

GROWING COMPANIES

Through the Power of Peer Groups with the CEO Roundtable



*Editor's Comments: For CEOs of middle market private companies with a limited amount of advisors and often a perfunctory Board of Directors, it is lonely at the top. Who does the CEO confide in regarding his deepest concerns ranging from personnel issues to corporate growth issues? According to **Investor's Business Daily**, the answer is that CEOs are rushing to join peer groups who meet monthly to leverage each other's experiences and expertise to solve bottom line business problems. A major reason for the need of peer groups is that executives are often reluctant to ask for help or expose their weaknesses to others – especially in their organization. This article is about the very successful CEO Roundtable LLC of North Andover, Massachusetts operated by Loren G. Carlson.*



THE EVOLUTION OF CEO ROUNDTABLE

The founder, Loren Carlson (65), is a strategist by background, first with AT&T in the Office of the Chairman when the company divested The Baby Bells, and later with Digital Equipment Company (DEC) before it sold-out to Compaq Computer Company. Previously, Loren received his Master's degree in economics from Ohio State in 1963 followed by operations in several small businesses. His entrepreneurial juices started flowing when DEC laid him off. In 1996, Loren had an instinctive sense of the power of peer groups to help executives, and he started building his first CEO groups. Since then, CEO Roundtable LLC has grown to six different peer groups of eight to twelve CEOs, mostly in their mid-40s, totaling 65 participants. These peer groups include: general businesses (3), biotech/pharma (2), and high-tech (1). Of the CEO Roundtable clients, 90% of them have been with CEO Roundtable for three years or more... an unusually high percentage.

Loren, as the facilitator, focuses on resolving business issues and on improving his member's corporate performance. At every monthly half-day meeting, one executive frames issues for in-depth discussion and each executive in the group has an opportunity to present a concern to the Roundtable for comment and feedback. When appropriate, guest speakers are invited to address the CEO Roundtable groups on topics selected by the members. However, the core part of the program is the former... the peer group discussion.

Over the nine years that Loren has led his peer groups, he has found that the members quickly understand the issues, then provide "real world" advice. Furthermore, Loren has determined why these CEOs have the inclination to join the CEO Roundtable as they are independently bright and resourceful. The reasons for joining CEO Roundtable, according to Loren, are the following:

- continuous learning is necessary
- learning from peers is effective
- inability to know it all
- benefit from others' experiences
- limited time to gain the above



Loren Carlson

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Finally, to crystallize the reasons for the success of the CEO Roundtable, Loren summarized them as follows:

- size of group is intimate but eclectic
- frequency of meetings, i.e., monthly
- professional facilitation by group leader
- broad mix of member companies
- candid and constructive feedback

BEGINNING THE PROCESS

Many of these CEOs who join the CEO Roundtable are at a point in their business where they need advice above and beyond their attorney or accountant. Often these CEOs do not have an outside Board of Directors with whom to confide and conversely many of the issues cannot be aired within the company. If the companies are financed by venture capitalists (VCs), board members from VC firms usually are serving on too many boards to understand the deeper needs of any of the companies.

Furthermore, the VCs just don't have the time. And they don't understand the nature of the help needed. They are "financial investors" focusing on the exit strategy with little or no operational background. In search of interaction with peers, these CEOs might consider joining industry associations, but unlike peer groups, these associations are basically networking meetings where one listens to a speaker, engages in superficial conversation and exchange business cards with other members.

Finding a lack of in-depth and substantive discussions, many CEOs of middle market companies turn to peer groups. In the case of the CEO Roundtable, each member pays approximately \$7,000 annually for eleven half-day sessions and a two day seminar. Prospective members are invited to attend a trial meeting. Upon joining the group, after the first four consecutive meetings, if they do not see the real value, CEO Roundtable will return 100% of the membership dues.

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Not all CEOs are admitted and some may be asked to leave if they "know-it-all, are poor listeners or repeatedly bring-up the same issues." Overall, the basic characteristics of Loren Carlson's peer group are very powerful. The members not only ask for help but offer help. They respect their peers and are grateful for their success. There is a mutual openness and trust that bonds them together.

