



Dedicated to bringing relevant global leadership trends focused on integrity and values to senior business executives .

INSIDE THIS ISSUE:

The Case for Onshoring	2
Home Again	2
Search Firms: A Microcosm of the Economy	3
Top Recruiter Finds Adaptable Execs	4

“Effective leadership is putting first things first. Effective management is discipline, carrying it out.

~ Stephen Covey

Signs and Strategies

Recent projects reflect post-recession phenomena.

By Timothy Smith

Many of our clients report surprisingly improved performances this year, despite predictions to the contrary. Several manufacturing companies we work with are having a banner 2010 and some will exceed pre-recession highs of 2008. One, a NYSE company, has exceeded earnings estimates each quarter and another privately held manufacturer has experienced gains in revenue and profits throughout the year.

The recent growth of many businesses comes on the heels of reducing inventories and implementing cost-cutting measures so profits have escalated quickly. These factors, combined with banks starting to loosen the reigns on lending, have made cash more available. With these post-recession phenomena, companies are concentrating on **sales, supply chains, and mergers and acquisitions** and are looking to strengthen their leadership in these areas.

- **Focus on top-line growth.** Now that companies have reduced costs, the CFO post is not quite as important in the post recession. Our clients are currently seeking leaders to drive top-line growth; therefore, many of our searches have called for strong sales and marketing executives.
- **Focus on efficiencies, doing more with less.** Companies are looking for new ways to improve how goods and products move through their business systems. As more and more businesses go global, they are trying to create world-wide effective supply chains; they want to serve their customers better *and* save money. We completed a number of search assignments this year for heads of purchasing and logistics.
- **Focus on buying troubled companies.** There are still plenty of troubled companies in the post recession, creating good buys right now. Companies have more cash available for purchases because: 1) they've streamlined their operations and 2) banks are lending more. So as clients consider buying companies, they've asked ASLON to find leaders who are knowledgeable in corporate development, mergers/acquisitions and integration of these businesses.



The Case for Onshoring

Why CEOs need to rethink the impulse to go offshore.

America's largest companies have been rushing offshore for many years and international sales now account for 60, 70 or 80 percent of their total sales. For many CEOs of these large companies, it's been almost an article of faith to go offshore to take advantage of more rapid economic growth in China, India and Brazil. Often, their companies receive tax incentives to locate in these countries, which also offer little environmental opposition and rare class-action lawsuits. Companies like Apple, Dell, and Hewlett-Packard have long supply chains extending around the world and manufacture relatively little on U.S. soil.

But recent moves suggest companies are rethinking that strategy. For example, NCR decided to "backshore" the manufacturing of its ATMs, meaning that it brought the production from China to a former battery plant in Columbus, Ga. In fact, signs suggest CEOs should give greater consideration to "onshoring," meaning never moving some critical functions offshore in the first place. Instead, they should deepen their investment in clusters that state and local regions have already created, or are willing to create. **Three megatrends are forcing this re-evaluation and rebalancing in strategy.**

Home Again

Clients mirror recent trends to bring business back to American shores.

By Timothy Smith

Tim speaks to the shifts outlined in the adjacent article, "The Case for Onshoring" from Chief Executive magazine and cites some specific examples from his work with ASLON clients in recent months.

For the past several years, there has been a great deal of excitement with emerging markets of the world, such as Brazil, Russia, India and China, because that is where the expanded production and consumption is. Many companies moved their manufacturing or outsourced it to Asia in particular over the last several years. More recently, however, there's been a shift; more and more American businesses are "onshoring" or "backshoring," meaning bringing their manufacturing back to the U.S. This is primarily due to: 1) an increase in the cost of manufacturing in China (although still less expensive than in the states) and 2) an effort to avoid long supply chains and burdensome shipping costs in transporting goods back to the U.S.

Several ASLON clients demonstrate similar changes in strategy. A century-old, family-owned business, which has been acquiring companies globally over the last few years, has implemented a world-wide strategy to support local economies with local management and local manufacturing where they do business, versus offshoring. Another client, which went international in the 1950s, still sells world wide, but has brought its manufacturing back to the U.S. because of a surplus in manufacturing capacity and more moderate costs in labor and materials in the post recession.

A third client, a family-run organization founded in the 1930s, which manufactures one particular product, has decided not to automate, outsource, or offshore. They have purposely kept production completely hand-labor in their own manufacturing plant. They will not compromise the quality and the proprietary nature of their products or their formula for success that may be at risk in distant lands.

Another key advantage of onshoring is to keep entrepreneurship and innovation strong. The process of innovation gets disrupted and lost when designing and building products on the other side of the world. In fact, many companies have built their research and development centers in Asia to be close to their manufacturing facilities. Companies and CEOs should be cautious about interrupting the links in innovation. That's one area where we can stay ahead of the world. People still look to America for new ideas.



Continued, Page 3

Onshoring, from Page 2

- China is no longer the cheap play it once was.

Its announcement that it will gradually allow the value of its currency to appreciate is just the latest indication. The highly publicized strikes against Honda, which resulted in a big pay increase for Chinese workers, and the scandals surrounding suicides among young workers for Taiwan's FoxConn, have resulted in major pay increases for those workers. Some analysts say the rise of this union activity is a challenge to the central government, but that isn't necessarily so. The government wants to move the country out of the position of being the world's cheap labor manufacturing platform.

