

9-1-1996

West Michigan Stock Returns

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Recommended Citation

Dimkoff, Greg (1996) "West Michigan Stock Returns," *West Michigan Business Review*: Vol. 2: Iss. 1, Article 5.
Available at: <http://scholarworks.gvsu.edu/wmbr/vol2/iss1/5>

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Conclusions

Based on the arithmetic mean scores, it can be concluded that the most important strategic priority of West Michigan organizations was quality, followed by on-time delivery, cost, and variety of products produced. On the other hand, customer service was ranked the highest operational priority followed by technology, operational flexibility, human resources, total lead time, quality, and cost.

There appears to be a conflict in the strategic and operational strategies. For example, quality considered to be strategically most important was ranked second to last as an operational priority. The explanation for this could be that since the strategic priority of quality encompasses the component of customer satisfaction, the respondents felt that they were satisfied with their customer satisfaction programs but felt that their firms were not placing enough emphasis on the other aspects of quality.

The results of the hypotheses testing indicated that there existed a significant relationship between sales, number of employees, labor status, and global orientation and the operational priorities at the 0.05 level. Organizations with sales over \$150 million place a greater emphasis on all operational strategies except operations flexibility than organizations with sales of less than \$150 million. Organizations with 250 or more employees place a greater emphasis on all operational strategies except customer service, technology 1 (computer-aided practices), and operations flexibility than organizations with less than 250 employees. Non-unionized organizations place a greater emphasis on all operational strategies than unionized organizations. Organizations with a global presence place a greater emphasis on quality, technology 2 (communications and innovations), and human resources than organizations without a global presence.

Table 1: Profile of the 67 Organizations Surveyed

	Frequency	Percent
Type of Products Manufactured		
Industrial	42	62.7
Consumer	17	25.4
Both	8	11.9
Annual Sales (in millions)		
Under 10	10	15.2
10 - 50	20	30.3
51 - 150	17	25.8
151 - 350	10	15.2
351 - 500	2	3.0
Over 500	7	10.6
Market Share		
Less than 10%	24	35.8
11 - 20%	9	13.4
21 - 40%	12	17.9
More than 40%	12	17.9
Unknown	10	14.9
Current Number of Employees		
Under 100	9	13.6
100 - 249	14	21.2
250 - 499	10	15.2
500 - 999	12	18.2
Over 1000	21	31.8
Labor Status		
Unionized	26	41.4
Non-Unionized	37	58.6
Competitive in the Global Market		
Yes	49	73.1
No	8	26.9

Table 2: Strategic/Competitive Priorities

Priority	Rank	Mean
Variety of Products	4	3.21
Consistent of Quality	1	1.51
Low Cost/Prices	3	2.51
On-Time Delivery	2	2.12

Note. Highest rank/maximum emphasis = 1.

Table 3: Operational Priorities for Manufacturers

Priority	Mean
Total Lead Time	3.30
Quality	3.14
Cost	2.87
Customer Service	3.90
Technology	3.44
Human Resources	3.37
Operations Flexibility	3.38

Note. Maximum score = 5.

Table 4: Multivariate Analysis of Variance for Organization Characteristics

Independent Variable	F-Value	P-Value
Type of Products Manufactured	0.60	0.88
Annual Sales (in millions)	3.17	0.01*
Market Share	1.47	0.19
Current Number of Employees	3.55	0.00*
Labor Status	2.49	0.02*
Competitive in the Global Market	2.11	0.05*

Note. Values denote Wilks' Lambda

* indicates significance at 0.05 level

West Michigan Stock Returns

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The stocks of West Michigan-based firms continued to generate good returns during the first half of 1996. After gaining an average of nine percent by the middle of June, the index fell back to an average gain of about six percent by July 1. This pattern was not unique to West Michigan stocks. Most other major stock indexes peaked early in June and then began to fall back. (See graph on page 27).

The six percent gain comes on the heels of a 22 percent gain during 1995. For the entire 18-month period, the stock prices of West Michigan-based companies have increased an average of 29 percent. Dividend payments by these firms add about another 1 percent to the annual returns earned by investors.

Continuing a trend begun last year, however, the returns from West Michigan stocks trailed that of the major indexes. The accompanying table shows that the NASDAQ Composite Index continues to out-perform other major indexes. It is heavily weighted by high-tech stocks -- a sector whose returns have been spectacular recently.

