

Business & Finance

MORE THAN MONEY



SID MITRA, PH.D.

The scariest four-letter word is risk

Editor's note: This is the second article in a two-part series on risk.

Last week we discussed standard deviation as a measure of risk. We also pointed out that while past returns are no guarantee of future returns, a fund's past standard deviation is a reliable indicator of its future standard deviation. This point requires elaboration.

Every serious investor is familiar with SEC implied disclaimer: "Past performance is no guarantee of future returns." This is because a top performing fund during a given year can come crashing down the next year. The reason is that particular investment styles are not always in sync with market conditions. In addition, fund managers taking enormous risks could produce spectacular returns in one year and slump the next year. These examples could be easily multiplied.

In sharp contrast, portfolio managers can control risk of their portfolios, regardless of the investment climate in which they operate. That's why a manager's risk strategy - and hence the volatility of his or her fund - does not change significantly from year to year.

The beauty of standard deviation as a measure of risk is that it is an absolute number. It has nothing to do with any other index or benchmark. It therefore allows for perfectly valid volatility comparisons among funds, and across asset classes. However, it suffers from a major drawback in that the absolute numbers don't mean much to most investors. For instance, not too many investors can explain how to value the performance of a fund whose standard deviation is 17.39 percent. Furthermore, these investors don't know how much better off they would be if they invested in a fund with a standard deviation of, say, 19.57 percent.

Fortunately, standard deviation is not the only measure of risk out there. Beta is another measure - it tracks how closely a fund responds to the general market as measured by an index such as the S&P 500. By definition, the S&P 500 has a beta of 1. So a stock fund with a beta above 1 is likely to be more volatile than the S&P 500; below 1, less volatile.

The beauty of beta is that it is a simple number to use. A fund with a beta of 2 is twice as volatile as broad-

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Sid Mitra, Ph.D., CFP, is professor emeritus of finance at Oakland University and owner of Mitra & Associates, a Rochester Hills financial consulting firm. This column was critically reviewed by Professor Jerrold Grossman of CU. You can email questions or comments to Sid Mitra at smitra@oonline.com.

Bloomfield center trains future cops

By DARR PERT TEMPLETON
SPECIAL WRITER

Steven Wiley, 30, always had an interest in law enforcement. Growing up in Potosky, he thought being a police officer would be a cool career path but it wasn't to be.

"I've always liked law enforcement, but it's not a field that I am designed for physically," Wiley said. The fact is, anyone wanting to become a police officer in Michigan must first pass the Michigan Law Enforcement Officers Training Council (M.L.E.O.T.C.) physical agility test to become certified. Nearly 40 percent of the 6,000 men and women who take the test annually fail their first attempt.

"I took the test when I was 20-years-old, weighing 97 pounds and I didn't fare too well," Wiley said. "Ever since, I've heard so many people talk about taking it one, two, and three times and not passing because they have no where to practice or prepare for it."

The M.L.E.O.T.C. has about 13 test sites, at community colleges and universities across Michigan. The problem for applicants seems to be they are unprepared for the course. And once they hit the field, everything's timed so it's too late to turn back.

Last month, Wiley founded The Michigan Center for Law Enforcement Training in Bloomfield Hills said he and hopes it will be a solution to those failing grades. He plans to provide training and other valuable insights on what applicants should expect on the physical agility test. The \$125, three-hour course is designed to make people "test ready."

"Many people decide not to become police officers after taking the state-required police officer's agility test the first time," Wiley said. "This class is designed to level the playing field for everyone who wants to become a police officer. It's also a good primer for deputies who want to move from jail duty to patrol duty."

Opening his training site inside a 6,000 square foot building on Industrial Court in Bloomfield Hills, Wiley began planning the transformation of the offices. Some 1,100 square feet will serve as office space while the remainder of the set-up will be inside a 100-by-50 warehouse.

He is currently having the finishing touches put on the inside of the warehouse which will include a 6-foot wall for students to climb, a large obstacle course and a short track.

