

# PEO INSIDE

PUBLISHED BY THE NATIONAL ASSOCIATION OF  
PROFESSIONAL EMPLOYER ORGANIZATIONS\*

THIS MONTH'S FOCUS

## PEO GROWTH AND TRANSFORMATION

INDUSTRY EVOLUTION

M&A

EXPANDING SERVICE  
MODELS

COVER STORY

# CHRISTINA NELSON AND PACIFIC HR:

## CELEBRATING 35 YEARS OF SERVING CLIENTS

Christina Nelson, President & CEO, Pacific HR

THE SOURCE FOR PEO EDUCATION\* 707 NORTH SAINT ASAPH STREET, ALEXANDRIA, VA 22314 [WWW.NAPEO.ORG](http://WWW.NAPEO.ORG)

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# Maximize SECURE 2.0 Growth Opportunities





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**COVER STORY:**

Christina Nelson and Pacific HR:  
Celebrating 35 Years of Serving Clients

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# SPRINGING INTO PREPAREDNESS: A PREVIEW OF RISK MANAGEMENT WORKSHOP

BY STEVE POLITIS, ESQ.

**A**s the seasons change and the leaves and flowers begin to emerge, so too does a renewed focus on preparedness within our industry. Spring symbolizes growth, rejuvenation, and the promise of new beginnings. And as any good risk manager knows, the best time to prepare is at the beginning.

NAPEO's Risk Management Workshop ([napeo.org/rmw](http://napeo.org/rmw)) stands as the premier gathering of PEO risk management professionals, carriers, brokers, and agents. It has evolved over the years into a pivotal event, offering unparalleled insights into the complex landscape of risk management within the PEO sphere.

Scheduled for April 22-23 in the vibrant city of Indianapolis, IN, this year's workshop promises to be a dynamic meeting of industry thought leaders, key insurance executives, regulatory experts, and policymakers. It's a forum unlike any other, providing a comprehensive examination of risk management practices, challenges, and opportunities facing the PEO community.

Originally conceived as a forum primarily focused on workers' compensation, the workshop has evolved exponentially over the past two decades. Today, it encompasses a diverse array of topics ranging from cybersecurity,

privacy, employment practices liability insurance (EPLI), and AI, to economic exposures inherent in the PEO industry and beyond. It's a testament to the workshop's adaptability and relevance in addressing the needs of PEOs in an ever-changing landscape.

While it is imperative for PEO leaders to possess a firm grasp of risk management principles, it's equally crucial for every member of the PEO workforce to understand their role in assessing and mitigating risks. After all, the resilience of a PEO hinges not only on the strategic decisions made by its leadership but also on the collective vigilance of its employees.

As we gear up for the workshop, there's a sense of anticipation, particularly considering the upcoming PEO Capitol Summit and then the Annual Conference and Marketplace. The insights gleaned from the Risk Management Workshop will undoubtedly inform and enrich policy discussions at the other events, shaping the trajectory of our industry in the months and years ahead.

In the realm of risk management, there's a universal truth that cannot be ignored: the consequences of inadequate preparation can be catastrophic. No business owner relishes the prospect of paying insurance premiums, but the reality is that effective risk management is the

cornerstone of business resilience. From cyber threats to unforeseen disasters, the stakes are too high to leave anything to chance. This is also why NAPEO created the cyber committee a couple of years ago.

It's urgent that we delve into the intricacies of risk management, exploring hypothetical scenarios and contingency plans with meticulous detail. What happens in the event of a vendor breach? A breach within your own PEO? What is our disaster response plan in the face of unforeseen calamities? These are the questions that demand our attention, and the Risk Management Workshop provides the ideal platform to address them head-on.

As we embrace the spirit of spring and all the promise it holds, let us also embrace the ethos of preparedness. NAPEO's Risk Management Workshop asks us to confront the challenges of tomorrow with clarity, foresight, and resolve. Together, we can cultivate a culture of resilience that ensures the enduring success of the PEO industry for generations to come. ■



**STEVE POLITIS, ESQ.**

2023-2024 NAPEO Chair  
CEO  
Alcott HR

### LEADERSHIP

## CONGRUITYHR APPOINTS MIKE VIOLA AS CEO

NAPEO member CongruityHR recently announced the appointment of Michael A. Viola as its new Chief Executive Officer. "I am honored to join Congruity and lead this talented team. Together, we will build on the company's strong foundation and drive innovation to meet the evolving needs of our clients while fostering a culture of excellence and collaboration," Viola said in a news release. Michael Viola joins Congruity with over 25 years of experience in the PEO industry, primarily as the co-founder and Chief Sales Officer of Oasis Outsourcing.

### WELL-DESERVED

## INSPERITY RECEIVES PRESTIGIOUS WORKPLACE ACHIEVEMENT AWARDS

NAPEO member Insperty was recently recognized with two separate workplace honors from Glassdoor and U.S. News & World Report. The Glassdoor Employees' Choice Award recognized Insperty for the second consecutive year as one of the best places to work, and U.S. News & World Report named Insperty one of the best companies to work for in the industrials and business services industry in its 2024 Best Companies to Work For list. "People are a company's strongest asset, and they should come first to create a thriving work environment," Insperty President & COO Steve Arizpe said. "These honors highlight the strong workplace culture we have cultivated since Insperty's inception and our continuous efforts to create an environment where our workforce can achieve their own personal and professional goals."

### REGISTER NOW

## MONUMENTAL MOMENTS AWAIT YOU AT NAPEO'S 2024 PEO CAPITOL SUMMIT



**Registration is now open for NAPEO's 2024 PEO Capitol Summit. Visit [napeo.org/events](https://napeo.org/events) to register.**

Join us for a one-of-a-kind opportunity to make sure lawmakers know about the positive impact of the PEO industry and the key role we play in supporting small and mid-size businesses. Make your mark on the industry and help us tell the PEO story! You don't want to miss...

- Celebrating National PEO Week in DC
- PEO Advocacy Day on Capitol Hill
- Industry expert discussions on PEO industry hot topics and legal concepts
- Hearing from leading lawmakers and policy gurus
- A sunset cruise on the Potomac taking in the historic DC views

### The Details

**When:** May 21-23, 2024

**Where:** The Ritz Carlton, Pentagon City – Arlington, VA

**Who:** Legal advisors to the PEO industry, PEO compliance managers, PEO owners and senior managers, and PEO HR professional



CONGRATULATIONS

# TANDEM HR NAMES TARA CONGER CEO

NAPEO member Tandem HR recently announced that Tara Conger has been named as its CEO. Conger, a 17-year veteran in the HR industry, served as Tandem HR's president for the past two years, leading the firm through multiple strategic changes that spurred unprecedented improvements in customer service, client retention, and company culture. She also serves on NAPEO's Board of Directors, chairing the Membership Services Committee.

"I've gained invaluable insights on crafting exceptional teams, transitioning from the world of sports to the realm of business. Ultimately, the caliber of individuals drives exceptional outcomes, and we're witnessing this firsthand at Tandem HR. In HR and the

PEO industry, you're regularly encountering complex challenges and issues that directly impact not only companies but people. Along with staying in tune with industry shifts, my focus is always on fostering empathy, compassion, and transparency with our employees and clients. When you do that, your organization is going to flourish," Conger said in a news release announcing the appointment.



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### NICE WORK

## SYNDEO WINS 2024 BEST OF HR SERVICES AWARD

NAPEO member Syndeo recently announced the company has won ClearlyRated's Best of HR Services Award for providing superior service to their clients for the fifth year in a row. 2024 Best of HR Services winners have a Net Promoter® Score that is 60% higher than the industry average. Syndeo received satisfaction scores of nine or ten out of ten from 88.9% of their clients. "ClearlyRated's recognition as the Best of HR Services for 2024 highlights our relentless pursuit of excellence in serving our clients. I extend my heartfelt gratitude to my dedicated employees whose exceptional efforts paved the way for us to win the esteemed client satisfaction award for the 5th year in a row," said Syndeo President and CEO Bill Maness in a news release.

