

Flat world redefines what it takes to succeed

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By Julia Bauer

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For West Michigan companies renowned for homegrown production prowess and a penchant for invention, the need to regularly fly to Asia is a strange mandate for making money.

But based on the recent flood of year-end earnings, the most successful local corporations are those embracing a shrinking globe.

They include mirror-maker Gentex Corp. and shoe designer Wolverine World Wide, who both hit 52-week highs on the stock market this month after posting upbeat earnings.

Even the chilling corporation West Michiganders love to hate -- Electrolux -- reported good profits in Sweden, despite a bitter strike at another doomed appliance plant in Germany.

At the corporate level, globalism is a profitable way of life. Some claim they must make products around the world to keep the doors open at home in West Michigan.

As that world churns, Midwest economists who measure facts on the homefront are feeling queasy.

At a Chicago Council on Global Affairs seminar last month, analysts from Iowa, Indiana, Ohio, Michigan and Illinois were mostly gloomy.

From skyscraper to farmland, the sea change in manufacturing is upsetting the Midwest's equilibrium. Among those states, Michigan has the deepest hangover, paying a steep price for its high-rolling ride at the helm of the U.S. auto industry.

So far, the healthiest auto suppliers are those like Gentex, with a high-tech patent and niche product that ensures a good profit margin. The company puts plenty of its auto-dimming mirrors on cars worldwide.

Then there's Wolverine, the hometown shoe company that figured out how to make money amid grueling global competition. Design shoes. Market shoes. But don't make them yourself.

That's an approach familiar to Brian Hanson, with the Center for International and Comparative Studies at Northwestern University.

"We're creating a Lego world," Hanson said, noting the trend to focus on a few functions and outsource others. "The big shift is the breaking up of the corporation. Global suppliers are becoming large, specialist contract manufacturers."

Easy as it sounds, the process is complicated for many hometown companies.

"There is a 'stickiness' when the owners work where they live," said Patrick Barkey of Ball State University in Muncie, Ind. "Their first

thought is not to go to Mexico, but, 'How can I improve business and stay here?' "

Small towns with one or two big companies (think Greenville) face great hurdles to reach a diverse economy. Barkey compared Anderson, Ind., to Flint.

"It has a Delphi plant. Just about everything GM is gone now. It's one grim story after another," Barkey said. "Many of these communities are in denial.

"Globalization, reorganization came through like a train in the night. There is little we can do to stop it."

In more rural areas, 65 jobs today can support 100 people. In 1969, 45 jobs could do that, said David Swenson, an economist at Iowa State University.

"We have more families working harder at more jobs to maintain the household standard," Swenson said.

At the University of Michigan, John Austin is trying to replace the moniker "Rust Belt" with a less loaded term: the Great Lakes Region. In a recent analysis, "The Vital Center," Austin assessed the region for the Brookings Institution.

On the plus side, the Great Lakes region has abundant fresh water, generates 30 percent of the U.S. exports and its inventions account for 32 percent of the nation's patents. It also is home to 19 of the world's top 100 universities.

The down side? For one thing, outmigration. Some people leave to find a job. Others, especially the young and educated, choose a place to live, then look for work.

" 'One employer for a lifetime' is gone. Young people know this," Austin said.

It's a flat world, getting flatter. As the Midwest, and especially Michigan, morph to serve that slippery reality, plenty of manufacturing jobs are falling off the edge.

In just three years, Michigan dropped 27,500 auto-supplier jobs; its automakers cut 17,600 jobs -- nearly one in four in the state.

"I would argue that any manufacturer still with the lights on is a success story," Barkey said.