

## MORE THAN MONEY



SID MITTRA, Ph.D.

## The nuts and bolts of beta and alpha

Assume that during a two-year period quarterly percentage returns on a given stock, ABC, were related to the market return, S&P 500, in the following manner:

Return	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
Market	0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0
Stock	2.5	6.0	3.0	4.0	1.5	4.0	2.5	10.5

A glance at this chart reveals that the changes in this stock's return did not always coincide with those of the market.

For instance, the stock's return was only 1.5 percent when the market return was as high as 4.0 percent.

However, when the market was only 2.0 percent, the stock's return was 3.0 percent.

In situations like these - where the stock does not move lockstep with the market - it is customary to simplify the representation of the relationship between the two returns by constructing a straight line coming as close as possible to the various points plotted on the graph.

The statistical method used for this purpose is known as the least squares regression method.

Note the figure on page B5. The solid line in the figure is the appropriate characteristic line. The fact that very few returns are plotted on this line implies that some of the risks associated with this stock are not related to the broad market.

### Beta and alpha

The characteristic line measures the average variability of the stock's return relative to the market rate of return.

For instance, as the market return increases from 1 to 3 percent, the stock's return increases from 3 to 4 percent.

This relationship is known as the slope of the characteristic line; it remains unchanged over the entire range.

A slope of 0.5 implies that for every change of, say, 10 percent in the market rate of return, on average the stock's rate of return will change by 5 percent.

Similarly, a slope of 2 implies that for every change of 10 percent in the market's return, on average the stock's return will change by 20 percent.

Please see MITTRA, B5

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Test drive: Gov. John Engler (left), Oakland County Executive L. Brooks Patterson and Shail Arora, Inca's senior vice president and chief information officer, go over web page construction techniques. Engler made the visit to announce a grant from the Michigan Jobs Commission.

## Engler visits, lauds Inca Computer

Gov. John Engler visited Inca Computer Company in Bloomfield Hills last week to praise the company on its decision to stay in Michigan.

The company had been looking at alternative sites in other states, but recently chose Michigan as the home for its headquarters.

The governor also announced that an economic development job training grant worth more than \$360,000 has been approved by the Michigan Jobs Commission (MJC).

The grant will help train 255 new headquarters employees and 145 existing headquarters employees at Inca. This grant, funded through MJC's Economic Development Job Training program, will be conducted by Oakland Community College.

The headquarters employees

will be trained in several Microsoft programs, total quality management, Internet access and usage and network administration.

"Recently the Jobs Commission commissioned a survey of our Software Industry, the survey found that Michigan fared very well in comparison to other states, so we are particularly pleased that Inca has decided to keep their headquarters in Michigan," said Governor Engler.

"We've got everything Inca could possibly want, from a booming economy that fosters the growth of companies like Inca, to beautiful beaches, lakes and golf courses, it's all here and we are glad they've decided to stay."

Engler continued, "by providing Inca's employees with job

training through Oakland Community College, Inca's future as one of Michigan's fastest growing Information Technology companies will be driven by highly skilled Michigan residents."

"These training finds are vital to our success in Michigan and to the advancement of the computer industry in the state," said Wend J. Nadhir, president and chief executive officer of Inca Computer Company.

"We are fortunate to have a governor and a jobs commission so dedicated to keeping our state ahead of the curve that shapes the future of business in Michigan. With their help, we will be able to train and hire scores of Michigan residents."

"I applaud Inca Computer Company, Oakland Community

Please see INCA, B5

## New Domain

## Local computer, coffeehouse concept growing

BY BARR PIRT TEMPLETON  
SPECIAL WRITER

Growth and expansion for any new business may be the obvious goal, but few corporations hit the marketplace like Cafe Domain.

The Oakland County-based Internet coffee house and business center, which just opened in April, will have three more franchise locations up and running this fall. The firm also forecasts more than two dozen additional centers opening by spring, 1999.

"Our goal is to have 37 Cafe Domain locations operating in five states and 30 of them will be right here in Michigan," President Robert Demyanovich said.

"We recently had 200 people at our facility on a Saturday night. They were watching the hockey game while surfing the Internet... We are doing very, very, well."

Robert Demyanovich  
President, Cafe Domain

faxing along with classes to train computer users plus a relaxing atmosphere to sip coffee and cruise the Internet. All of those things make the company a "first of its kind" business concept, according to Demyanovich.

"There was a need to find a place to dine, surf the web, make a copy, send a fax, receive e-mail or regular mail or ship a package all from one location," he said. "It saves hours and proves a great convenience to our customers."

The idea for Cafe Domain came about after

Please see DOMAIN, B6

## County courts Southwest Airlines service

Oakland County Executive L. Brooks Patterson led a delegation of officials from Oakland and Genesee counties to Dallas recently in an effort to attract Southwest Airlines as a major airline carrier to Bishop International Airport in Flint.

"Members of our Oakland County business community have made it quite clear to us they want a viable alternative to flying out of Detroit Metropolitan Airport," said Patterson.

"We believe Bishop Airport is a very attractive alternative."

