

ALLIANCE OF CHIEF EXECUTIVES

BRINGING LEADERS TOGETHER

EXCHANGING STRATEGIC INSIGHTS

TAPPING COLLECTIVE EXPERIENCE



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Since 1996 the Alliance of Chief Executives has been helping CEOs solve their most profound, strategic challenges.

As the premier organization for chief executives in Northern California, we gather leaders from virtually every industry and market sector to engage in confidential exchanges that typically wouldn't—or couldn't—take place anywhere else.

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The Lessons of Scaling

CEOs who have 'been there' weigh in on the right ingredients

By Warren Lutz

Mihir Shukla (Group 333) runs Automation Anywhere, a company that began, in true Silicon Valley tradition, in an actual garage. Then it found a market niche that began to grow—and grow.

"We realized this was really a very big opportunity, not the kind we believed in when we started, but a real one, with validation," Shukla said. "We had to scale."

Believing that nearly anything could be broken down into three steps, Shukla took the same approach to scaling. But there was a problem. "I couldn't narrow it down to three steps," he said. "That was the first lesson I learned: There are many aspects to scaling."

With economic conditions improving,

many leaders like Shukla are attempting to scale their companies and running into the very same challenge he has. For Shukla, the first lesson involved mindset. "What got you 'here' won't get you where you need to go, which means your thinking has to change," he said.

Shukla needed time to think about where the market was going and looking ahead. He needed money—more than he thought. And he needed people in different roles, and new IT systems to support those roles. Other functions and departments needed



Mihir Shukla
Automation
Anywhere

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Scaling is about mindset, not numbers

Bob Sutton: 'Felt accountability' and art of subtraction are important



Bob Sutton
"Scaling Up Excellence"

By ACE Staff

According to Bob Sutton, author and Stanford University professor and author of the book, "Scaling Up Excellence," successful scaling isn't just about running-up the numbers—it's also about spreading and sustaining a mindset.

It was just one of many lessons Sutton shared with Alliance members at the April 10th Regional Meeting. The "big lessons," as Sutton calls them, were:

Scaling is about "felt accountability." It's the feeling,

Sutton said, "that you own the place and it owns you."

Second, **scaling is "a problem of more and less."** The best leaders, he said, play a game of subtraction by removing once useful but unnecessary rules, roles, rituals, products and services.

Sutton then outlined five "scaling principles" to follow:

- Link hot causes to cool solutions - get people excited by arousing collective pride, aggression or both.

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When Leaders Struggle With Feeling 'Stuck'

During uncertainty, leaders may question whether the mission is achievable

I've read hundreds of great quotes from amazing leaders who attempt to describe "leadership." One of the simplest descriptions comes from Chan Master Fuchan Yuan, who identified three essentials to leadership: "*humility, clarity and courage.*" Although leadership can be incredibly complex, I believe Yuan provides a pretty good starting point.



PAUL WITKAY
FOUNDER

- **Humility** seems to be a character trait that most people either have or they don't. Although many people perceive CEOs to have large egos, great leaders know that leadership is NOT about them as individuals. Their passion for their mission attracts followers, who trust they sincerely believe in their cause and have at least a chance to accomplish their goal. Jim Collins, author of "*Good to Great*,"

talks about "Level 5 Leadership." Level 5 leaders combine deep personal humility with intense professional will.

- **Clarity** is highly valued by most all organizations. "*Why do we exist?*" "*Where are we going?*" and "*How will we get there?*" are essential questions that leaders need to answer if they are to build high-performance organizations. However, globalization, technology innovations, political uprisings and economic uncertainty are only a few of the things that make "clarity" hard to come by these days.

- **Courage** is expected of our leaders. Few things that are worth doing in life are easy, and followers must know that their leader is up to the challenge and will stay the course – especially in the toughest situations.

All three traits are important. But while I believe humility is a personal trait that doesn't disappear overnight, clarity and courage can sometimes be lost in an instant and can be difficult to regain.

