

# Business

Marilyn Fitchett editor/591-2300

14(B)

O&amp;E Thursday, May 2, 1991

## CEO recaps ups, downs of service years to Core

By Doug Funke  
staff writer

Being in the right place at the right time paid big career dividends for Harold M. Marko, who rose from salesman to chairman and chief executive officer during a 40-year association with Core Industries.

Marko had no business degree and was in his mid-30s in 1960 when he took the reins of the struggling company then known as Soss Manufacturing.

Soss, incorporated in 1909, had just reported profits of some \$12,000 on sales of \$5 million. One customer accounted for 80 percent of sales and was making noises about taking its business elsewhere.

"A number of directors were disappointed with the progress and shook the company up," Marko said. "An outside shareholder, Nate Cummings, took a liking to me. I guess I was a young, hungry guy. He sort of saw that."

So Marko got down to the business of business.

He diversified the organization through acquisitions, took the corporation through two name changes and saw its stock admitted to the New York Exchange for trading purposes.

Core Industries posted profits of \$3.9 million on sales of \$241 million during budget year 1990.

Marko, a Bloomfield Hills resident, retired Tuesday.

HE RECALLED the job-wrenching early years when he toiled day and night to turn the company around. He remembered with a

touch of sadness cleaning house and firing a couple of dozen employees, many for resisting change.

"I went through a terribly difficult time," Marko said. "I felt if I didn't make it, the company would go bankrupt. I felt a terrible burden."

He also expressed disappointment over a couple of recent developments — a quarterly earnings loss and dividend cut, both unwelcome firsts.

But Marko also remembered the good times — the acquisitions, growth and people he met along the way.

"It's been such a big part of my life," he said.

Today, Core consists of 19 companies manufacturing electronics products, farm equipment, fluid controls/construction products and industrial products. Virtually all were acquired through Marko's minimum risk merger method.

"IT'S A SIMPLE formula, but it was novel at the time," he said.

"We would pay no more than net worth as a fixed payment and guarantee payments (a percentage of profits) for an additional five years that could double the initial asking price."

"They had great incentive," Marko said of the sellers. "Generally, people ultimately made more after five years than they had asked in the beginning."

Marko's management style was to give the individual companies autonomy to make their own decisions within broad policy objectives established by corporate.

"You try to get good people, then give them a lot of authority," he said. "We can't meddle in every decision or we'd go nuts. They operate in parameters we set for capital spending, expenses, methods of growth, budgets."

"You have to take this approach, fundamentally, if you're a diversified company," Marko said.

ABOUT 30 work at corporate headquarters in Bloomfield Hills, some 3,000 in all divisions, he added.

Marko agreed that it would be difficult today for people in their mid-30s with no business background to take over a struggling company as he did three decades ago.

Difficult, but not impossible. He identified three keys to success for any situation.

"What you need is A, ability; B, breaks or luck; and C, courage to make a decision. The most important to me is B."

And Marko's core belief?

"You never compromise your integrity for anything," he said.

Alan E. Schwartz, senior member of a prominent Detroit law firm and a Core director for more than 20 years, has a long association with Marko.

"He's always brought to his role an enormous energy, dedication and commitment, and always great character," Schwartz said. "He had a vision of the type of company that should be created and persisted in that."

"HE WAS a natural leader of people and always a straightforward



STEPHEN CANTRELL/staff photographer

Harold M. Marko, chief executive officer at Core Industries for 30 years, recalls memorable moments — successes and disappointments — on the eve of retirement. "Strength of youth is wonderful. Experience is great, too. But you can't have both."

thinker and person. He was a natural entrepreneur . . . a risk taker," Schwartz said.

Richard T. Walsh, a longtime protégé, took over as president and chief executive officer at Marko's retirement.

"He's a very thoughtful man but very decisive," Walsh said. "He's very good, I think, at delegating authority to people. He has excellent business instincts and also, very important, he's a man of very great integrity."

