



Route to:

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The Recovery Has Begun

What to expect in 2010

The good thing about 2009 is it has ended. It was an extremely difficult year. The “global economic crisis” or the “Great Recession,” as it has been called in the United States, is finally over. Most economists agree that the global economic recovery that began at the end of 2009 will continue throughout 2010. As we enter the year 2010, it is important for executives to take some time to survey the new economic landscape in order to move their organizations forward during the recovery.

Finally, Positive News

The negative effects of the global economic crisis have been analyzed and dissected by the media ad nauseam. That has finally ceased as multiple positive economic indicators have emerged. First and foremost, the general public is much more optimistic than a year ago. The Dow Jones Economic Sentiment Indicator has risen steadily in recent months. The Economic Sentiment Indicator analyzes media coverage of the economy as an indicator of economic health. Manufacturing orders and production are increasing. During the downturn companies slashed their inventories and production to cut costs and raise cash. As the economy has begun to improve those companies are rebuilding their inventories to meet demand. Finally, there have even been positive developments in both the housing and banking/financial sectors – two of the leading culprits in the economic meltdown. Sales of new and existing homes in the United States have trended upward over the last few months. Banks and financial institutions are slowly beginning to ease some restrictions and make loans again – primarily to corporate borrowers.

A Different Kind of Recovery

Many economists have noted that the recovery from the most recent recession has been, and will continue to be, different from those in the past. One defining characteristic of the economic crisis was its global nature. Because global leaders have implemented more coordinated policies, the recovery is also occurring on a global scale. Sustained economic recovery in 2010 is expected not only in the United States, but also in Japan, the United Kingdom, Germany and France. The world’s emerging economies are also expected to continue to fuel the economic recovery in more developed countries. Typically, consumers are the driving force behind economic recovery. While consumer spending has begun to increase, business investment, governmental incentives and global exports are leading this recovery in the United States. Therefore, economists believe that economic growth will not increase as sharply and will be more “steady” when compared to previous historical cycles.

But is it a “Jobless Recovery”?

The unemployment rate has continued to rise, and many commentators have referred to the economic upswing as a “jobless recovery.” Economists expect the unemployment rate to continue to rise during the first quarter of 2010 and peak around 10.5%. There are, however, some encouraging signs. The rate of increase in the number of unemployed workers has slowed. The frequency of corporate lay-offs has decreased. Indeed, management leaders from many organizations have acknowledged that they not only “trimmed the fat” but also “cut muscle” and therefore, find themselves understaffed. As demand and production continue to increase and

credit becomes more available, companies will ramp up their operations and increase hiring.

Where Will the Jobs Be In 2010?

Certain industries are expected to lead the charge in the creation of new jobs in 2010. As mentioned above, manufacturing activity has already begun to increase, and one of the drivers of this economic recovery in the United States has been exports. Those companies with global operations, particularly those serving the demand of emerging markets, will continue to expand operations. Due to a combination of government incentives and an increased demand for more cost effective sources of energy, alternative energy and environmental related industries are expected to grow. Because markets have stabilized and banks and financial institutions are beginning to lend again, there will be opportunities in the financial services sector. The construction industry has shifted its focus away from residential projects to manufacturing and energy production facilities as well as hospitals, schools and infrastructure projects. Increased oversight and regulation and potential new programs should result in an increase in hiring by the federal government. Finally, life sciences industries are expected to grow in 2010 as well.

“Trading Up”

Many companies are looking to make strategic hires and improve their executive level talent. This trend of “trading up” will increase as the recovery takes hold during 2010.

A recent survey conducted by Execunet and Finnegan McKenzie was particularly illuminating. The business leaders polled believe that 1/3 of their executive team and subordinates will leave as the economy improves. That survey also found that 90% of CEO’s, other C-level executives, vice presidents, directors and managers would take a call from a recruiter regarding a potential new opportunity and that more than 50% of executives were actively looking for a new opportunity.

The cost cutting measures implemented during the economic downturn led to increased responsibilities and expectations. Executives are expected to “do more with less.” For that reason,

many executives have been biding their time for a better opportunity to present itself. Those executives have worked on building their professional networks and increasing their visibility to recruiters and potential employers through social networking tools such as LinkedIn. Also, as economic conditions improve, organizations that continue to employ the “they should be thankful to have a job” approach to executive retention will experience an exodus of talent. Top executive talent will be in high demand as companies try to assemble the right management team to lead them through the recovery and into “greener pastures.” Therefore, many companies will be faced with the decision of whether to devote more resources to executive retention or risk losing their top talent.

Moving Ahead

The good news is that the global economic recovery has begun. This recovery will, however, take more time than others in the past. Credit remains difficult to obtain for many small businesses and individuals, and the unemployment rate has continued to increase during the early stages of economic recovery. As credit becomes more available, production continues to increase, consumer confidence builds, the unemployment rate begins to decrease and global demand increases, the recovery will gain momentum in 2010. Despite the “jobless” label that has been used by some commentators to describe this recovery, there will be opportunities available in many industries in 2010 including manufacturing, construction and even financial services. Also, the talents of top executives will remain in high demand. As economic conditions improve, those executives will likely become less risk adverse towards exploring potential new opportunities. Hopefully, the readers of the *SRA Update* will enjoy a more positive 2010 as you add new members to your management team and take steps to retain key members of your existing team.

—Rick Carter

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