### EXPANSION

## ENGAGE PEO FURTHER EXPANDS PRESENCE IN SOUTHEAST AND NORTHEAST

NAPEO member Engage PEO announced recently that Hannah Medley and Erica Niles have joined the company as vice presidents of sales. Medley, based in Tennessee, is focused on expanding Engage's presence in the southeast, while Niles, based in New York, is focused on adding new clients in the northeast U.S. "Erica brings extensive knowledge and understanding of the insurance broker community from her time as an agent, especially in the Northeast. Hannah knows the Tennessee market and has a unique understanding of the HR challenges that business owners face. Her PEO sales experience and entrepreneurial spirit make her a great addition to Engage," said Engage CEO Jay Starkman in a release announcing the hirings.

### KUDOS

## NAPEO WINS GOLD TRENDY AWARD FOR SOCIAL MEDIA CAMPAIGNS



We're proud to announce that NAPEO took home the Association Trends award for best association social media at the 44th annual Salute to Association Excellence! Members of NAPEO's marketing and communications and member services departments attended the luncheon and awards ceremony at the Capitol Hilton in Washington alongside more than 500 other national trade group members.

This recognition would not be possible without the support of our dedicated followers across all our platforms. Thank you for your continued engagement with our social media accounts!

### RECRUITING

## THE BIG STAY: WORKERS PREDICT FEWER JOB OPENINGS IN 2024

According to MyPerfectResume's 2024 HR & Recruitment Report, 80% of workers predict that 2024 will be the year of "The Big Stay." The survey covers trends around job seeker behavior, recruitment, professional development, mental health, corporate social responsibility, and diversity and inclusion efforts. Some report highlights include:

- 61% of workers expect a longer hiring process in 2024 compared to 2023.
- 70% believe re-skilling will be necessary for many professions.
- 74% believe that work experience will matter more than education in 2024.
- 90% believe job seekers will use LinkedIn more often than dedicated job search websites.
- 71% of respondents expect more companies to include salary information in their job postings.
- 72% say AI will support HR teams in recruitment processes more in 2024 than in 2023.
- 88% expect CSR initiatives to become more integral to business strategies in 2024.
- 84% believe that organizations will increase their investment in employees' mental health and well-being programs in 2024. ■



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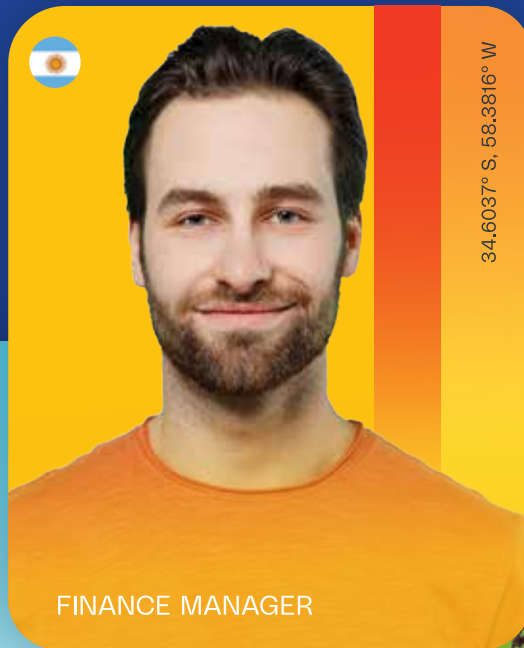
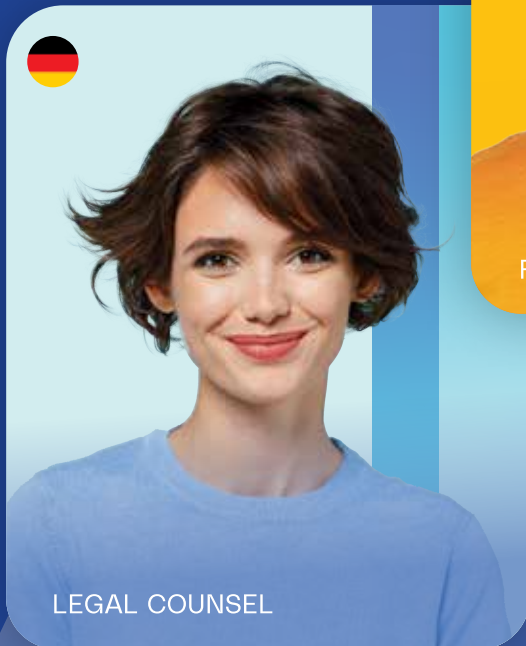


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# industry evolution





# PEOs Then and Now

BY BRITT LANDRUM, III

In November of 1986, I sat at my family's dining room table staring at my father (H. Britt Landrum, Jr.) as though he had lost his mind. I was headed out the door with my friends to go see my favorite band in a nearby city when he abruptly stopped me in my tracks and said,

"Before you go, there's something that I would like for you to do."

He explained that our family business had been practicing "employee leasing" for a few years with a handful of clients, and now it was time to grow that business. We were already in the staffing business,

which as a teenager I could generally understand, but "employee leasing"? My father had read an article in *Forbes* magazine and spoken with some industry innovators in California about this new concept. Also, we were getting requests from our larger staffing clients to provide employee leasing services.

Upon the dining room table sat two large stacks of paper; the first was a stack of signed letters, and the second was a stack of envelopes. He explained that these letters were going to 50 local physicians that surely did not want to handle their own human resources

functions and would gladly turn that over to someone else. I folded, stuffed, and licked those envelopes as fast as I possibly could then attempted to bolt out the door when he stopped me again and said,

"You will remember this for the rest of your life."

Needless to say, we did not get any new clients out of those letters. However, there was another physician at our church that soon became a client. During the onboarding meeting, he boastfully declared to his employees, "You are all fired. You work for Landrum now." While that statement was not entirely accurate,

with a few additional referrals and new clients our PEO was born.

I felt a responsibility to understand our family business in greater depth. So, after college and a short stint with a small payroll company, I began my career with our PEO in sales. I attended National Staff Leasing Association (NSLA) meetings (later to be re-branded as NAPEO), attended T. Joe Willie's "Business of Employee Leasing" training seminar, and studied his book intently. These were the early days of employee leasing, and we were very fortunate during the 1990's, as our company literally had no competitors within a few hundred miles of us in northwest Florida. Employee Leasing suddenly became the "cool thing" to do if you owned and operated a small business, and we were the only real provider in town.

Our company prided itself on providing superior, personalized service to our clients. We charged our clients one bundled price which included anything they wanted, and our team could provide. Our HR managers provided personalized training sessions for our clients, either at their place of business or inside our own training room. Since our clients were 90% local, we told them to simply send new employees over to our office anytime they hired someone, and we would take care of everything; from drug testing to paperwork to personalized orientation, we would handle it for them. It was a great model; however, it was also extremely expensive to operate and maintain and was not easily scalable.

PEO payroll software was in its infancy, and we had a highly customized version of a product that became known as the industry standard. Interfacing with other products was extremely kludgy, and the

default method of reporting payroll was via facsimile. At one time, our PEO was maintaining 10 different fax lines to accommodate the incoming and outgoing communications. Workers' compensation and group benefits were a huge driver of sales back then (as they are now), and our HR department was delivering a high quality service focused on small business compliance.

My father was heavily involved in the establishment of regulation of the industry in the state of Florida, as there were many fly-by-night companies that were more than willing to call themselves employee leasing, hold large sums of money from clients, and not pay the required tax deposits or benefit premiums. A Florida employee leasing law was proposed, passed, and a Board of Employee Leasing Companies was established to self-regulate within our state.

Times were great for many years. We grew complacent as a company and rejoiced in our hubris by believing that we were superior operators, leaders, and professionals until the late 1990's when a competitor decided to open their sales office across the street...and that's when everything started to change.

Suddenly, our clients had a real, viable alternative for a PEO. Even though the competition didn't provide nearly the same level of personalized service that we greatly prided ourselves upon, they were doing it for about half the price. We didn't lose many clients to them, but they unquestionably eroded our pricing model, and we were forced to react by reducing our level of customized services.

