

August 25, 2003

Dear Friends:

Is this finally the uptick happening? What do you think? Frankly, I am retiring from being a forecaster!

**Business Activity** – Second quarter continued to be quite strong in our business, relative to the prior two/three quarters. Proposal activity with new clients is picking up, as well as new projects for existing clients. Stated unemployment ticked up to 6.4% nationally in the U.S. Hidden numbers of consultants and transitioning folks, especially in the executive ranks, keep this number lower than it really is. Recently sounded alarms regarding the increased federal deficit projections tend to dampen investment, but are a bi-product of tax incentives to spur growth. It's a necessary conundrum. As of this writing in the mid-point of the third quarter, the momentum feels positive.

**Employment** – From a recent (June 3) Wall Street Journal article...don't gripe about feeling underappreciated at work! It might make matters worse. In my view, this is symptomatic of the risk averse mindset that has now been embedded in the employees' minds. Conversely, employers have become complacent/arrogant in assuming they can control attrition "at will". Both sides are demonstrating natural outcomes of a weak employment scene for the last two years. When things begin to turn up, we may very well see a "pent up" desire to change jobs (individuals) combined with a latent overconfidence from employers regarding their ability to ignore employee perks/relations etc. Caveat: employers need to remember the techniques for enhancing retention and hiring from the light labor market of just a few years ago, lest they be caught short on talent. Another risk, "churning" of the skills in an organization with an accompanying decline in productivity resulting from a chorus of learning curves.

"Job seekers must account for idle time", says the headline in a recent (June 29) Dallas Morning News. The article is about the appearance of "gaps" in resumes. In my view, the concern goes well beyond appearance though. What about cash flow? What about getting rusty technically (losing your "edge")? More and more those in job transition are joining the ranks of "consultant" and are hanging out their own shingle (see above "hidden numbers"). Sometimes this leads to a lucrative new career and sometimes it leads to a regular position in a large company.

**In the news** – From the recent Execunet survey ([www.execunet.com](http://www.execunet.com)), the traditional summer lull in employment activity was less severe this year. According to Ellen Stuhlmann, Executive Editor, this portends well for "executive demand, which is good news for...business leaders and executive job seekers." I agree, but here's the caveat for employers, corroborated by many in the HR community. Not only is there pent up demand for employment, there is a tremendous pent up demand for changing jobs...see above. Mac Harris, former VP of Human Resources at Spiegel says "I have noted a significant increase in job market activity in the last ninety days. As the job market gains momentum during the remainder of 2003 and into 2004, there will be a tremendous urge on the part of many employed executives to seek greener grass. Therefore, it is imperative that HR leaders and their companies pay as much attention to retaining their current talent as they do to attracting the executives needed to meet increased job demand." Congratulations to all executives who have made successful job transitions during the tough and very slow time of the last year and a half.

As we enter Autumn 2003, let me say again "thanks" to all of you who have referred your colleagues and clients to me. I sincerely appreciate hearing from you and helping those who may be reaching out for a trustworthy advisor regarding executive recruiting needs. As you know, referrals to organizations that are seeking to find new executive level talent are the lifeblood of our business. Our practical "business approach" to search work, along with a personal service attentiveness, consistently generates positive client and candidate feedback. Please let me hear from you...do stay in touch.

***Donahue / Patterson Associates conducts senior level retained executive searches – typically with compensation in excess of \$100,000 – across all functions in a broad range of industries.***

Regards,

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