The Chinese want to become a technology-based superpower and sense that this may be their time, in view of the financial and economic upheaval in the Western world. After 30 years of allowing foreigners to come into their country to make goods for the rest of the world, extracting solid profits along the way, the Chinese leadership is starting to restructure the economy. It is undertaking a conscious strategy to squeeze technology from foreigners by demanding more transfer of intellectual property and requiring foreign companies to carry out more research in China. It has begun to tilt its governmental purchasing policies toward domestic companies because it wants to encourage "indigenous innovation."

With costs increasing in China and the operating environment toughening, the overall difference in the cost and risks of manufacturing there rather than here has decreased. It still makes sense to make things in China for the Chinese and regional markets. But for makers of sophisticated products for the American market, where products must meet quality standards, or regulatory approval, or respond to rapid changes in market conditions, the equation has fundamentally changed.

- Long supply chains are proving themselves too extended and too slow, particularly when middlemen, or contract manufacturers, are involved.

These outsourced supply chains also can prove embarrassing because a U.S. company does not control the conditions in which workers make their products. Dell sold millions of desktop personal computers riddled with faulty electrical components provided by a Japanese supplier. If Dell had a firmer grip on its suppliers, this em-

barrassing problem – the subject of a three-year-old lawsuit whose allegations have just been made public – might never have occurred.

- Increasing evidence suggests that placing manufacturing offshore and in the hands of outsourcers threatens to disrupt the process of innovation.

To avoid missing innovation in America, companies need to make deep commitments to the clusters where relevant ideas are nurtured, or to invent their own ecosystems of innovation and production. They need deep partnerships in those clusters to invest in, nurture and mentor smaller companies so that they can harvest the best ideas. And they need to maintain the feedback loops among U.S. customers as well as the internal constituencies involved in innovating, such as engineering, software, design and customer service. Real knowledge is contained in these ecosystems and it can be lost if the wrong functions are shipped offshore.

This suggests that CEOs should maintain their fascination with emerging markets, while recognizing that they need to be solidly grounded at home.

For more of this article, visit www.chiefexecutive.net.

Search Firms: A Microcosm of the Economy

The executive search industry often reflects economic trends and can even be a leading indicator of where the market is headed. Recent evidence signals signs of post-recession recovery.

Most members who attended the IESF (International Executive Search Federation) conference in September – representing more than 40 countries – reported having one of their best years ever, including the ASLON Group. ASLON'S third quarter results indicate a 50%+ increase in revenue over 2009 and is expected to outperform all years since its inception in 2002.

In addition, according to recent data from the Association of Executive Search Consultants (AESC), while the number of new searches fell five percent from Q2 to Q3, revenues rose 2 percent, indicating that search firms are working on a higher level of search assignments at the very top of organizations. Search firms are being retained to handle the most senior level of executive need alongside increasing demand for broader consulting leadership services.



ASLON Group

8401 Chagrin Road, Suite 20B
Cleveland, OH 44023
Phone: 440-543-0334
Fax: 440-543-0314
www.aslongroup.com

"A great person attracts great people and knows how to hold them together."

~ Johann Wolfgang von Goethe (German writer and philosopher, 1749–1832)



Mission Statement

Our mission is to be the leading integrity-based retained search firm focused on identifying, assessing and delivering world class leaders.

Top Recruiter Finds Adaptable Execs

Excerpts from Wall Street Journal's interview with Clarke Murphy, head of global CEO and board-services practice for search firm Russell Reynolds Associates Inc. Mr. Murphy has led or co-led hunts for numerous major corporations including Bank of America Corp., Hartford Financial Services Group Inc and Harley-Davidson Inc.

The number of executive searches in North America rose about 33% during the first half of 2010 over the same period in 2009, according to the Association of Executive Search Consultants. Mr. Murphy shares his views of the executive job market as to why.

WSJ: When did searches for senior management pick up?

Mr. Murphy: Somebody turned on the switch in the beginning of the year. For Russell Reynolds, every month has been busier in 2010 than the month before. The level of executive hiring is back to where it was in 2007, before the recession began. Companies are trying to embrace new strategies, business lines and geographies. And private-equity companies are starting to buy companies again. You see executives being recruited to maximize those businesses.

WSJ: Looking across all industries, which leadership skills do directors now see in a new chief executive?

Mr. Murphy: Boards want a decisive leader who's able to change quickly, when necessary. Large industrial corporations have got to be more assertive about product launches, product development and going into a new geography. Boards want to know someone will take charge, but not be dictatorial. The time for grand vision isn't allowed right now. It is about strong operators who can adapt quickly and gain the confidence of employees and shareholders.

WSJ: Is the comeback in executive searches also happening at smaller concerns?

Mr. Murphy: Middle-market companies that did nothing in '08 and '09 are actively recruiting executives more aggressively than bigger businesses. They are trying to find CEOs who have taken a company from \$1 billion to \$5 billion and can grow their \$1 billion company to \$3 billion or \$4 billion in sales. They are also looking for senior executives in operations, finance and marketing.

WSJ: How is your search business in Asia?

Mr. Murphy: The Asian business did not drop off as much as Europe and America. It has been slowly returning.