It was also around this time that the National Staff Leasing Association





Interfacing with other products was extremely kludgy, and the default method of reporting payroll was via facsimile. At one time, our PEO was maintaining 10 different fax lines to accommodate the incoming and outgoing communications.

(NSLA) rebranded as the National Association of Professional Employer Organizations (NAPEO). The timing was right as the market had matured, and many wanted to elevate our industry to more properly reflect the level of services we all provided to clients. The accreditation arm of the industry, the Employee Services Assurance Corporation (ESAC) was established, and many of the early founders also became members. NAPEO established its “Model Act” legislation to establish uniformity, and many states began adopting it.

Over time, margins continued to erode, and invoices began to reflect pricing on a per employee basis as transparency became the de facto standard. What once was included as one bundled fee, evolved into a detailed breakout of the individual burden components that comprise the cost of having employees. Any customized service over and above the routine processing of payroll was now being charged as a separate fee. Volume processing became critical in maintaining profitability. While many smaller PEOs prided themselves on servicing only smaller clients, it became incredibly

difficult to maintain that model for an extended period. Many smaller PEOs subsequently sold their businesses to larger providers as a result.

Industry payroll software has become much more robust and standardized than the early providers since then, but we are all paying a much larger share of our profits now for those developments and advancements. Benefit plans are migrating more to individual client plans, and our service models have all evolved to provide multi-state remote support in a post-COVID work environment. Many clients have their own internal in-house HR manager now. We supplement their jobs by removing the burden of administrative work from them and provide an additional professional opinion on larger strategic HR matters that affect their employees. Whereas they once were done in person, our teams are providing online training sessions for clients via Zoom.

As with anything else, our industry will continue to evolve. A wise person told me recently that they feel our industry will soon resemble the regional airline industry, with only 20

or so major providers. Although there will always be room for smaller PEOs that provide extremely customized services for specific clients, the barrier to entry to establish substantial insurance plans is great. Therefore, I do agree with my friend that there will continue to be many mergers and acquisitions within our industry resulting in a total reduction in the number of PEO firms.

Thankfully, my father was correct. I have never forgotten that day sitting around the dining room table and stuffing envelopes. It has provided me and our team with some incredible careers and a fantastic service for many employees and businesses, allowing them to focus on what they do best. I am hopeful that we can continue to play a part in this wonderful industry for many years to come. ■



**BRITT LANDRUM, III**  
CEO  
LandrumHR  
Pensacola, FL







# The Future Of PEOs: Thriving in an Ever-shifting Landscape

BY RAJESH GURUMOORTHY

**F**or years, the PEO industry has empowered businesses of all sizes to navigate HR complexities. However, in today's dynamic market, organizations are ever-evolving, and PEOs are not an exception. As companies adapt to technological disruptions, a global market, and other challenges, professional employer organizations are also changing to meet their clients' needs.

As we delve into the artificial intelligence era, there's one pressing question in all our minds—what does the future hold for PEOs?

AI is not the only factor that is going to revolutionize the industry; changing

workforce demographics, regulatory landscapes, and sustainability are some of the several factors that can influence the industry. These factors are not challenges; they can unlock opportunities for growth and innovation.

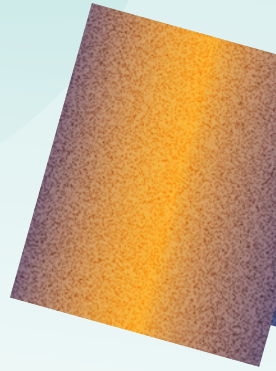
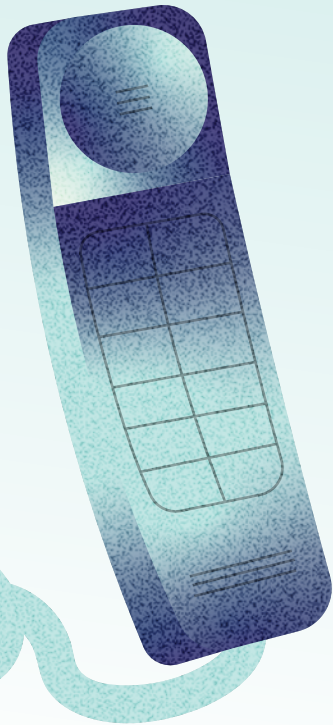
## TECHNOLOGY

Technology integration is one of the trends that is here to stay. AI, data analytics, and machine learning can transform a business into a tech-driven superpower. How can PEOs leverage these tools to streamline their operations? PEOs can:

- Automate payroll processing and other redundant administrative functions

- Enhance the efficiency of employee acquisition through AI-powered recruitment and onboarding
- Use advanced machine learning algorithms to identify the connection between turnover, workload, and other factors
- Provide personalized employee engagement strategies
- Leverage data to identify patterns in workplace accidents and create safety measures
- Reduce fraudulent claims and make risk management more efficient

AI-powered algorithms can also help small businesses find PEOs with just a few



clicks. Depending on a business's size, industry, and needs, AI-enabled platforms can link them to the ideal PEOs for them.

### DIGITAL MARKETING

Thanks to digitalization, marketing has evolved from a product/service-centric approach to a customer-centric approach. If used effectively, digital media platforms can help PEOs personalize their marketing efforts and reach a wider target audience with minimal effort.

The integration of AI, machine learning, and data analytics into marketing makes it easier for PEOs to find small businesses that precisely match their ideal customer profile (ICP). Through AI-enabled platforms, PEOs can identify qualified leads in just a few clicks. They can also generate a quote within minutes and increase their conversion rates.

From email campaigns to social media marketing, the PEO of tomorrow needs to have a holistic marketing approach to become an industry leader.

### CHANGING WORKFORCE

A study by Glassdoor [1] revealed that, in early 2024, Gen Z will replace Baby

Boomers as the largest generation in the full-time workforce. How is this change relevant to PEOs? With a changing workforce comes new demands. For instance, the four-day workweek has gained overwhelming support from the younger generations. Understanding the workforce's needs will help PEOs improve employee engagement and retention.

### REMOTE AND HYBRID WORK

The COVID-19 pandemic accelerated the adoption of remote and hybrid work. It's been three years since the pandemic, and remote work is still popular among employees. From virtual onboarding and training programs to digital collaboration platforms, PEOs can play a crucial role in helping businesses navigate the complexities of remote work. Providing innovative solutions for managing distributed global teams effectively could make a PEO indispensable to their clients.

### GIG ECONOMY

The gig economy is another workforce shift that needs to be on a PEO's radar. Statista research[2] projects that 50.9%

of the total US workforce will be freelancers in 2027. PEOs can expand their reach and add value to this growing segment of the workforce.

### GLOBAL TEAMS

With the world becoming a global market, organizations have employees working from different parts of the globe. Modifying their services to manage international employees, and ensure compliance in various countries can expand a PEO's scope and help them scale up.

### REGULATORY COMPLEXITY

Employment, data privacy, and compliance laws are constantly changing. PEOs, with their expertise in HR compliance, are well-positioned to help businesses navigate this complex regulatory landscape. Staying ahead of legislative changes and providing tailored compliance solutions is crucial for a PEO's success.

### CYBERSECURITY AND DATA PRIVACY

We live in a digital age where businesses need to modify their processes to comply with data privacy laws. Since



AI is not the only factor that is going to revolutionize the industry; changing workforce demographics, regulatory landscapes, and sustainability are some of the several factors that can influence the industry.

PEOs have sensitive HR data, investing in secure technology infrastructure is essential to building trust and maintaining compliance.

### SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Sustainability and social responsibility are being embraced by several businesses to play their part in building a better future. PEOs could implement sustainable practices through paperless HR practices, employee well-being initiatives, and contributing to local communities.

### CLIENT-CENTRIC OPERATIONS

Most businesses prefer customized solutions, rather than a cookie-cutter

approach. Modern PEOs partner with their clients to understand their unique needs and industry trends and offer services that align with their strategic goals.