Offering both day and evening course to men and women who are at least 18-years-old, Wiley has already introduced several dozen police officer hopefuls to the rigors of the physical agility test. Ten is the ideal class size, but Wiley can accommodate up to 15 students at a time.

The areas covered on the test include push-ups, a hand-grip dynamometer test, an obstacle course, half



Only a test: Paul Simms of Shelby Township dives through a tunnel during obstacle course practice at the Michigan Center for Law Enforcement Training in Bloomfield Hills.

mile run and the ability to carry and drag dead-weight objects. Candidates need 29 points to pass the test and get certification. For each event you get anywhere from 0 to 9 points.

At the training center students learn about the events and watch them being performed before taking their own sample run through the course. They receive a score based on the M.L.E.O.T.C. scoring system.

"One of the big problems we see is that a lot of people come here that aren't prepared," Wiley said. "They'll be here on the Monday and the test is Friday and many need a lot more time than that."

Just getting the students familiar with the equipment can add points to their scores. Wiley has seen as many as three points added to someone's score just on the hand grip portion of the test because they had the chance to get used to using it.

The 165-pound dummy that they have to drag is another problem area that can be improved on," Wiley said. "A lot of big guys come in here and think

no big deal but they find out dragging it is tough. They just don't realize how heavy dragging weights can be."

Running the obstacle course, learning how to get over the wall in a decent amount of time and realizing every second counts when dragging the huge dummy across the room keeps Wiley's students active during their three-hour session.

"I run them through the test and score them and they can see the areas where they have to improve and we work on that," Wiley said. "Once they see those test scores going up they get confident. And everybody sees their test score go up before they leave here."

Stephanie Sparks can attest to that fact. The Detroit resident took her first physical agility test last month with the hopes of becoming part of the Detroit Police Department. Difficultly scaling the 6-foot wall, which is part of the obstacle course, brought

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Supermarkets team up for children's charity

VARIETY

This spring, every level of Michigan's food industry will join together to support the "Cash for Kids" program to benefit Variety: The Children's Charity.

Three of the leading supermarket chains, all of the major food brokers and nearly 60 brand name products have joined in the effort.

In 1997, the program's first year, Cash for Kids raised \$140,000 for children with special needs in Southeastern Michigan. This year, the organizers expect to raise \$200,000.

Beginning Monday and running through Saturday, June 7, metropolitan Detroit Kroger, Farmer Jack and affiliated Foodland stores will sponsor "Cash for Kids," a coupon redemption program to benefit Southfield-based Variety.

"Although our business environment is normally very competitive, the entire food industry saw this as an extraordinary opportunity to pool our resources in

support of the local children who need our help," Dave Babinsky, vice president of merchandising for the Kroger Company of Michigan, said.

To support Cash for Kids, shoppers pick up the special coupon tabloid from any Kroger, Farmer Jack or Foodland store and use the enclosed coupons to purchase the participating products.

Money from the program allows Variety to provide vital medical, therapeutic and recreational facilities, as well as education.

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Southfield's Lear Corp. finishes Italian acquisition

Southfield-based Lear Corporation recently completed the acquisitions of two privately held, Italian interior component companies - Group Pianfoi S.R.L. and Strapazzini Resine S.R.L. with headquarters in Pianfoi and Pesaro, Italy, respectively.

The two companies will be integrated into operations in Italy and will continue to provide interior components for major automotive manufacturers in Europe. Both companies also have interests in firms conducting business in Germany, Spain, Brazil, Argentina, South Africa, Turkey and India.

"These two transactions support

Lear's strategy to increase both our global scope as well as our technical capabilities," said Ken Way, Lear Corporation's chairman and chief executive officer. "Combined with our previously announced acquisitions of the Chapman companies and the other transactions completed during 1997, we've significantly enhanced our position to better serve our existing customers as well as new customers."

Pianfoi, controlled by the Fulecheri family, has been in business since 1880. Its 870 employees, located at six facilities throughout Italy, produce door panels, headliners and plastic interior com-

ponents for the Fiat Group, BMW, Chrysler, Pininfarina and Mercedes. The Fiat Group is its major customer. Pianfoi is the 10th largest independent supplier of door panels in Europe and the fifth largest supplier of headliners.

