that helps small business owners and CEOs in their efforts to chart a new course for the future in a world where uncertainty prevails. As chairman of the board and CEO of Vistage International, its 14,000 members participate in peer advisory groups, receive one-to-one executive coaching, learn from the world's foremost speakers, and connect with other members across the globe on leadership and best business practices. This is no ordinary business organization — most of its members are chief executive officers of companies located either in the United States or in one of the 15 countries Vistage serves.

Pastor believes the businesses that have the best chance of thriving in today's economy are those that have prepared for what he calls the "new normal."

"We made a real point, right smack in the middle of the recession, that businesses should start thinking about the new environment—what the 'new normal' for your business is going to be—and prepare for it," advised Pastor. "Because it's not going to be business the way you knew it before you fell into the ditch of the recession."

# LESSONS FROM THE RECESSION

Strategies for Success  
in the New Economy

American businesses awaken to a brighter day.



While those who have sufficiently prepared for the “new normal” will do better, in Pastor’s opinion, there are some other strategies the most successful businesses have been using to enhance their sales and profitability, such as taking advantage of the social networking phenomenon.

“This is an interesting time because just as we were in the middle of the recession, social networking, blogging, and online marketing were becoming far more ubiquitous,” said Pastor. “People who latched on to those as a way to promote and market their businesses, their services, their products, did the right thing because it helped them more efficiently reach their customers and their audience than they would have otherwise. So, just as their resources were becoming more limited, because they had less credit, they were obviously laying off people, there was less spending by their customers, their own budgets were tightening, they were finding more efficient ways to market their goods and services online.”

From Pastor’s vantage point, businesses that fared the best during the recession and will continue to do so have one thing in common: courageous and selfless leaders, some of whom dipped into their own pockets to bridge the gap between recession and recovery.

“Like your kids, businesses learn from adversity and challenge.”

Rafael Pastor  
Chairman of the Board and CEO  
Vistage International

“I saw it all over the country, in all sorts of industries,” began Pastor. “When everybody was down and out because nobody had seen anything like this in their lifetime, the leaders of these businesses stood up and said, ‘listen, we’re gonna get through this and here’s what we’re gonna do.’ Talk about leadership!”

“If, in these downtimes, the leader can’t convey confidence and courage, then how can you expect any of the people who are following him or her—their employees, their vendors, their creditors, their customers—to have any confidence?” he continued.

A good example of such a leader is Joe Messner, owner and president of JGM, Inc., a structural steel fabricator and erector based in Philadelphia, who is also a member of Vistage. As Messner saw the effects of the recession eating into his profit margins, he was forced to reanalyze the company’s business model and, subsequently, make drastic changes to it.



Joe Messner

The lightbulb went on when Messner’s company bid and won a fast-track job for Amazon.com—a 250,000 square-foot mezzanine to be erected in an existing building. In previous years, this 45-day turnaround project would have been frightening and undesirable, but now, it is precisely the type of work his company wants.

“Out of that experience, we realized that’s really our niche—that’s when we really thrive, that’s when we make money, that’s when our whole company and our team comes together,” said Messner. “So, we’re trying to develop a marketing plan to just go after fast-track work.”

The company’s geographic reach has also drastically changed due to the recession. Before, JGM served companies within a 100-mile radius of its headquarters in Philadelphia. Now, the company has projects stretching across the nation, reaching as far as Arizona and Nebraska.

“We’ve made some great contacts with some other contractors who would not have necessarily given us a shot since we were new and they didn’t know us,” explained Messner. “And, it’s forced our company to learn how to travel so I think it’s putting more tools into our toolbox than we necessarily had going into this. It’s really forced everyone to look at the job a lot harder, a lot tougher, and do a lot more planning than just pushing the job on through.”

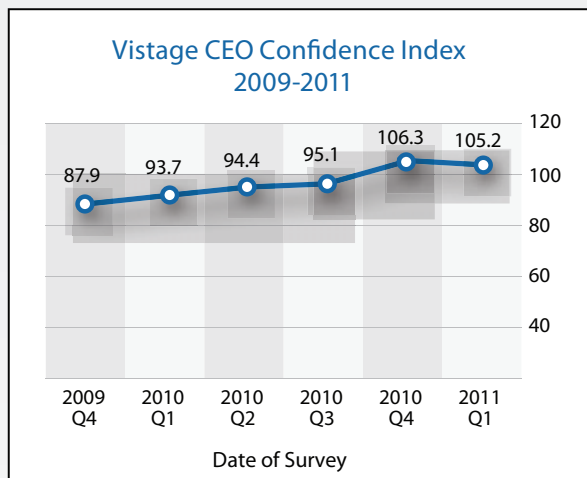
Like Messner, Pastor subscribes to the “what doesn’t kill you will make you stronger” belief.

