

## *Small Business Uses Outsourcing to Meet HR Challenges*

# PEOs: Help for Small Companies in Good, Bad Times

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In today's uncertain economy, many owners of small- and medium-sized businesses face daunting challenges. The current business slowdown has forced entrepreneurs to consider tough decisions to protect their bottom lines. Such reflection, however, can lead to lasting benefits.

Business owners who think and act strategically are better equipped to create a competitive advantage in both good times and bad. In tough times, good companies improve, and great companies get even better.

A successful small business doesn't merely survive the test of time — it looks for ways to thrive, whatever the circumstances.

So what strategy can small-business owners pursue to help deal with today's challenges? Across the country, thousands of entrepreneurs are finding that full-service professional employer organizations, also known as PEOs, provide a proven comprehensive "people strategy" that can turn obstacles into opportunities.

A PEO functions as an off-site human resources department, allowing business owners to outsource many time-consuming employer responsibilities. It also allows a company to "insource" important business services such as employee benefits management, training and development programs, and recruiting and selection assistance.

A PEO also oversees payroll, workers' compensation claims and other administrative matters as well.

These days, business owners closely examine all expenses — especially personnel costs — so they are more likely to outsource time-consuming administrative functions. Outsourcing frees them to focus on core business issues such as increasing sales, developing new products and services, and improving customer service.

### • **Strategic Staffing During a Downturn**

More than half of the nation's employees — 51 million people — work for small companies that generally don't have a professional human resources department. During a slowdown, PEOs are an important and viable option to help small businesses better manage their HR infrastructure challenges.

A small business can use a PEO's services to turn today's difficulties into an advantage when the inevitable economic turnaround occurs.

Business owners who think strategically recognize the value of quality employees to the success of their business. They understand the importance of attracting, retaining, rewarding and improving the productivity of those employees.

Today's uncertain economy forces many businesses to make difficult decisions regarding personnel costs. But a slowdown also offers the opportunity to position the company to outperform the competition when business activity picks up.

During a slow economy, for example, a business can be more deliberate and selective in its hiring. Because there are more available workers, a company can take the extra time it needs to make sure it finds the right employee for the right job.

A full-service PEO can help by creating job descriptions, placing ads, screening resumes, conducting interviews and administering pre-employment testing.

If a company finds that a work force reduction is inevitable, a PEO provides HR specialists to help with terminations. In addition, outplacement specialists can help find suitable positions for qualified workers elsewhere.

### • **Executives Can Focus**

#### **On the Big Picture**

In San Diego County and Southern California, PEO and HR companies serve a broad range of small businesses whose owners are looking for administrative relief.

Executives who counsel entrepreneurs are among those who understand the value of a PEO when it comes to helping key managers focus on the big picture.

Maria Walker, the CFO with Forward Ventures, frequently advises entrepreneurs in start-up situations. As Southern California's largest life science fund, Forward Ventures identifies candidates for early-stage investments that can both accelerate the development of innovative and effective treatments for serious diseases and produce significant returns for investors. Walker finds the more focus founders and key managers can devote to a fledgling company, the more assured its path to profitability.

"PEOs offer a terrific option for many young biotech companies where resources are limited

and key areas of expertise within the company need to be focused on scientific or medical research, rather than on human resources management," Walker said. "I advise our portfolio companies that dealing with complex HR issues inhouse can have significant opportunity costs if it causes key managers to diminish their focus on implementing their overall business strategy."

### • **Training and Development**

A PEO offers other advantages for companies during a slowdown. This is an opportune time to focus on training and development as a way to enhance performance management of existing personnel and to provide customized training programs that help employees become top performers in achieving company goals.

Other areas of expertise include:

❑ **Benefits management.** Because the PEO provides medical and other benefits to employees, the task of managing benefits is easier for those who use the services of a PEO.

❑ **Government compliance.** According to the Small Business Administration, small businesses carry a heavier regulatory burden than large companies.

Small companies employ about 53 percent of the work force but shoulder 63 percent of the total business regulatory costs. A PEO can help a company improve its government compliance, reduce or eliminate fines and penalties, and enhance the work environment.

❑ **Employer liability management.** In the commonly used co-employment arrangement, a company can transfer many of its employer liabilities to the PEO, share others and better manage those that remain.

The result is lower risk and reduced liability — a key to safeguarding the enterprise that provides jobs for workers and services for customers.

In good times or bad, businesses must stay focused on key initiatives. During prosperity, a company can become lackadaisical.

In difficult times, a costly "bunker mentality" can set in. Either one can steer a company away from key initiatives and providing the best value for the customer.

PEOs can play a key role in helping small- and medium-sized companies strategically focus on their all-important core business.

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