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Western Michigan University

HaworthNews
College of Business

U.S. Manufacturing Outlook

The Institute of Supply Management compiles monthly data from supply chain executives to determine if manufacturing output is expanding or contracting in the U.S. An ISM manufacturing index of above 50 percent indicates that the manufacturing economy is generally expanding; an index below 50 percent indicates that it is generally declining.

Here is the great news for America and manufacturing driven economies such as Michigan – economic activity in the **manufacturing sector** expanded in April. The index registered 54.8 percent, an increase of 1.4 percentage points from March's reading of 53.4 percent, indicating expansion in the manufacturing sector for the 33rd consecutive month! Why does this matter? Well, if manufacturing keeps expanding, then at some point companies have to hire more people, and that is exactly what is starting to happen. ISM's employment index registered 57.3 percent in April, which is 1.2 percentage points higher than the 56.1 percent reported in March. This is the 31st consecutive month of growth in the employment index!

Keep in mind that around six years ago the ISM manufacturing and employment indices were below 50 for several years. Long before the United States started its overall economic recession, there was a manufacturing recession going on. Over four million manufacturing jobs have been lost in the last decade and over 10 percent of those were in the state of Michigan alone. It is going to take several more years of manufacturing expansion to get those jobs back and it is indeed possible (but unlikely). If gas prices drop to $2 per gallon and U.S. vehicle sales jump to 18 million units annually (from the current 13 million and a low of 9 million 3 years ago), then a lot of our problems would go away.

And even though this has happened before (1990s), we should not hold our breath. Today, for the first time in American history, most manufacturing jobs are not out on the shop floor (they are in the cubicles). Today, America has the most productive manufacturing workforce on the planet and can produce six times the product with the same number of workers as it could 40 years ago. However, let this productivity phenomenon be a warning to all American workers that you have to be good at something that cannot be outsourced. Most of the jobs in manufacturing now require a college degree or trade skill. These jobs that require a college degree (production control, inventory management, procurement, etc.) or a trade skill (electrician, plumber, welder, machinist, etc.) command good salaries because they are not competing against non-Americans.

I know it is easier said than done, but we need to work harder to develop these skills so that we will not be as adversely affected by globalization.

My dad warned me 30 years ago that his factory job would not be around for me. He was right and we need to warn others because people like Romney and Obama will not fight the power — they are the power. Large and influential segments of our workforce benefit from globalization and they will make sure this trend does not reverse itself. However, there is a way we can all move forward and prosper, and it begins with training and education (take it seriously and fast). In the meantime, let's hope America's working class gets educated and trained in order to protect their standard of living.

Side note

My heart goes out to America's working class. My immigrant father was a United Auto Workers (UAW) union worker for General Motors and we lived the American dream because of it. Those days are unfortunately gone because the American manufacturing laborer is competing against non-Americans who will work for much less money (around $1 per hour in China and $4 per hour in Mexico). Free trade agreements (NAFTA, CAFTA, WTO, etc.) with underdeveloped countries have perpetuated this situation. There will be no end in sight because the global economy revolves around generating shareholder value. The ability of American companies to invest abroad has benefited very large portions of our workforce, but it has also left several behind.

This brings me to the real problem at several of America's more mature manufacturing companies whose hourly workers tend to still have strong union representation. You can blame what might be overpaid hourly workers, but mismanagement is at the heart of the problem on both the management and union side. For example, the stock prices of these manufacturing dinosaurs have slipped because of an inability to generate a positive and large return on investment. Yes, these companies make money (sometimes and often), but its net income as a percentage of total sales is small and that turns investors away. The only way these companies can improve their return on investment is to widen margins and improve asset turnover rate.

Reducing their direct labor costs will widen margins and improve the return on investment. They could increase sales, but that is not easy in the saturated and competitive U.S. market which is still the largest economy in the world. I also realize that these companies are competing against companies that have much lower direct labor costs. However, where do most of their costs come from? Most of their costs come from direct material purchases and overhead (not direct labor). Another way to improve return on investment is to manage and reduce inventory because that would increase your asset turnover rate.

