

AN INNOVATIVE MINDSET:
THE COMPETITIVE ADVANTAGE of a
BLUE OCEANS BENEFITS STRATEGY

JOHN CLAY

We are at a unique point in history. *Shark Tank* is not just a hit television series. It's become a reimagining of the American dream. More people than ever are striking out to build their own businesses, tackling problems and opportunities with unrivaled creativity. These entrepreneurs are at every level of business, not just start-ups and side-hustles. Major corporations are hiring visionaries specifically to behave like entrepreneurs – sometimes calling them “intrepreneurs” – from inside of their established cultures. And longtime family businesses are being taken over by the next generation of business leaders who have a different view of what the world can be and how even the oldest businesses can run and function differently.

In all cases, these entrepreneurs are looking at a wide-open canvas of opportunities with little to no competition. They are looking for open water, the blue ocean. They are not satisfied with the status quo. They want to blaze new trails and tap into new opportunities, both in terms of making a meaningful difference in the world and in terms of growing their businesses.

The entrepreneurial mindset is incredibly powerful, but too often, we see it applied to only part of a business. Growth is great, yet leaving the rest of the business to chug along permits the same mistakes and missing out on the same opportunities as everyone else.

I challenge you to approach all aspects of your business with an entrepreneurial mindset to build a competitive advantage at every point, from your products to your employee benefits. When you think like this, you become the kind of business owner who top experts want to collaborate with.

The Blue Ocean Under Your Roof

Kentucky has a variety of state parks, and some include beautiful lakes. On weekends and holidays, lakes can fill up with a ‘navy’ from out of town. It gets crowded with choppy water and watercraft everywhere. Weekdays though, you’ll find a beautiful, clear glass lake. Some business owners indulge in a go-fast boat. Speeding across the water at 90 miles per hour (or more) is exhilarating, and it takes skill to do so safely, reading the water, avoiding obstacles and calculating turns. Boaters, however, often forget to think about how the water inside of the boat affects their travel, worrying only about what traffic is in front of them.

Boats of all sizes depend on an auto-bailer, which is a device that forces water from the inside of a boat to the outside. As a normal part of boating, taking on water is expected, and an auto-bailer helps to eliminate this excess. Therefore, to truly maximize performance and keep your craft in peak condition, the auto-bailer needs to work to eliminate drag. At the end of a trip, the captain may come in to some situational awareness: The auto-bailer has not kept up with the rate of incoming water. As a result, the boat has burned far more fuel than anticipated.

To passengers on the boat, everything looks fine—after all, the boat arrived at its destination. However, a sharp boater will quickly realize that some fuel was wasted that could have been put toward the next trip. In business, the exact calculations to determine the amount of waste and how to fix the auto-bailer would be handled by others, but it should still be a chief concern to the boat's captain.

Usually, an entrepreneur does not want to get bogged down in the unsexy parts of the business. He or she has a vision for what the business can accomplish, and takes an aggressive approach to establishing competitive advantages for the business. They're at the captain's wheel, hand on the throttle, pushing their boat to go as far and as fast as it can. The comparison between boaters and entrepreneurs is similar. Both have a strong passion for rising far, far above their competitors and feel the need to find 'open water.' However, both require a moment to evaluate the inner workings of their business, so that they may discover what adjustments need to be made to their craft.

When you view employee benefits with a blue ocean mindset, you can transform a pivotal part of your business. What would you do with an extra \$50,000 in capital? \$100,000? What if you could better serve and therefore retain your top talent? What if you could do this year over year while your competitors, again and again, miss the opportunities that you seize?

Turning your entrepreneurial mindset inward, and applying that lens to a facet of your business, like how you handle and administer benefits, unlocks a wealth of opportunities for you to get more miles per gallon. When you grow, you're going to take on new employees and therefore need to provide benefits, much in the same way that a boat speeding across a lake will inevitably take on water. When your auto-bailer—your employee benefits program—is strategically aligned with your business goals, you can still go as fast as you want, but get more for every dollar in your budget.

An Injection of Capital from Within: Two Brief Case Studies

When you take any off-the-shelf benefits plan, you are wasting valuable capital. In these cases, you are buying a plan that has been built backwards. The focus is on the rule makers – insurance companies—not the members’ experiences in the healthcare system; which means the house will always win. Recently, we worked with a construction company with about 30 employees. They were using a packaged benefits plan provided by a construction association – which is typical for the industry – and thought they were making the smart move because of the prestige they associated with Blue Cross Blue Shield. They felt they were doing right by their employees, and therefore, right by their business.

