

Executive Insights: An Interview with William Rumpke, Jr., CEO, Rumpke Waste and Recycling

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Abstract

I interviewed William Rumpke, Jr., CEO of Rumpke Waste and Recycling based in Cincinnati, Ohio. As the world is creating more garbage and thus making disposal of waste a challenge world over, I discussed the way forward in terms of recycling with one of the awardees of the inaugural 20 Best Managed Companies by Deloitte Private and Wall Street Journal. Mr. Rumpke shared how Rumpke Waste and Recycling won this award, steps we can take as a society in managing waste, qualities he looks for in recent graduates and secret to managing a privately and fully family owned business with 3200 employees and revenue of \$694 million in 2019. He also discusses the importance of perseverance and being proactive in maintaining good relationship with stakeholders in his industry.

How has Rumpke Waste and Recycling managed its operations during the COVID pandemic?

We were deemed an essential service so the very large part of what we do is to collect waste from residential households, businesses and hospitals. Thus, part of our job is to protect the health of the community and removing the waste and getting it off the streets and removing it from all the hospitals and businesses. So it was very critical that we remain engaged. Our employees that drive trucks that manage landfills and run recycling plants had to continue working and they were very active and we were very aggressive in making sure that they protected themselves. With proper PPE (protective personal equipment) and additional measures with masks and gloves and a lot of house cleaning of the trucks and the equipment in between

shifts so we got very aggressive with that and did everything you can to protect everybody. We were able to redeploy our folks that work in administrative offices, in call centers, and our administrative staff to work at home. Honestly, we didn't miss a beat, so I was very proud of our team and how they managed everything. We were one of the earlier states that shut down a lot of businesses. Frankly it hurt our business in terms of dollars and cents. However, we need to get through this very unique situation and make sure our employees and public are safe. We will get through this on the financial side but more importantly right now on the human health side I think we did a really good job managing. We have 3200 employees and five employees contracted the disease and fortunately every one of them is fine now. We did all precautionary things and if anybody had any kind of fever or any kind of sickness they stayed home. We kept people away from each other, so it worked pretty well and are very fortunate in this regard.

The Best Managed Companies program is a mark of excellence for private companies. It is a rigorous and independent process that evaluates four key criteria in their management skills and practices — strategy, execution, culture and financials. Can you tell me about these four areas as it pertains to Rumpke Waste and Recycling?

Our advisors are the shareholder group—the Rumpke family. Our company started in the 1930s by my grandfather and then the business continued under my father. We are very rooted in our business, a lot of pride around about our business. Our focus is on doing things right. We are going to be answer to all waste collections and processing needs for all of our customers, so we look for opportunities to differentiate ourselves from our competitors who may live quarter to quarter particularly if they are a publicly owned company. Here is a really good example, back in 2012 we had a major fire at our Cincinnati recycling plant and the fire destroyed the entire plant. That plant processed residential recycling pretty much all kind of recycling. We took it as an opportunity to step back and strategize about what we can do with this tragedy and what we can do to become even better. Our folks flew around the country and looked at the most advanced recycling plants, while simultaneously pulling the team together and continuing to serve the customers. At the end of the process we were able to build a much larger and more automated recycling plant that processes materials more cleanly. We differentiate ourselves from some of our other competitors that did not go all in as much as we have, and it's come to be quite a positive solution. We opened up a brand-new plant in November 2013 that cost \$32 million. It is one of the most productive plants with the highest technology in the entire

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country. This is how we differentiate ourselves and that was a collective decision made by myself, my brothers, the senior managers, senior family members and senior engineering teams.

How do you strategize: formally or informally; what is the frequency?

We usually strategize twice a year. There is two pieces of strategizing. We do the short-term via preparing the budget which is done every year. In addition to that, we meet couple of times a year and discuss where we're going as a company and discuss our core beliefs and how our shareholder group wants to manage our company. We want to remain a private company, we want to continue to be part of the community, to doing what's right and to provide exemplary service to our customers in Ohio, Kentucky and Indiana.

How do you execute your strategy? What are some things you do to ensure that a project you undertake turns out the way you intend it to?