When a leader has a clear and compelling vision and a well-conceived strategy, the path ahead seems to unfold effortlessly, one step after another. However, sometimes the "right" path isn't so easy to find. Competitive situations and market opportunities can change quickly, and even the best leaders experience an occasional crisis of confidence or a feeling of really being "stuck." During uncertain times, leaders may question not only whether their mission is achievable, but also questions such as:

- Is their current strategy a winning one?
- Do they have the right people on their team?
- Are they still the right leader for the challenge ... and vice versa?

So what do great leaders do when these questions creep into their brains? Based on the lessons I've learned from

great leaders, I recommend the following:

Start with "Why"

Simon Sinek's TED talk, "*Start with Why: How Great Leaders Inspire Everyone to Take Action*," is one of the most popular TED talks of all time. Sinek spoke about how people act according to their beliefs. Is your mission still compelling and crystal clear? If not, think deeply about what has changed since you began your leadership journey. Has your mission become even more important? Or has it diminished in some way?

Spend Time with Customers

I like to make time to get together one-on-one with customers, both long-term customers and new ones. Try this, and really listen to what your customers say. Do they truly appreciate what you are doing? Or are you simply a commodity to them, and would they easily and willingly switch to a competitor?

Spend Time With Employees

If you haven't had the time to sit down with or ride along with your employees in a while, take the time to do it now. Listen to what they tell you about your customers and what they enjoy about the company and what they don't. Do they have a clear sense of the mission and strategy? What would they do to improve? This is a listening exercise.

Get Outside Perspectives

I founded the Alliance of CEOs in 1996 to enable leaders to discuss their most sensitive and deepest challenges in confidential, private meetings with other CEOs they respect and trust. All of us get into thinking and behavior patterns, and we typically need others who think differently to identify fresh approaches. Breakthrough ideas almost always come from outside, but leaders must invest their time to ensure they get

outside perspectives that will challenge the way they think.

Take Time For Yourself

Great leaders are passionate about their missions in life. From time to time, however, leaders must take the time to slow down and reflect on their lives and current activities. Are you working to your full potential on things that really matter? You should explore these questions in depth until you truly feel clear and energized by your decisions.

While leaders can sometimes lose clarity and courage, these traits can be restored, too. Once you've regained clarity, you will be able to move swiftly and confidently to communicate your vision while being open to any and all ideas that will enable your organization to achieve your goals. When your mission is absolutely clear, you will also be able to muster the necessary courage to do what is needed.

*Even the best
leaders experience
an occasional crisis
of confidence
or a feeling of really
being "stuck."*

Nuggets from Behind Closed Doors

Alliance members allow selected insights to be captured and shared

Inside every private Alliance meeting, there are hundreds of years of experience. While keeping confidentiality of the member who provided the challenge to their group, we've captured (with permission) just a few of the insightful comments from a handful of members. Read what these two members had to say to get a glimpse of what it is like to be an Alliance member.



"It doesn't feel good to not try for growth. But trying to grow a firm that has weak prospects is folly."

Sudhir Aggarwal, Transition Management

Sudhir Aggarwal: Not All Companies Are High-Growth

The case at hand was brought to a recent Alliance meeting by an Alliance CEO who wanted to know how to double his company's sales in five years in order to sell it, even though the company had limited cash to put into growth efforts. In response, here's what Sudhir Aggarwal, CEO of Transition Management, shared with his Alliance group.

"I know how it feels to not grow as fast as you want to. A company that I was running was growing slowly, while my friends were growing firms at 30% per quarter! But the challenge you describe appears to be very difficult to achieve—perhaps too difficult.

"You told us you could stop trying to grow and your business would be able to coast along for a least a few years and produce \$20M in free cash. If I were in your shoes and it was my company, I would simply cut back hard on expenses and harvest the cash as 'my' exit.

"I would do so knowing that 'my' company has a small market share and faces significant challenges – for example, given the isolated geographic location of 'my' firm, I would not be able to find the talent I needed to grow. Second, being in my late 40s, if I tried

and failed to grow the company I would end up having to start all over in my mid-50s.

"Keep in mind that our duty as CEO is to make the most money

from whatever business we run. Let's face it, some businesses just cannot be high-growth, and may actually be in decline. If that's the case, it's our job to pull cash out as they decline.

"It doesn't feel good to think of yourself as a 'harvester' and not try for growth, I know. But trying to grow a firm that has weak prospects is folly."