Effective communication and transparency in pricing are also major factors in strengthening client relationships.

The future of work is fluid and unpredictable. PEOs need to be agile and adaptable, readily responding to evolving regulations, workforce trends, and client needs. Continuous learning and innovation could help us stay ahead of the curve.

As businesses manage the complexities of the modern workplace, PEOs will continue to serve as their trusted partners. Embracing digital transformation, adapting to remote work environments,

and fostering a culture of innovation play a major role in the industry's growth.

Understanding and adapting to these trends is essential to not just survive, but to thrive in an ever-changing landscape. It can also assist us in shaping the future of work and redefining the HR landscape for years to come. ■

1 <https://www.glassdoor.com/research/workplace-trends-2024>

2 <https://www.statista.com/statistics/921593/gig-economy-number-of-freelancers-us/>



### RAJESH GURUMOORTHY

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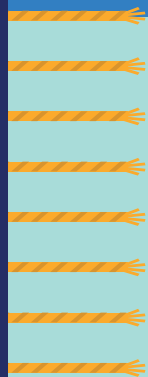


The background features a light teal color with various white line-art icons: a classical building on the left, a circular refresh icon in the upper right, and a jagged line graph at the top. The letters 'M&A' are rendered in a large, bold, black serif font, with several white arrows pointing towards them from different directions.

# M&A

## GO OUT ON TOP: UNDERSTANDING BUYER PROFILES TO MAXIMIZE YOUR EXIT STRATEGY

BY DAN MCHENRY, MATT CLAUS, AND ERICA WHYMAN



In the dynamic landscape of business, the decision to sell a company is often one of the most significant milestones for a business owner. Whether it is the culmination of years of hard work, a strategic shift in focus, or simply the desire to capitalize on an opportunity, selling a company is a complex process that requires careful planning and execution. In this article, we will delve into the importance of preparing to sell your company and the critical steps involved in maximizing the value of your exit – with some unique strategies for the various types of buyers and other important variables.

Selling a company is not a spontaneous decision; it's a strategic move that requires thorough preparation. Many business owners underestimate the time and effort involved in this phase of the process. This underestimation can significantly impact the ultimate value of your company. From financial considerations to operational readiness and legal obligations, there are numerous factors to consider to ensure a smooth and profitable transition.

A careful, honest, and critical view of potential weaknesses, operations issues, and growth challenges (combined with a proforma result and action plan) can significantly increase the attractiveness of your business to potential buyers. For example, streamlining your PEO's implementation process before going to market by creating necessary efficiencies creates immediate increased value for your PEO. Preparation enables you to negotiate from a position of strength, empowering you to secure the best possible deal terms and conditions.

Preparation is essential for minimizing risks and mitigating potential obstacles throughout the selling process. Obstacles during a sale have the

potential to delay the process, putting in jeopardy favorable buyers and market conditions you were counting on for an optimal sale. By conducting comprehensive internal due diligence, identifying potential issues, and implementing corrective measures in advance, you can avoid costly surprises and ensure a seamless transaction.

### KEY STEPS IN PREPARING TO SELL

#### 1. Financial Preparation:

- Conduct a thorough financial analysis to assess the company's valuation accurately.
- Ensure all financial records are accurate, up to date, and prepared according to industry standards.
- Identify opportunities to improve profitability and enhance financial performance.
- Engage a financial expert to provide objective insights and guidance.

#### 2. Operational Optimization:

Unlike traditional businesses where the primary focus is on selling products or services, PEOs rely heavily on long-term client relationships. The quality of these relationships, as well as client retention rates, are significant factors in determining the value of a PEO. Potential buyers will closely scrutinize client contracts, renewal rates, and satisfaction levels when evaluating a PEO for acquisition.

- Perform analysis on key operational processes from the sales and implementation process to client retention to identify areas for improvement.
- Streamline workflows, eliminate inefficiencies, and optimize resource allocation.
- Invest in technology and infrastructure upgrades to enhance productivity and scalability.



- Develop a transition plan to ensure continuity of operations during the selling process.

### **3. Strategic Positioning:**

- Define your value proposition and differentiation strategy to stand out in the market.
- Identify potential buyers and understand their strategic objectives and acquisition criteria.
- Position the company as an attractive investment opportunity by highlighting its strengths, growth potential, and competitive advantage.
- Develop a marketing strategy complete with a sales pitch and materials to effectively communicate the company's value proposition to potential buyers.

### **4. Legal and Regulatory Compliance:**

- Ensure compliance with all

applicable federal, state, and local laws, regulations and licensing, and industry standards.

- Review contracts, agreements, and legal documents to identify potential liabilities or risks.
- Address outstanding legal or regulatory issues proactively to avoid delays or complications.
- Seek legal advice from an experienced industry professional specializing in mergers and acquisitions.

### **5. Team and Culture:**

- Assess the talent and capabilities of your team and identify key personnel who are critical to the company's success.
- Develop a plan to retain key employees and incentivize them to support the transition process.
- Foster a positive and transparent company culture that promotes

collaboration, innovation, and accountability.

- Communicate openly with employees about the decision and involve them in the transition process to mitigate uncertainty so they can see the potential for individual opportunities.

Part of the preparation process of preparing to sell your PEO is evaluating the implications for the buyer. Is your buyer a strategic buyer or a financial buyer? Each brings its unique set of implications for the seller.

### **THE STRATEGIC BUYERS**

Strategic buyers are your current competitors. They seek acquisitions that align with their long-term growth strategies, intending to leverage synergies to enhance their competitive position. Such buyers often seek access to industry-specific items such as established

## PEO GROWTH AND TRANSFORMATION

distribution channels, complementary resources, verticals, geography, brand, etc.

### Implications of Selling to a Strategic Buyer

**Synergistic Opportunities:** Strategic buyers offer the potential for synergies, resulting in increased operational efficiencies, cost savings, and revenue growth. By integrating the acquired business into their existing operations, strategic buyers can capitalize on shared resources, technologies, or customer bases.

#### Market Access and Expansion:

Selling to a strategic buyer can provide access to new markets or distribution channels that were previously inaccessible to the seller. This expanded market reach can facilitate accelerated growth and enhance the value proposition of the combined entity.

#### Brand and Culture Alignment:

The alignment of brand values and organizational culture is crucial for the success of any acquisition. Strategic buyers tend to prioritize cultural fit and may be more inclined to preserve the brand identity and core values of the

acquired business, thereby mitigating potential conflicts during the integration process and increasing the likelihood of retention of key employees that are crucial to the success of the integration.

**Premium Valuation:** Due to the strategic value a buyer perceives in the acquisition, strategic buyers may be willing to pay a premium over the business's intrinsic value. This can result in a higher acquisition price for the seller compared to a financial buyer, reflecting the synergies and strategic benefits associated with the transaction.

The key to managing this type of buyer is to look at your business from their particular lens (yes, create a view for each and every target) and promote a value proposition – supported by data elements, strategic plans, and a well-supported future view of company performance.

### THE FINANCIAL BUYERS


Financial buyers, on the other hand, include private equity firms, venture capital funds, and other investment

entities primarily seeking returns on their investments. Unlike strategic buyers, financial buyers may not have direct operational synergies within the PEO industry. Instead, they focus on generating value through financial engineering, operational improvements, and eventual exit strategies.

### Implications of Selling to a Financial Buyer

**Operational Restructuring:** Financial buyers often implement operational restructuring initiatives aimed at improving efficiency, reducing costs, and maximizing profitability. While this can lead to short-term disruptions, it may also enhance the long-term competitiveness and scalability of the business.

**Exit Horizon:** Financial buyers typically have a predetermined investment horizon, usually ranging from three to seven years, after which they seek to exit their investment with a substantial return. Sellers should consider the implications of this finite



Preparation enables you to negotiate from a position of strength, empowering you to secure the best possible deal terms and conditions.



holding period on the business's long-term strategy and growth trajectory.