Marko, who delayed his retirement for six months to help the company rebound from its 1990 woes, apparently leaves Core fairly well positioned.

The company is rated a low-priced speculative buy for income and growth investors by Dean A. Gullis, research director for the brokerage firm of Roney & Co.

The stock closed at 7 1/4 Tuesday. A target price of 10 was reported as "quite reachable" by Gullis. The annual dividend is now 48 cents.

Marko hopes to travel more in retirement with his wife, Barbara. He intends to stay active with various memberships in the Cranbrook Academy of Art, Bloomfield Open Hunt Club and Detroit Institute of Art.

Marko also plans to continue serving Core as a director.

"I almost think of it as a person. You have to treat it well, serve it well," he said of the corporation. "It's been so dear to me. I don't want anyone to violate it."

## Pet hospitals rival solo practices

By David F. Stein  
special writer

To suburban pet owners, Southfield-based Professional Veterinary Hospitals of America (PVH) is the new kid on the block that promises low prices and convenient hours.

To the veterinary profession, PVH is the corporate maverick that dares to advertise mainly on television at a \$500,000-a-year clip.

PVH CEO and co-founder Martin M. Smith hopes to transform veterinary medicine along the lines of pharmacy and optometry. The premise: Let the vets practice animal medicine, let the corporation run the business and reap the profits.

"We started in 1982. Veterinary medicine was still being practiced as it had been from the '40s, '50s and '60s — highly fragmented," said Smith, a Southfield attorney and CPA. "From the business standpoint, we have taken a vet and expanded his time, therefore his ability to generate revenue."

By June, majority owners Martin and Bloomfield Hills' vet Andrew Dworkis will have 16 area clinics, including three 24-hour clinics and a

specialist center, staffed by more than 40 veterinarians. At the same time, they are beefing up a corporate structure primed to support a nationwide chain.

PVH's new Garden City clinic, costing nearly \$300,000 to outfit and supply, reflects Smith's philosophy of bringing the vets to the pets, backed by plenty of market research. Open more than 80 hours a week for routine care, the clinic has four exam rooms, surgery and treatment areas, an X-ray room, kennels and an isolation room for sick animals.

BUT NOT EVERYONE is sold on the PVH concept.

"I'd be surprised if corporate practice became a standard. Most vets would want to be able to do things the way they thought was the best," said Mary Beth Leininger of Plymouth, a vet and past president of the Michigan Veterinary Medical Association. "If it's a corporation, somebody has to make the bottom line decisions, whether it's the quality of vaccines or instruments."

It's PVH's aggressive advertising, especially of prices, that seems to

upset vets the most.

"The jury's out; it is certainly very different from what's been appropriate for professionals, advertising makes many vets uncomfortable and does not enhance the image of the profession in the eyes of consumers," Leininger said.

Smith agreed that PVH's advertising ranked vets, but he believes "the public has a right to know what something will cost them. We made vet services very affordable and let people know that."

Southfield vet Robert Jones gives PVH its due.

"To their credit, if they advertise they will neuter a cat for 14-15 bucks, they'll do it," Jones said. He said he has seen advertising come and go in the profession; he currently sends circulars using a computer list of clients.

PVH is also attractive to vet school grads, saddled with school debts averaging \$33,000 and facing a \$200,000 to \$400,000 investment to set up a small animal hospital. At PVH, vets are paid a straight salary but can progress to clinic chief of staff and possibly non-practice positions in the future.

"I've been in practice five years, last year was the first I made a profit," said vet Michael C. Petty of Livonia, who has his own practice.

But Petty believes private practices will prevail.

"I'm not concerned. I provide good quality care. Clients like that. A certain type will go to PVH, the bargain hunter, clients tend to come and stay with me."

In Canton, vet Kenneth Harr said he wasn't threatened by PVH.

"I assume they are doing a good job, or people wouldn't go there. But if I do a good job, the rest will take care of itself. The ones who do well are making an extra effort."

