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Notes From the Editors

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Notes from the Editors:

The West Michigan Business Review has changed with the new year! The editorial staff and the number of articles have increased. We have decided to publish one larger issue annually, rather than two shorter versions biannually. Besides the regular articles on regional stocks and the CEO survey forecast results, our regional section features articles about the small-scale sector and structural change in the regional economy. The international section discusses various issues related to the west Michigan economy: Asian currency crisis, international information systems, Germany's environmental policy and recent survey results. Three management issues related to the west Michigan economy completes the third section: Market orientation of firms, stress management and an organization redesign case study of Herman Miller.

As we embark on a new year filled with more uncertainty, we wish our readers a prosperous, recession-free 1998.

Jaideep Motwani

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West Michigan Stock Returns

Gregg Dimkoff, Finance Department, Seidman School of Business, Grand Valley State University

Once again there is a ton of good news to report about the stock returns from West Michigan-based firms. From December 1, 1996 through November 30, 1997, West Michigan stocks rose an average of nearly 31 percent. During this same period, the widely-followed Dow Jones Industrial Average was up 20 percent, while the technology-dominated NASDAQ Composite Index rose about 26 percent.

And the good news doesn't stop there. For years 1996 and 1995, local stocks rose 29 and 20 percent, respectively. What this means is that, on average, stock prices of the 25 West Michigan-based firms have doubled during the past three years.

Leading the charge since November 1996 are Herman Miller and SPX Corporation. Investors received a 116 percent return on each of these company's stocks. Also generating huge returns were the West Michigan banks. On average, the four publicly-traded banks generated a 72 percent return. (See chart below).

Stock Performance of West Michigan-Based Firms* (Dec. 1 - Nov. 30)

Herman Miller, Inc.	116	Donnelly Corporation	7
SPX Corporation	116	X-Rite Inc.	3
Bank West Financial	107	Alternative Postal Delivery	- 11
Ottawa Financial Corp.	82	Finish Master	- 14
Riviera Tool & Die	66	Ameriwood	- 32
Perrigo	54	Horizon Group	- 39
Old Kent Financial	52	Amway Asia Pacific	- 49
Independent Bank	49	Meritage Group, Inc.	- 50
Autocam	27	Amway Japan	- 53
Wolverine World Wide	27	Gantos, Inc.	- 71
Gentex	25		
Knape & Vogt	24	Average for West Michigan stocks	30.9%
Tower Automotive	23	Dow Jones Industrial Average	20.0
Universal Forest Products	20	S&P 500 Index	26.2
Foremost Corp.	9	NASDAQ Composite Index	23.8

*Returns exclude dividends, which average an annual return of about 1 percent.

At the other extreme is Gantos. Investor concern about declining sales and earnings drove its price from nearly \$4 per share a year ago to nearly \$1 by November 30. Both Amway Asia Pacific and Amway Japan also suffered sharply lower prices as the economies and currencies of the Pacific Rim countries suffered recent setbacks.

Two important changes in the local index occurred during 1997. Riviera Tool & Die Company entered the index after its initial public offering during the first week of March. Second, First Michigan Bank was removed following its acquisition by Huntington Bank at the end of September. FMB's stock price had risen 64 percent from last November 30 until its acquisition, and had generated well-above average returns for several years. Can you further maximize your returns by investing in only the "good" West Michigan companies and avoiding the bad performers? Probably not. Over time, the companies that are the poor performers often become the best investments, while the best companies can become the worst. For instance, for the first half of 1996, Gantos, Inc. led all local companies with a 188 percent return. Autocam was at the bottom of the list, losing 27 percent. From the list above, you can see that Gantos is now the worst performer, while Autocam is near the top. A better strategy is to limit your investments to West Michigan-based companies, and don't play favorites.