

February 19, 2006

STRATEGIES SHARED BY ALLIANCE OF CEOS

GEORGE AVALOS, TIMES STAFF WRITER

Paul Witkay loves working with chief executives. But Witkay, founder and CEO of the Alliance of Chief Executives, wants to do more than just be a CEO.

He loves to compare notes with other bosses around the Bay Area, which spurred him to launch the alliance. The organization gives CEOs the chance to get together, talk about the issues and challenges they face and come up with new strategies for success.

Witkay talked to the Times about the economy and the challenges of running companies region. Here are excerpts from that interview:

Q: How do you assess the Bay Area economy?

A: Coming out of the tech bust, after going through the depths of those challenging times, most CEOs learned how to run lean and mean, learned how to get back to basics, provide customer value. They are very cautious about increasing spending. Particularly here in the East Bay, companies are expanding and building jobs.

Q: Some people believe the East Bay has the strongest economy in this region. What's your assessment?

A: I strongly believe the East Bay is the most economically diverse area in a small geographic region in the world. We have almost every industry represented right here in the Alameda-Contra Costa (counties) area -- heavy industry, steel, chemicals, paper, international trade -- along with tremendous high-tech spillover from Silicon Valley, including the semiconductors. You also have entertainment software, enterprise software, biotech, financial services and professional services.

Q: What is driving the real estate market in the East Bay and the Bay Area?

A: Real estate is a fact of supply and demand. This continues to be a great place to live. There is only so much land. The jobs are concentrated around the Bay. And so I believe supply and demand, and the desire to live near where you work, drives real estate prices.

Q: Is hiring starting to pick up? Or is it still slow?

A: Both anecdotally and statistically, people are hiring. But they are being cautious about not hiring beyond their capacity. There is no shortage of risks. There is no shortage of uncertainty. But the economy is doing well.

Q: Are you surprised the Bay Area economy has bounced back, with all it has been forced to overcome?

A: I am not surprised at all. The Bay Area is full of entrepreneurs and is so rich with entrepreneurs and innovators that you can only hold them down for so long. Every calamity creates a new set of entrepreneurs.

Q: How did you come to start your company?

A: Back in the early 1990s, I was running a health care company. I was invited to join a group of CEOs. I went to my first meeting. There were about eight people sitting around the table. They were all smarter than me. I just literally fell in love with that. Within a couple of hours, I said to myself, 'I would love to do this every day.' It just resonated. I started looking into it. A couple of years later, I left the health care company and started up the Alliance.



PAUL WITKAY ON. . .

The East Bay Economy:

"I strongly believe the East Bay is the most economically diverse area, in a small geographic region, in the world."

The Alliance of Chief Executives:

"The executives can see how other executives think, how they operate, how they give different perceptions, different business models, different strategies."

California's Business Climate:

"As long as people still love living here, this is still a wonderful place to work."

CEOs:

"They are passionate people who are trying to make a difference. They are doers. They take action."

PROFILE

Name: Paul Witkay

Age: 51

Title: Founder and Chief Executive Officer, Alliance of Chief Executives

Headquarters: Walnut Creek

Career: 1975-1979, various positions with Amoco Oil, Dow Chemical and Betz Laboratories;
1979-1983, founder and principal executive of Witkay Associates;
1983-1999, executive posts with Air Liquide America, including principal executive of VitalAire Corp., an Air Liquide health care unit;
1996-present, CEO of Alliance of Chief Executives.

Education: University of Illinois, BS Chemical Engineering, 1976;
St. Mary's College (Moraga), MBA, 1986;
INSEAD Executive Management Program, France, 1990.

Q: How does the Alliance work?

A: We want all the CEOs to have access to all these different industries and business models by really getting to know them very deeply and having strategic discussions with CEOs in different industries. The executives can see how other executives think, how they operate, how they give different perceptions, different business models, different strategies.

Q: How do the meetings work?

A: We have groups of 10 to 12 CEOs. When they come together at the strategic level for business, there are rarely black-and-white answers. They really drill into their strategic issues.

Q: And the meetings have agendas?

A: There is a structure. I equate it to jazz, where not every note is scripted. But there is a certain chord structure and rhythm. We will spend time with one member and one business, really drilling down. They brainstorm.

Q: How do the executives move beyond the structured meetings?

A: The executives become an extended executive team for each other. At the end of the day, we are a group of human beings who run companies, rather than a group of companies.

Q: What are your thoughts about the business climate in California?

A: California is a high-cost place to do business, the infrastructure needs work, the school system needs work. We certainly could look at all the challenges that California has. However, it is also one of the best places to build a business.

Q: Why?

A: The primary factor in creating a successful, growing business is having the right talent. It is a challenge. We have high real estate prices. We are in deep competition with other parts of the world. There can be exciting companies in other parts of the world. But as long as people still love living here, this is still a wonderful place to work. There is a critical mass of talented, entrepreneurial people. They are still in abundance in the Bay Area. It may not be a great place to do manufacturing, but with all the knowledgeable, talented workers here, it still is a great place to start a business.

Q: Is venture capital still the lifeblood of new companies?

A: It's an important factor, but I don't know if it's the lifeblood. Far more companies get funded by the founders and their friends and family and never get venture capital.

Q: How does your company make money?

A: The alliance is entirely member-supported. It is completely supported by membership dues.

Q: Are your revenues growing quickly?

A: It's more a church than a business.

Q: Is it harder to run a company today than in the past?

A: Yes.

Q: Why?

A: The world is changing so fast. Technology is changing so rapidly. We are competing on a global basis. Even service businesses that were totally local in the past now are competing with people all around the world. They have to figure out ways to access the global markets. With the Internet, access to broadband, with supply chain capabilities, you compete with so many other elements, and speed is so important.

Q: What is the impact of the corporate scandals?

A: We're doing the right thing, but companies have additional burdens of proof put on them to verify that yes in fact, they are in compliance.

Q: What are the Sarbanes-Oxley challenges?

A: It's an additional burden. It's a very costly burden. But within the Alliance, the CEOs are preoccupied with the future. They want to figure out how to build a successful, growing business.

Q: What are the greatest misconceptions about CEOs?

A: There are a lot of misconceptions. On one hand, (people) think CEOs have an easy job because they are the boss, they have everybody else doing the work and they get paid the most. But being a CEO is a very lonely job. The CEO has to please all of the stakeholders in the company.

Q: Talk a little more about the pressures that CEOs face.

A: When a CEO walks into a company every day, they have to be positive and optimistic, because everybody reads their body language. And the employees expect them to have a clear vision of where the company is going and where they are headed.

Q: Even with all this pressure, is there nothing else you'd rather be than a CEO?

A: I love dealing with CEOs. They are passionate people who are trying to make a difference. They are doers. They take action.