My point is that management and union leadership have let shareholders down more so than its hourly workers. Management needs to more effectively reduce its direct material and overhead costs, and better manage its assets such as inventory. They should work with their hourly workforce to implement lean manufacturing techniques that are proven methods for reducing costs and improving performance. The unions should also bend over backwards with open arms to help management implement these techniques. Fortunately, all of this is happening and will hopefully contribute to more positive news as is being reflected in the ISM manufacturing and employment indices.

Midwest Saskatoon Project

With healthy eating more and more on people's radar and summer approaching, this is a busy time for the Lutz family. Sisters Kate, BBA '12, and Sarah, a Northwood University graduate, and their father Richard Lutz, BA '73, own and operate Midwest Saskatoon Project, a farm in Bear Lake, Mich., that grows these unusual fruits to sell to individuals and restaurants.

Now, you may be thinking to yourself … Saska-what?

The Saskatoon has the appearance of a berry, resembling a blueberry, but is actually a relative of the apple. Saskatoons are part of a class of foods known as superfruits, "They have antioxidant properties that are higher than the Acai berry and are higher in protein, fiber, potassium and iron than most other berry fruits," says Sarah Lutz. She notes that everyone interprets the sweet taste differently, but says, "They remind me of a cross between a blackberry and an apple."

Richard Lutz, an avid gardener, began growing Saskatoons in his "hobby garden." As he educated Sarah on their nutritional benefits and heartiness, (the plants can withstand even a cold Michigan winter) she wondered why this was the first she had heard of the Saskatoon. Then, the family began to notice an opportunity – an opportunity to spread the word about this "antioxidant powerhouse," help spur

Michigan's economy and provide an entrepreneurial pursuit that they could engage in together. And, the idea for the Midwest Saskatoon Project was born.

While demand is much higher than their small business can keep up with, the Lutzes encourage individuals, who are looking for a hobby, supplemental income, or a new career, to get involved with the Saskatoon berry, just as they have. They are embracing this new market, offering information about the berry on their **website** and even connecting prospective famers with the means to start growing and selling Saskatoons. The plants flourish in Michigan's climate; and with their health benefits and unique taste, they are a perfect fit for both the state and a niche market.

"I find deep fulfillment in introducing a new and healthy option to consumers," says Kate Lutz. The Haworth College of Business graduate uses her education to forecast supply and demand and participate in marketing efforts, but her responsibilities don't stop there. She notes that her favorite activities are, "potting, planting and weeding Saskatoon plants on the farm!"

To start the business, the Lutzes had to import a large quantity of plants from Canada, where the berries are more common. To avoid the challenges of importing live materials, they now focus on local production. Their farm sells to individuals and local restaurants.

How are people using thesesupercharged, superfruits? They can be added to stuffing, used in pies and even used to make salad dressing. The sky is the limit with this new superfruit!

Recipe: Saskatoon Blue Cheese Dip

Ingredients:
8 oz. Cream Cheese
8 oz. Crumbled Blue Cheese
1 cup Saskatoons (fresh or thawed)
1 tsp. black pepper
Sliced green onion and pecans for the top

Preparation:
Mix cheeses, pepper and Saskatoons in the blender until smooth.
Place in serving dish and top with green onions and pecans.
Serve with sliced baguette or crackers.

Michigan’s regulatory and licensing environment is topic of June Keystone breakfast

Re-inventing the state’s regulatory and licensing environment will be the topic of the June **Keystone Community Bank Breakfast Series.**

Steven Hilfinger, director of the Michigan Department of Licensing and Regulatory Affairs (LARA) and chief regulatory officer, will talk about his leadership role in **re-inventing the regulatory and licensing environment in Michigan** at 8 a.m. **Friday, June 29** in the Dean’s Conference Room of Schneider Hall, home of the Haworth College of Business. His presentation, “Regulatory Re-invention in Michigan,” is free and open to the public.

The event begins with breakfast at 7:30 a.m. **Reservations are required** and can be made by calling the College dean’s office at (269) 387-6059. Parking is available in the nearby Fetzer Center parking lot.

