

# Benefitfocus' SHAWN JENKINS



## his company is growing fast—and so is its aircraft fleet

\_interview by R. Randall Padfield

THE NASDAQ crashed in March 2000, Shawn Jenkins recalled. “That June, my partner Mason Holland and I started Benefitfocus. It was an awkward time to start a software company,” he said, with just a touch of irony.

Holland had founded Charleston, S.C.-based American Pensions in 1989. Jenkins joined the company in 1994 and bought into it in 1997. They built a software platform that allowed employers to manage their 401(k) plans over the Internet and this gave Jenkins the idea that a similar platform could help employers and employees manage their health insurance. In 2003, South Financial Group, also in Charleston, bought American Pensions, providing the men with startup funds for Benefitfocus.

Grocery store-chain Piggly Wiggly became their first customer, which required Blue Cross Blue Shield of South Carolina to send Piggly Wiggly’s health insurance data to Benefitfocus. As soon as the insurance provider saw what the software could do, it wanted it for all its clients, which dramatically changed the Benefitfocus business model. Instead of selling to individual employers, the software company began selling directly to insurance providers.

Today, the company supplies its enterprise applications to 25 health insurance providers around the country (most of them “Blue” plans) and to about 115,000 employers, which have more than 40 million employees receiving benefits. Jenkins believes that Benefitfocus will reach \$1 billion in revenue within another 10 years. “We’ve been in business only eight years,” he said. “We’re just getting started.”

Business aviation is helping the company achieve more than Jenkins had ever dreamed possible.

ALL PHOTOS: I. WILSON BAKER

BENEFITFOCUS EMPLOYEES MEET IN NUMEROUS CONFERENCE ROOMS AROUND THE COMPANY'S OPEN OFFICE IN CHARLESTON, S.C. CEO SHAWN JENKINS SHOWS OFF THE WIRELESS MONITOR THAT DISPLAYS THIS ROOM'S MEETING SCHEDULE.



#### In building Benefitfocus, what did you learn?

One of the fundamental things is to get the right people in the right position. I can't tell you how many times a good person with good skills was just not right for the position. I've also learned to make changes quicker than I used to—and to trust my instinct more.

#### When people are in the wrong position, do you fire them or put them into another job?

Both. If somebody believes in what the company believes in, we'll keep him. Sometimes we move associates to another area of the business to capitalize on their skill sets. But if the person has something in conflict with our culture or values, that person has to be removed.

#### What surprises or problems did you encounter as Benefitfocus grew?

Even though our company grew pretty darn fast, things always take longer than you expect. Getting the signature from a customer takes twice or three times as long as you want it to. Getting software to market is a very complex and difficult thing. We're going to grow 50 to 60 percent this year and I still feel that we should be growing faster.

#### Based on what you've learned, is there anything that you would have done differently in 2000?

Oh, sure. Some things that we do today for our associates—including their families in more events, more vacation time, increased benefits—I probably would have accelerated that some. When we were losing money, when we were investing in the company the first two years, we had to really control the nickels and dimes.

Today we have a very broad and deep benefit package; we encourage a lot of time off. We give people coupons to take off for volunteer charities and that kind of thing. I wish I would have done more of this in the early years.

#### That's a very progressive management style.

Right. If you work at Benefitfocus, you're going to work some [long] hours, because we're a high-growth, high-tech company. We're constantly looking for ways to relieve the stress and take the pressure off people a little bit.

#### How else would you describe your management style?

Dysfunctional. I walk around a lot and talk to people. I admire Sam Walton, founder of Wal-Mart, who advocated "management by walking around." Our senior management team—nine people plus me—meets every week.

#### Do you plan to take Benefitfocus public at some point?

The simple answer is we plan on growing the company for a long time. We are focusing on increasing recurring revenue, and increasing free cash flow profitability. And we believe that all the financing outcomes will then be available to us, including a public offering.

We don't have a date or a corporate objective. But we have all the controls in place that we would need as a public company.

#### How did you get into aviation?

Aviation is deep in my blood. My dad, who was a dentist, got his private pilot's license a month or two after I was born in 1967. At two months old, I was in a car seat in a Piper Tri-Pacer. I've been flying literally as long as I can remember.

#### You studied aviation in college and taught flying for a while, but decided not to pursue a career as a pilot. Why was that?

