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Do-It-Yourself Consulting: CEOs Gather to Swap Tips

By PHRED DVORAK
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When Alan Huttmann's trucking company ran into trouble last fall, he summoned his most trusted advisers: a support group of other chief executives.

Expenses at HA Logistics Inc. were soaring and the company, with annual revenue of $50 million, had just lost $50,000 in a month. "It's come-to-Jesus time," Mr. Huttmann told the heads of a software firm, a machining firm and a technology consulting firm.

Brotherhood of Bosses

These four San Francisco-area executives have met for nearly a decade as part of a CEO peer group:

Bob Brown, 50
Teladata LLC
When the consulting-company boss was unexpectedly bedridden for two years, other CEOs stepped in. "I love those guys," Mr. Brown says. "Here's a bunch of people wired the way I am."

Doug Hill, 46
True-Tech Corp.
Mr. Hill's precision-machining company was among the first to feel the technology downturn, and had to cut staff deeply. The group tagged him the "hatchet man."

Alan Huttmann, 49
HA Logistics Inc.
Trucking company CEO convened an emergency session when his company showed its first monthly loss. "We had all this history," says Huttmann. "That's what all the years do."

Bruce Nagle, 48
RW3 Technologies
He recalls "sitting there kind of smug" as others discussed slashing their staffs. But when the tech downturn hit his software business, he says, the meetings provided a blueprint for his own cuts.

The men, who had known each other for years through a group in the San Francisco area, told Mr. Huttmann to dismiss some managers and close a struggling office. One CEO came to HA Logistics's Christmas party to vet the managers himself, later telling Mr. Huttmann which ones he'd suggest firing.

Mr. Huttmann says the candid and often painful counsel is why he turns to peers with his thorniest business problems. "These guys have no stake," he says. "That's the beauty of this model."

CEOs say it's tough to get advice they can trust. Consultants tend to be abstract and concerned with keeping their contracts, they say. Lower-level executives are too deferential. Friends often don't have the business experience.

So as pressure builds from activist shareholders, fast-moving competitors or stricter boards, chief executives are increasingly banding together in formal peer groups. Mr. Huttmann is among 250 members of the Walnut Creek, Calif.-based Alliance of Chief Executives, which convenes groups of a dozen or so CEOs to discuss anything from corporate strategy to personnel problems. Another company that connects executives, Vistage International, counts 6,500 CEO members and has grown 10% a year since 2005.

These executives typically run small, closely held companies. But heads of big public companies also join in. Jim Balsillie, the co-CEO of BlackBerry maker Research in Motion Ltd., is one of 15,000 members of the Young Presidents' Organization. Carl Bass, CEO of Autodesk Inc., a software maker with an $11 billion market capitalization, is a member of the Los Angeles-based Center for Corporate Innovation. Stephen Newberry, CEO of Lam Research Corp., a maker of semiconductor-manufacturing equipment with a market value of $7 billion, is in both the Center for Corporate Innovation and the Alliance.

Leaders of publicly traded companies say they often turn to peers with issues too small or unformed to raise with a board of directors. In an era of increasingly arm's-length relationships between boards and CEOs, top executives say they also use the sessions to talk about their directors. "There are issues you can take to your boss and some you can't," says Autodesk's Mr. Bass. "It's almost like friends in high school. You're going through the same thing at the same time."

Public-company chiefs are bound by strict rules on insider trading, as well as the Security and Exchange Commission's Regulation FD, or Fair Disclosure, which aims to prevent companies from releasing important information to select investors and analysts. The companies that run the peer meetings typically make participants sign nondisclosure agreements. The Alliance and securities lawyers say they believe such a confidentiality rule satisfies the SEC's guidelines. The Alliance also prohibits members from trading in each others' stock.

Mr. Huttmann and his circle have come together each month for nearly a decade. Members come and go, but a nucleus of four CEOs, all of whom run private companies in California, has remained intact.

