

Rising up in down times

Soft economy no worry as some firms prosper



BILL COWGER

Tom McGraw: Profit up 14 percent at his Troy benefits consulting firm.

BY ANDY HENION
ahenion@mbizreview.com

While many of his customers struggle, Tom McGraw's revenues are up 14 percent, he's adding a dozen clients a year and the "Help Wanted" sign is hanging from his benefits consulting firm in Troy.

Nearby, at Crestmark Bank, CEO David Tull has watched profits climb steadily each year for the past five as he makes high-interest loans to cash-starved companies.

And at Search Plus International Inc., an executive search firm in Farmington Hills, President Christine Greeneisen is scrambling to fill top-level jobs at businesses in transition.

Michigan's economy may be sputtering, but these service providers are prospering – in many cases by supporting troubled businesses. Experts call them countercyclical, meaning they're up when the market is down.

"There are plenty of industries that are doing very well, there are some that are poised

to recover, and there are some that are cyclic," said economist Roderic Hewlett, executive vice president at Walsh College in Troy. "The economy has slowed down a little bit and they have picked up."

In a state beset with plant closings, layoffs, and bankruptcies – fueled largely by the reeling domestic auto industry – companies large and small are striving to become more efficient and squeeze every dollar.

Often, that means turning to a consultant like McGraw, who heads McGraw Wentworth Inc., a 53-employee consulting and brokerage operation specializing in reducing health insurance costs. The firm has about 140 clients, mostly Michigan-based, including The Townsend Hotel in Birmingham, DTE Energy Co. in Detroit and MAC Valves Inc. in Wixom.

"I think our business is nearly recession proof," said McGraw, who founded the privately held firm in 1997 with Bill Wentworth. "Be-

cause in these times when compa-

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nies are cutting staff, expenses and so forth, we get more calls that say, "We need more help, not less."

But McGraw doesn't call his business countercyclical. Like many owners, he believes he has a model that fuels steady growth whether the economy is humming or gasping.

McGraw Wentworth is on pace to grow revenues this year by about 14 percent – to \$9.8 million from \$8.6 million in 2005 – which is right where McGraw said he wants it.

"Bill and I are looking to grow the firm at 10-15 percent a year, which we feel is manageable," he said. "We're not looking for 30 percent growth because I don't think we could deliver a first-rate consultancy at that rate."

More work

Michigan's unemployment rate climbed to 7 percent in July, from

6.3 percent in June, as the embattled domestic auto industry continued downsizing. As part of the trickle-down effect, many large suppliers are selling off divisions to become more efficient.

And that's driving work for headhunting firms such as Search Plus International.

"Companies are being bought and sold and divested and then they get new owners and they need new people," said Greeneisen, who co-founded the firm in 1988.

At one time, when it was running a General Motors Corp. account, the firm had 26 employees, Greeneisen said. Search Plus now has 13 employees, but it's hiring and recently opened an office in Austin, Texas, she said.

"We've been quite steadily busy and it's been picking up even more so," Greeneisen said. She wouldn't divulge her client list but said automotive, banking, aerospace and technology companies are driving the growth.

Others flourishing in the flagging economy include collection agencies, auctioneers and lenders who deal in high-risk ventures, experts say.

Troy-based Crestmark Bank, which has 83 employees, issues loans to small businesses against their accounts receivable. Its two biggest clients are fast-growing startups and cash-strapped companies – a diverse set that helps the bank weather economic swings.

Profits have climbed steadily – from \$1 million in 2002 to \$2 million last year – and are on pace to hit about \$2.3 million this year, according to Tull, the CEO.

"There are parts of the business that do better in good times and parts that do better in bad times," Tull said of the 10-year-old bank. "They kind of even out over time."

■ Andy Henion covers economic issues for Oakland Business Review.