BUT HARR SAID that the PVH concept may succeed in the future as the costs of starting a vet practice and regulatory complexities of running a small business continue to increase.

Harr belongs to the First Veterinary Clinics of Michigan, a group of vets who banded together for group purchasing and continuing education.



PVH executives recently opened its 14th clinic in Garden City. They are Christian Galan (left), president and chief operating officer; Martin Smith, CEO and PVH co-founder; and Dr. Andrew Dworkis, chief veterinary officer and PVH co-founder.

## Utility shoots for stock growth

By Tim Richard  
staff writer

CMS Energy Corp. will grow through capital appreciation in the gas exploration and electric generating business rather than through Consumers Power utility sales to homes and businesses.

"It will not be our policy to pay large, utility-type dividends," CMS chair William T. McCormick Jr. said at Friday's annual meeting in Dearborn.

A shareholder, retired for five years, protested that the dividend increase was "a pittance" and the 1990 stock price drop of 26 percent a disappointment.

"We're growth oriented. If you're looking for very high dividends, you're in the wrong investment," McCormick replied.

"We are not happy with the stock (price) performance," he said, blaming the drop from the high \$30s to the current \$28.50 on "regulatory uncertainties," which he said may soon be resolved. But the price was as low as \$7 in 1986.

"About 65 percent of our stock is owned by institutional investors who have no interest in a large dividend. We went from 40 cents to 48 cents (annual dividend) last November. The board will consider a dividend increase at the end of this year," he said, tossing out prospects of a 15- to 20-percent increase.

CMS ENERGY's chief subsidiary is Consumers Power, which distributes natural gas in much of southern Michigan outside of Detroit and electricity in the outstate area.

Last year new gas sales rose only 1.9 percent though gas deliveries were up and electric sales hit a record.

Expecting higher natural gas in the 1990s, NOMECO Oil and Gas Co., the holding company's exploration and production unit, contracted for drilling rights in China — the people's republic's first agreement with a foreign group for mainland oil exploration, McCormick said.

He told a news conference CMS expects to announce location in mid-Michigan of a tire burning site for electricity generation "some time this year."

"Tires are an environmental problem," McCormick said — 240 million discarded a year, one for every person in the United States. "They're a health hazard. They're combustible. They're a problem for landfills."

He said the company successfully operates a tire-burning plant in California, with the toughest air quality standards in the nation, and has completed a second tire-burning operation in Connecticut.

announced the appointment of Peter J. Mastie, 34, as vice president for business development of its independent power production unit. Mastie will work in Dearborn, relocating from the company's Midland Cogeneration Venture.

CMS ENERGY reported a loss of nearly \$500 million or \$6.07 a share in 1990 after three years of increases.

Actually, operating revenues were up, to \$3 billion, McCormick said, but the company charged off losses of \$745 million to the abandoned Midland nuclear plant.

CMS also is taking a regulatory fight with the Michigan Public Service Commission to court. PSC wants to "backload" rate increases into future years.

With these problems written off, he said the company is positioned for growth in the 1990s.

Asked by shareholder Leo Bouchard to comment on the "adversarial" relationship with governmental regulators, McCormick admitted they are "not the best."

"We have a new chairman of the commission who I think is excellent. They are improving significantly," he said in an oblique reference to changes made by Gov. John Engler's administration. "Our relations with the staff of the commission are very good."

# TEE OFF WITH LEE

Join the gallery when the legends of golf assemble to play the second annual Senior Players Championship.

The masters of the game — Lee Trevino, defending champion and course designer Jack Nicklaus, Arnold Palmer, Gary Player and Chi Chi Rodriguez — tee off at this year's Senior Players Championship at the new TPC of Atahog Stadium course.

MAZDA PRESENTS

## THE SENIOR PLAYERS CHAMPIONSHIP

JUNE 3-9

Call today to order tickets

### 441-0300