Rick Martig: Get a Product Marketing VP

The case at hand was brought by a fellow Alliance member whose company's product management efforts were stuck in research and needed to jumpstart marketing in a way that tied its R&D with market needs. Here's what Rick Martig, CFO of Nexenta Systems, a leader in software-defined storage solutions, shared with his Alliance peers.

"I can see that your firm's product management efforts are withering from too many years in research

mode, and that marketing is taking place too far into the sales process. There needs to be links between your customer needs, sales, marketing and engineering.

"Product marketing is critical. Engineers will build something new and snazzy, but they don't necessarily know whether there is a market need for it. If I were in your shoes, I would find a great VP of product marketing to lead the way.

"However, I would keep product management separate from product marketing. Product management is responsible for driving new products through the different development stages and getting the product to the market on time. For example, if I had two divisions with divergent product lines, I would have one VP of product management at the corporate level to create one process, but two different product management directors for each group responsible for product definition, pricing, managing the go-to-market programs with sales and promotional efforts working with marketing.

"These steps would give me a better chance to 'un-stick' product management and jumpstart product marketing, so I know that I am deliberately and accurately driving my firm's R&D efforts to what the market really needs."

"Engineers will build something new, but don't necessarily know whether there is a market need for it."

Rick Martig, Nexenta Systems



Lessons from Penguins

Documentary taught plenty about risk, reward and ROI

By ACE Staff

When it was released in 2004, "March of the Penguins" became a cultural phenomenon and the second-highest grossing documentary of all time. But for producer Adam Leipzig, the film's greatest impact was the lessons it taught about risk, reward and the real meaning of ROI.

Among the lessons the former Disney SVP and president of National Geographic Films told Alliance members that he learned while making the Oscar-winning documentary were:

- Quality matters.
- Being different matters.
- Even with something out of the box, there must still be guideposts.
- "It can't be spinach." (People don't go to the movies to eat vegetables.)
- Partnerships matter. "With another studio or distributor, we probably

wouldn't have had as good an outcome." Leipzig said.

- Work with top talent.
- Respect the audience.
- Everything can change. Some of the distributors took one look at the original French film and walked away.
- Know your niche. Smart people know: Go big, go niche, or go home.
- If you're not taking risks, you're not playing the game.

Leipzig is currently CEO of Entertainment Media Partners, where he provides informed guidance, deal making intelligence and relevant connections, in addition to promoting financial literacy.



Adam Leipzig
Entertainment Media
Partners

Robert Sutton

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- Live a mindset, don't just talk about it—strong beliefs are created and sustained by what people do more than what they are told.
- Cut cognitive load - but deal with necessary complexity.
- Connect people and cascade excellence - let those with the desired mindset become mentors.
- Go from bad to great - bad behavior is strong, more lasting and more contagious than good behavior. Get rid of it!

Sutton is also an organizational researcher and best-selling author of "The No Asshole Rule" and "Good Boss, Bad Boss."

Members throughout the Alliance are welcome to attend any of our keynote breakfasts and meet other members. Look on the back page for a list of upcoming events, or go to the "Events" section of the Alliance of CEOs website.

Welcome New Alliance Members!

Member	Group	Company	Website	Industry
Guido Baechler	Q300	Singulex	www.singulex.com	Medical Equipment & Services
Andy Berkenfield	202	Duncan/Channon	www.duncanchannon.com	Advertising/Marketing
Cassio Conceicao	T105	SGI	www.sgi.com	High Performance Computing
Lester Feintuck	T115	AKQA	www.akqa.com	Advertising/Marketing
Paul Finkle	271	SharedHR	www.sharedhr.com	HR Outsourcing
Vineet Gulati	333	HealthExpense	www.healthexpense.com	Healthcare Benefits Consulting
Barry Kayton	275	Cognician	www.cognician.com	E-learning
James Kilpatrick	202	NAI Northern California	www.nainorcal.com	Commercial Real Estate
Kevin Kopczynski	309	ENKI Technology	www.enkitech.com	Solar Energy Technology
Peter Koshland	271	Koshland Pharm	www.koshlandpharm.com	Custom Compounding Pharmacy
Douglas Murray	302	Big Switch Networks	www.bigswitch.com	Software Defined Networking
Stephen Peary	T115	Phizzle	www.phizzle.com	Marketing Automation
Krishna Rajagopal	121	Narish International	www.narishintl.com	Business Consulting
Jeff Sipes	431	Blue Water Credit	www.bluewatercredit.com	Credit & Financial Consulting
Alyse Sukalski	T120	Giant Creative Strategy	www.giantagency.com	Healthcare Advertising/Marketing
Pulin Thakkar	341	Marketly	www.marketly.com	Online Brand Protection
Dan Walsh	T110	RGB Networks	www.rgbnetworks.com	Multiscreen IP Video Technology

