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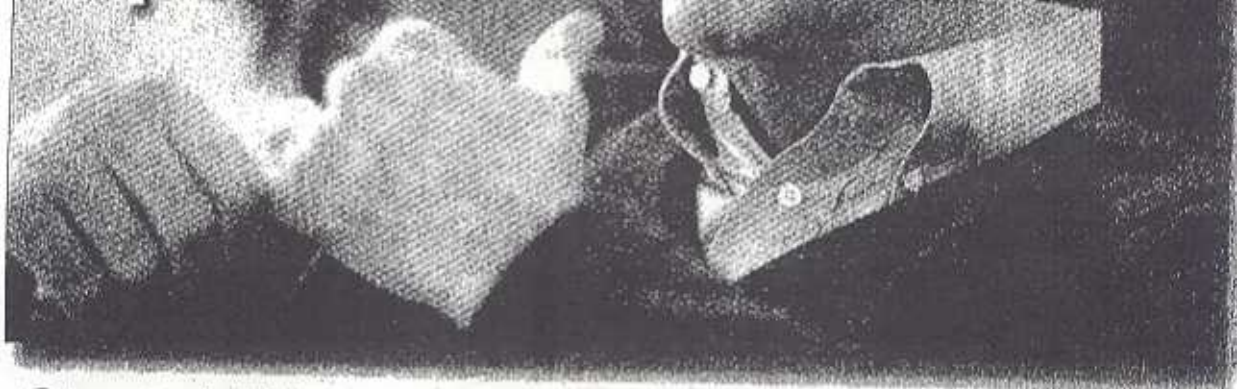
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# Executive of the Year

## Turning point



Steve Miller could reshape manufacturing – but his focus is on fixing Delphi

BY ERIC MORATH  
emorath@mbizreview.com

“When there’s a challenge that someone puts forth, I somehow can’t resist.”

Robert ‘Steve’ Miller  
CEO  
Delphi Corp.

Six months ago, Robert “Steve” Miller questioned a Delphi Corp. recruiter as to why Miller would want to leave his Oregon home, grandchildren and beloved model train collection to run the troubled Troy-based auto supplier.

The answer that sent Miller, an auto industry veteran and turnaround expert, back to work: “Your country needs you.”

Since taking the Delphi helm in July and guiding the company Oct. 8 into Chapter 11 bankruptcy protection, Miller has been called a number of things. His supporters hail him as a trailblazer and a leader. Labor unions – which he asked to accept severe wage and job cuts – call him a rogue CEO and destroyer of the American middle class.

Miller, 64, sees himself as a patriot. “I retired from active duty a dozen years ago, but this is about the ninth or 10th time I’ve come back to full-time work,” he told the

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*Oakland Business Review* in a December interview. “When there’s a challenge that someone puts forth, I somehow can’t resist.”

That challenge: turn around one of Oakland County’s largest companies, prove that Michigan once again can be a productive and profitable hub for the world’s automotive industry and, potentially, reshape the metrics of American manufacturing in the process.

For taking on those tasks, Miller is *Oakland Business Review’s* 2006 Executive of the Year.

### Watershed year

Oct. 8 may be looked at as the day change began in the automotive industry. While sev-

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World trade  
Hortensia Neely’s  
fruitful journey.

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were seen as "immovable rocks that would always be there."

Such an attitude made the industry resistant to change and labor and suppliers less likely to help contain costs.

"It's no longer absolute," Cole said. "Any one of the companies in this industry could disappear without significant changes."

For one, both Miller and Cole said, Delphi's current wage structure can't be sustained. Miller has called for cutting Delphi's 34,000 person hourly workforce by half or more and reducing the hourly wage for most of the others from about \$27 an hour to \$12.50.

In recent weeks, Miller has pulled back from those specific demands in hopes of sparking more fruitful negotiations with the United Auto Workers and GM, to which Delphi's wage structure and legacy costs are tied.

Miller's appointment to succeed J.T. Battenberg III as Delphi chairman and CEO demonstrated how acute Delphi's problems had become after an accounting scandal led CFO Alan Dawes to resign and forced the company restate results from 2000 to 2003. Many industry observers expected an insider — such as President and COO Rodney O'Neal — to take the helm.

Instead, Miller brought a long history of turnarounds and bankruptcy filings — and mixed results. He helped to orchestrate the federal government's bailout of Chrysler Corp. in the early 1980s and served as chief executive of Southfield-based Federal-Mogul Corp., Bethlehem Steel and United Air Lines Inc. — all which were in bankruptcy while under his direction.

The assets of Bethlehem Steel, once the No. 2 U.S. steelmaker, were sold to International Steel Group in May 2003. But Miller was forced to return to lead Federal-Mogul and Waste Management Inc. when management faltered following his initial handover.