Michigan Gov. Rick Snyder created the Office of Regulatory Reinvention (ORR) within LARA, and named Hilfinger to his position in 2011. The ORR works with other state departments and the legislature to reinvent a licensing and regulatory environment that promotes business growth and job creation by streamlining processes and eliminating unnecessary or burdensome regulations. In his role, Hilfinger plans to focus on regulations that protect the health and safety of Michigan’s citizens.

Prior to his appointment, Hilfinger was the managing partner of the Detroit office of Foley & Lardner LLP, a national law firm with more than 900 attorneys around the world. Hilfinger co-founded the office in 2000 and served as its managing partner from September 2002 to June 2006 and from June 2009 until his current appointment.

Hilfinger earned a Bachelor of Business Administration degree with a concentration in accounting from the University of Michigan in 1984, graduating magna cum laude. He earned his juris doctorate from Northwestern University in 1987.

The **Keystone Community Bank Breakfast Speaker Series** is underwritten by Keystone Community Bank. The series provides an opportunity for the local community to hear top business leaders and WMU faculty, alumni and friends of the Haworth College of Business discuss current, business related topics.

WMU, GRCC ink dual enrollment agreement for business students

A new joint agreement between Grand Rapids Community College and Western Michigan University's Haworth College of Business will offer students joint admission to both schools and enable them to initiate their college studies at GRCC, and seamlessly transfer to WMU to complete a Bachelor of Business Administration degree.

WMU President Dr. John M. Dunn and GRCC President Dr. Steven C. Ender formalized the agreement with a signing ceremony at GRCC June 4 at GRCC. A number of officials from both schools also participated.

Under the agreement, students would be admitted to both GRCC and WMU during their freshman year, and assuming they meet the requirements of the agreement, they would be admitted to WMU's Haworth College of Business prior to beginning their junior year.

"Grand Rapids Community College has long been our partner in providing top-notch higher education opportunities to students," says WMU's Dunn. "This agreement enhances the way both institutions are able to serve students by ensuring continuity and guaranteeing that every class successfully completed puts a student one step closer to his or her degree goal. Students who enroll in the program will be both Raiders and Broncos from their very first days in college."

A WMU advisor will be available at GRCC twice a month to meet with students in the program. In addition, students will be taking a one-credit WMU Business Enterprise course on the GRCC campus during their freshmen year at GRCC.

GRCC's Ender says more than 4,300 students from his school transfer to four-year schools each year, and the dual enrollment program is a perfect option for students who want to earn an associate degree and continue on for a bachelor's degree.

"Many students use GRCC as a launch pad to four-year universities, and this partnership allows GRCC to offer students a set curriculum and a smooth transition into a bachelor's program at a distinguished institution," says Ender.

The agreement guarantees that GRCC transfer students who earn an associate degree, with a minimum of a C in each class of the agreed upon curriculum and a 2.5 GPA overall, will be admitted the WMU's Bachelor of Business Administration program.

"The agreement is ideal for GRCC students, if they are admissible to WMU, to be students of both programs their freshman year, and fully transfer to WMU after two years," says Dr. Kay Palan, dean of the Haworth College of Business. "The program takes a lot of the guesswork out of credit evaluations and ensures a smooth transfer process."

The agreement has been in the works throughout the 2011-12 academic year. Both schools will market the program to their incoming students and both schools may link to each other's websites to provide information about the program to interested students.

The first participants in the joint business program are expected to enroll in fall 2012.

Brown and Gold (and Golfing!)

What better way to enjoy the weather, get exercise and renew ties with your fellow Broncos than with a day on the links? Please join us for a day of golf at the following outings:

Grand Rapids Alumni and Friends Golf Outing on Monday, June 18, at Egypt Valley
Event Schedule:
8:30 a.m. Registration (continental breakfast and driving range provided)
9:30 a.m. Shotgun Start
Lunch @ Turn
3 p.m. Cash Bar Opens
4 p.m. Dinner, Program, Raffle and Silent Auction

WMU Department of Marketing Scramble on Friday, August 24, at Heritage Glen Golf Club, Paw Paw, Mich.
Event Schedule:
11:30 a.m – 1:00 p.m Registration, Lunch
1 p.m. Shotgun Start
5:30 p.m. Dinner/Awards

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