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suburban life inside

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Crystal-ball gazing

Finance

In 1986 the United States will be in its fourth year of economic expansion, and the question is whether the downtown of 1979-82 will repeat itself.

Charles T. Fisher III, chairman and president of National Bank of Detroit, the statewide bank holding company, hints the boom-bust cycle might be broken.

"Past recessions in the U.S. have typically been preceded by periods of accelerating inflation," said Fisher, "which ultimately have resulted in tight money policies by the Fed *(the Federal Reserve Board), resulting in rising interest rates.*

"We see little reason for the Fed to become restrictive at this time," he told the Economic Club of Detroit's annual business outlook luncheon.


Charles T. Fisher III

"Recent readings of inflation indicators, on balance, do not point to any resurgence of prices in 1986."

INTEREST RATES — a key factor in factory, auto and housing purchases — could "drift even lower" because of the containment of inflation, said Fisher.

"The last time we had four consecutive years of inflation averaging under 4 percent was during the late 1960s."

Departing from his prepared text, the NBD chief said that if Congress took strong action to balance the budget and gained respect in financial circles, "interest rates could plummet."

He predicted real gross national product growth in 1986 would be 2.5 to 2.75 percent — "not a spectacular performance, but not too bad, either, for the fourth year of a business recovery."

SOME SPECIFIC predictions for the financial industry:

- Consumer debt, though significantly higher than a year ago, isn't burdensome. But the high level of consumer debt leaves less room for increases in 1986.
- There is some apparent weakening in capital spending. He did not elaborate, but his prediction was underscored by speakers from the automotive and construction industries.

While there were some "investor casualties" during 1985, Fisher said that losses could have been prevented "by good, old-fashioned credit analysis and proper underwriting or credit standards."

Automotive

Forget about 1986 and start addressing the survival of the U.S. automotive industry.

That's the advice of E. Paul Casey, president and chief executive officer of Troy-based Ex-Cell-O Corp. His economic outlook predicted a 9 percent drop in auto sales for 1986 (to 10 million), thanks to slower growth in the general economy, a projected 3-4 percent rise in the cost of cars and the negative impact of buyer incentives that will "run out of gas."

Casey is more pessimistic than other industry seers who are predicting auto sales of 10.3 to 10.5 million. But he reminded his Cobo Hall audience Monday that even the auto companies are predicting a modest dip in sales.

"That hardly ever happens — and when it does, it's a sure sign things are softening," Casey said.


E. Paul Casey

Not only is the predicted death of small-car production by traditional manufacturers happening, but Casey predicts "the larger upscale car market represents the battleground on which the survival of the automotive industry will be fought.

"If we're going to win that battle, we must keep hammering on the two issues where importers, particularly the Japanese, have been winning a share of the market.

"THOSE CRITICAL areas are cost and quality."

Automation is credited for much of the gain manufacturers are making in both of those areas, but Casey said the next cost-saving advances will have to come from people — by simplifying and reducing the cost of management.

The poor quality image of the car industry has begun to turn around, Casey said, because of employee involvement, statistical process control, cooperation between labor and management and automation.

Casey sees auto suppliers as being held more accountable by the auto industry.

"We are moving to state-of-the-art automated equipment, and we are committing to processes such as statistical process control and 'just-in-time' manufacturing.

"The result will be better-designed, better-quality, more cost-effective components — delivered efficiently, to the end that the American auto industry becomes world competitive."

Construction

Led by suburban commercial building, the construction industry will grow another 10 percent in 1986 but may be reaching the peak of a cycle.

"Commercial development continues undaunted," Larry Barton, president of the Association of General Contractors, told the Economic Club of Detroit's annual business outlook luncheon Monday.

"The large office complexes along Northwestern, Big Beaver, Woodward and Haggerty Road — plus the potential-packed research parks developing in areas such as Rochester Hills and Ann Arbor — are indicative of the overwhelming turnaround southeastern Michigan is realizing."

COMMERCIAL and industrial construction in the first nine months of 1985 rose to $1 billion, a 10 percent increase, said Barton, a Troy resident whose Barton & Barton Co. is headquartered in Rochester Hills.


Larry Barton

Statewide, he predicted a 24 percent increase in commercial-industrial construction next year.

One measure of construction's 1985 success is that there are now shortages of skilled tradesmen and an unemployment rate that will dip below 7 percent next year. In contrast, the jobless rate was 59 percent in 1983 and 29 percent in '84, said Barton.

ONE CLOUD on the horizon, however, is industrial construction, which isn't keeping up the pace of 1984-1985, said Barton.