To learn more about the Alliance of Chief Executives, including membership information, visit us online at www.AllianceofCEOs.com or call (925)942-2400.

Alliance Community Activities

Software Roundtable

In addition to our private Alliance Groups, the Alliance enables our members to come together with leaders within their own industries to share ideas and get to know Alliance members from throughout the Alliance. On March 5th, Alliance member, Stan Schneider, hosted other software CEOs at our Software Roundtable at his headquarters for Real-Time Innovations in Sunnyvale.



Influencing Change

Alliance member Lori Bush, CEO of Rodan + Fields, kicked off our April 29th Alliance Roundtable in San Francisco and spoke about how she selected and built a sales team of 50,000 and grew her company from \$4M revenues in 2008 to over \$200M in 2013. Inspired by the book, *"Influencer: The Power to Change Anything,"* Lori pilot-tested a program to modify the behavior of her sales team. After Lori's remarks, members broke into small groups to discuss their specific issues using our Alliance methodology.

CEO-CF Reception

Members of the CEO-CF European CEOs joined Alliance of Chief Executives members at an April 3rd Reception and Dinner in Santa Clara. Alliance members also had the opportunity to meet personally with members from our European partners, CEO Collaborative Forum (CEO-CF) at our South Bay Regional Meeting on Friday, April 4th at the Santa Clara Convention Center. Joint Roundtable Discussions were held later that day.



Scaling: Build and work the plan, but don't expect perfection

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more focus, especially finance, recruiting, training, compliance, sales and customer service.

"A key part of scaling is having many more customers," Shukla said. "That means more sales and better customer support. Set aside time for this every day if you have to. You can fail at many other things, not this." Companies that scale, he added, should also take care of its founders, communicate with the team, and talk to your spouse and family, because "it will be very hard on them."



Gary Gysin
Liquid Robotics

Gary Gysin (Group 307) of Liquid Robotics has experienced scaling several times. "One of the key ingredients is having the right people in the right spots that know how to scale an organization and know how to build scalable products and services," he said. "To go from one hundred users to one million users, as an example, you need people who have been through it before and who know what that journey is like."

Gysin's previous company was supplying 5,000 units per quarter before it signed a contract with a major customer. In the next quarter, the company had to deliver 500,000 units. Fortunately, Gysin's company had let the customer know there might be growing pains. "That was an incredible journey,

and it would have never have happened if that foundation wasn't set and if the customer didn't know there were going to be some bumps in the road," he said.

It also helps to have a product that has potential in multiple market segments. Gysin's current company is

building a robotic platform that has uses in the fields of the federal government, oil and gas, and marine research. "From a market perspective, we have to be in play in enough markets so that when the 'killer app' hits in our segments, we're ready," he said. "That requires being 'right' in the segments you're in. But if you only pick one segment, it's not likely to happen."



Shane Buckley
Xirrus

CEOs of product-based companies need to make sure their products are designed to scale before trying to scale them, says Shane Buckley (Q400) of Xirrus, a provider of wireless networks.

For Xirrus, the key was to make a product that was "very simple," Buckley said. "When you buy one of our products, you plug it in and all the capabilities are activated and enabled over the Internet," he said. "In two minutes, it's up and running, which gives us the ability to scale. Plus, we can install a large number of products, which grows revenues."

The company's go-to-market model is scalable, too. Xirrus uses an inside sales team that is able to respond to all sales opportunities within 48 hours, with 90 percent responding in 24 hours. "Within two days, you've spoken to one of our reps and we have qualified the opportunity and you have access to one of our solutions," Buckley said. "We can have thirty to fifty conversations a day."

