

HEALTH CARE

By Art Garcia

“The HP Way” for VSP

Vision Service Plan maintains that people are its number-one resource

“VISION” and “culture” are virtues many companies, large and small, talk up, but few fully attain. Most would settle for either or both, and although the words are frequently bandied about, rarely do they match reality. They’ll surface in the president’s annual report letter to shareholders or in hiring interviews with job candidates, but not often anywhere else.

There are exceptions. Of the large companies, Hewlett-Packard Co. (HP) found the course and stuck with it, despite recent turmoil that led to the expulsion of two top executives and a finger-pointing conflict among board directors that gave HP’s image a black eye.

While higher management was bloodied, shareholders shaken, publicity widespread and negative and Wall Street rattled, “The Hewlett-Packard Way” survived. A brand, more than an empty slogan, it held fast above the high-level high jinks and disputes. Employees continued to buy into it, protecting HP’s long-standing reputation for quality products and reach-out customer service and as a good place to work.

What’s the formula for creating a company that motivates employees to “own” its culture and maintain a “whistle while you work” environment where people want to stay and others want to be

hired? Can most companies, regardless of size, produce a workplace of which its employees are proud and willing to invest themselves enough to be the major asset?

HP has long known how to answer those questions in the affirmative. The key ingredient: people—employees, customers, clients, members, suppliers, vendors.

At the much smaller and privately held Vision Service Plan (VSP), a provider of comprehensive eye care benefit plans to 47 million individuals with vision health care coverage nationwide, a “passion for people” core philosophy has helped create the brand. Each successive CEO—there’ve been only three since the company was founded 51 years ago—has nurtured the developing culture carefully and continuously.

“There’s no magic bullet,” says VSP’s current CEO Rob Lynch. It gets back to a “culture of appreciation” for all of VSP’s constituencies. “Coming on board as a quasi-outsider, I have been absolutely thrilled with the level of talent we have in this organization. We

have some of the best

people, bar none, of any business I’ve been involved with.”

In February, when Lynch stepped out of a career as a life-insurance and employee-benefits consultant into the presidency of not-for-profit VSP, he found “vision” and “culture” were hard-wired into the company more than a half-century ago.

Who wants to mess with success? Not the 51-year-old Lynch, who advanced to CEO this past July, succeeding Roger Valine, who retired in early 2006 after 33 years with VSP, 14 of them as CEO. Lynch moved into Valine’s office and Valine, who will stay on as a consultant through 2007, occupies a smaller office.

New CEOs are few and far between at the billion-dollar eye care-benefits company, and as its third CEO, Lynch has no intention of being the first to tinker with VSP’s cherished reputation as an employee- and customer-centered company.

Convinced the VSP culture is critical to the company’s success—Lynch’s estimate for calendar year 2006 gross revenue is about \$2.3 billion, up from \$2.2 billion the prior year—his focus is enhancing “but not changing it. I don’t think it needs to be changed,” he says.

After serving nine years on VSP’s board of directors, he says, “I had some exposure to the company, but I certainly didn’t have the exposure to the core cultural values that exist here.”

He marvels at how VSP’s cultural success has produced a low employee turnover rate of about 4 percent, saving the expense of constantly hiring, training and shuffling employees in and out, creating a work environment where current employees want to work until retirement



Vision Service Plan provides eye care benefits to 47 million people throughout the United States.

and outsiders want in.

Lynch is convinced a dedicated and contented staff in a stable work environment through good economic times and bad will continue delivering the levels of service he calls “extraordinary” compared to VSP’s competitors.

In his 30 years experience as an insurance and health benefits consultant, “I had an opportunity to get exposed to many, many management teams and many businesses and I believe this group at VSP is as good as anybody out there,” he says.

Under the guidance of Valine, 57, VSP was included seven times in Fortune magazine’s list of annual “Best Companies to Work For.” This year VSP ranked seventh out of 100 companies, its highest rating yet.

Tops in Eye Care

Also in 2006, J.D. Power and Associates rated the nation’s largest provider of eye care coverage as “Highest in Overall Member Satisfaction Among National Vision Plans.” The achievement marked VSP’s third consecutive year as the industry leader in member satisfaction since the award was introduced in 2004.

“One of the reasons I took the job is because of the culture that exists here,” says Lynch, who was asked by VSP’s board to be part of a nine-month search to replace Valine at the end of his contract. “I wasn’t out looking to leave my then-current situation.”

VSP is headquartered in Rancho Cordova, just east of Sacramento, where it also has a lab, carries a total payroll of about 1,900 and one in seven people



nationwide rely on the company for eye care health coverage. It has contracts with 25,000 clients, including 228 of the 2005 Fortune 500 companies, 46 of the magazine’s 2005 “Best Companies to Work For” and more than 100 health plans.

The VSP network extends to 2,300 private-practice doctors in rural and metropolitan areas throughout the country. The company boasts the roster is “so comprehensive” that more than 90 percent of members have access to a VSP network doctor within 10 miles of

work or home. VSP docs provide both eye exams and eye wear, offering a convenient “one-stop” means of obtaining eye care.

With the goal of maintaining and continuing VSP’s employee-centric philosophy and cultural momentum, Lynch early on committed himself to meeting with every employee, individually or in small groups, within the first four months of becoming president. He also met with some of the company’s prime clients, outside advisors and many of its member doctors.

“We do a number of things that, when you add them all up, help contribute to our positive work experience.”