**Governance and Autonomy:**

Selling to a financial buyer may involve relinquishing a degree of operational control and autonomy, as the investor seeks to actively participate in strategic decision-making and value-creation initiatives. Sellers should assess their comfort level with this potential shift in governance structure.

**Capital Access and Resources:**

Financial buyers can provide access to additional capital and resources to fuel growth initiatives, such as expansion into new markets, product development, or acquisitions. However, the terms of financing and potential debt leverage should be carefully evaluated to ensure alignment with the business's risk profile and financial objectives.

Typically, the decision on buyer type centers around the current phase of the business lifecycle and the current owner's desires relative to the ongoing management of the enterprise.

**PREPARATION IS PARAMOUNT**

Regardless of which buyer type you pursue, preparing to sell your company is a multifaceted process that requires careful planning, strategic foresight, and meticulous execution. By taking proactive steps to address financial, operational, strategic, legal, and cultural considerations, you can maximize the value of your transaction and ensure a successful transition.

Understanding your PEO's unique characteristics is the key to your value proposition. This should always be front and center. In the PEO environment, this goes beyond traditional finance metrics and is supported by factors such as HR expertise, risk management, and operational efficiencies. Keep in mind: Features and benefits are NOT a value proposition.

We recommend a particular exercise to establish a value proposition and it usually reveals unexpected results! In our experience, the best place to start this process is asking yourself, "why are we in this business"?

Whether you are contemplating selling your company soon or simply exploring your options, investing time and resources in preparation is essential for achieving your goals and objectives. Remember, the key to a successful sale lies in preparation, so start planning today to secure a brighter future tomorrow. ■



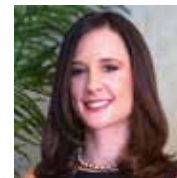
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VII

**THE STRATEGIC BUYER**

II

**THE FINANCIAL BUYERS**

**THE INSIGHT**





# CALL THE EXPERTS: LEVERAGING PEO CONSULTANTS TO EXPAND AND SELL

BY JOE RAYMOND AND FRANK FONTNEAU

For over a decade, the PEO market has experienced significant growth and innovation. Business owners and decision-makers have taken notice, as 33% report using PEO services in 2022 — more than double the reported use in 2018, according to a NAPEO study. Plus, for those who do not currently use a PEO, 81% reported interest in one.

As investor interest in the PEO space continues to rise, the market is undergoing a significant wave of consolidation. Larger players acquiring smaller companies not only signifies confidence in the market's potential but also indicates strategic positioning to capitalize on. PEOs, integral to HR and employee management solutions for businesses, are grappling with broadening their reach while maintaining high-quality service.

Amidst consolidation and escalating competition, PEO value maximization and differentiation are increasingly important. Investors are attracted to opportunities where organizations showcase the ability to adeptly overcome challenges, interpreting it as a signal of adaptability and resilience. They specifically look for opportunities where

organizations are proactively working to improve their value proposition, setting themselves apart in a competitive market.

## NAVIGATING GROWTH CHALLENGES IN THE PEO LANDSCAPE

If you're a PEO seeking to expand or enter the market, you may encounter a spectrum of challenges as you aim to broaden your operations and grow your client base. Skillful navigation is essential in addressing these challenges effectively.

### **Organizational structure:**

To accommodate growth, PEOs must first establish and maintain a scalable organizational structure. As part of this process, it's crucial to create impactful job descriptions, delineate responsibilities, and establish clear accountability for employees.

**Adept leadership:** PEO growth depends on a strong leadership team. Identifying adept leaders capable of managing day-to-day operations and driving strategic growth initiatives is crucial to success.

**Quality control:** In the PEO industry, where consistent service quality is paramount, investing in employee training, quality control processes, and

accountability mechanisms is essential to uphold high standards.

**Efficient operations:** Operational efficiency is key to delivering effective services to clients. While many organizations have the right systems in place, optimizing their utilization is crucial to preventing inefficient and inaccurate processes.

**Accurate reporting:** Beyond mere profitability, maximizing a PEO's value involves comprehensive financial and operational reporting. Regularly monitoring key performance indicators (KPIs) ensures ongoing progress tracking and accountability throughout the organization.

**Attrition control:** Client attrition, influenced by factors like pricing, service quality, or technology offerings, can challenge PEOs. Effective attrition control requires optimizing benefits packages and promptly addressing client concerns.

**Growth ceilings:** At various stages of development, PEOs may encounter growth ceilings. Overcoming these ceilings involves restructuring, adding new roles, enhancing technology, and adapting processes to accommodate larger client volumes.



### UNLOCKING POTENTIAL: A CONSULTANT'S ROLE IN PEO SUCCESS

The success of PEOs in navigating the complexities of expansion often benefits from the guidance of a knowledgeable consultant. Here are key areas where a consultant can offer valuable assistance.

#### Planning For Success

A consultant plays a crucial role in preparing a PEO for growth and exit planning. Working with one who can provide a business readiness assessment is crucial. The evaluation establishes a baseline, systematically identifying the strengths, weaknesses, and objectives necessary for accelerated growth.

Building on the insights gained from the assessment, consultants can guide PEOs in developing a strategic growth plan, considering various growth avenues, ranging from acquisitions to organic expansion.

Throughout the process, they can pinpoint and implement improvements that not only improve profitability but also streamline operations and enhance efficiency. It is crucial to collaborate with a consultant adept at pinpointing pertinent metrics and crafting tailored data dashboards, ensuring accountability is upheld at every stage.

Maximizing business value requires meticulous planning. Consultants can

help PEOs define their net transaction value goals, considering factors like financial planning, accounting, and estate planning. Owners must understand the financial targets they need to meet to achieve their personal goals.

#### Executing The Strategic Plan

Transitioning from planning to execution, the ideal consultant should provide ongoing guidance, support, and expertise to ensure that PEOs are on course to achieve their objectives. By navigating implementation intricacies, a consultant can help translate strategic planning and growth initiatives into actionable steps. Through continuous monitoring and proactive adjustments, consultants should remain actively engaged in the execution process.

#### Refining For Optimal Results

Consultants' role extends beyond planning and execution — it involves regular evaluations to assess progress. As a result, they can ensure adjustments and refinements are made along the way, guiding PEOs toward reaching their maximum value.

When a PEO reaches its peak value, the right consultant can help it transition smoothly into the M&A process. Taking advantage of this strategic move will enable the PEO and its stakeholders to maximize value.

Moving forward, a consultant can support PEO owners as they prepare for life after ownership. Along with financial considerations, they can address emotional considerations related to retirement or the pursuit of their next venture. By doing so, they can ensure that PEO owners are not only financially prepared but also emotionally equipped for the next stage of their professional lives.

#### Strategic Consulting

By systematically addressing these components, a knowledgeable consultant can equip PEO owners with the information, strategies, and support they need to successfully navigate the complexities of growth, profitability, and exit planning. Each aspect contributes to a holistic approach that ensures PEOs are well-prepared and positioned to achieve their goals — whether it's a lucrative exit or long-term business excellence. ■



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\*Per the 2023 NAPEO Financial Ratio & Operating Statistics Survey Results...

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# EXPANDING SERVICE MODELS

## IS IT TIME TO TRANSFORM YOUR PEO'S CLIENT EXPERIENCE?

BY AUBREY MACKLIN

In today's hyper-competitive business landscape, client experience (known as "CX" for short) has become the foundation of success across all industries, and PEOs are no exception. NAPEO's PEO Industry Footprint 2023 ([napeo.org/whitepapers](https://napeo.org/whitepapers)) report indicates that at the end of 2022, 523 PEOs operated in the U.S. providing co-employment for at least 4.5 million worksite employees. With over 60% of those employees spread out across 99% of PEOs, the need for differentiation is greater than ever.

And when it comes to differentiating your PEO as a long-term partner for your clients and their teams, CX plays a non-negotiable role in your success – regardless of geography, size, or years in business.

### WHY PEO CLIENT EXPERIENCE MATTERS

Think about a time you chose a product or service to help improve something in your life, only to find out it didn't meet your expectations or was downright unpleasant. What happened next?

