
The New Normal

"The events of 2009 will have lasting effects on all of us, serving as a wake up call to focus on what's really important."

RELATIONSHIP FOCUSED EXECUTIVE SEARCH AND ADVICE

As we begin a new year, we also reflect on this past year and the tremendous challenges which have shaped us - after all, it's how we respond to difficult times which defines us. Indeed, 2009 was a reminder that success is not guaranteed as companies across the board experienced 30% revenue declines. The executive search industry fared even worse, and in response, the largest firms downsized and emphasized the need to diversify as a result of an overdependence on search. We, on the other hand, focused on our clients, expanded our team and renewed our commitment to the fundamentals while striving to be the best team in executive search. It was an eventful year and an important one in our journey, and we thank you for supporting us in spite of the challenges.

J. Robert Tillman
President & CEO

Employment Trends

In 2009, we saw rising unemployment and now have a keen eye on how quickly jobs will be created.

While the rise of unemployment has slowed and may have peaked, companies are cautious and unlikely to noticeably increase headcount.

In fact, leaders will be asked to do more with less and employees will be stretched as companies stress productivity improvement. With modest expectations for revenue growth, companies will be rewarded for generating cash flow and becoming more profitable, so don't expect jobs to come back quickly.

While the status quo may define the overall employment picture in 2010, **the turnover at senior management levels will increase as the demand for new leaders equipped for today's challenges will drive executive search activity.** CEO turnover will lead the way as Boards make changes with improved visibility and CEOs move on to opportunities with greater potential. Likewise, CFO and CIO turnover will increase as the need for CFOs who can partner with CEOs becomes more pressing and the expectations for CIOs who deliver meaningful ROI becomes a priority. As a result, our firm expects to play a meaningful role assisting our clients as we continue to focus on the recruitment of CEOs, CFOs, CIOs, and their direct reports.

CIO Team Building Returns

As many of you are aware, our expertise in recruiting CIOs and their direct reports has been a consistent focus of our firm. Not surprisingly, **the demand for CIOs waned in 2009 and most CIOs reduced headcount and slashed spending where they could.** Having said this, the pendulum is beginning

to swing and we experienced a significant increase in team building activity in Q4. As a result, we expect the trend to continue and to be particularly strong in the first half of 2010 as CIOs charge ahead.

As we all know, IT spending stops or slows significantly as companies hunker down. Coming out of this recession, leaders will focus on productivity and **IT is increasingly viewed as an enabler to streamline supply chain, inventory, manufacturing and customer relationship management.** However, unlike the multi-year ROI analysis associated with the large-scale ERP initiatives of several years ago, today's CIO is expected to leverage the existing platform and generate returns now. As a result, **CIOs are managing their partners much more effectively and upgrading senior level talent in IT, in many cases without approval for headcount increases.** This requires strong leadership and a new mix of talent with the skills to drive change and partner in the business. We expect the competition for such talent to heat up significantly in 2010.

Private Equity's Renewal

While focusing on the recruitment of CEOs and CFOs for small and middle market companies, we've partnered with many of the leading private equity firms in this country. In the past, these firms wielded significant power in the markets backed by hungry investors and fueled by low interest rates and high leverage. We all know the story, but the question of the day is, **"What will the industry look like as it enters the next chapter?"**

What we do know is **the largest firms are becoming global asset managers, and many others will simply fade away as partners split, portfolios are run off and fewer firms raise new funds.**

This presents tremendous opportunity for the firms who remain and their future is bright. The markets will provide exits, competition for deals will not be as intense and the ability to increase debt levels will return. These firms also understand the importance of attracting leaders who can actually run businesses over longer time frames, and they also know the best talent isn't flocking to private equity as they once did. As a result, **the successful firms will play an active role in retaining their best leaders, and we will assist them in attracting operating oriented CFOs and tough-minded CEOs with track records.**

Middle Market Engine

This past year has also reminded us of the vast middle market and the environment in which these companies now operate. Unlike the past cycle marked by themes like "acquire or be acquired" and "leverage the balance sheet or others will do it for you," the current cycle will allow companies to focus on the long term. **While the news may revolve around government's role and the performance of large-cap companies, we believe the middle market engine will fuel our economic rebound.**

In addition, senior level leaders will increasingly find mid-cap companies to be more attractive as they scrutinize smaller company opportunities and career growth slows in large companies as they focus on core operations and strategic

acquisitions. In many ways, **mid-cap companies are seen to have the scale and complexity to attract and challenge top talent yet they also present opportunities for leaders to make a meaningful impact and drive growth.** In recruiting CFOs and CIOs for several middle market CEOs this past year, we've experienced the excitement and passion for these opportunities and we plan to continue our focus in this market.

The Journey Continues

2010 is a new year and the start of a new decade.

Although we've been in executive search for more than 22 years and TillmanCarlson is now entering our ninth year as a firm, 2010 marks a new beginning of sorts for many of us.

In quoting Winston Churchill in last year's letter, we spoke of the journey and the "joy and glory of the climb" noting we looked forward to 2009 "with a strong sense of the moment." Indeed there was joy and the greatest of challenges, and as Thomas Paine said,

"The harder the conflict, the more glorious the triumph. What we obtain too cheaply, we esteem too lightly."

So, as we begin a new year, we are focused and committed with the momentum gained through hard work and perseverance. We are also thankful for the many relationships we have been fortunate to forge over the years, and it is through your support that we have the opportunity to follow our passion.



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