— Rob Lynch



“The HP Way” sets an example for a publicly traded company with its very heavily instilled corporate culture. “VSP is similar to that. In newer companies it really does have to have the flow from the top down. It takes very, very strong leadership to instill that culture and people need to buy into it.”

No Crystal Ball

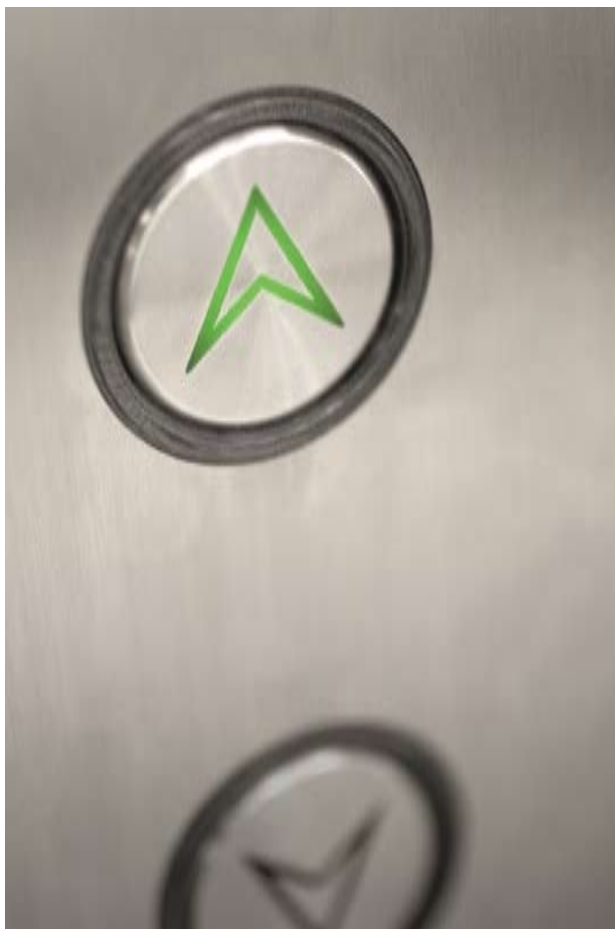
Lynch is no micro-manager. Instead he is one who knows the value of hiring “great” people, giving them the tools to succeed, getting out of the way and letting them do what great people do.

He’s a believer in planning for multiple futures and continuously focusing on renewing the company’s business. “One of the things I’m trying to get people to focus on is not trying to divine what the exact future is going to be,” he says.

“Rather, let’s take a look at what a number of the possible outcomes potentially are then let’s see how we can participate in those outcomes. Not all of them are

For service companies such as VSP, their asset base is what Lynch describes as “human capital.” It all comes together, he says, “in delivering absolute world-

class service to the people who buy our plan and access our doctors. It’s just a great business model, a virtuous business model.”



Market knowledge is key to making informed business decisions.

At Advantage Business Research our mission is to give our clients the power of market knowledge through innovative and cost-effective communications research.

If making informed business decisions is key to your business, contact us today.



Advantage Business Research
888-ABR-0843
info@advantageresearch.com

going to work out,” Lynch concedes. “It’s okay to make a mistake, make a course correction quickly and move on.”

VSP’s reputation has spread, largely because of the customer-friendly and quality service it offers, but also from the plaques and platitudes it’s received from the Fortune and J.D. Powers recognition. Other companies want to know more about what VSP does and how it does it, hoping to frame their own blueprint.

“Our Human Resources people are besieged by other, mostly service, companies all the time, trying to figure out what it is we do that allows for the level of employee engagement to continue to be so high,” he says.

His short response is that it all goes back to VSP’s culture of appreciation. HR cooperates in sharing information and providing basic guidance “to an extent,” he notes.

“We do a number of things that, when you add them all up, help contribute to our positive work experience. There’s no one thing a company could pull away and say, ‘Okay, ah-ha! There’s just one thing we need to do and if we do this we’ll have something similar.’”

VSP values HR and, with Lynch’s background in HR consulting, he considers HR an essential business partner for a service organization. “If you don’t have HR involved in helping you develop and implement all your business strategy, you’re missing the boat,” he declares.

Lynch has spotted a tendency, mainly on the publicly traded side of the business, to lean more on the “finance side of the house. That’s where some companies get a little out of balance, where finance runs the business without HR input.”

Can the impact of an employee-centric environment boost the company’s bottom line and its odds for achieving success? No question, he replies. “The culture is developed across the board. Our board of directors is part of that culture,” Lynch says. “If you encompass board governance and interaction with employee results, it’s probably 100 percent culture.”

Art Garcia is a business and financial writer in El Dorado Hills, and a former Wall Street Journal reporter.

Benefits that have produced a staff of happy workers at VSP:

- Flexible work schedules (dictated by divisional business needs)
- On-site services, including dry cleaning, car wash, ATM, notary and personal mail.
- On-site Yoga classes
- After-hours personal computer training for employees and their dependents
- Wellness programs, including smoking cessation, Weight Watchers
- Child care
- Financial seminars, including sessions on retirement, saving for college
- Domestic partner benefits
- Real-life benefits, among them pet insurance and legal services
- ClickHome for mortgage and real estate services
- A paid volunteer program encouraging employees to donate and give back time to the community. All employees, fulltime and part-time, may take a paid day off each year to perform community services.
- Flexible spending accounts for dependent care (child and elderly)
- Discounts for theme parks, car rentals, candies, florists and more.