At Delphi, Miller has asked for renewed negotiations with the UAW, and he has pushed back plans until February to ask a bankruptcy judge to break labor contracts. He insists, however, that the company will not remain viable under its current pay structure.

"If we're going to keep open

manufacturing will never be the same.

Some industry analysts say confronting the disparity between the labor costs of American suppliers and their global competitors is long overdue.

Union leaders argue that slashing manufacturing jobs and asking survivors to take more than a 50 percent wage cut is akin to destroying the middle class.

Miller sees Delphi in the middle, saying he is not asking workers to accept wages on par with Mexican or Chinese workers. Instead, he said, his proposal puts Delphi's labor cost on par with its unionized American competitors.

✓ "He is blazing the trail that had to be blazed by someone," said Ken Dalto, a Farmington Hills-based manufacturing consultant.

The son of an Oregon lawyer, Miller chose a career in business rather than following his father footsteps — even after graduating Harvard Law School — because business was "more fun."

His family owned a timber and lumber business in Oregon.

✓ Miller is the right man for the Delphi job, Dalto said, because at his age and a level of personal financial safety, he doesn't need the job to build his career.

"Other auto execs know restructuring should be done, but they don't have the courage — or (they) feel taking such action would ruin their careers," Dalto said.

That's not to say Miller hasn't made missteps or that the process will be painless, Dalto said. For example, just as Miller was asking for financial sacrifices from blue-collar workers, he won approval from Delphi's board to boost executive bonuses.

✓ There is going to be massive hardship and the white-collar worker will need to share in that," Dalto said.

But others, such as Cole, agreed with Miller's move. Delphi's bankruptcy filing made executives the first to lose since their stock options, a key part of executive compensation, became virtually worthless overnight.

✓ The impact of Delphi's changes — now and into the future — will sweep across the automotive sector and manufacturing in general.

Delphi could cut its number of

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## Dumars

askethal operations of Pistons

NBA championship shell and the death of Larry Brown at its last year. Dumars' bench leadership led to the best start in history this season.

## Ks Patterson

Co. executive

Patterson's bold business initiatives shone in a dark year for government. Wireless Oakland officially launched in December and Patrexop sectors program to pay dividends this year. Republican support of Democratic for Granholm's job-end issue sent a message: Don't put off fixing the state's

## rt S. Taubman

resident and CEO of man Centers Inc.

Not only is Taubman showing vision with an expansion into Asia, the company (NYSE:TCO) is pumping investment back into County and southeast with the new Mall at Brick in Clinton Township. Planned to open in 2007, the 1,000,000-square-foot extended renovation of Twelve in Novi.

## seph Welch

resident and CEO of TC Holdings Corp.

One of Oakland County's newest public companies, TTC successfully raised \$330 million in its July IPO. Plus, the company (NYSE:TCO) reported third-quarter net income of \$13.5 million.

keystones of the union movement — are chief among the UAW's concerns with Delphi's reorganization plans. Such drastic action would result in the destruction of the middle class, according to UAW President Ron Gettelfinger.

"If Miller's vision of America's future gains wider acceptance by corporate and government leaders, we're all in deep trouble because his vision is an America sharply divided between a super-rich elite and the working poor, with no middle class as we know it today," he wrote in an article posted in December on the union's website.

Gettelfinger, who declined the *Oakland Business Review's* request for an interview, wrote that the UAW is willing to work with Delphi but proposals so far have been insulting and disgusting.

Miller said he realizes the wage reduction "will cause serious hardship" for frontline Delphi workers with mortgage and car payments and retirement plans built around the existing pay scale.

Still, he said, the average base wage for manufacturing labor in the United States is \$11.91 per hour and "completive" wage and benefits range for domestic auto suppliers is \$17-\$22 per hour.

Delphi pays \$53.83 an hour in wages and benefits. That number rises to \$76.46 an hour when legacy costs, such as pensions and retiree health care, are counted, Miller said.

"I've been to factories, other than Delphi, that pay these (lower) wages," he said. "Their parking lots are full — these people buy cars, have houses — and to me that's a picture of the middle class."

It's that kind of candor that has made Miller's tactics appear harsh to critics. But it is a better method than pussyfooting when it comes to solving Delphi's structural problems, said Van Conway, a bankruptcy expert and partner at Birmingham-based Conway MacKenzie & Dunleavy.

"I read Miller as a guy who puts his cards face up on the table," Conway said. "You may not like what you see, but the bottom line in the company is losing a bunch of money. ... Time is of the essence."