The problem with this status quo, beyond its inflexibility, is that a rate increase year over year is standard. Traditionally, and this has been an unshakeable industry trend, that increase in premiums also comes with a reduction in benefits. It's like spinning a roulette wheel to see what the increase is each year.

By switching to a self-insured, level-funded plan, this company was not only able to provide a better benefits experience for their employees – like a 24/7 benefits concierge with telehealth access to a physician, tools to help find more affordable prescriptions, electronic enrollment, and a mobile app custom-tailored to their plan – they also improved the benefits with an enhanced voluntary strategy all based on a 3 to 5 year plan. For this 30-person group, the business saved \$40,000 by moving away from a fully funded plan, and they were able to roll an excess \$32,000 into an employee 401(k) program instead of leaving that money in benefits limbo.

From the business owner’s perspective, these solutions provide a destination with measurable milestones and are delivering, first year, \$40,000 extra in profit or in workable capital. That money could be used to reward leadership in the company or reinvested in any aspect of the business, such as marketing, hiring extra help, product development, research, or infrastructure.

From the employee’s perspective, this improved benefits experience is a major boost in employer loyalty. The positive experience with using the custom benefits—from the cost to the convenience—combined with the boost in the 401(k) fund, makes the most talented employees more likely to stay. They are being treated well, and they see their leadership reinvesting in them.

Later in this chapter, we will walk through a benefits checklist to help you identify whether you are spending your benefits dollars inefficiently, but for now, the simple strategic lesson is this: you need to reevaluate your benefits if you are using a fully funded plan. You are likely wasting thousands of dollars that could be better spent elsewhere in your business. More good news: you can correct this misstep without hurting your people.

Before we go through the checklist, let's explore a case study for the alternative: fearing the unknown of a self-funded or level funded plan and deciding to keep a fully funded plan instead.

This company had nominal competition in their industry and about 70 employees for a total of approximately \$560,000 in annualized premiums. New managers in the human resources department saw the perceived complexity of a self-funded or level funded plan as unnecessary – an unfair assessment if you have an expert advisor guiding you through the process, but I digress – they remained with a standard off-the-shelf fully funded plan. In three short years, they added about 30 employees. Spread-sheeted carrier changes and inattentive management allowed annualized premiums to jump to over \$1.1 million.

That story may sound extreme, but it happens. Contrasted with the small case, these examples demonstrate how powerful a mission-driven, blue ocean approach to your benefits can be. The potential return can increase exponentially as your business grows. If your competitors don't have the foresight to evaluate their benefits plans like you do, your sheer capital advantage may be significant even after a single year.

The first example, the story where the business owners boosted their bottom-line with a strategic benefits plan, is what happens when you take on the behaviors of a new innovative mindset. This business owner is critical of every aspect of their work and is willing to ask challenging questions of the benefits advisors courting them for business. When you engage potential advisors in a strategic business discussion, you quickly weed-out the advisors who simply do not have the expertise or insights to build the plan your business needs.

All Hands on Deck

Few businesses today, even ambitious start-ups, have a single sole decision maker. Entrepreneurs long ago recognized that one of the keys to success is surrounding yourself with smart, driven people, so even a small business of seven or nine employees will discuss major changes in strategy rather than relying on the instincts of any one person.

Managing multiple, simultaneous risks across an organization requires a strategy outline on how to execute and eliminate risk. By the time the business has the need for a dedicated chief financial officer (CFO) or a human resources director, each has a different job description, and turf wars may develop. A leader should be able to outline the mission and develop a collaborative environment to pull the best insights from multiple perspectives. The problem, however, is that without a mission or strategy, there is a tendency to create silos. Each specialist does their work in isolation, communicating with the other experts in the business only in limited capacities.

Granted, I understand having a benefits advisor talk to you about the dangers of corporate silos and the value of opening channels of communication across your organization can seem out of place at first. I mean, you expect your benefits advisor to talk to you about benefits, right?

If you want an advisor to come into your business and hock their line of benefits products, you can call up any insurance company. Those advisors are everywhere, big agencies with large blocks of fully insured business. If you want your business to rise above the status quo, you should find an advisor who rises above the status quo in his or her own work.

For my part, after a few decades in the industry, I have had the opportunity to work inside of hundreds of businesses from a wide range of industries. Through collaboration, study, and experience, I have developed solutions for and worked with businesses like yours and businesses much different from yours to attack many problems and challenges. This means you can get the advantages of cross-sectional insights from one source, applying the culmination of countless individual experiences to making your business more effective and more profitable.