The best-case scenario is that you addressed the concern with the company, they took accountability, and the issue was resolved to your satisfaction (but the experience likely impacted your trust and confidence going forward). You may or may not have continued to work with them

beyond that initial experience. Sometimes, though, an experience is so negative that not only do you terminate your relationship with an organization, but you also share about it within your network.

When it's your business in question, your best protection against the scenarios above – and any in between – is an intentional, consistent focus on the experience you provide your current and future clients.

By prioritizing CX, PEOs can drive numerous benefits, including: increased growth, enhanced retention, improved reputation, and stronger employee engagement.

CX is about more than keeping clients happy; it's about building a sustainable and thriving business.

### ELEMENTS OF A WINNING PEO CLIENT EXPERIENCE

With so many PEOs to choose from (and countless other outsourcing options that overlap with typical PEO services) your business needs to embrace a proactive CX transformation. How you approach your PEO's client experience is just as impactful as when or why.

Understanding the hierarchy of client needs is crucial for effectively tailoring your CX strategy. Each layer holds meaning on its own, but when built upon one another, these elements work in tandem to help you define and deliver a winning PEO experience.

**1. Core Services:** The essence of any successful PEO partnership is offering reliable core services such as payroll processing, benefits administration, and regulatory compliance. Clients expect these services to be delivered accurately and efficiently to relieve their burdens.

#### 2. Communication and

**Transparency:** Earning and maintaining your clients' trust requires clear, consistent, and transparent communication. Clients need to feel informed and valued, and the way you communicate with them directly affects how much confidence they place in you.


#### 3. Responsiveness and Accessibility:

Clients who work with a PEO expect accessible, responsive service – after all, our ability to answer questions and provide support is why they hired you. If a client can't reach you when they need you, or has to jump through hoops to do so, the value of your guidance becomes diminished; clients who trust you with their business want to know that you take it as seriously as they do.

#### 4. Proactive Support and Guidance:

Going beyond fulfilling basic needs, clients value PEOs who take the time to anticipate potential challenges, offer customized solutions, and





## “ Client experience is about more than keeping clients happy; it’s about building a sustainable and thriving business.”

provide valuable industry insights that are specific to each client’s business. This makes working with you feel easy and enjoyable.

### 5. Personalized Service and

**Relationship Building:** Building genuine relationships with clients is key to differentiating your PEO and retaining your clients. A personalized approach helps people feel recognized and understood, not just as another account number.

By understanding and addressing these needs, PEOs can create a comprehensive CX strategy that fosters positive client experiences and ensures long-term success. So, how do you begin incorporating these elements into your own business operations?

### CORE COMPONENTS OF A CX PROGRAM FOR YOUR PEO

For any CX program to be effective, it should be designed to fit the specific needs of a business and its clients. However, certain core components and best practices can increase your chances of developing – and maintaining – a successful transformation.

Here are two of the most significant.

**Vision, Values, and Goals:** Every journey begins with the need to reach a destination. When it comes to your organization’s CX journey, your vision, values, and goals serve as this destination. What does the end result look/feel like? Which principles define how we operate and make decisions? How do we measure what “done” is?

Once your business has defined these answers, publish them. Revisit them often and engrain them in your culture. This ensures alignment across the organization and serves as a guiding principle for all CX initiatives.

**Closed-Loop Feedback System:** Once you understand where you’re going and what you hope to accomplish, it’s time to lay out how you’ll get there. And the truth is, CX transformation is a journey that requires you to stop and ask for directions along the way – often.

This is the purpose of establishing a closed-loop feedback system, which allows your clients and employees to consistently provide a pulse on their experience with the organization for your leadership to address. Simply put, the best way to learn

how to improve something is by listening to the perspectives of those it is meant for. Soliciting feedback from your clients and staff can give you a direct view of how, and why, your PEO is delivering positive or negative experiences.

But it doesn’t stop at asking! For a feedback loop to be closed, your CX strategy must also provide a way for your company to share with clients what outcomes their input led to. If you aren’t committed to using feedback to drive improvements, it’s better not to ask at all.

With the growth and transformation the PEO industry itself has seen over the years, it’s clear that PEOs remain a valuable resource for small and medium-sized businesses. Leveraging some or all of these elements to elevate your client experience can help your PEO continue to elevate existing partnerships, earn new business, and thrive in a world of ever-evolving needs and expectations. ■



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## TRANSFORM SMB SUCCESS THROUGH INTEGRATED TAX STRATEGY SOLUTIONS

BY MARCUS SKINNER AND CRYSTAL BROWN

**I**n the evolving realm of PEOs, the adoption of strategic tax solutions marks a pivotal advancement in serving small and medium-sized businesses (SMBs). This innovative approach to better serve their clients not only boosts the value provided to SMB clients by enhancing their financial performance and compliance, but it also further solidifies PEOs as essential and indispensable partners. Tax strategy shows PEOs are transforming to meet the intricate requirements of SMBs against the backdrop of an ever-changing economic landscape, heralding a new age of integrated business solutions.

PEOs have traditionally enabled SMBs access to benefits and HR services typically exclusive to larger corporations. However, as the complexity of the business environment intensifies, the necessity for PEOs to evolve is apparent.

The extension of services to include tax strategy solutions represents a critical step forward, ensuring not only compliance with the intricate web of tax laws but also uncovering opportunities for significant tax savings that directly benefit the financial health and operational efficiency of SMBs.

An important aspect of this evolution is addressing a common gap in the tax planning resources available to SMBs. Unlike larger corporations, SMBs rarely engage with Big Four CPA firms for tax services. As a result, many SMBs navigate their tax obligations without comprehensive tax strategies, inadvertently overlooking potent federal and state tax credits. This oversight can result in missed opportunities for substantial savings, impacting their bottom line and overall financial well-being.

The integration of tax strategies into PEO services directly addresses this gap,

providing SMBs with access to the kind of tax expertise and strategic planning typically reserved for larger entities. This enhancement of PEO offerings not only lifts the burden of tax compliance from SMBs but also provides financial savings through strategic tax planning and optimization. PEO-driven effective tax management aids SMBs in mitigating the risks associated with tax mismanagement, including penalties and fines.

This shift towards integrated tax strategy solutions offers another avenue for PEOs to elevate from mere facilitators of administrative functions to indispensable strategic partners for SMBs. By catering to the comprehensive needs of SMBs, PEOs foster a deeper, trust-based relationship, empowering them to thrive in a competitive and regulated business environment.

PEOs integrating tax strategy solutions signifies a major leap in the industry's



**“The extension of services to include tax strategy solutions represents a critical step forward, ensuring not only compliance with the intricate web of tax laws but also uncovering opportunities for significant tax savings that directly benefit the financial health and operational efficiency of SMBs.**

development. By closely aligning their services with the strategic needs in areas where they have historically been underserved, PEOs not only enhance their value proposition but also cement their status as vital partners in the success of these businesses. As we look to the future, it is clear that PEOs will continue to evolve, providing more comprehensive and integrated solutions that propel SMB success in a continuously evolving economic context.

Looking ahead, the future of PEOs lies in their continued innovation and expansion of services to provide integrated solutions that address the diverse needs of SMBs. This move towards including strategic tax solutions is just the beginning. As PEOs evolve, their role in supporting the success of SMBs will grow, reflecting a broader trend towards integrated business solutions that offer greater value and efficiency. ■



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# CHRISTINA NELSON AND PACIFIC HR: CELEBRATING 35 YEARS OF SERVING CLIENTS

BY CHRIS CHANEY

**“**I wonder what people do who live here?” Christina Nelson recalls her mother posing that question during family road trips through the Santa Ynez Valley. The highway traverses through small towns with a distinctly different feel than the Monterey Bay community the family lived in.

As it turns out, running a PEO is something people do. In December of 1989, Pacific HR began serving clients; 35 years later it's still a thriving PEO. Christina Nelson leads this operation and is the driving force behind its success. She's assembled a talented team and cultivated a family-like culture; employees support each other and clients alike. An avid runner, gardener, and cook, she takes full advantage of the picturesque landscapes and near perfect weather of the Santa Ynez Valley. She's also managed to find time to immerse herself within NAPEO, serving on multiple committees and the board of directors.