Conway, who serves on boards of Farmington Hills-based Jervis B. Webb Co., Warren-based Noble International Ltd. and others, said he doesn't see a doomsday scenario — a labor strike or the death of the company — unfolding under Miller's leadership.

In the end, UAW and GM officials realize, a prolonged strike hurts their causes, Conway said. And closing the doors of Delphi is impossible.

"You can't just liquidate a \$25 billion company," he said. "You're talking about (formerly) the world's largest auto supplier."

In the end, Conway said, the business should move forward, "and that will help reshape the mindset in Michigan."

## The future

Delphi's future, in Miller's eyes, is as a more diversified auto supplier — with a smaller domestic manufacturing footprint — and an expanding role in medical devices and computer technology.

Delphi factories will close as part of the bankruptcy process, but how many depends on a labor agreement. Also, some factories won't be part of Delphi, but the workers there will continue their jobs for another company.

The sale of Delphi's battery unit to Johnson Controls Inc. is one example of how Delphi could

12.41	Company D	20.39
11.71	Company E	19.55
12.50	Company F	19.24
11.59	Company G*	18.61
9.34	Company H	15.68

\* non-union shops  
Competitor benefit costs are estimated based on relative comparisons to Delphi's existing plans and demographics and financial policies can have a substantial impact on the competitor cost structure, both higher and lower.

- Base wage
- Wage related and benefits
- Legacy costs

Source: Delphi Corp.

reduce headcount and exit a non-core business without workers losing their jobs.

Labor-intensive, lower-skilled work is likely to head overseas, Miller said, but bulky, hard-to-ship, value-added products will continue to be made in America. Miller pointed to an engine manifold made at a Rochester, N.Y., factory that sits on a table in his executive office in Troy.

"It's a sensitive part and it needs to be manufactured close to an assembly plant, so therefore it's likely to be made in America — but it won't be made for \$75 an hour."

While uncertainty reigns throughout Delphi's domestic manufacturing network, Miller said Delphi's headquarters will remain in Troy, because Detroit remains the "nerve center of the automotive world."

It will be those technical and engineering workers that lead Delphi back to prominence, Miller said.

"If you're making widgets, just to make widgets, you're susceptible to being knocked off by someone who can make cheaper widgets," he said.

"You have to be a technically capable supplier and, therefore, you better make sure you protect the brains that go with that."

Miller said he doesn't see a case for closing up shop from a technical standpoint, "so in the sense that Delphi has much of those assets located in Oakland County, that's a positive for this area."

Miller talks with a sense of duty to right the auto industry's most troubled ship. But he shakes off the notion that he is reshaping an industry that he joined — at Ford Motor Co. — after graduating from Stanford University's business school in 1968. He earlier earned an economics degree from Stanford.

While many suppliers are saddled with high labor costs and low-cost competition, Miller said Delphi is unique in that it competes with suppliers but pays like an automaker. Still, he said, the Big Three automakers are watching Delphi carefully as they head toward UAW negotiations in 2007.

"The issues are similar but I don't think they'll have a carbon copy of what we did, nor do I expect any of them to go through a Chapter 11 process," he said.

As for himself, Miller said he will stay at Delphi long enough to stabilize the company's finances and operations.

"When that's done, I'll go home to Oregon," he said, "and play with my model trains."

Eric Morath covers manufacturing for *Oakland Business Review*.

that will erode the...  
by the new year.

## Michele Hodges



Troy's share-ber of companies president also is leading the Oakland Chamber Network, and in the process laying the groundwork for unprecedented cooperation between Oakland County business organizations.

## Tom LaSorda



As past CEO of the Auburn Hills-based automaker Chrysler, LaSorda took a chunk of credit for Chrysler Group's nine consecutive quarterly profits. But now Dierk Zetzsche is in the corner office in Germany and the challenge for LaSorda as Chrysler CEO in 2006 is maintaining and growing a culture of innovation with continued profit.

## David W. Schostak

Forget for a moment that Schostak Brothers & Co. could bring a high-impact, job-producing development to Pontiac at the Silverdome site. The Southfield-based company is positioned to see its Team Schostak Family Restaurants, Inside Commercial Group, brokerage and Schostak Fisher Group residential development units surge in 2007.

## Gall Warden



If operational authority at the Detroit Zoo shifts from the City of Detroit to the Detroit Zoological Society, Warden will be a major reason why. The president emeritus of Henry Ford Health System is chairman of the society, the Royal Oak zoo's fund-raising arm.

## Tommy Woycik



Sparking a new entrepreneurial era is up to Woycik of the region. His Troy-based self-order kiosks company, Nexter System Inc., captured high-profile business in 2005. It is to be one of the companies setting the pace in the 21st century. 2006 is a critical year.