While Mazda is renovating its Flat Rock plant, Nippondenso is building in Southfield and Battle Creek and Chrysler is spending $160 million on its Sterling Heights plant, there are "no more $300 million Orion or $500 million Poletown projects. Saturn selected Tennessee to build its cars, and Mitsubishi chose Indiana," he said.

Barton's prediction was on the same track as that of Ex-Cell-O president E. Paul Casey, who looked for a flattening or slight decline in auto sales in 1986.

But Michigan is moving away from its "automotive-oriented, boom-and-bust" mentality and diversifying. "I can't stress enough," Barton said, "that keeping our service-oriented business sector growing in Michigan is perhaps one of the most important tasks facing all of us today."

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Retail

More for less is the credo of retail consumers, who are expected to increase the ringing of state cash registers 2.1 percent in 1986.

In all kinds of retail goods, consumers are demanding "better quality products with the intention that they should last longer," according to Bernard M. Fauber, chairman and chief executive officer of K Mart Corp.

Delivering his 1986 retail outlook before the Economic Club of Detroit, Fauber said, "At the same time, consumers are now, and all evidence suggests that they will continue, to be very sensitive to price. The one constant is all of this is change. The consumer is demanding more for less at an accelerated pace."

Although consumers are expected to have the ability to spend, they will be more reluctant to do so in 1986.


Bernard M. Fauber

"The tremendous stimulus of tax cuts and other fiscal measures which drove the economy out of recession at the end of 1982 has about run its course."

But the predictions of "flattish" retail sales apparently hasn't dampened retail development.

"Southeastern Michigan is one of the very largest and also one of the wealthiest consumer markets in the United States. It also is, on a relative basis, one of the most understood. In the last 12 months, retailers and real estate developers have come to understand this well.

"We hear almost daily new rumors about market entry by national retailers into this area . . . and many of those rumors will turn out to be true.

"The additional retail space will, in my estimation, tend to enlarge the total market rather than simply cut that pie up into smaller pieces."

The annual economic outlook of the Detroit Economic Club and Greater Detroit Chamber of Commerce was reported by Tim Richard (finance and construction) and Marilyn Fitchett (automotive and retail). Photos by Dan Dean.

From high-tech management...

business books

High tech has become the business buzzword of the '80s. So it comes as no surprise to see authors jumping on the bandwagon to chronicle management techniques for so-called high-tech businesses.

In her book, "Gearing up for the Fast Lane," subtitled "New Tools for Management in a High-Tech World," (Random House) Deborah Bright tries to convince us that traditional management techniques are being replaced with approaches that make old-time managers look like Neanderthals.

The management consultant, a former Farmington Hills resident, based her book on a two-year management survey. She believes that high-tech managers "see themselves as different and better right off the mark" and "set higher expectations for themselves and their work groups. Their view of others seems to derive more from what they have themselves learned from human interactions than from the older, production-oriented management principles."

In her view, "high-tech industries present an environment of continual change. The nature of the change is such that mere persistence and hard work are not adequate responses; creativity and truly exceptional performance are demanded." High-tech orientation stresses the creation rather than the use of technology. "True high-tech firms engage virorously in innovation and creation even when they are not required to by market demands for new and improved products or services.

In such an atmosphere, "people seek the option of being more autonomous, competition is extreme and growing ever more threatening, product life cycles are shorter, risks are greater, new technology is continually introduced and many employees must function without the aid of long-tested standard procedures." These companies also have fewer guidelines, fewer established rules and procedures.

So how does a high-tech manager succeed? Bright says much of the work a high-tech manager must do is in the area of expectations. He or she must identify the organizations's expectations, make them explicit and then build on them. A good manager provides experiences to learn from, practices "letting go," creates the excitement to achieve, develops and communicates a broad vision and forces sharply on what is important. He or she communicates a sense of competitive urgency and targets performance all while remaining cool under fire.

Bright's selling of the high-tech manager combines some of the techniques that worked so well for Waterman and Peters in "In Search of Excellence" — survey results interwoven with war stories from high-tech managers, including a sprinkling of local firms and managers.

But unlike many books on management, hers further develops the ideals by offering some concrete how-tos. In one case she suggests the reader think of the worst manager or employee ever encountered and to analyze why that person couldn't get the job done. She defines situations and then offers traditional management counterexamples. Sixteen management actions for "implementing exceptional performance practices" are listed in chart form at the back of the book with room to jot down dxpected outcomes, success ratings and comments.