“Like your kids, businesses learn from adversity and challenge,” said Pastor. “This generation of business people have never seen anything like this and, as a result, I think they’ve become more resilient, more adaptive, and oddly, more confident. What’s going to be the residue of what we’ve been through is people are going to say, ‘we’ve been through worse!’”



## CONFIDENCE MATTERS

According to Vistage's first-quarter 2011 CEO Confidence Index, there has been a significant surge in CEO optimism since the same quarter in 2010. To be exact, the index has increased from 93.7 in Q1 2010 to 105.2 in Q1 2011.



### Other CEO Confidence Index Highlights

- ▶ **63% of CEOs** stated that, compared to a year ago, overall economic conditions in the U.S. have improved.
- ▶ **54% of CEOs** expect their firms' total number of employees will increase during the next 12 months.
- ▶ **76% of CEOs** anticipate their firms' sales revenues will increase over the next 12 months.
- ▶ **57% of CEOs** expect their firms' profitability to improve over the next 12 months.
- ▶ **72% of CEOs** said rising gas prices will have an adverse affect on their business.

To download the entire Q1 2011 CEO Confidence Index from Vistage, go to [www.vistage.com](http://www.vistage.com).

## GRAY...WE'RE BUILDING

Austal USA  
Mobile, Alabama



Austal MMF phase two will be similar to Austal MMF phase one shown above.

Gray Construction has broken ground on the second phase of a modular manufacturing facility (MMF) and a new office complex for Austal, the world's leading manufacturer of customized aluminum commercial and defense vessels.

Phase two of the MMF will double the existing manufacturing floor space to 700,000 square feet and add 30,000 square feet of office space. When complete, the state-of-the-art

manufacturing facility will be capable of constructing six large aluminum vessels, such as the Navy's Littoral Combat Ship and/or Joint High Speed Vessel, per year. Phase two will be adjacent to phase one of the MMF completed by Gray in the summer of 2009.

The new three-story office complex will include over 108,000 square feet of office space and will house some 450 employees.



Austal USA MMF phase two / Mobile, Alabama

# SAMPLES OF SUCCESS

## How [Link-Belt](#) and [Tempur Pedic](#) Weathered the Storm and Are Investing in the Future

**If you've been to the doctor within the past three years and flipped through the usual selection of business publications, you might conclude there have been little to no success stories to come out of America's recent recession.** But, hidden between the latest stacks of negative headlines are the untold stories of businesses that have weathered this economic storm, and have nothing but optimism for the future.



Smart businesses found ways to weather the storm.



Chuck Martz

Like Link-Belt Construction Equipment Company, North America's leading manufacturer of telescopic and lattice boom cranes. While the economic downturn did not spare Link-Belt from things like workforce reductions and sporadic plant shutdowns, President and CEO Chuck Martz says his company has not just survived the recession, but is already seeing an upswing in business mere months into the recovery.

One reason Martz believes Link-Belt did so well is because he and his management team made a concerted effort to maintain a highly motivated, loyal workforce. The first strategy: restrict layoffs to contract employees only.

"Unfortunately, during our last downturn in 2002 and 2003, it got very deep and we laid off some of our core employees," explained Martz. "We learned from that experience that this hurt morale considerably. So, we made every effort to keep our core workforce in place this time."

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Chuck Martz  
President and CEO  
Link-Belt Construction Equipment Company

Beyond its core workforce, Link-Belt also went the extra mile to ensure its distributors stayed healthy throughout the recession by allowing them to cancel orders when times got tough.

"Some other manufacturers within the construction industry have the attitude that if you place an order, you have to take it no matter what," said Martz. "That just doesn't work out. We and our distributors are in a partnership and they are an extension of the Link-Belt arm."

And while other companies were looking to cut costs any way they could, Link-Belt took the opposite approach and spent \$7 million on an expansion of its existing manufacturing facility in preparation for a new product launch this year.

"We believe strongly that design and engineering of new products is the lifeblood of the company so, during the recession, we developed two new products. One of which makes Link-Belt the only North American manufacturer of all-terrain cranes," explained Martz. "... We've seen these times before and, if you're not prepared, then you really can never catch back up when the recovery comes. We didn't want to be in that position. We wanted to be in a position where, as the recovery starts and we had new products, we can gain more market share. And, that's what we expect to happen."



Another company that has made lemonade from the recession's lemons is Tempur Pedic International, a high-end bedding and mattress manufacturer that has been highly strategic in planning for business in the post-recession economy. Like Link-Belt, Tempur Pedic invested money in new product development during the recession so the company could grab more market share when the economy rebounded. According to Dale Williams, Tempur Pedic's executive vice president and chief financial officer, this effort resulted in the company's most successful product launch to date.