The pay was too low and wouldn't accelerate fast enough—to be totally candid. I thought I could satisfy my aviation desire by owning planes and being part of a company that would be able to fly aircraft. I tell people we had to start Benefitfocus so I could afford a plane.

## CEO Files Résumé:

### Shawn Jenkins

**POSITION:** President, CEO and cofounder, with chairman of the board Mason Holland, of Benefitfocus.

**PREVIOUS POSITIONS:** Joined American Pensions (owned by Mason Holland) in 1994; bought part of the company in 1997; company sold to South Financial Group in 2003; after college, worked as a flight instructor and managed overseas Christian mission trips.

**EDUCATION:** B.A., Geneva College, Beaver Falls, Pa. 1989; MBA, Charleston Southern University, 1989.

**PERSONAL:** Age 40. Born in Meadville, Pa. (south of Erie). Has two children, 14 and 12. Hobbies include cars and flying. Lives in Charleston, S.C.

I understand you own and fly a Cirrus SR-22 piston airplane and are now moving into turbines.

One of our past board members owned a King Air, but wasn't flying it much. So my business partner and I bought part of it; we have 150 hours [a year] between us. There are some other King Airs that our pilots fly, so if our plane's busy, we'll fly somebody else's, and that works out. We've also bought time in a Citation CJ2 that we're going to start flying. It's owned by a couple of guys who have a [Part] 135 [charter] operation.

My partner and I also have an order on an Eclipse, which we're buying as individuals. We're considering getting three of them, creating a 135 operation ourselves and having a couple of corporate pilots. Not as a big money-making business, but as a way to spread the cost and then have access, so we always have a plane available.

If you get one airplane and you get other people using it to defray the cost of owning, you lose the benefit of owning it. The last thing you want to do is call out to the airport and not have the plane sitting there. So it's kind of weird; you can't have just one, you have to have three.



SHAWN JENKINS IS PART OWNER OF THIS 2003 CIRRUS SR-22 AND FLIES IT ON COMPANY BUSINESS. BUT THE INCREASING TRAVEL NEEDS OF BENEFITFOCUS MOTIVATED HIM TO MOVE UP TO TURBINES BY LEASING TIME ON TWO KING AIRS AND A CJ2. HE HAS ALSO ORDERED AN ECLIPSE 500.

## SHAWN JENKINS' AIRPLANES

	Model	Airplane type	Years produced	Variable cost/ hour for latest model	Seating exec/ max	NBAA IFR range (nm)	Maximum cruise (kt)	Max takeoff weight (lb)	Cost-new (\$M)	Cost range-used (\$M)
1	Cirrus SR22	Single-engine piston	2001-current	\$175	3 / 3	650	186	3,400	0.478 (SR 22G3)	\$0.175-\$0.4
	Citation CJ2	Twin-engine jet	2000-current	\$1,427	6 / 8	1,331	413	12,375	\$6.700 (CJ2+)	\$4.75-\$6.45
2	King Air C90A	Twin-engine turboprop	1984-1992	\$1,119	5 / 11	947	250	10,100	\$3.198 (C90GTi)	\$0.98-\$1.29
	King Air B200	Twin-engine turboprop	1981-current	\$1,210	6 / 15	1,164	290	12,500	\$5.268 (B200 GT)	\$1.62-\$4.5
3	Eclipse 500	Twin-engine jet	2007-current	\$727	4 / 5	825	370	5,995	\$2.150	\$1.67

*Assumptions: Fuel price: jet \$7.02/gal avgas, \$6.47/gal. Variable cost: fuel, routine maintenance reserves, miscellaneous expenses. NBAA IFR range for Cirrus SR22 is based on one pilot, two passengers, 100-nm alternate and 200 lb for each passenger, including baggage. NBAA IFR ranges for all other aircraft, which are twin-engine turbines, are based on two pilots, four passengers, 200-nm alternate, 200 lb for each passenger, including baggage. Conversions: 1 knot = 1.15 mph; 1 nm = 1.15 statute miles. Cost source: Conklin & de Decker Aircraft Cost Evaluator. Performance source: Conklin & de Decker Aircraft Performance Comparator. Selling prices source: Vref Aircraft Value Reference.*

*Key: 1-Owns; 2-Has hourly agreements with owners; 3-Has on order.*