



*Notes to Friends of the Firm
2006 – 1*

THREAT or OPPORTUNITY

“Many firms need to hire, now that productivity gains are harder to find.”

--- Kiplinger Letter

It isn't only the diminishing productivity gains that are bloating demand for talent, nor is it just a need for more people. More than anything it is recognition of shifting business landscapes that demand leaders who can navigate industry turbulence and transform the businesses that will last.

The urge to merge is being fueled by excess liquidity, cheap money and the opportunity for increased leverage to be used with (against) customers, suppliers or competitors. In telecom, medical, appliances, utilities, financial services and other industries, businesses in your market space are opportunistically snatching capacity, efficiencies or customers. They will test your strategy and execution. Endurance demands that we not only understand and deal with this trend, but also that we ourselves give effective consideration to new business partnerships that will provide us with that leverage.

Add the current *marquis restructurings* in automotive, airline, call center, manufacturing and other industries. They are ripples on the surface of seismic change. Directly or eventually, these transformations are going to impact your sales, operations, business plans and markets. Sooner or later they will affect costs and the ability to set prices. Focusing on the long term, you are either in the thick of this change, or positioning for a strategic offense. Focusing solely on the short term, you are destined, at best, for a defense that must transition to yet another position – maybe prone.

The recent vibrant economy has allowed for some prudent capital investment, and the engagement of Six Sigma and other processes to substantially improve operations. But we've taken the biggest gains. At the moment productivity home runs are getting harder to hit. New technology and innovation surges will come again. In the interim, to capitalize on what you've done and to stay ahead, tested leaders will make the difference – leaders who are insightful, agile and aggressive.

A few weeks after Kiplinger's above declaration, their forecasters returned with further analysis: “The labor force will keep tightening as more baby boomers head for the exit door, with too few younger workers to replace them.” This isn't news. But it is confirmation that the talent pool for leaders is shrinking just when the need is swelling for the proven leaders who will be your competitive advantage.

Peter Drucker, the late dean of business thought, put it this way: “The ability to make good decisions regarding hiring people represents one of the last reliable sources of competitive advantage - since very few organizations are very good at it.”

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