For Xirrus, the key was to make a "very simple" product. "In two minutes, it's up and running, which gives us the ability to scale."

Eric McAfee (Q200) of AEMETIS, a vertically integrated biofuels company, said that even companies that have a strategy to scale could face surprises. For AEMETIS, the surprise was dealing with changing investor appetites following the 2007-08 financial crisis. "That made additional equity funding very difficult, so we had to focus on using the debt markets and acquiring assets as a specific strategy to avoid the equity markets," McAfee says. "In our case, we built one plant and acquired the other plant."

The plan worked. The company's revenues soared from \$9 million in 2009 to \$179 million in 2013, with current run rates in excess of \$250 million. The benefit was that many of AEMETIS's competitors were unable to raise capital anywhere else but in the equity markets. Because the company had a leverageable asset in its technology, it had an edge. "Then we went international immediately, which took us out of the U.S. regulatory arena," McAfee said.

"That mitigated our risk, diversified our management expertise and provided us with a global customer base."

Thirdly, the company acquired assets during the downturn, picking up companies that could not survive. It retained senior management, too. But most of all, says McAfee, AEMETIS had the right view of industry trends. "We were correct in our assessment of the industry demand and supply factors," he said. "We made asset acquisitions and other moves that were consistent with our view on how product supply and demand worked. Others had a different view, and it happened to be our view that was the correct one."

Anthony Sperling (Group T105) of Advent Software, which provides solutions for the investment management industry, notes that "scale" is a relative term. And yet, companies should always be scaling in some capacity. "There are places where we have more mature business or product lines, and to 'scale' in that capacity often means 'optimizing'—whether the focus is margin, profit, throughput, or some other factor," Sperling said.

"The key is to always apply what you learn into adjustments and improvements along the way," he says. "The reality never goes exactly to plan. The key is staying nimble and adjusting as you ramp."

He has learned the importance of building and working a plan—but one shouldn't expect everything to go perfectly. "Over-fixating on the plan is often a waste of time," he said. "Often achieving scale is new territory, so you have to realize that the 'plan' was created in an environment where you likely did not have many of the data points to fully understand the realities. Just move forward."



Eric McAfee
AEMETIS



Anthony Sperling
Advent Software

Warren Lutz is Editor of the Alliance of Chief Executives newsletter. He may be contacted at wlutz@allianceofceos.com.

Members In The News

Five Alliance Member Companies Named as Best Places to Work

April 17, 2014

Congratulations to the following Alliance Members whose companies were named to this year's list of the "Best Places to Work in the Bay Area" by the *San Francisco Business Times* and the *Silicon Valley Business Journal!*

- Keas - Josh Stevens (Group 280)
- Kaiser Permanente - Sandra Pham (T115)
- Private Ocean - Richard Stone (Group 202)
- Remedy Interactive - Kim Weiss (Group 212)
- Syserco - Derek Eggers (Group 121)



Profile of Ben Davis and Phizzle

April 11, 2014

San Francisco Business Times reporter Sachiko Yoshitsugu profiled Alliance member, Ben Davis (Group 275) and Phizzle, a leading provider of advanced mobile marketing and digital advertising technology.



Patxi's to Add 60 Pizzerias

April 8, 2014

Patxi's Pizza is about to embark on major West Coast expansion plans, including the rollout of almost 60 new outlets in the next five years. Patxi's is led by Bill Freeman (Group 202).



LawRoom Training Program Wins Gold NASPA Excellence Award

March 17, 2014

Think About It, CampusClarity's online substance abuse and sexual violence training program for colleges and universities, won the 2014 Gold NASPA Excellence Award for Violence Education and Prevention. CampusClarity is a service of LawRoom, led by Ralph Yanello (Group 105).



Two Named to Build 100 List

March 1, 2014

Congratulations to Peter Sortwell (Group 120) of Arborwell and Rick Sutherland (Group 305) of ClickAway, whose companies were named to Inc. magazine's inaugural "Build 100" list!