You probably think about your key hires in this way as well. You may want experts that understand your industry, yes, but you also want individuals with varied experiences, so that they can think differently from your competitors, uncovering opportunities that people entrenched in the dogma of “how it’s always been done” will not see. So, you go out of your way to hire the best and brightest for your business – internally as full-time employees and externally as consultants or advisors – and then what happens next? They don’t ever talk to each other.

When it comes to employee benefits, the circumstances usually play out like this: the human resources director picks the most straightforward option on the table, usually from the advisor whom he or she likes the most. This is not a knock on the director. Human resources directors have a lot on their plates, and they often err on the side of a benefits plan that (they perceive) are easiest to implement. Human resources directors do not own the profit & loss statements, and they certainly are not thinking that a benefits plan can dramatically elevate the overall performance of a business. That’s not their specific objective.

The CFO, however, does care about the profit & loss statement, but the CFO will rarely talk to the human resources director about the strategy behind a benefits plan. The line item keeps going up, but the CFO does not have the human resources knowledge to recognize that there is an opportunity there. As a result, benefits spend all too often becomes another operational expense. And the business owner, the entrepreneur steering the ship, well, he or she is racing toward the opportunity on the horizon and planning for a future, five or ten years away.

This is the status quo scenario. An average business-owner prospect won’t even be involved in the benefits sales conversation. A generic advisor will ring up the HR department, talk nice, and woo his or her way into a close.

Adopt an innovative mindset. Find your blue ocean. Fix your auto-bailer. Stop spinning the ‘wheel of misfortune’ in employee benefits. Break down the silos. Get your decision makers and team leaders in a room with a knowledgeable advisor and have a frank conversation about what a benefits plan can mean for your business. There is simply too much money and opportunity on the table for your experts to work in isolation.

How to See Benefits Opportunities

You do not need to become a benefits advisor to see a benefits plan opportunity. Learning the ins and outs of a rapidly changing healthcare landscape is a full-time job in itself, and you do not need to step away from the vision for your business to seize the advantages I have outlined. Bringing in an advisor is a lot like bringing in an engineer: you don't need to be an engineer to see a problem that could benefit from an engineered solution.

Here is a quick checklist that can help you identify a benefits opportunity in your business:

- ◆ Are you using self-funded or level funded plan?
- ◆ Is your plan different from your competitor's plans?
- ◆ Was your plan heavily customized to fit your unique needs?
- ◆ Does your benefits plan actively save you capital and help you retain key employees?
- ◆ Are you actively bucking the national trend of rising premiums and reduced coverage?
- ◆ When you implemented your benefits plan, did you incorporate the insights of multiple experts (CFO, HR, etc.)?
- ◆ Are your enrollment logistics using an electronic benefits platform with direct feeds that integrate with payroll and benefits (making enrollment changes near-instantaneous)?
- ◆ Does your benefits plan take an aggressive approach to prescription drugs?
- ◆ Does your benefits plan take an aggressive approach towards value based pricing for physicians and specialists?
- ◆ Does your benefits plan include a 24/7 concierge service?
- ◆ Does your benefits plan take advantage of a mobile app to deliver benefits information and service?

If you answered “no” to any of these questions, there is likely an opportunity in your business to transform how you handle and deliver employee benefits. These questions are accessible by design. You do not need to be an expert to recognize when you need one, and this simple checklist will give you a starting point for engaging benefits advisors. If your advisor cannot elaborate on how these questions might impact your bottom-line (and starts to steer you back toward the rocks of a classic benefits plan; the kind that every one of your boring, unimaginative competitors uses), bring in another advisor, one who can keep pace with your drive for breaking the status quo.

Short-sighted advisors and some mid-level managers will push a one-size-fits-all product because that’s what’s easiest for them, and the business-owner prospects who haven’t committed to being better than the average will buy that generic product. An advisor who thinks like an entrepreneur will work with you to build a strategy for short-term *and* long-term wins that will truly make the difference in how you run your business. Find an advisor who can talk to you as a peer, someone who understands your goals as an entrepreneur, and can help you make smarter, strategic decisions.

Time to Set Sail

The intention of this chapter, from the very beginning, was to focus on the strategic opportunity hidden within your business. The nuances of an effective employee benefits plan are significant, but your role as an entrepreneur does not mandate that you become an expert in every aspect of your business. It’s simply impossible. Any advisor can rattle off dozens of products features and benefits or push a benefits package across the table for you to sign. Product knowledge matters, but that’s not what will deliver the business-changing solution we explored here.

A real solution comes from an advisor who is as passionate as you are about finding the open water, the blue ocean of opportunity. So, gather your team, reevaluate your benefits plan, and then start looking for an advisor who can help you put more of your capital back onto the table while delivering the kind of benefits experience that attracts and retains employees. That’s what an innovative mindset can provide.