Tempur Cloud Supreme, launched in the fall of 2009, is Tempur Pedic's best-selling product.



Dale Williams

"We managed our cost in such a way that we were able to continue communicating with our customers and building our brand, but we also conducted critical evaluation and research into the market and our customers so that as we exited the recession, we had developed a new product line that is the most successful new product launch in our company's history," said Williams. "So, even when times are tough, you have to continue to invest for the future."

## CAREY SMITH, BIG ASS FANS



Carey Smith

**Carey Smith, chief executive of Big Ass Fans—a Gray customer—has been named Inc. Magazine's Economy Hero.** This award recognizes a CEO who has been a positive contributor to the economy. Carey was chosen due to his emphasis on job creation and innovation over the recession. Big Ass Fans attributes its success to maintaining its employee base and benefits, while seeking new markets and customers and developing new products for the long-term success of the business. Congratulations to Carey and Big Ass Fans for this remarkable achievement!



## GRAY MATTER

### Look to Nature for Clues to Surviving Recession

**If you google "survival of the fittest," the description of this well-known phrase reads: "the process by which organisms that are less well-adapted to their environment tend to perish and better-adapted organisms tend to survive."** While this idea sounds a bit harsh—especially in a country founded on ideals of democracy and fairness—one cannot deny how business has mirrored nature over the past three years. The fact of the matter is, those businesses that were able to adapt to America's new economic conditions were the ones that succeeded. Many that could not adapt did, indeed, perish.

Another phenomenon found in nature that has been key to successful businesses over the course of this recession has been the desire to compete. To do this, you have to be smarter and more strategic than others. You have to be disciplined. You have to figure out what's a distraction to business. You have to develop and strictly follow a business plan that has winning strategies. And, you have to continuously rework your business plan to adapt to changes in the marketplace. It's a tall order, but it can and has been done time after time by countless businesses across our great nation.

For over 50 years, Gray has been acting on our natural instincts. When markets change, we adapt. When a business strategy fails, we feed off our competitive side and develop new, more successful strategies. And, in the toughest of times, we have not settled for mere survival, but have fought hard to come out on top.

As this recession comes to an end, we are proud to say that Gray not only competed during this time, but truly came away wiser, stronger, and ready to meet whatever new challenges that lie ahead.

Jim Gray  
Chairman

Stephen Gray  
President and  
Chief Executive Officer

Jim Gray and  
Stephen Gray

### CREATING JOBS KEY TO ECONOMIC RENEWAL



Bob Moore  
President  
Gray-I.C.E. Builders

**While there is no perfect recipe for improving the economy, one thing is for certain—the creation of good, sustainable jobs is essential for long-term economic health.**

The question is, how do we do that? More bailouts? Lower interest rates? A friendlier tax environment? More government spending? These questions are debated daily by pundits and so-called experts. But we have to ask ourselves, what is the eventual cost-benefit of implementing some of these solutions?

Historically speaking, American businesses employ some of the most creative and brilliant minds on the planet. By putting these minds to work, new businesses will be created and new jobs will soon follow. Enhanced deductions for research and development, new-hire tax credits and accelerated depreciation of capital expenditures are just a few of the potential steps in the right direction to encourage U.S. companies to invest in their U.S.-based businesses, creating new jobs. Businesses desire an economic environment with minimal uncertainties that will impact their returns on investment in people and production. Consistent taxation and regulation policies are essential to create a more predictable business landscape for the risk-takers who create jobs.

As U.S. businesses are focusing on creating sustainable jobs, part of their duty is to continuously evaluate current market conditions and adjust their strategic plans accordingly. Businesses wanting to stay ahead of the competition must ask if historically successful markets will remain so. What market, what geographies and what products will provide the best opportunities for growth and return on investment? Are we customer and relationship driven? The answers to these questions and many more are key factors in determining how best to invest business capital.

In the long run, adaptable companies that create a competitive advantage will flourish, while those companies who do not will fall by the wayside. This natural pruning of businesses from the business landscape creates new shoots of growth and investment, resulting in sustainable jobs.

### MAINTENANCE TIPS

**Spring has sprung, revealing the damage from winter.** In this issue, Service Team Manager Steve Higgins offers maintenance tips on how to ensure your building and grounds are protected from spring weather and the upcoming summer heat.

- **Check all exterior sealants on windows, roofing, door thresholds, etc., to ensure joints are still tight. It is common for sealants that are exposed to harsh winter conditions and freeze/thaw cycles to open up, which may lead to leakage during spring rains.**
- **If the landscape irrigation system was drained to prevent it from freezing, make sure it has been turned back on. This will protect landscaping during warmer, dryer weather.**



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