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Recession-resistant industries show stability, growth in tough economy

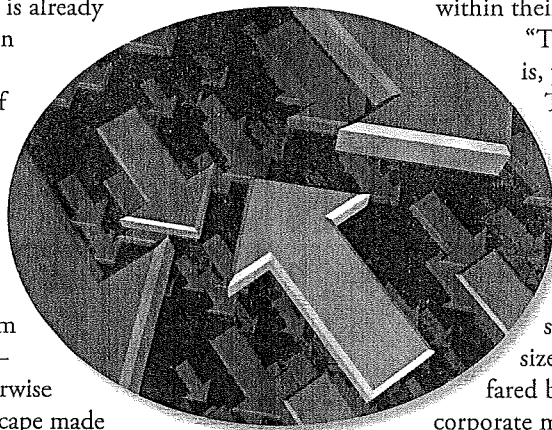
Some industries and their representative associations hold steady as members manage to stay afloat

By Tavia Evans Gilchrist

One year into what is already the longest recession in official U.S. history books, some sectors of the economy are still open for business and continue to report steady sales and hiring during the downturn.

Their businesses seem to go against the tide—bright spots in an otherwise dreary economic landscape made gloomier with daily news of industry layoffs, budget cuts and bank failures.

Segments of the information technology sector are part of the good news, particularly



in managed IT services, where small businesses report steady and stable work within their client base.

“The analogy we hear is, you wouldn’t go from T1 Internet access to dial-up because the economy is tough,” said Todd Thibodeaux, CEO of CompTIA. And many of the group’s small and medium-sized members have fared better than the larger corporate members, including Hewlett-Packard and Microsoft Corp., both of which have had layoffs in recent months. “It’s a matter of getting credit markets

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Reported lobbying expenses increase

Updated disclosure rules and penalties for inaccurate statements inflate 2008 LD-2 figures

By Mark Graham

After an active legislative year and increased scrutiny of lobbying activity, the final lobbying reports, submitted to the Office of the Clerk of the U.S. House of Representatives, show a significant increase in reported lobbying expenditures for 2008.

More than two-thirds of major associations—those with lobbying expenses more than \$1 million—reported more spending in 2008 than they did in 2007, with some associations quadrupling the amount reported on the LD-2 form.

The U.S. Chamber of Commerce topped

the list, spending more than \$33.6 million in the last three months of 2008—\$24 million from the Chamber and \$9.6 million by its affiliated Institute for Legal Reform. Total reported expenses for 2008 for both organizations totaled \$91.5 million, a 74 percent increase in spending from 2007.

While it’s true that the Chamber had a busy year lobbying on issues from the Emergency Economic Stabilization Act to the Clean Energy Tax Stimulus Act, its 2008 lobbying totals were expected to surpass 2007 partly because of the way the trade group accounts

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Recession-resistant sectors

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working again for the big companies," Thibodeaux said. "For small and medium-sized businesses that already run lean and don't have a lot of debt, they're holding up pretty well."

Health care IT has emerged as another promising area. The Obama administration has made adoption and development of electronic health records a priority and it has found traction in parts of the stimulus proposal.