DISCUSSION ISSUES

At the time your editor attended one of the monthly CEO Roundtable sessions as part of the interviewing process, there were two different M&A topics discussed. One CEO sought advice on a proposed merger with a competitor while simultaneously the two companies were bidding against each other on a very large government contract. For a variety of reasons, the merger discussions could not be delayed while the price or the mutual bids would be revealed. Another CEO of a \$10 million company was faced with the decision to sell-out now to a larger company. In the CEO's earlier business life, he had waited too long to sell and thereby missed the window of opportunity. Faced again with a similar situation, the CEO was concerned that he could be making a mistake by not selling out now.

According to Loren Carlson, one of the most frequently discussed topics raised by the CEOs is personnel issues. In fact, members confide in the group that many of their mistakes come from hiring the wrong people, and conversely they seldom make a mistake in firing employees. Other frequently discussed topics include issues with customers, or whether they should "pull the trigger" on pending matters or how to manage their relationships with funding sources such as VCs.

Several times a year special "all member" seminars on business topics are provided as "unanticipated benefits" to the members. Recently, in the Biotech/Pharma Groups, Mason Tenaglia of Charles River Associates advised the group about

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the industry's future. He stated: "The most important thing that will happen in the pharmaceutical industry in our lifetime is the pricing pressure that the current Medicare reform will create. The need is to anticipate the changes that will cause significant price competition. Ultimately, biotech firms must determine if they want to peg royalty or licensing revenues to declining prices thus resulting in companies becoming more careful about partner selection and managing the deal." The former visiting speaker is an example of the high quality programs that Loren Carlson arranges.

In addition to the monthly meetings, once a year there is a two day retreat often held on a local college campus such as the Tuck School of Business at Dartmouth College, or Babson College's Executive Learning Center. This event is supported in part by sponsors such as an executive search firm, investment bank, financial advisor, law firm, etc. A recent guest speaker, Dr. Barrie Greiff, discussed professional and personal transitions. He created the first course on life and work balance at the Harvard Business School and is the author of *Legacy: The Giving of Life's Greatest Treasures* rated by Wall Street Journal as one of the most important business books.

SPONTANEOUS INTERACTION

Sharing ideas and receiving advice is the CEO Roundtable's mantra. The key to the group's success is the eclectic CEOs. A mere sample of the members includes Steve Damalas, CEO of Electronic Fasteners of Waltham, a \$8.5 million company with 45 employees. Another is Sarah Fuller, President of Decision Resources in Waltham, a global market research company serving the pharmaceutical industry. Brad Yount of Andover has built Odyssey Bay Ventures, a private equity firm that owns three portfolio companies, since he joined the Roundtable. Some of the other outstanding members are Bruce Buckland, CEO of Inforonics, which was on the Inc. 500 list for three straight years, Michael Webb, CEO of Epix Pharmaceutical, a public company, and Robert Glorioso, a serial entrepreneur.

"Our members are humble enough to know that they do not know all the answers, smart enough to want the answers, and generous enough to share the answers they already have."



Loren is very proud of the CEO Roundtable members' individual achievements, and he e-mails to the group almost on a weekly basis regarding the members in the media... partly to keep everyone in touch but more importantly to build the group's esprit de corps. Loren is also a great ambassador to peer groups like the CEO Roundtable, but with particular accolades to his group. As he states: "Our members are humble enough to know that they do not know all the answers, smart enough to want the answers, and generous enough to share the answers they already have."

Loren's success with CEO Roundtable goes well beyond his organizational ability to pull these six separate groups together and to effectively facilitate these monthly meetings. His exuberance and passion extends further for his members in that he genuinely gives ongoing advice. A telephone call here, an e-mail there to ask such questions as "how did the negotiation go?" or, "did you bring in a professional to advise you in your M&A deal?" Further, Loren is in a position to recommend resources and experts when a member needs guidance above and beyond what the CEO Roundtable can provide.

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CONCLUSION

As previously stated, it is lonely for the CEO at the top of a company. The CEO not only has to provide leadership but is expected to be the catalyst when employees lose their excitement, because then the companies lose their momentum. The CEO who joins the CEO Roundtable continually has his batteries recharged because of the dynamics of the peer group in general and because of the CEO Roundtable in particular. Mutual learning is more effective than one person instruction and most effective when no one in the group has any authority over any one else.



There are other available business peer groups including the Young Presidents Organization (YPO), the The Executive Committee, the Andrew Carnegie Group, etc. In selecting a peer group, one should consider their fellow membership, the professional leadership, the time commitment, the costs and the guarantee. In such an experience, hopefully the member learns about mistakes before they happen and take advantage of opportunities as they occur.

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