Jeff Cleland (Group 333), cofounder and CEO of Versartis (VSAR), a biopharmaceutical company developing long-acting therapeutic proteins for the treatment of endocrine disorders, rang the closing bell at the NASDAQ MarketSite in Times Square to celebrate the company's IPO on March 21st.

Upcoming Alliance Events

For an updated list of all Alliance events, go to www.allianceofceos.com/events2

The core of the Alliance is our private groups which meet throughout Northern California. Because the collective experience within the Alliance is truly extraordinary, we enable our members to come together in a variety of ways to "cross-fertilize" their diverse knowledge and experiences and connect in meaningful ways. If you would like to be invited to any of the Alliance events below, please contact Laurel Madal at (925) 942-2400 ext. 201 or lmadal@allianceofceos.com.

Keynote: Derek Lidow, Professor, Princeton University; Friday, May 9 in San Francisco

Derek Lidow is widely known as one of the world's top experts on the electronics industry, a successful entrepreneur who built iSuppli, a leading market research firm, and is currently teaching Entrepreneurial Leadership and Creativity, Innovation and Design at Princeton. Event begins at 7:30 a.m. at the Bently Reserve in San Francisco.



Keynote: Russ Harrison, Founding Principal, The Leadership Group; Friday, May 16 in San Ramon

Alliance Director, Russ Harrison, will join us for this Regional Alliance meeting. During his 40+ year career, Russ has led both Fortune 100 and entrepreneurial organizations. Russ was one of the early employees at EDS with Ross Perot, the first CIO at McKesson, developed Bank of America's international banking systems, and was the founding President of American Airlines' Information business. Event begins at 7:30 a.m. at the San Ramon Valley Conference Center.

Alliance Spring Dinner; Thursday, May 22 in San Jose

All Alliance members and their guests are invited to attend our Alliance Spring Dinner at the Silicon Valley Capital Club in San Jose. Our wine reception and dinner are free for Alliance members and their guests! We host three "All-Alliance" CEO Dinners throughout the Bay Area to enable our members to get to know their fellow Bay Area CEOs. Event begins at 6 p.m. Reserve your space early—this is a popular event!



Keynote: Baba Shiv, Professor, Stanford University; Friday, June 6 in Santa Clara

Stanford Professor Baba Shiv will join us to discuss neuroeconomics, with specific emphasis on the role of neural structures related to emotion and motivation in shaping decisions and experiences. His recent work examines the interplay of the brain's "liking" and "wanting" systems and its implications for marketing, innovation, leadership and decision making. Event begins at 7:30 a.m. at the Santa Clara Convention Center.

Pan-European Meeting: CEO Collaborative Forum; June 15-17 in Barcelona

Through our continued relationship with the CEO Collaborative Forum, Alliance members are invited to attend the 2014 Pan Euro Meeting in Barcelona, Spain. The CEO Collaborative Forum (CEO-CF) is an organization for CEOs throughout Europe which brings CEOs together in environments very similar to the Alliance of CEOs. If you would like to join Alliance Founder Paul Witkay, in Barcelona to build connections with CEOs in Europe, please contact Laurel Madal at lmadal@allianceofceos.com.



Keynote: Regis McKenna; Thursday, July 10 in Santa Clara

Regis McKenna founded his own high tech marketing firm, Regis McKenna, Inc., in Silicon Valley in 1970 and is among the *San Jose Mercury News'* Millennium 100 as one of the 100 people who made Silicon Valley what it is today. McKenna has written and lectured extensively on the social and market effects of technological change advancing innovations in marketing theories and practices. Event begins at 7:30 a.m. at the Santa Clara Convention Center.

Keynote: Curt Carlson, Vice Chairman for Innovation, SRI; Friday, August 1 in Santa Clara

A thought leader on innovation and global competitiveness, Curt Carlson advises U.S. governors, prime ministers, economic ministers, and education ministers around the world on innovation, competitiveness, and educational reform. He is the co-author of "*Innovation: The Five Disciplines for Creating What Customers Want*," selected by *Business Week* as one of the top 10 business books for 2006. Event begins at 7:30 a.m. at the Santa Clara Convention Center.



2185 N. California Blvd., Suite 590

Walnut Creek, CA 94596

(925) 942-2400

www.AllianceofCEOs.com