It is about pulling people together, looking at what others have tried and failed at or we have done in past, pulling the whole team together from the operational folks to engineers, to IT, to finance to whoever it takes to make sure that everybody is assigned specific tasks and each of them get their job done then the team leader or the manager of the project will ultimately bring home a successful project. So, it is just outlining specific accountability on each areas required for it to be successful.

Do you bring all experts in the beginning of starting a project or later—how does this part of the planning for a project work?

We have three core lines of business—landfill, recycling, and hauling. I have three individuals that work for me that have industry experience and worked for multiple competitors that work here. They work in conjunction with our operational level folks and the area presidents to create teams that work. There are situations where they may bring in a consultant or they may bring in a third party or even hire new employees in specific situations to help a project be successful.

Can you talk about culture in your company since it is one of the important things that distinguishes your company from others and how you integrate new employees in the company culture?

In regard to our culture, there is really an interesting dynamic going on right now with the coronavirus. This makes it more difficult since I am not in the office very much because I like to go out in the field and meet customers. The two area presidents who are my brothers do the same. They very rarely sit in their office and they'll get out and meet people. We have training about how to treat people right, how to get out and talk to people, knowing your employees and understanding what makes them tick and that's a big deal. So that's kind of how we manage the business. I have almost hundred relatives that work at this company as employees as well. They are not owners of the company (they used to be) and yet they're so proud to work here. It is not easy to continue to keep the same culture as we expand. As we expand the business, one thing that has helped is that I have a very large extended family with ownership so it is important to get out and talk to people. We also have scheduled regular—monthly and quarterly—operating reviews where I will get out and the senior team will get out and go to the field and visit and tour landfills and recycling plants and see what's going on. These are my fun days. Getting out and being with our people and seeing the operations is how I came up in the company. Everybody in my family has done a lot of different jobs here so it is very fulfilling to get out and see what our people do, and they know that we've been here before and we've done it and I think that helps as well to build up our culture.

What is future of Waste and Recycling business in terms of financial and industry growth?

We are a necessary service and there is always going to be waste. In future decades that could change a lot based upon what manufacturers do with packaging and cultural changes in country impacts what people do with waste generation. Quite frankly, the best alternative from my perspective is what we're doing right now. We have environmentally compliant landfills that are generating renewable energy in form of electricity or natural gas. We have fourteen landfills that we manage and a small number of them have some kind of gas generation. In addition to landfill disposal where the garbage goes, materials that we can't recycle goes to recycling plants. Important note in the recycling side, we believe in being very honest with our customers. As you know there's been a lot of issues regarding plastic. There are different kinds of plastics that are more recyclable than others, just because it has a recycling logo on it doesn't necessarily mean that it's being recycled. We have tried to be very honest with our customers and say; look if it is a beverage container, if it's a plastic bottle with a smaller head than a base, we know that we can process that, we can recycle that, and we can

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actually sell it. Some of our competitors are not so forthright about that and have continued to take some of the plastics that really aren't recyclable.

What are your thoughts about landfills—especially public sentiments are “not in my backyard”? Also, the other option is to send the non-recyclables to incinerators.

In this part of the country there is space for landfills while in northeast the land may not be available. Non-recyclables go to landfills and not in incinerators in our area. People don't want landfill around them (in the northeast) and we run into that same challenge. We are always trying to recycle more so that less amount is going into landfills. Incineration has a lot of issues as well including the pollutants that could go off into the atmosphere. Also, what's left over after the incineration is not dirt and I do not necessarily want that in my landfill. Overall, landfills are much better as they generate energy if properly maintained. Incinerators should be last option.

You have been fairly aggressive in acquiring other companies in your industry. Tell me what you look for in the target company?

For the past year and half, we have averaged an acquisition per month. Most of them are smaller hauling companies. We look for how do we better take advantage of our existing assets. So, if I have a recycling plant and a landfill in a certain area and I'm already driving up and down the street picking up half of the recycling and waste, then I'm interested in buying that other company out if they are interested in selling. Savings is realized by having less trucks on the road resulting in lower costs. We can provide service at fair price to our customers because we keep our costs down and get more productivity off that existing route. We have also bought some landfills as well. If someone wants to start a waste company, the first thing I would do here in the mid-west is to find a disposal option for the waste rather than an incinerator. People don't want landfills around them, they are difficult to get permit for, however, once you have it they provide a much better service because you can keep your cost under control for waste disposal. Getting approval for a new recycling plant is more acceptable generally.

