

Benefit Outsourcing founder's generosity survives tough times

Customers, employees shielded from costs

BY SHERRI BEGIN WELCH
CRAIN'S DETROIT BUSINESS

Larry Gelman's generosity to his employees is completely at odds with the epic tales of corporate greed that are a staple of today's news.



Gelman

Gelman puts his employees at **Benefit Outsourcing Solutions Inc.** first — even in the worst of economies and even at his own personal cost — while insulating his customers from pay hikes during these recessionary times.

The Commerce Township-based firm provides administration of health, welfare and defined-benefit plans and benefits consulting.

"Here you've got everyday people, the employees, and he's treating us like corporate executives," said Nicole Dietrich, team leader of the **TRW Automotive Holdings Corp.** account and one of the longtime employees of Benefit Outsourcing.

Gelman, a New York City native, moved to Detroit in 1985 as a regional director for **John Hancock Life Insurance Co.**

In 1987, he joined **Mercer Consulting** as a principal for four years before becoming partner for the next five years at **Coopers & Lybrand**, now **PricewaterhouseCoopers**.

In 1995, he launched **Gelman Consulting Ltd.** before setting that aside to launch Benefit Outsourcing Solutions in 1998 with a partner who retired in 2007.

The company has seen consistent growth since then, even last year as customers closed plants and laid off employees.

With a heavy concentration of tier-one automotive clients, Benefit Outsourcing saw its per-employee revenue for administering benefits decrease in 2008, offsetting much of the new business the company was able to secure, Dietrich said.

The company took in about \$5.5 million in revenue last year, up from \$4.5 million in 2007.

"Though we did have new business growth ... the profit margins took a hit," Dietrich said.

Companies typically cut jobs, salaries and bonuses when margins tighten, Dietrich said.

Benefit Outsourcing's client contracts legally allow it to raise the rates it's charging them when head counts decline, Gelman said.

"But we've never even had that discussion. When we have a client facing difficult times, the last thing in the world I want to ask them to do is to pay more."

Benefit Outsourcing's competitors are larger companies such as **ACS Benefit Services Inc.**, **Automatic Data Processing Inc.**, **Hewitt Associates** and **Mercer Human Resource Services**. They say they aren't overly familiar with Gelman and his firm but are starting to come up

■ **Nominated by Nichole Dietrich**, team leader, TRW account: "The teams are structured in a way in which everyone is truly able to work efficiently, exchange ideas and gain new skills. The growth potential is set by the individual's own desire and merit, which is a working model of Larry's own design. He holds monthly staff meetings to personally discuss the health of the company, our objectives and new business. The response by the staff to this level of inclusion creates an incredible sense of personal commitment."



Third in a five-part series about privately held company owners nominated by an employee as a business hero.

against it in bidding.

In spite of the decreased revenue and need to pay down a loan taken to buy out his partner in 2007, Gelman preserved all staff positions and compensation levels last year.

Employee compensation levels are well above the industry standard, Dietrich said, and in with total compensation, double the standard in many cases.

And each employee continues to receive fully paid health care benefits, with no annual premiums or co-pays.

"That's unheard of," Dietrich said. "It's probably worth \$20,000 a year for family coverage" per employee.

Even companies that aren't struggling don't provide such rich benefits, Dietrich observed.

Surprisingly, Gelman also gave his employees a total of \$200,000 in bonuses last year — on average, about \$5,000 per employee — while forgoing one himself.

The bonuses were about 8 percent of each person's base pay, Dietrich said, down only slightly from the 10 percent Gelman typically gave employees.

To pay out the bonuses at the end of 2008, he ran the company's working capital down to just a couple thousand dollars, Dietrich said.

"It's about more than the money," Gelman said. "There are 40 heroes at Benefit Outsourcing Solutions."

Gelman's generosity, along with his constant communication with employees about the company's financial health through staff meetings, breeds loyalty.

Benefit Outsourcing has virtually no employee turnover, he said.

It's grown from just two employees at its founding about 11 years

ago to 40 today, six of them added over the past two months.

The company's only path to remaining profitable is error avoidance, he said. "I couldn't do that unless I have highly trained people to do it."

Gelman estimates his competitors spend 20 percent to 25 percent of revenue fixing problems, but his company spends less than 2 percent on fixing errors for clients.

For each one of the company's major clients, the company has a dedicated team of employees individually and collectively responsible for making the client happy and looking after each other as well, he said.

The teams help Benefit Outsourcing exceed customer expectations, which brings in new word-of-mouth business, Gelman said.

Gelman is projecting \$6.5 million in sales this year, based on \$600,000 in new business the company has secured since January and additional discussions for up to \$5.5 million in new business, he said.

"It's easy" to grow in a down economy, provided you have good employees, Gelman said.

Gelman also gave his employees a total of \$200,000 in bonuses last year, while forgoing one for himself.

"We are proving that if you are innovative and strive for excellence, you can be successful anywhere in the U.S. and especially in southeastern Michigan."

But times are tough. What if Gelman were

forced to cut pay and bonuses?

"Would I stay? Most of this place would," said Dietrich.

Gelman and his firm have brought a local flavor to outsourced employee benefit administration, said David Hoisington, account director at **McGraw Hill** and founder of consulting firm **Benefit Strategies Inc.** in Troy.

Hoisington never worked with Gelman, but said he competed against him at another company years ago.

"Gelman is a highly technical consultant with a lot of background in our field," Hoisington said.

Benefit Outsourcing's modest size and team approach allow it to customize benefits administration on a client-by-client basis rather than trying to change their processes to a scaleable model, he said.

Gelman is "trying to stand tough in tough times. He's taking the hit," Hoisington said.

"I think that speaks well to his integrity. ... If I'm a client, that integrity is what I'm looking for."

Sherry Begin Welch: (313) 446-1694, swelch@crain.com