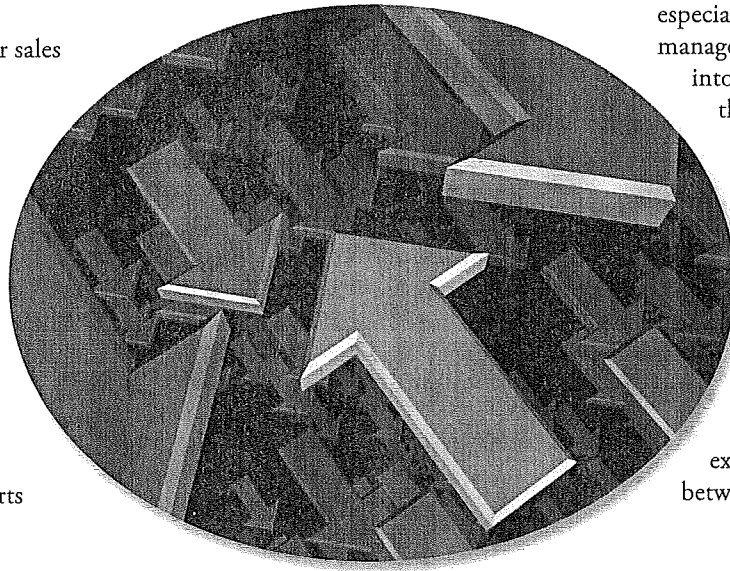
There's even a silver lining for the automobile industry—the bust in car sales has been a boon to independent car repair shops and parts stores. As customers decide not to buy new cars, they repair their old ones and get regular maintenance, said Rich White, senior vice president of marketing and member relations for the Automotive Aftermarket Industry Association.

The trend means steady work for some elements of AAI's membership, which includes auto parts stores, distributors and parts manufacturers. It's kept franchise parts

chains like O'Reilly Auto Parts and Pep Boys in demand as "do-it-yourself" consumers replace their own belts, wiper blades, and change their own oil and filters, White said.

Bad weather and icy conditions this winter haven't hurt business either.

"Rough weather takes a toll on potholes, tires, wheel alignments and wiper blades, so we see an uptick in sales in severe weather conditions," White said.



Even in an economy where "cutting back" has become the new catch phrase, some industries are known for bucking the trend, especially where their services and business are in demand.

The Society of Actuaries expects to grow by 5 percent this year, and in past recessions, they've seen positive growth as more workers enter the profession for its stability and generous compensation.

"I would say we are countercyclical, especially for the financial and risk management actuaries, where they are coming into companies to help them understand their risk exposure in current markets," said Stacy Lin, SOA's deputy executive director and chief financial officer.

Industry pay accounts for some of the growth. An entry-level actuary, with one or two exams completed, can make \$50,000 a year right out of school, said Bob Morand, partner with Chicago-based DW Simpson Global Actuarial

Recruitment. After five years—and four exams—the average actuary can make between \$76,000 and \$94,000 a year,

STEADY, FOR NOW, BUT WITH CAVEATS

Associations in select sectors are "staying afloat" in this recession, but destabilizing forces that threaten industries may also ricochet to their membership groups.

Health care is normally buffered from downturns in the larger economy, but the aftershocks of a poor economy are reverberating through the industry and hit close to home for medical personnel. "Health care doesn't usually feel the impact of a recession as quickly or deeply as other sectors," said Tom Dolan, CEO of the American College of Healthcare Executives. But as patients scale back on their medical care, get fewer elective procedures and fewer prescriptions filled, hospitals are feeling the pinch.

In a November survey of health care providers, ACHE found that along with a reduction in demand for services, the patient fees that hospitals aren't able to collect also

increase during a recession. In the survey, 59 percent of respondents are reacting by considering cuts in administrative costs; 53 percent are thinking of cutting staff. "They may also consider looking at the dues they pay for employees or conventions they send them to," said Dolan, which spells bad news for membership groups like ACHE that provide educational programming.

For now, ACHE's program and conference attendance is holding steady. "But we're not anywhere near the end of this recession," Dolan said. "So we can't predict how we'll feel six months from now."

Franchising also tends to weather a recession well. "When the economy goes bad, there are more people out looking for other opportunities and franchising provides that, as unemployment goes up," said Matt Shay, CEO of the International Franchise Association,

which has 1,400 corporate members with nearly 700,000 franchise businesses.

An economic forecast for the sector predicts a 1 percent decline in total number of businesses, and a 2 percent drop in total jobs, "which we believe, all things considered, is very positive," Shay said. But that outlook is largely dependent on credit markets loosening and businesses having access to capital. In the current market, franchisees are seeing longer timelines for loan approvals and difficulty finding financing to establish their business.