Please tell me about a failed acquisition?

We've got a few failures there is no doubt about that. There were some acquisitions we did in some communities where we were perceived as being

the outsider or the big large company coming in and buying out the poor little guy, which could not be further from the truth. In those instances, we have lost some customers to the smaller competitors and therefore overpaying for those acquisitions.

Who are your immediate and long-term competitors?

Our main competitors are the national companies that most people have heard of-- Waste Management, Republic and to a lesser degree Waste Connections. Also, there are many smaller competitors as well.

There are many venture capital funds and private equity players who have lots of money to invest in profitable opportunities. Have the venture capitals and private equity approached you or looking to invest in this industry?

There is already venture capital money in the waste business and honestly, I get those calls on a regular basis. Usually the conversation doesn't last very long. Because we are very committed to staying private and within family. We are in a really good place financially with the capital structure that we have in place.

Do you have any plans to go public?

We do not. We have multiple capital structures which has supported our growth very well. Our overall financial picture is very strong. We are hundred percent family owned. Basically there are seven shareholders--my brothers, sister, parents and a cousin.

What is the secret to keeping the business in family and successfully passing it from one generation to another? What do you do when one of the children want to do something else?

This is one of the main questions I am asked by private business owners. I can tell you there is a lot of work put into it. Yes, not everybody wants to be in the business, and we have bought ownership of some of the shareholders who didn't want to be in the business. In regard to the next generation, I can tell you right now they're not all in the business. My daughter chose not to be in the business. I have two sons that chose to be in the business and similarly a brother with his two sons in the business while his daughter decided to be a nurse. If the shareholders choose to work in the company, they get paid for their job at the company and of course financial rewards of

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being a shareholder too. The shareholder group has created rules for working at the company which requires the shareholders to be qualified by way of education and experience for the job. Their compensation is consistent with a non-shareholder with similar job. Essentially, they get a salary and shareholder bonus. If someone chooses not to work here, then they will receive shareholder bonus. Also, at least once a year we have a meeting to talk about state of the company since people that don't work here still care because they want to continue to get the shareholder bonus and have pride in being part of the business. They just don't see the right fit for their career here, so it has worked very well. Sometimes there are disagreements about the level of abilities of individuals who work here. Quite frankly that's something that I and other senior family members get involved with and we try to find the right opportunity for them, so that they can be compensated appropriately.

Do you have a Rumpke family day or something similar to keep the family together and Rumpke vision alive?

We have one big day a year we bring everybody into this building. Occasionally, we get together as a family away from the company, but it's not something we normally schedule. We have the structure set up here with regular meetings and I regularly communicate with other family members that work here. Therefore, everybody understands the vision of keeping it all together in the family. The new generation will have its own vision.

What are some of the things that has stuck with you that you learned from your father and grandfather that helps you in the business?

The biggest thing is perseverance. There's no doubt about that. It's not the easiest job and people don't necessarily want landfills near them. We know that landfills are necessary. People don't like truck traffic, but we know that without garbage pickup there will be other kinds of problems. It is a lot of working in the community, getting to know people, consulting and developing and maintaining relationships with politicians or administrations of different municipalities. It is sticking your neck out and I really learned that from my father getting out in front of it and not sitting back. If you want to be successful, you have to set your goals and go out and do it. The person that sits back is never going to win, so don't be afraid to be the face of whatever the mission is. That is probably the biggest thing I have learned from them.

What are some of the skills you look for employees who work for you?

We have some of the most educated people all the way down to folks that do labor jobs. With everything else being equal, I want somebody that's going to be positive, happy to be at work, and wants to become part of something in the long-term and be a team member. We want people who can joke around, have fun, be positive and be part of something big.

What should the business schools be teaching their students?

Biggest thing to me is that in school students know how to learn, but students need to learn how to be a team member and how to get along with people. I want individuals who want to be part of a team. I want individuals who want to be part of a team and are excited to be here. They should be patient and do a good job and be ready when that big opportunity comes. Some of the more recent college graduates are looking for instant satisfaction and promotion. Be patient and put their head down, be part of the team, show that you want to do it, and you want to be here. Those are the kinds of people I want and that message needs to come across more in our colleges.