Doug Hill, 46 years old, from precision-machine company True-Tech Corp., is known as the "hatchet man" for quick cost-cutting decisions. Bob Brown, 50, head of consulting firm Teladata LLC, is an enthusiastic entrepreneur who's always trying out new ideas. Bruce Nagle, 48, CEO of business-software maker RW3 Technologies Inc., tends to mull things before speaking. Mr. Huttmann, 49, describes himself as a "sales guy" who likes discussing management techniques.

'These Words Are Killing Me'

At a November meeting, Mr. Nagle presented a proposed marketing campaign for RW3, the 55-person company he founded in 1992. Its business-software programs track which products are on store shelves for consumer-goods manufacturers such as Kellogg Co. Lately it had started analyzing sales and product placement, and the CEO wanted to make sure clients knew that.

Mr. Nagle presented a case study showing how a customer had used the services. He unveiled a new logo, as well as names for his business lines (Software, Report Services, Strategy Services) and a new company tagline ("Insights. Innovation. Real World Solutions.").

Mr. Hill said he didn't think Mr. Nagle had enough clients to justify rebranding. "Customers don't want to hear the tagline. Sorry," Mr. Hill said. "They want to know, 'What can you provide to me?'"

Mr. Brown jumped in. "Some of these words are killing me," he said, pointing to Mr. Nagle's proposed copy. "Like 'strategy.' To me, it's bull-." In the tagline, he suggested, the word "innovation" should be replaced with something more "meat and potatoes." And the case study, Mr. Brown continued, didn't say how much RW3's client had saved by using its services.

Afterward, Mr. Nagle reworked his case studies, hired a new copywriter and excised the word "strategy." He kept his new logo and tagline.

The bluntness doesn't appeal to everyone. Mr. Huttmann says he has scared away members by expressing himself too forcefully, though he says he has toned down his critiques with newcomers. "Some people can't take the pain," he says.

OK to Be Brutal

Getting the chemistry right is tricky, says Paul Witkay, the Alliance's founder. Mr. Witkay, whose organization charges members $7,000 to $12,000 annually, says he matches CEOs with comparable management experience but different personal and professional backgrounds. He separates those with competing businesses. Every group gets a moderator -- Mr. Witkay attends each of the Huttmann group's meetings -- and he says he encourages executives to push each other without getting personal. "My job is to make it OK for them to be brutal," he says.

Such peer groups typically meet for a half or full day. Some executives say it's not worth the commitment. After seven years in a group run by another organization, Barry Shames, owner of a construction company in Livermore, Calif., says he wasn't getting much new management advice. "It got a little stagnant," he says. Though he quit, he says he continues to confer with some of the executives he met.

The four CEOs in the Alliance program each joined in the late 1990s. Mr. Huttmann, an amateur pilot and boat enthusiast, sometimes invited the others to spend time on his yacht. Once he flew Mr. Hill down the coast to Half Moon Bay, Calif., for lunch.

They bonded at a meeting in September 2000, held at Mr. Brown's vacation home in Discovery Bay, Calif., about 60 miles east of San Francisco. About 10 CEOs attended, swapping stories in swimming suits and flip-flops as they grilled steaks and drank Silver Oak cabernet.

At 2 a.m., Mr. Huttmann approached Mr. Nagle, who had been relatively quiet at meetings. "Bruce, I really love you," Mr. Nagle recalls Mr. Huttmann saying. "The only problem is you're thinking things you're not saying. Spit it out." Mr. Nagle says he opened up more afterward. Mr. Huttmann says he doesn't recall specifics of the talk.

At around that time, Mr. Hill was wrestling with a bigger problem. His partner in closely held True-Tech wanted to sell his half of the business. Mr. Hill was optimistic that the company would grow, but he would have to borrow nearly $10 million to buy his partner's stake.

Mr. Huttmann told Mr. Hill that if he had faith in his company, he'd take the risk. "Either you believe in what you're saying and step up to the plate, or it's bull-. Which is it?" the trucking executive recalls saying.