## I CAN DO THIS

A series of life events brought Christina Nelson to the small town of Solvang, California in the 1980s. She and her then-husband had looked for houses in the Santa Barbara area, but high prices pushed them to consider other locations. As the young couple settled into their new community, Nelson started to grow restless in her career and knew she needed to make a change before starting a family.

“After working in computer science for a few years, I realized it was not my cup of tea,” she says.

So, what was she to do? A relative owned a PEO on the East Coast, and after many conversations and a visit to his office, Nelson began to think of the PEO business as an exciting opportunity. The industry was quite different in those years. The offering focused more on workers' compensation insurance and cost savings than sophisticated HR, compliance, and robust employee benefits.

“I can do this,” she recalls thinking, “so I quit my job and started my own company in the spare bedroom of my house.”

She set about learning as much about the business as she could, even attending one of T. Joe Willey's conferences. Willey is regarded by many as an industry founder. His books, seminars, and training helped many get their start in the PEO industry. She still has his book on her bookshelf.

Of course, the PEO concept lacked awareness and seemed unfamiliar to most businesses, so attracting clients was the first hurdle. Within her community Nelson knew a good number of contractors whom she first pitched her business idea to.

“They were all very attracted to the concept, many thought it was the best thing for their businesses,” she explains. “Some of them are still with me,” she adds.

Her PEO offered a master workers' comp. policy with far better rates than businesses—especially contractors—could get on their own. She explains that



*Pacific HR supports an open-door policy for clients, meaning that any client (or worksite employee) can walk through the door at any time.*

in the beginning, many contractors never thought about HR services until there was an issue, so focusing on workers' comp. made it an easy sell.

As the business began to grow, it became obvious that working from her home was no longer a viable option. Running a PEO with two young kids running around the house just didn't work. It's a bit ironic since part of the appeal of starting her own business was the flexibility she'd have as the owner.

“I thought it would allow me time to be home with the kids, which is a joke because of how busy you are running a PEO,” she laughs.

## PUTTING CLIENTS FIRST

Over the last 35 years, Nelson's company has grown and evolved quite a bit—night and day as she describes it. Perhaps it's one reason she's remained successful through so many different economic and business cycles. She's assembled a strong team of professionals who she relies on

and considers the true force behind her success.

“We’re all based in the same office, and love coming to work. We all want to be here,” she explains.

Pacific HR supports an open-door policy for clients, meaning that any client (or worksite employee) can walk through the door at any time. It might be to discuss a sensitive HR issue or ask questions about a new policy or filing requirement.

Whatever the case may be, Nelson’s team is ready to help. They view clients as true partners whose success directly correlates to the PEO’s success. It’s a win-win relationship that the team works hard to maintain. This often means staying ahead of new workplace rules and regulations, especially in California. Clients expect Nelson and her team to be the experts and have the answers.

“Regulations are so crazy in California right now; our HR services are what people want,” she explains.

“Many small businesses used to say, ‘we don’t need HR,’ now in California they know they need HR,” she adds.

To meet this need, she’s increased her own internal HR professionals on staff. They work tirelessly with clients to keep the proverbial ducks in a row. Talent and recruiting services are also in demand these days. Clients still need quite a bit of help finding employees. This was a service offering that Nelson’s company used to never deal with, but not now it’s impossible to avoid. She helps clients streamline hiring processes to filter out poor candidates and identify strong ones. It’s part of the broader mission to help clients build a stable, strong workforce.

### THE DANISH CAPITAL OF AMERICA

Perhaps if you’re a student of American immigration history this may not surprise you, but Solvang, California is known as the Danish capital of America.

Windmills, thatched roofs, and Danish architecture line the main street—Copenhagen Drive—filled with European-style bakeries, artisan shops,

and wine stores. The story goes that Danish settlers were attracted to the region because the landscapes and climate reminded them of Denmark.

Today, Solvang embraces its history and is proud of its heritage. Nelson also notes that Solvang has been named one of the most “Christmasy” towns in America. Each town in the valley has its own celebrations and traditions making the holiday season feel special for everyone.

Many of these small businesses are clients of Pacific HR. The client base has diversified quite a bit from the early days of the company. Hospitality is a major industry in Solvang and the surrounding communities. This is what made the COVID pandemic so frightening for Nelson.

“Many of my clients thought they were going out of business; it was really scary,” she recalls.

The intense restrictions and prolonged lockdowns in California exacerbated the problem. Nelson and her team raced to learn and absorb as much new information as possible. As things settled down, more businesses began to reach out for assistance and help. It illuminated the value proposition of a PEO and helped Pacific HR emerge stronger from the crisis.

### A PEO FOR WINERIES

Many wineries call the Santa Ynez Valley home; the region is well known to wine aficionados and connoisseurs.





*Nelson and her team understand the intricacies of the vineyard business which makes for a fruitful partnership. As she looks to the future of the business, vineyards are attractive clients and represent a niche market her PEO can specialize in.*

“We’re the second largest wine country in California,” Nelson explains, “we’ve brought on many local wineries as clients, that’s really where our focus is right now.”

A complex business, vineyards employ all sorts of professionals from agriculture experts who monitor soil quality and health, to finance and sales teams who facilitate distribution, to hospitality teams who work tasting rooms.

Nelson and her team understand the intricacies of the vineyard business which makes for a fruitful partnership. The average vineyard employs around 25 people, she says, a sweet spot in terms of client size.

As she looks to the future of the business, vineyards are attractive clients and represent a niche market her PEO can specialize in. The future also portends further technological advances, especially AI. The HR technology a PEO can bring to clients makes them more competitive and efficient, but the capabilities of AI make

for scary scenarios, she admits. It’s one more area that PEOs will have to become knowledgeable in.

That’s part of what makes running a PEO so challenging. The workforce never stops evolving. Practices, standards, benefits, and technologies quickly become outdated and supplanted by new ones.

“It’s a hard, complex business, but I wouldn’t change it for the world,” Nelson says.

“I’ve met so many incredible people and made incredible friends.” ■



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NAPEO  
Alexandria, VA



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*“I just wanted to send a note letting you know how thankful I am for you connecting me with (PEO ). I should have taken the job the first time and not fallen for the fake carrots. I really feel like a part of their family and that they value my contributions in the short “time” that I have been there.”*

**-PLACED MCHENRY CANDIDATE-**




# GET READY FOR NATIONAL PEO WEEK

BY KERRY MARSHALL

It's April and that means it's time to start gearing up for National PEO Week May 19-25! It's our time to tell our story and highlight all the ways we help our clients and their employees, the economy, and our communities. Let's make sure policymakers and the public recognize the crucial role PEOs play in supporting the small and mid-size businesses that are the backbone of the U.S. economy.

Last year's inaugural National PEO Week was a rousing success. It was memorialized in the Congressional Record, courtesy of Rep. Erin Houchin (R-IN), and was officially recognized by the National Day Organization, which annually approves only 30 requests out of 25,000 applications. Several states also passed proclamations in honor of National PEO Week. In Washington D.C.,

we marked the occasion with large scale billboards at Reagan National Airport, buses wrapped in the National PEO Week logo, a scoreboard shout-out at Nationals Park, and meetings with dozens of lawmakers where we talked about all the ways PEOs help small businesses grow and thrive.

Around the country, PEOs large and small celebrated in their own communities and with their employees and clients. Our social media channels were flooded with posts and pictures of proud PEO teams decked out in their National PEO Week swag, of offices decorated with balloons and streamers, and lots and lots of office parties.

This year, we hope even more PEOs will participate in National PEO Week, either by joining us in Washington, D.C. for the PEO Capitol Summit, or at home. We once again have created a toolkit of resources



NAPEO members prepare to meet with lawmakers to tell the good news about PEOs.



