Memo on The Executive Committee

I visited a group in Albuquerque on May 19, 1982

The Executive Committee is a "self-improvement," mutual consulting arrangement and outside "resource person" seminar for entrepreneurial businessmen. The organization is headquartered in Southern California. There are over 40 "groups" in existence in Southern and Northern California, Texas, New Mexico, Florida and Wisconsin.

Each group has 10 or so members. There is a group leader. The core of the process is a monthly seminar that meets from 7:30 in the morning through a late lunch; each seminar ends at 1:30 or so.

The first order of business at each seminar is a "presentation" by a resource person--who may be a local or a national source. (A fee to the source, always, or sometimes is involved; whether free resources are used is not clear.) In my case, the presentation lasted 3 hours. I broke my presentation into three parts: one hour plus of basic theory, one hour of the current situation and an open question period.

The second order of business is a presentation by one of the seminar members of a "business problem" which becomes the basis of a discussion. This "case" is presumably drawn from a current problem which confronts the "presenting" member. The seminar members are both "consultants" and students--although the technique of oral presentation presumably precludes a study of documents. The resource person does not participate in this or the third part of the session.

The third order of business is a 'go around' in which businessmen present some current problem. Some follow up on previous "problem" presentations takes place at this time. Presumably the problem presentations are serious. The
members of the seminar are pledged to secrecy on the discussions of "cases" and the problems presented.

The group leader spends some two hours each month with each member of the group, perhaps more with the person who is to be the principal presenter at the next session. Presumably, over a year, the group leader learns a good deal about the businesses and depending upon his skill can offer useful advice and insights.

There are two groups in Albuquerque. About half of the participants have been with the group for several years, some for as long as seven years—others turn over rapidly. The groups are not up to targetted strength. (Albuquerque may be poor in eligible businessmen.)

The target member is an independent business man. However, aside from construction mining/geological exploration/and mine service companies, the major weight in Albuquerque is not in manufacturing or independent retailing (I gather there are no significant independent retailers in Albuquerque) but in distributors (beer, automobiles) and multiple franchise owners (McDonald's). The technique may be most useful and successful in communities where independent manufacturing and retailing exists.

The fee structure: each participating businessman pays about $1500 per quarter. After expenses for resource people, meeting space, lunches, etc., the remainder is split 50/50 between the group leader and the franchising organization. If we assume a budget of $1000 per meeting for outside resources and eight members per group, total revenues per group are $48,000 per year, expenses at the local level are $12,000 per group leaving $36,000. All the deals are not the same but on the average it seems as if the net funds are split 50/50 between the franchising organization and the group leader.
With forty groups outstanding I take it the franchising organization is profitable. I was not able to get a clear idea of what they provided to the groups: my impression is very little. With forty groups outstanding the franchising organization collects some $720,000/yr. Expenses don't seem to be high--of course the printing, etc. has to be first class.

A group leader with 8 clients in a group will make some $18,000 per year. A group leader should be able to do his job of getting up sessions and interacting with each member once a month by spending some 40 hours a month on the job. Being a group leader is an obvious part-time job for someone in academic life, a local "consultant," or a fledgling lawyer.

The Executive Committee has largely been motivation/social psychology rather than economics and business system/finance oriented. It does not produce any significant amount of "paper." There is a "gossipy" newsletter that goes out occasionally but as far as I know nothing of substance in the way of paper is made available to the group members. I also feel that there is little supervision of the group leaders.

H.P.M.