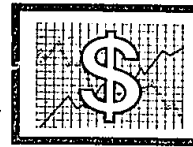


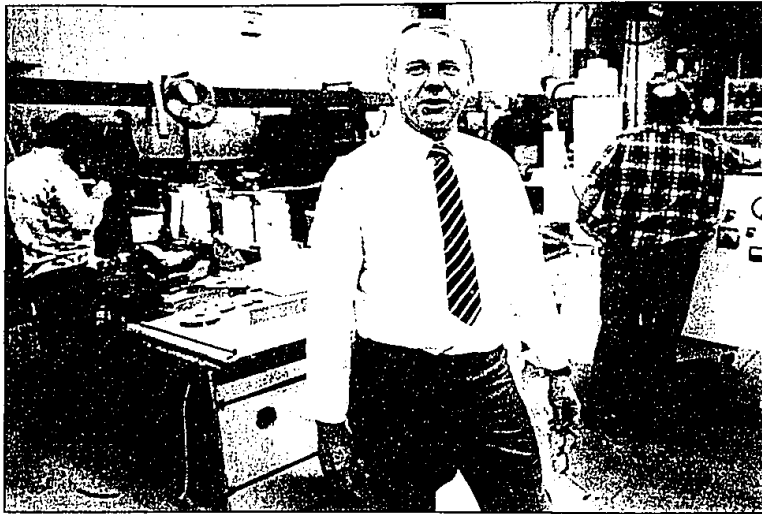
Business

Marilyn Fitchett editor/591-2300



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STEVE CANTRELL/staff photographer

Robert Thoreson will return to China in May to conduct seminars in Bohjing and Guangzhou, an industrial city near Hong Kong.

Chinese connection Troy firm targets 'last market'

By Louise Okrutsky
staff writer

Robert Thoreson's strategy could have been copied from the pages of a basic business text. He perceived a need and found a way to fill it.

But beyond that, the owner of Thoreson-McCosh, a Troy-based distributor of equipment used in plastics manufacturing, isn't cribbing from anyone's book. He's among those adding a new chapter in Michigan business history by tapping a segment of the Chinese market.

According to the Michigan Department of Commerce, there are 100 state businesses involved in trade with China.

Last November, Thoreson participated in a six-city, 21-day trade mission to China sponsored by the state Department of Commerce. The program offered state-based machine tools and plastic businesses an introduction to the Chinese market. Businessmen met with Chinese firms likely to be interested in their products.

ON THORESON'S RETURN, he joined forces with three other manufacturers to offer Chinese businesses a complete line of plastics molding and extrusion equipment.

"The Chinese always had to buy machinery from Italy and Japan and get the auxiliary equipment as they could," Thoreson said. "And they can't."

Realizing the limits of his own firm, he rounded up HPM Corp. of Ohio, Sterling Inc. of Wisconsin

and Applied Process Equipment of Illinois to join him in offering a total line of machinery.

"Bob's machine just does so much," said Nancy Farris, director of the state commerce department's China trade program. She accompanied the 26 representatives from 18 Michigan companies on the trade mission.

"HE REALIZED that no one will buy just his machinery and thought and thought. As we traveled through China, he was drafting Telexes to his contacts, and by the time we were in Beijing, he had a meeting set up for when he returned."

With his considered approach, he managed to sidestep one pitfall of trading with China. "You can't just plunge in," Farris said. "He's offering a practical solution to upgrading their industry. They deal with the Japanese and some European countries but they want a mix of people. They don't want to be dependent on one."

THE VENTURE isn't the first time Thoreson has sold products to China. On its own, Thoreson-McCosh distributed \$250,000 of equipment last year in China. But the firm, working through other manufacturing firms, didn't have direct contact with the Chinese business. "I decided it was time to investigate doing it ourselves," he said. He also trades with Mexico, South America and some European countries.

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Chinese culture demands patience in business deals

By Louise Okrutsky
staff writer

Knowledge of China's history and culture is as important as well-timed business acumen for American firms courting contracts.

Firms eager to follow in Marco Polo's footsteps are being urged to consider realistically whether their products are suitable for the Chinese market.

"Historically, we've assumed that they've wanted what we wanted. It hasn't worked out that way," said Richard Stamps, an assistant professor of Asian studies at Oakland University, near Rochester.

Stamps, fluent in Mandarin Chinese, is affiliated with the OU Center for International Programs. He also conducts cross-cultural programs for

firms doing business in China. He has led study tours and has conducted archeological work there.

BUSINESS PEOPLE should be aware of the Chinese government's priorities for investing in foreign products. Its main focus is set on education, modernization, transportation, road building, energy conservation and health facilities, according to Stamps.

The timing of a business deal in China is a much slower process than in the U.S. Experts say it's not unusual for American firms to spend several years establishing contacts before a contract is signed.

"We falsely assume the Chinese do business the way Americans do," Stamps said. "We underestimate the

'We falsely assume the Chinese do business the way Americans do. It's necessary to establish a relationship first before you can jump into in-depth business dealings.'