L. Brook Patterson  
Oakland County Executive

"We believe Bishop Airport is a very attractive alternative because it offers convenient freeway access, easy parking and less congestion."

Patterson along with Deputy County Executive Ken Rogers, J.D. VanderVeen, director of Oakland County's Department of Central Services and officials from Bishop Airport made a presentation to Southwest Airlines in Dallas during the trip.

The Patterson-led delegation returned home from Dallas at the Millon Air Terminal located at Oakland County International Airport.

## Farmington CCC warns against impulse buying

### PERSONAL DEBT

Are you an "impulsive shopper"? Do you see something in the store and buy it on the spur of the moment? Or is it on sale and therefore a wanted item?

Most of us have a little impulsive characteristic in us but those who succeed in good money management practices are those who can control their urges when shopping.

Obviously, if an income is sufficient, impulse shopping now and then won't hurt, according to Carol Kurth, Education Coordinator for the non-profit, family financial counseling agency, Credit Counseling Centers, Inc. (CCC).

Impulsive buying is one of the ten indicators of personal financial trouble discussed in CCC's money management classes. And many individuals and families are in debt because of this behavior.

Considering 1.3 million personal bankruptcy filings in 1997 and a total consumer installment debt of about \$1.2 trillion in December 1997 (excluding first mortgages, other loans secured by real estate, and auto leases), obviously money is owed to

many creditors. Individuals should take a look to see if impulsive buying has something to do with this.

Savings rates are down to 3.8 percent, the lowest in 58 years and funds, in many cases, are not available to pay household bills. And, it's when funds are limited or are needed for other family payments and purchases that it becomes a dangerous habit.

Parents-please note that teenagers are great impulsive shoppers who tend to purchase as their friends do and usually have fewer funds than

Please see IMPULSE, B6

## Unemployment rate edges up slightly in May

Michigan's unemployment picture remained relatively unchanged for May, rising slightly from April's record low.

The seasonally adjusted May rate of 3.7 percent is two-tenths of a percent above April's level. The jobless rate has declined half a percent since May 1997.

Employment in May edged down by 7,000, and unemployment rose by 11,000, as the state labor force increased by 3,000. The recent GM strikes and related layoffs occurred in June, so they are not reflected in these numbers.

Michigan's unemployment rate remains below the national average of 4.3 percent.

The national rate remained unchanged from April. This is the 38th consecutive month Michigan's rate has been below the national average, and the 61st month since January 1994 Michigan's rate has

Please see UNEMPLOYMENT, B5

This column highlights promotions, transfers, hirings and other key personnel moves within the Oakland County business community. Send a brief biographical summary - including the towns of residency and employment and a photo, if desired, to: Business Milestones, Observer & Eccentric Newspapers, 805 E. Maple, Birmingham, MI 48009. Our fax number is (248) 644-1314.

**Andrea Arnold** of Center Line has been promoted from assistant account executive to account executive at Elanier Public Relations in Troy. She assists with media relations, writing, special events planning and research activities for several of the firm's clients.

**Paul Condino** of Southfield has become a principal in the firm of Mooney and Associates, P.C. in Southfield. The firm will now be known as Mooney & Condino, P.C.

**James Dworkman** of West Bloomfield has been made a member of the board of directors at the law firm of Dean & Fulkerson, P.C. in Troy. He joined the firm in 1991 as an attorney specializing in business law, real estate litigation and appeals.

**Melinda Fondaw** of Rochester Hills has been made a print buyer/planner in the media department of Kolon, Bittker & Desmond, Inc. in Troy. She joined the firm in 1997 as a media assistant.

## BUSINESS MILESTONES

**Robert Everett** has been named president of DMR Financial Services in Farmington Hills. He was previously director of group sales with Procter & Gamble.

**Paul Marlon** of Farmington Hills has joined Sterling Bank & Trust in Southfield as an account manager in the credit card division. He will be responsible for outside sales activities for Sterling's credit card operation, which is one of the largest issuers of secured credit cards.

**Scott Meier** of Farmington Hills is the new director of marketing for the Great Lakes area at Nextel Communications in Southfield. He will direct the area marketing staff and develop the department's functions in Michigan, Ohio and Western Pennsylvania.

**Bruce Niebylski** of Birmingham has been appointed senior associate medical director at Health Alliance Plan in Detroit. He will provide medical direction for HAP's utilization and quality management

activities and lead the development of clinical quality improvement programs that meet the needs of members, employers, providers and regulatory bodies.

**Shelley Roberts** of Birmingham has been appointed executive director of the Community House of Birmingham by the board of directors. She was previously a senior financial resource development associate at the Jewish Federation of Metropolitan Detroit.

**Jeffrey Saut** has been appointed managing director of equity research at Detroit-based Rony Capital Markets, a division of First Chicago Capital Markets, Inc. He is relocating to the area from Atlanta where he was responsible for equity research, investment banking, institutional sales and syndicate at Sterne, Agee & Leach, Inc.

**Donald Tucker** of Birmingham was elected president of the Detroit Swedish Council in May. He is a senior attorney at the law firm of Howard & Howard in Bloomfield Hills. He has been a board member of the council for seven years.