Let me talk a little bit about innovation, your company uses technology such telematics geo tabs. Artificial intelligence is being used a lot. How do you see use of artificial intelligence and data analytics being used and integrated in your business?

Couple of different things we are involved in. We are using a new ERP (Enterprise Resource Planning—brings finance, billing, maintenance, and IT systems of the firm under one platform) to run our business which has been very successful. We want to take that to the next level.

Can discuss how you target new customers using technology?

Previously, we had sales people go out and knock on doors, advertise in the newspaper and on radio. The newer way is to reach out to potential customer via social media. Especially with COVID we could not reach out to customers in the traditional way, social media has helped us reach out to customers who were stuck at home. One of the ways we attract newer customers is to advertise on social media in the areas where people search for home construction and we show them how we can provide waste and recycling services to them. Another thing we are doing is that we are also looking at purchasing newer technology to sort plastics and sort recycling

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using self-learning robots. This will help us clean up our recycling, sort plastics more cheaply with resultant increase in recycling of plastics.

Many companies are judged in terms of gender and racial diversity of employees. How has your company managed this?

This is a challenge. Our industry has lots of truck drivers and mechanics and thus very heavily male dominated. We have done a lot of reaching out, recruiting, training and used headhunters to find people who are interested in joining us. We have also developed our own training programs for both truck drivers and mechanics who want to be part of our company. Also, diversity of our employees is consistent with the population we serve.

Can you discuss some of the things that the general public may not be aware of in terms of this industry such as differences in hauling, recycling and landfill?

In regard to hauling, if we can build density along routes, the metrics that we use will improve. For example, we will look at yards collected per hour. If we can improve our yards collected per hour, our cost goes down and our profit margin goes up. This is a very metric driven business. In recycling, it's the amount we process tons per man hour so the material that comes into the plant on the conveyor line and then how quickly we move it out. We measure those metrics and all of our managers and supervisors know that. We have similar metrics in all our landfills as well such as compaction ratios. Since landfills cost a lot to build, we want to maximize the amount of waste we're putting in that landfill if we get the right compaction with our equipment.

Are the landfills owned by your company, municipality or it is a joint partnership?

We own ten landfills and manage four for municipalities. We would love to own more, we are always looking for those opportunities because we are the experts. We know how to manage landfills and we regularly bid on managing county owned or city owned locations.

Can you talk about plastics? Arguably there is a consensus that plastics are bad for the environment.

First off, whenever I hear that plastics are bad for the environment my initial thought is that the improper management of waste is bad for the environment. If you have plastic and you put it in your container, and it ends up at the landfill or incinerator that is never going to be problem. It still astounds me that the individuals that throw garbage out of their window driving down the road, that is the stuff that ends up in rivers, waters and oceans. I absolutely believe that plastics are great thing, but we don't manage it right and that is the problem.

We know that there is no such thing as a free ride, if you had to choose—plastic or paper bags?

Well okay, if I'm at the grocery store and the clerk asked paper or plastic I will probably choose paper.

How can we as a society reduce waste?

I think waste reduction is very important and part of that starts at packaging and I think there could be some legislation regard to packaging that could help reduce the amount of waste.

Recently there was a Wall Street Journal article about demand and increase of incinerators. What are your thoughts on this?

I'm not a huge incinerator fan, since there are a lot of problems with incinerators. The better choice is landfills which generate lot more energy. Our largest landfill generates enough energy to heat 30,000 homes. If managed properly, landfills are a renewable source of long-term energy. Landfills generate energy for about sixty years—30 years while being active and 30 years after they are closed.

Last year China restricted acceptance of mixed paper and plastics, how has that impacted your business?

It has and I'll be critical about our industry. I think that we got a little lazy as an industry and didn't clean up the materials as well as we should have since China continued to accept that material. Since the US could no longer ship those materials to China, it flooded the US particularly with paper. In the US, we did have enough plants to take that material and produce more cardboard or paper. Before we were getting paid \$65 a ton for every ton of mixed paper, after the Chinese restriction, we had to give it away, we are

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getting paid nothing for mixed paper. However, the paper was still being recycled. This was a big hit to our bottom line. As a positive, there have been more new plants opened in the US, which allows us to meet the demand for corrugated cardboard and paper and create more jobs here.

