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Diversification as a Means to Grow

SMALL BUSINESSES ARE CHALLENGED with finding growth opportunities in today's economy. Making drastic changes to the business plan can be intimidating, but staying competitive may mean looking beyond the way things have always been done. Here is the story of one company who took on this challenge successfully.

Background: Stubbe & Associates was started 25 years ago to provide medical and vocational case management to insurance carriers to effectively and efficiently manage worker's compensation claims. www.stubbe.com/minnesota

Challenge: 90% of Stubbe's revenue in fact came from managing worker's compensation claims. Over the past few years continued growth at previous levels became more challenging and this was preventing Stubbe from hitting its annual growth goals.

Solution: Stubbe made three key investments. Two were aimed at maintaining and enhancing their existing client relationships and the other aimed at diversifying the revenue stream in an efficient, low-risk manner.

To maintain and improve their service to existing customers Stubbe invested in developing new case management technology. This was done to more efficiently serve their customers' needs. Second, they earned some important industry certifications to bolster their position as the high quality player in their field.

Then they made a strategic choice to further expand their case management business beyond worker's compensation with an increased emphasis on short-term and long-term disability claims. This made sense since Stubbe's existing base of case managers had the expertise to handle disability claims with a minimum of additional training due to the similar skill set required to effectively handle both worker's compensation and disability claims. To obtain the expertise and contacts they needed in the disability arena, they hired an "Industry Expert" who is now in charge of sales, training and periodic auditing for this growing business line.

Stubbe is once again hitting its annual growth rate target, and the diversity of their business model has allowed them to expand their footprint from 11 states to 26.

Lessons Learned

- Additional investments in staff and technology can be profitable when done in a thoughtful and strategic manner.
- If you decide to shift or expand your business model, keep in mind what your brand is and make sure the changes fit.
- Hire specific industry expertise if you do not have it in-house.