Market Returns

West Michigan	5.8%
Dow Jones Industrials	9.2
S&P 500	6.7
NASDAQ Composite	10.1%

Here in West Michigan, the publicly-traded stocks of 16 local companies rose, while seven others fell. The best performance was turned in by Gantos whose stock rose 188 percent on good news about the company's increasing profitability. Investor optimism about Ameriwood's ability to return to profitability lifted its stock by 100 percent. Its stock had fallen 55 percent in 1995. Gentex stock had more than doubled by May, but as June drew to a close, the gain had receded to a still stunning 77 percent year-to-date gain. Tower Automotive gained a "mere" 40 percent, but that is on top of a 94 percent gain last year -- a total 18 month return of 170 percent. At the other end of performance, Autocam's stock turned in the most disappointing performance, falling 27 percent during the six-month period.

Through the first six months of 1996, two major changes have taken place in the composition of the West Michigan Index. Guardsman Products Inc., acquired by Lilly Industries, Inc., was no longer traded after the first week of April. About a week later, the daily stock price of Thomas Edison Inns began to be shown in local press, giving it more visibility and drawing attention to it as a possible investment. In May, the company changed its name to the Meritage Group, Inc.

Stock Performance of West Michigan-Based Firms Dec. 29 - July 5

Gantos, Inc.	+188%
Ameriwood	100
Gentex	77
Tower Automotive	40
First Michigan Bank	19
Amway Japan Ltd.	19
Universal Forest Products	12
Foremost Corp.	11
Donnelly Corporation	9
X-Rite Inc.	8
Independent Bank	8
Bank West Financial	6
Wolverine World Wide	3
Ottawa Financial Corp.	3
Meritage Group, Inc.	2
Herman Miller, Inc.	1
Old Kent Financial	-5
Perrigo	-5
Knape & Vogt	-9
Finish Master	-10
Amway Asia Pacific	-14
Alternative Postal	-15
Autocam	-27

Highlights

Although the confidence index continues to be at a high level, the projected confidence index for next year has slipped marginally

Correspondingly, expected employment growth is also expected to be slower for next year (2% - 2.5% range)

Expected sales growth for next year follows a similar pattern of a marginal decline and may hover around 5%

Introduction: During July, 1996, we conducted our second survey forecast for the Grand Rapids MSA (Kent, Ottawa, Muskegon and Allegan counties). A survey instrument was mailed to the CEOs of 192 organizations based on a representative sample. Care was taken to ensure that the sample represented different sectors of the regional economy and the geographical diversity of the region. Eventually, sixty nine organizations responded. The results of the survey should be interpreted with caution because of the small sample size and the dispersion in the projections.

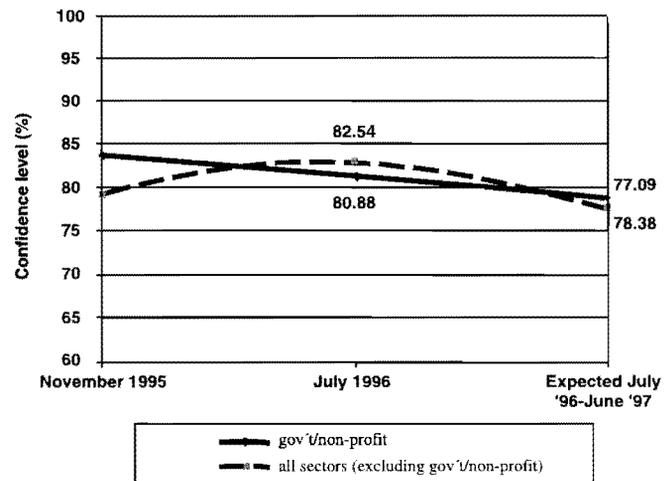
In order to give some sense of the variation in the responses we present the data with two features. First, we provide histograms to show the entire distribution of responses. Second, we report estimates with and without outliers (defined as beyond one standard deviation from the mean in each case).

Confidence Index: A center piece of the survey effort is to develop a confidence index for the region. Recall that this confidence index is scaled from zero percent (no confidence at all) to one hundred percent (complete confidence). When we sampled the region in November 1995 we found a high level of confidence in the CEOs about the economic performance of the West Michigan economy, approximately around 80%.

As **Figure 1** shows, the confidence level during July 1996 for the entire region's performance has marginally increased for the private sector respondents and marginally decreased for the executives in the gov't./non-profit sector. Taken together, it remains at approximately the same level. When respondents are asked to project their confidence level for the next year (July 1996 - June 1997) both private and gov't. sector respondents project a marginal decline. In essence, the confidence index for the next year continues to be relatively high, but has slipped marginally to approximately 78%.

Figure 1
Confidence Index

Caution: Wide variation in data.



West Michigan Economic Forecast

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