— OU's Richard Stamps

amount of time it takes to establish relations which are necessary. It's necessary to establish a relationship first before you can jump into in-depth business dealings."

SOMETIMES business people who've neglected to do their homework before going to China take with them misconceptions garnered from films

and newsreels, Stamps said. "They try to do business with such a void. They take with them a whole series of misconceptions. There are the '20s and '30s movie images. There's the poor peasant image of the Pearl Buck novel, 'The Good Earth.' Some take with them the fiery images from the Cultural Revolution period."

Others find themselves succumbing

to the opposite reaction. "They go to China and they're overwhelmed with culture shock. They're starry-eyed and excited. The Chinese counterparts of the guy say, 'Let's sign this letter of agreement,' and he hasn't thought it all through. When they go back and work out the details, they become frustrated. Misunderstandings occur and the deal falls."

Language differences add to that frustration. The inability of most businessmen to speak even a few words of Chinese can lead to problems, said Stamps. "They're drawn closer to the interpreters of a lower level younger employee who speaks English but is without real authority to make decisions."

By the same token, having business cards printed up in Chinese can help make a good impression.

The task of overcoming cultural differences is a two-way street. While Americans strive to sidestep old stereotypes, their Chinese counterparts also arrive on the scene with their own misconceptions.

"They don't understand how American business tends to do business without government checks and balances," Stamps said.

Then there is the perennial image of America as a country in which every one is affluent.

"They assume that America is very rich and we as individuals are very, very rich. They think \$20,000, \$40,000, \$50,000, \$70,000 — that's rich. They don't realize what our housing, insurance and education costs are."

State banks on manufacturing, but with a change-filled future

By Marilyn Fitchett
staff writer

Michigan is reviving in its economic recovery, but state officials haven't forgotten about the bleak recession that gripped the state at the end of the last decade.

Speaking informally before a group of reporters in Lansing recently, state Commerce Director Doug Ross outlined a five-point economic development strategy that embraces the state's connection to manufacturing but with an eye toward making it less vulnerable during economic downturns.

"We're still an industrial state," Ross said. "Over 40 percent of our income comes directly from manufacturing, and indirectly more than 50 percent. In the late '70s and early '80s we were losing market share in every field except office furniture."

"IT WAS APPARENT that we can no longer compete in industries which require lots of low-skill labor. There were two solutions mentioned: drop labor costs to Third World level or let the futurists suggest — the services path was what looked most promising."

"But the private sector, led by the auto industry, saw that not as a fork in the road but a convergence of two paths."

"First, Michigan should continue to commit itself to industry. We had to learn how to make things in fundamentally different ways — with numerically controlled machines that can do different tasks. Jobs can be customized without bringing in a new machine. But we have to have employees who can make the machine work. Once routinized, then it gets shipped to Mexico (for low-skill processes to be completed). We're on the flexible manufacturing frontier."

"Michigan has lagged in productivity growth. We have to become the emerging center of technology in North America, and we have to accelerate at a rate faster than our competitors — Japan, Germany and northern Italy."

THE SECOND POINT of the strategy deals with new social relationships.

"We are looking at a new system designed without unskilled labor. We have to have a workforce of problem-solving teams. We can't compete with the old confrontational relationships because they'll sabotage against you."

"The challenge is to be first in North America to have those who understand philosophy of this kind of relationship. Now we're talking culture. We have to change fast or we won't make it."

Ross's third point centered on education.

"Having one of the better (education) systems isn't good enough any more. We're getting killed by the Swedish, the Japanese in mass education. We're in a competition in terms of brain power. We must make the commitment to be the first state in North America to complete."

"As many as one-third of cases in the auto companies can't read or do math. Look at the people Mazda will be hiring. They will want high school and college graduates, and these are production workers."

A CHANGE IN Michigan's business environment is the fourth part of the strategy.

"Workers' compensation will become less important. We won't be using muscles any more. Those jobs will be shipped to Mexico."

"Unemployment — companies will learn that they can't lay off every time there's a bump in the economy. There will be more job security as you see in Japan and Sweden."

"Health care and energy costs are what's going to be important."

Quality of work life completes the strategy.

"We have to compete with skilled people from around the world. We can't get good people to live in a lousy setting unless you pay a premium, and then you've lost your competitive advantage."

"It's (quality of work life) why Ann Arbor is doing great, why Grand Rapids is doing fine."

"We have to make sure the entrepreneurial activity stays here."



Doug Ross: "Michigan has lagged in productivity growth. We have to become the emerging center of technology in North America, and we have to accelerate at a rate faster than our competitors — Japan, Germany and northern Italy."

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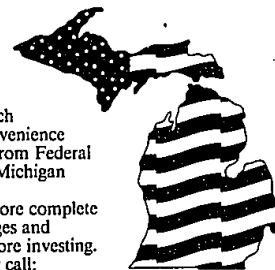
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