



Peer-Group Franchisees Assist Small Businesses

By JULIE BENNETT

John Dini got into the peer-advisory franchise business almost by accident in 1997. "I was stuck in LaGuardia" airport, he says, "reading every word in that day's Wall Street Journal, right down to the classifieds." Mr. Dini, at the time a consultant in the health-care industry, tore out a want ad seeking an executive for a Texas medical company. Back home in San Antonio he had second thoughts and was about to throw the paper away when he spotted a tiny ad for an "executive dream franchise."

"On a whim," he says, "I called the ad's 800 number, and reached The Alternative Board (TAB) in Denver, Colo." TAB is the largest of four companies whose franchisees, for a membership fee, organize and assist monthly sounding-board meetings of small-to-mid-sized-company owners and corporate officers. The groups, typically eight to 12 members, meet for three or four hours a month to share problems, experiences, contacts and goals. The other three peer-group franchise companies are Renaissance Executive Forums, La Jolla, Calif.; Inner Circle International, Minneapolis; and PRO, the President's Resource Organization, Chicago.

Providing Support

Franchisee fees range from \$29,500 for Renaissance Executive Forums to \$48,000 for the Inner Circle, and franchisees can expect to spend an additional \$15,000 or so for computer equipment and marketing materials. Inner Circle franchisees pay royalties of 10% of their revenues; the other franchisers receive 20% of revenues in royalties. In peer-group franchises, revenues come from membership dues.

Franchisers provide training. Sales and marketing training can encompass generating membership leads, converting leads to membership, retaining recruits, sales presentation and interview techniques. Training in meeting facilitation includes moderator skills and planning agendas. Franchisees also typically receive training in management and operations, which includes starting your own business.

At first, TAB's \$39,900 franchise fee seemed high, Mr. Dini says, but "I knew I'd never get off the ground" without a solid peer-group organizing system. He formed three groups his first year and now runs 10 groups of about eight members each, some with waiting lists. He's considered one of the industry's most successful peer-group franchise owners and even owns a building where his groups meet.

Mr. Dini earns a mid-six-figure income but says the greatest payoff comes from seeing his group members profit from new ideas. "One member was just 30 minutes into his first meeting when someone mentioned the merchant [loan] rate he was getting at a local bank. The guy's jaw hung open. He said, 'You just saved me \$15,000,' " he says. Peer-advisory group members pay \$2,200 to more than \$7,000 a year for such insights. Norman Stoehr, who started Inner Circle in 1985, says his first mistake was charging too little to peer-group members. "If you charge more, members have to invest more time and energy to get a return on their investment," he says.

'Better Than A Psychiatrist'

Once they join a group, members tend to stay. The average one stays about six years. "I go away so empowered. It's better than a psychiatrist," says Cindy Stone, the owner of Ken's Performance Center, a tire and automotive repair shop in Vacaville, Calif., and a member of a Renaissance Executive Forums group for five years.

Mary Marso-Schmitz of St. Paul, Minn., joined one of Mr. Stoehr's groups 16 years ago. Since then, her temporary-staffing company, Jeane Thorne Inc., has grown from one office to nine, and annual revenues have risen from \$3 million to more than \$12 million. "When you own a small business, it can be lonely at the top," Ms. Marso-Schmitz says. "The other group members are experiencing the same issues I am and need to make similar decisions and choices."

San Diego scientist Eric Korevaar started a small laser-communications company in 1993 with \$75,000. Since he'd never taken any business classes, he joined one of franchisee Gary Hawk's Inner Circle groups. "I used the group to hash out alternatives whenever my business hit a critical juncture," Mr. Korevaar says. For him, many issues have been personnel related. For example, when an employee moved to gain control over his company, he hired an attorney recommended by a peer-group member to handle the matter. Last year Mr. Korevaar sold his business for \$100 million in stock to Optical Access Inc., a San Diego laser-communications company. "I don't think I would have been nearly as successful without Inner Circle," he says.

Ross Friedman, president of Windward Builders Inc., a boutique residential developer and general contractor in Lake Forest, Ill., has been a member of a PRO group for 10 years. The main benefit, he says, is being able to "share in the collective thoughts of other small-business owners who are in the trenches every day and face similar issues. In effect, we serve as each other's board of directors." For example, he recently asked his group members where he could find qualified staff. They suggested contacting the subcontractors he uses who are struggling and asking them to let him know before they lay off good employees.

Group chemistry takes care of itself. If there's a group member who's not with the program -- talks too much, skips meetings, always takes more than he contributes -- the others usually make him feel so uncomfortable that he tends to shape up or leave.

Experience Wanted

TAB aims its franchises mainly toward consultants like Mr. Dini, while the others seek people with front-line business experience. "I'm looking for a person with managerial, sales or marketing experience, who has had some profit-and-loss responsibility," says Ray Silverstein, who recently began franchising his PRO groups in Chicago. "A franchisee must have people skills and be able to quickly analyze members' problems. You don't need a business degree, but you need a degree of practical business experience." But such franchises aren't suited to everyone. "People who can't handle marketing themselves, who can't face rejection, shouldn't consider this type of franchise," says Mr. Hawk.

Mr. Hawk, the facilitator of Mr. Korevaar's Inner Circle group, had run the franchise division of Jenny Craig Weight Loss Centres. Georgene Waterman, of Roseville, Calif., has a Ph.D. in education, and had been the chief executive officer of two hospitals before buying a Renaissance Executive Forums franchise in 1995. Fellow Executive Forums franchisee Tom Jackson, in Charlotte, N.C., had been an investment banker.

Hands-On Advice

Chris White, a TAB franchisee operating four groups in Tulsa, Okla., says it's a challenge to keep his mouth shut. "I was a partner with the Arthur Young consulting group and had my own business-consulting practice. In 30 years, I must have been involved with 500 companies. There are so many things I'd like to share with my groups. But my job is to facilitate, to keep the discussions on track, to keep my quiet members active and my active ones quiet."

Mr. Dini warns that downsized executives won't make it as franchisees unless they understand the fear and loneliness of a small-business owner. "These people have no resources to fall back on," he says. "Don't do this if you've spent your entire corporate career on committees. This isn't about running meetings. It's about helping people figure out, 'What can I do about this?' and encouraging another business owner to say, 'I had the same problem three years ago, and here's how I got it fixed.'"

The hardest part about the business is putting together successful groups. "There's a lot of selling involved," says Mr. White. "I'm always out speaking to groups, attending meetings and pushing the cause. This isn't a good franchise for someone who wants to do it after he or she retires, because to be a success you really have to work at it 12 months out of the year."

Some peer-group franchisees also do paid consulting work, often for group members. Not all franchisees push as hard as Mr. White. Mr. Stoehr spends the first two weeks of every month conducting Inner Circle groups in the Minneapolis area, and the last two weeks in Palm Springs playing golf. But he's available to group members 24/7, via cell phone and e-mail.

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