Bright argues that high-tech managers view themselves differently than traditional managers, but good management techniques wear well in any atmosphere. Many of the techhiques that Bright lauds in her book Waterman and Peters reported were helping to shape such traditional companies as Dana Corp., Caterpillar Tractor and McDonald's. High-tech companies may be a quantum leap ahead of the firm that manufactured widgets yesterday and is still manufacturing widgets today. But unless the company recognizes some of the changes Bright writes about, it won't be manufacturing widgets tomorrow.

... to low-tech humor

You consider "What Color is Your Parachute" your bible, but you're still pounding the pavement looking for meaningful employment. Or your trip "Up the Organization" landed you back in the mail room.

Well, have you tried listing Henry Fonda or the president of Costa Rica as references?

If you're fresh out of ways to impress a personnel manager or your boss you may want to thumb through B.K. Taylor's and Chato Hill's "Make it Big in Business" (Doubleday/Dolphin). Taylor, a Franklin resident, is a cartoonist and illustrator whose work appears in National Lampoon. Hill of Bloomfield Hills is creative director and partner in the Southfield advertising firm, DeLeeuw Hill & Associaties.

This spoof of job-hunting and corporate life advancement is strictly for laughs; it had better be — some of their suggestions, complete with drawings, could land you in court or get you committed. Consider:

- The interview. "Never chew gum during an interview. Unless you're willing to share."
- Business trips. "Avoid sitting next to people who are dead. They may not plague you with meaningless chatter like other passengers, but they probably won't have many new business leads either."
- Sexual harassment. "For the superior who is always pinching you, we suggest some of his own medicine. Except use pliers."
- Physical fitness. Tennis is "excellent executive exercise! Watching that little yellow ball go back and forth stimulates and strengthens the neck muscles, which is of inestimable aid in nodding yes all the time to your boss."
- Dress for success. "It has been said that 'Clothes make the Man.' This is especially true in business. (Whereas, 'the man who makes his own clothes' is sometimes looked on askance.)"

Get the idea? Taylor and Hill have managed to shatter just about every principle of business etiquette. Sophisticated humor, it's not. But if you're looking for a gag gift for your favorite personnel director or MBA grad, this may be it.

Reviews by Marilyn Fitchett


From 'Making It Big in Business'

'When dining with a male client, don't be intimidated. Be assertive. Of course there are boundaries.'

The typical executive is a 47-year-old white male with advanced university education employed in a manufacturing buisness. He is the first child born in the East or Midwest to a middle-income family oriented to management professions or sales; a Protestant married once to a wife who often does not work outside the home.

Familiar route to executive suite

A profile of business executives, their backgrounds and their beliefs was drawn from the 15th annual survey of management succession by the University of Michigan.

Statistical means in the 1984-85 data create this composite portrait of the typical executive suite occupant: a 47-year-old white male with advanced university education employed in a manufacturing buisness; the first child born in the East or Midwest to a middle-income family oriented to management professions or sales; a Protestant married once to a wife who often does not work outside the home.

The survey reflected the views of nearly 1,100 newly promoted executives, who said the three fastest tracks to top managment lie in the areas of marketing/sales, general management/administration and finance/accounting.

Chairmen, presidents and vice presidents promoted in 1984-85 went from a median salary of $107,023 to $129,000 after promotion — a raise of 20.5 percent. Other perks obtained by a majority of executives were cash bonuses, stock options, company-leased automobiles, club memberships and deferred compensation.

THE SURVEY, "The Newly Promoted Executive: a Study in Corporate Leadership," was written by Professors Herbert W. Hildebrandt, Edwin L. Miller and Floyd A. Bond of the U-M School of Administration and published by the business school.

They found that slighly more than 3 percent of the new promotions went to women executives. Although this year's study includes no women promoted to chairmanships, women were promoted to presidential jobs. The survey reports the largest percentage of women promoted to vice presidential positions this year since the survey began.

Less than 2 percent of the promotions went to blacks, Hispanics, Orientals or members of other minority groups.

More than half (53.1 percent) of the newly promoted executives mentioned personal challenge, which continues to be the executive's most important reason for changing positions. Importance of job (39.7 percent) and career advancements (37.5 percent) also far outranked monetary considerations (24.2 percent).

Four of five newly promoted executives rank an imbalanced federal budget as today's major economic issue, up from just over 64 percent last year. Low productivity continues to be a concern (50.6 percent) as do high interest rates (48.5 percent), global competition (45.2 perceent), and government intervention (39.9 percent). Less emphasis was given such issues as unemployment, inflation, consumer confidence and employee unrest.