How do you implement best practices in your business?

We understand and learn new trends from many of the folks I know in the national waste and recycling association. We also use consultants. For other improvements, we are always talking to anybody who has a better truck or a better recycling sorting system. Also, our team of engineers and team of other experts that work here especially in recycling are always looking for opportunities for improvements.

What are the sources of the innovation?

A lot of it comes from equipment manufacturers. In regard to recycling it is the robotics, and there are multiple manufacturers of sorting equipment and we keep a close eye on what they are doing, how they are progressing under different technologies. We don't always jump when a new equipment or technology arrives--we don't need to be on the bleeding edge but rather be on the cutting edge.

What are some of the misconceptions or myths about this industry?

People do not understand how sophisticated this business is and how much goes into what we do every day. I like having this conversation with you since you are an educated man and you didn't know and didn't understand what goes on at landfills. Simply, there are many people who don't get that we have a whole bunch of very educated folks that work here. We need educated employees because of the sophistication of this business and with all of our regulatory requirements and doing things the right way.

You talked about college graduates and the importance of being a team member. Anything else you think as educators we should emphasize to our students?

I want to see people who are excited to be here, want to be part of something big, be part of a team and use all the knowledge that they've learned in school to help lift the team and make their mark and be ready

when that opportunity comes. I can tell you that at this place opportunity comes pretty quickly.

Finally, any new trends or anything new you see besides robotics coming in the industry?

From the public's perspective you will continue to see automation of collection. Trucks have arms that reaches out and grabs the garbage. It helps a lot when it comes to workers compensation and just keeping employees safe. We are going to continue to see recycling be a big part of the industry and we want people to be properly educated so that we recycle more.

Executive's Bio

Bill Rumpke Jr. is the president and chief executive officer at Rumpke Waste & Recycling, one of the largest privately owned waste companies in North America. He began his career like others in his family, by working in a variety of roles from frontline to management. After earning a management position, Bill began putting his mark on the business. In 1988, he founded Rumpke's Central Ohio hauling districts, and on July 1, 2002, he was promoted to Chief Operating Officer. As COO, Bill ensured unprecedented growth in market share and size. In 2014, he became President & CEO and along with completing nearly 100 acquisitions, Bill has invested millions in essential landfill construction, recycling technology and infrastructure improvements. Today, Bill focuses on long term expansions, capital improvements, multimillion-dollar technology upgrades and acquisitions to best support Rumpke's 60-plus locations, 1.6 million customers and 3,000 employees. Bill earned his bachelor's degree in Business from Miami University located in Oxford, Ohio. He serves on the Board of Governors for the National Waste & Recycling Association. Under Bill's leadership, Rumpke was recognized with an Association for Corporate Growth Deal Maker Award in 2010. In 2013, Bill was honored as a South-Central Ohio and Kentucky Entrepreneur of the Year. The Public Relations Society of America (Cincinnati Chapter) honored Bill as the CEO Communicator of the Year in 2015, recognizing his transparency and efforts to communicate openly with his employees, customers and the public. Most recently, with Bill leading the way, Rumpke was recognized as a US Best Managed Company by Deloitte Private.

Interviewer

Amod Choudhary is an associate professor and deputy chair at the Department of Economics and Business at Lehman College of the City University of New York (CUNY). He has taught courses in Strategic Management, Seminar in Strategic Management, Principles of Finance, Principles of Management and Introduction to Micro and Macroeconomics. His research interest and publications are in: gender

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in management, entrepreneurship, and corporate governance. At present, he is fascinated by the potential use and implications of artificial intelligence's role in strategic management. He is member of Lehman College Executive Committee of the General faculty and the Undergraduate Curriculum Committee. He is also a member of Academy of Management's Strategic Management and Gender and Diversity in Organizations divisions. Prior to joining Lehman College, Professor Choudhary worked as a corporate lawyer for international law firm Clifford Chance, and other law firms. Prior to his legal career, he was as an engineer for the US Army Armament Research, Development and Engineering Center, Picatinny Arsenal, NJ. email: amod.choudhary@lehman.cuny.edu