Strapazzini Resine, owned by Vittorio Strapazzini, has 200 employees in two Italian locations, producing door panels, sunshades, consoles, instrument panels and pillar trim primarily to the Fiat Group and Pininfarina and indirectly supplies Ford and Chrysler.

Combined sales revenues for Pianfoi and Strapazzini in 1997 were approximately \$130 million.

Local retail sales blossom in April

Michigan retailers posted their best sales of the year in April, bouncing back from a March dip that broke a string of eight positive months.

The latest Michigan Retail Index survey found that 69 percent increased year-to-year sales for the month, while 16 percent reported no change and 25 percent saw a decline.

The 69 percent was the best since last December's 63 percent. The 25 percent figure was the lowest since December 1994.

The Michigan Retail Index is a joint project of the Michigan Retailers Association and the Federal Reserve Bank of Chicago.

"Retail sales were strong throughout the state and across the industry in April," said Larry Meyer, CEO of the Michigan Retailers Association and former director of the Michigan Department of Commerce.

"Consumers loosened their purse strings as the economy continued to hum along and spring hit the state."

Marketplace features a glimpse of Oakland County Business news and notes. Write: *Business Marketplace*, Eccentric Newspapers, Birmingham Eccentric, 805 E. Maple, Birmingham 48009. Our fax number is (248) 644-1314.

Brian Barker of St. Clair Shores has joined SMZ advertising in Troy as an account coordinator. He will coordinate projects in the agency's traffic department.

Daniel Boehmer of Oakland Township has been named director of engineering at Webasto Sunroofs in Rochester. He will direct the company's overall engineering and program management activities, including the development of long-term product strategy.

P. Daniel Christ has been named a partner at the law firm

of Beier Howlett in Bloomfield Hills. He joined the firm in 1993. He is an assistant attorney for the city of Birmingham and the Village of Franklin.

Gretchen Cosner of St. Clair Shores is joined MARS Advertising in Southfield as the new human resources director. She was formerly the human resources manager at McCann Erikson in Detroit.

Paula Crimmins, a partner in Crimmins and Forman Market Research, Inc. in Southfield, has been named the 1998-99 director at large for the Marketing Research Association.

Lori Ann Dieck has been appointed a vice president at

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Hermanoff & Associates in Farmington Hills. She is responsible for consumer and government accounts for the agency. She previously served as account supervisor at Eisbrenner Public Relations.

Jill Hanert of Plymouth has joined United Concepts International in Southfield as a new account executive. She formerly worked as a communications manager at IHMF Travel Corporation.

Samuel Hodges of Sterling Heights has joined the Southfield office of Grant Thornton as a new tax services manager where he will direct the state and local tax practice.

David Howard of Bloomfield Hills has been named senior vice president, general counsel and director of corporate development at the Inca Computer Company in Bloomfield Hills. He is responsible for the coordination and supervision of legal matters as well as store roll-outs and build-outs.

Danielle Possant of Windsor has been hired as an account executive at MARS advertising in Southfield. She will work in the brands division. She previously worked at TMP World Wide as a senior

account executive.

Kendra Pond of Commerce Township has been promoted to director of business operations for its Great Lakes area market at Nextel Communications in Southfield. She is responsible for overall business and financial operations.

Jay Darling Rauhut of Commerce Hills-based Marx Layne & Company as an account executive. She will be responsible for the design and implementation of public relations programs for several of

the agency's clients.

Patrick Michael Sharrak of Oak Park has joined Acquest Realty Advisors in Bloomfield Hills as a real estate servicing assistant. He is responsible for providing support to the asset managers and assisting in new development projects.

Susan Sherer of Grosse Pointe Park has been appointed general manager of the 260-room Farmington Hills Holiday Inn. She was previously assistant general manager of the Crown Plaza Pontchartrain in Detroit.

Kirk Smith of Royal Oak has been promoted to associate media director from media supervisor on the Jeep dealer advertising association business at the Detroit office of Beall Worldwide in Southfield. He will manage broadcast and print media planning activities.