"It's created a bottleneck as an increasing number of individuals get displaced from work and look for new opportunities," Shay said. "When that loosens, the trickle [of new businesses] will become a stream."

—T.E. Gilchrist

depending on the sector.

“As companies deal with difficult times, they are always looking to account for finances more accurately and identify savings,” said J. Clarke Price, CEO of Ohio Society of CPAS, whose members have also been cushioned during this recession. “The finance and accounting staff are the hardest working and often the last to go when staff cuts occur.”

Bouncing back

It's a good time to be a lobbyist, public policy or communications professional, as business groups work to get acquainted with the new administration or defend their industries from harmful regulations.

In general, public affairs jobs have weathered the economic storm well.

Doug Pinkham, president of the Public Affairs Council, said his members are gearing up for a “high level of activity,” particularly in Washington.

CEO Update research shows a 72 percent

“Companies will have to spend a lot of money on consultants to address issues at the last minute. That's expensive, it rarely works, and they will learn the tough lessons and put their previous funding levels back into place.”

—DOUG PINKHAM,
PRESIDENT,
PUBLIC AFFAIRS COUNCIL
ON PUBLIC AFFAIRS LAYOFFS

increase in government relations-related job listings posted between Nov. 1, 2008 and Jan. 27, 2009, as lobbying shops adjust to the post-election changes in Washington.

Industry cutbacks have been more pronounced in the financial sector, where firms and groups like the Securities Industry and Financial Markets Association have made drastic staff layoffs.

But the group's January conference in California on emerging issues in public policy

was sold out. And Pinkham believes that industries that cut back on their essential lobbying and policy staff will have to rethink their strategy six months from now as legislation with unintended consequences begins to emerge.

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K Street, contract lobbyists digest new lobbying rules

Executive order places fresh restrictions on appointees' post-administration work, extends gift ban; some warn of unintended consequences

By Tavia Evans Gilchrist

New ethics and lobbying rules may slow Washington's “revolving door,” but many lobbyists believe the rules will be hard to enforce and may unfairly restrict important information and expertise from reaching officials.

The new policies, announced in an executive order by President Obama during his first week in office, are some of the strongest passed by a new administration. A blanket gift ban prohibits appointees from accepting any gifts from registered lobbyists and their organizations.

And lobbyists appointed to work for the administration face limitations on the job—they cannot work on issues related to their former employer. When they leave, they won't be allowed to lobby any official or appointee until the administration ends, in some cases.

“Can he restrain what people do once they leave office? I'm not sure about that one,” said Doug Pinkham, president of the Public Affairs Council, an organization that counts hundreds of lobbyists as its members.

And Pinkham believes that some of President Obama's goals, though laudable, may have unintended consequences. “If he's trying to reduce the number of people cashing in on their contacts after they leave, that's a good thing. But if he keeps capable people from serving in government or earning a living once they leave, that's problematic.”

Creating a loophole

Critics immediately drew attention to the president's waiver from the rules for William J. Lynn, nominated for the No. 2 job at the Pentagon. Lynn is a lobbyist for military contractor Raytheon.

“They introduced the rules on a Wednes-

day and on Thursday and Friday you started to hear about waivers for key personnel they want on their team,” said Paul Miller, president of Miller/Wenhold Capitol Strategies, and former president of the American League of Lobbyists.

“The administration is saying one thing and doing another, creating a loophole for some and not for others,” Miller said.

Many lobbyists on K Street see the rules as an extension of the Honest and Open Leadership in Government Act, the sweeping ethics reform passed by Congress in September 2007.

“The bottom line is they are tightening the gift rules,” said Stacy Linden, senior counsel for American Petroleum Institute.

“Most of us are still digesting this executive order, but we're doing what we need to make sure we aren't violating any rules and don't create a situation where someone's contact can be called into question.” ■