Mr. Hill took the leap. But his timing was lousy. Technology stocks had been declining since March of that year. A few months later, orders dried up from the semiconductor-equipment makers who were Mr. Hill's biggest customers. In the first half of 2001, Mr. Hill slashed his work force to 60 people from 180 and cut his own pay in half.

"I felt real guilty for a long time," Mr. Huttmann says.

Mr. Hill says that buying out his partner was the right move and that True-Tech is now above 2000 levels in staffing, revenue and profit. "I don't regret it a bit," he says.

Soon, Mr. Hill was in a position to dispense payroll-slashing advice to his peers. By January 2001, Mr. Brown's consulting business was hurting. Teladata had thrived by designing phone and computer networks at Internet companies, and now those customers were going under.

In April, Mr. Hill advised Mr. Brown to cut staff and expenses quickly and deeply, to avoid having to do it more than once. Just weeks before, Mr. Hill explained, he'd pummeled his own company's morale with a second round of layoffs.

No Crying

Mr. Brown waffled, but finally decided to halve his staff to 15 people in June. The night before, he called Mr. Hill. "Stay tough," Mr. Hill advised. "Don't let them see you cry." Soon after, Mr. Nagle also took Mr. Hill's advice to heart: After one of RW3's big clients filed for bankruptcy, Mr. Nagle let go one-quarter of his workers.

In February 2003, Mr. Brown was driving a dune buggy on the central California coast and plunged into a ravine. One of his vertebrae was pulverized. Doctors recommended that he stay immobile. "The business was in survival mode, and I couldn't do anything to help," Mr. Brown says.

The other CEOs stepped in. The group broke with precedent to let Mr. Brown's second-in-command, Gregory Bell, attend meetings. Mr. Huttmann coached Mr. Bell on how to track the performance of Teladata's sales team. Mr. Nagle invited Teladata managers to his office to see a new system he'd implemented for organizing customer data and targeting marketing pitches so they didn't seem like spam. Mr. Hill offered staffing advice as the company continued its belt-tightening: When presenting pay cuts, Mr. Hill advised, focus employees' attention on the company's benefits and perks.

In June 2005, after nearly two years in bed, Mr. Brown returned to work, 2 inches shorter.

Only Mr. Huttmann and the trucking business that he bought in 1992 had escaped the tumult of the early 2000s. In 2003, he began to expand a newer part of his business that analyzed clients' inventory and supply chains and made them more efficient. To do that, he needed expensive new software and a specialized sales team.

Though Mr. Huttmann reinvested nearly $1 million a year into the business, by mid-2006 his sales weren't growing as fast as he wanted. He had poured another $1 million into a new office in Los Angeles that wasn't generating much revenue. In September, HA Logistics posted its first loss ever.

In early November, he called Messrs. Brown, Hill, Nagle and Witkay to a rare emergency meeting, held at Blackhawk Country Club in Danville, Calif., where Mr. Hill is a member. The other CEOs made their tough cost-cutting suggestions.

Participants say Mr. Hill was particularly forceful, saying, "Cut L.A.! Cut, cut, cut!" Mr. Hill dropped by HA Logistics's Christmas party and, on his own initiative, talked to its managers and then recommended to Mr. Huttmann which ones he should dismiss. "I said, 'I like that guy, that guy and I don't like that guy,'" says Mr. Hill. "I get pretty bold and insistent."

Mr. Huttmann says he hasn't fired any managers. But he closed the Los Angeles office and put four of its five employees on commission-only contracts. Two chose to quit. Eight months later, Mr. Huttmann says, his revenue and profits have improved, though he's hoping his company will grow faster so he won't have to retrench.

Mr. Huttmann says that while he always has the last word on his company, he respects the advice of the "Alliance brothers," as the four call themselves. "We've all been through the fire," he says.

Write to Phred Dvorak at phred.dvorak@wsj.com