2023 Board Chair Kristen Appleman kicks off PEO Advocacy Day during National PEO Week 2023.

([napeo.org/peoweektoolkit](http://napeo.org/peoweektoolkit)) that includes our whole system of logos you can use in a variety of ways, social media graphics and suggested posts, sample press releases, op-eds, and letters to lawmakers, talking points for various audiences, infographics, and much more. It also includes our badge generator, which will create a customized National PEO Week profile picture. Of course, there's a link to the National PEO Week store, where you can order all of your National PEO Week merch. And, we even have a new slogan this year – PEOs: We're in the Business of Small Business.

Whatever you do May 19-25, be sure to shoot an email to [peoweek@napeo.org](mailto:peoweek@napeo.org) and tell us all about it. ■



**KERRY MARSHALL**

VP, Marketing &  
Communications  
NAPEO  
Alexandria, VA

# 2024 PEO Capitol Summit

May 21-23, 2024

The Ritz Carlton, Pentagon City  
Arlington, VA



Join us at NAPEO's 2024 PEO Capitol Summit, where we'll gather to celebrate National PEO Week, tell the PEO story on Capitol Hill, and focus on emerging compliance and legal issues impacting the PEO industry. At a time when laws and regulations affecting PEOs change by the day, this is your chance to gather with industry colleagues for valuable policy discussions, legal analysis, and lobbying opportunities. Plus, you don't want to miss out on the sunset dinner cruise on the Potomac, with an unbeatable view of our nation's capital and its many historic monuments.

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WOMEN IN NAPEO



# ADVOCACY 101: HOW TO TELL YOUR PEO STORY

BY THOM STOHLER AND ALEX MILLIKEN

**E**very year, we hold PEO Advocacy Day as part of NAPEO's PEO Capitol Summit. Working with our outside lobbying firm, Mehlman Consulting, we schedule meetings with Representatives and Senators for NAPEO members. Every year, we are asked if these efforts are worth it and if they make an impact.

The short answer: yes. Participation in PEO Advocacy Day is an investment in the PEO industry.

Last year, more than 80 NAPEO members met with their Representatives and Senators on the issue of how ERTC processing delays harm small businesses in their districts and states. Two months later, NAPEO testified before the House Ways and Means Committee, discussing the very same subject. The combination of grassroots activity and NAPEO's PEO Advocacy Day visits had positioned the PEO industry as an expert on ERTC processing and its impact on small businesses. We also achieved success in 2017, when NAPEO lobbied for clarifications to tax reform legislation that pass-through entities that use a PEO retain their eligibility for the 20 percent tax deduction contained in Section 199A of tax reform. In response, the Department of Treasury issued rules making it clear PEO clients were eligible for this tax deduction.

Even if there is not an immediate issue, these visits are important. Advocacy is much like client development. It is a process that takes time, education, and trust building. While we are all experts on the PEO industry and our positive impact on small business, most members of Congress are not familiar with the industry (though that is changing).

Every day, Members of Congress and their staff are quite busy with daily schedules packed with meetings, conferences, speaking engagements, constituent problems, and fundraising calls. Often, they will have multiple meetings and calls scheduled well into the evening. To say they are busy people is an understatement. Our job is to cut through the daily clutter and make them care about the challenges facing the PEO industry and their impact on small businesses.

While Alex and I are good at representing the industry on Capitol Hill, there are thousands of people just like us doing the same thing for myriad industries. Our friends on the Hill are always happy to see us, but they always prefer to meet with a constituent. That is not unique to us. Members of Congress care very much about what a resident of their district or state has to say. Furthermore, they are always interested in hearing the concerns and challenges of small businesses in their district or state.

One of the biggest advantages you carry into PEO Advocacy Day is your expertise and experience with small businesses. There is no more popular group in the country or in Congress than small business. And the PEO industry is *the* expert on small business in America. We know what challenges they face, and we provide the solutions to those challenges. The more you can relate to how the problems PEOs face impact your small business clients, the more likely Congress is to address those problems.

Participating in PEO Advocacy Day is a key component of NAPEO's federal government affairs program. We use communications, lobbying, outside consultants, and the PAC to promote the federal legislative and regulatory agenda of the PEO industry and to educate federal policy makers about the important work PEOs do to help small businesses grow. PEO Advocacy Day is where we match our messaging and education efforts with the voters in a Representative's district or a Senator's state.

All you need to do to participate in PEO Advocacy Day (May 21, 2024) is to sign up when you register for PEO Capitol Summit ([napeo.org/peocapitolsummit](http://napeo.org/peocapitolsummit)). Working with Mehlman Consulting, we schedule meetings with your Representative and Senators (or their staff). These meetings typically last about thirty minutes. When you arrive at the Ritz Carlton in Pentagon

City, we provide talking points, directions, and collateral material about the PEO industry that you can share during the meeting. We also host a webinar prior to PEO Advocacy Day on what to expect and how to prepare for this day – and we repeat this information just before we leave for Capitol Hill. After breakfast on PEO Advocacy Day, we provide you with your meeting schedule for that day.

Every day, NAPEO and its government affairs team focuses on advancing your regulatory priorities. The most effective form of advocacy is when representatives hear directly from you, their constituents. That is why NAPEO hosts PEO Advocacy

Day during PEO Capitol Summit. This event allows us to bring NAPEO members and their representatives together to have substantive conversations about the problems they face in their districts and the solutions that make the most sense for the PEO industry and the small businesses that depend on our services.

NAPEO's federal government affairs program is anchored by the relationships built between members of Congress and individual NAPEO members. Hearing directly from you is what moves the needle in the right direction. And like all good sales campaigns, you do not close on the first meeting. You are opening a dialogue,

building a relationship, educating your Representative and/or Senators (and their staff) about the industry, and offering expertise on small businesses in their districts and states. All good things, but all things that take time and repetition.

Please consider joining us for this year's PEO Advocacy Day, May 21, 2024, in Washington D.C. ■



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*VP, Federal Government Affairs  
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**ALEX MILLIKEN**

*Director, Federal  
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Join us in DC May 21-23 for NAPEO's 2024 PEO Capitol Summit. Learn more and register at [napeo.org/peocapitolsummit](http://napeo.org/peocapitolsummit). Questions on PEO Advocacy Day? Contact Thom Stohler, [tstohler@napeo.org](mailto:tstohler@napeo.org) for more details.



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# KEEP AN EYE OUT: NEW DATA PRIVACY RULES

## WHY PEOS SHOULD PAY ATTENTION AND MAKE THIS KEY MOVE

BY JOHN POLSON, ESQ. AND USAMA KAHF, ESQ.

**T**he news that California regulators can immediately begin enforcing new data privacy regulations will have an outsized impact on the PEO community. A surprise February 9 decision from a state appeals court pressed fast-forward on California Consumer Privacy Act (CCPA) compliance that most employers thought wouldn't hit home until late March. As you're reading this, prying eyes and website trolls are scouring the internet looking to take advantage of this new opportunity – and employees may become aware of their new rights and jolt you into this new era of exposure. Read on for a quick summary of what went down, why this news is particularly important to PEOs – and what you can do to protect your organization.

### WHAT WENT DOWN

- New CCPA regulations took effect in March 2023 that provide consumers additional data privacy rights – and in California, this also includes a PEO's worksite employees. Along with these additional rights come additional obligations on businesses, including PEOs.
- Just because your business is not located in California doesn't mean you can ignore the CCPA. You could be a covered business if you have one client in California and collect personal information from even a single California worksite employee.

- Regulators built in a grace period to start enforcing them until July 1, 2023.
- On the eve of that date, a California court delayed enforcement and concluded they could not be enforced until March 29, 2024.
- The California Privacy Protection Agency and the California Attorney General appealed the decision.
- On February 9, an appellate court determined that the Agency and the AG have authority to immediately enforce the regulations and don't have to wait until late March month to begin enforcement.

### WHY PEOS ARE IN THE CROSSHAIRS

To be perfectly blunt, your average employer doesn't have to worry about immediate enforcement of the new regulations. That's because most employers are (relatively) small enough to fly under the radar of state regulators. They just don't have the resources to scour the state (and country) looking for violators, so their focus will likely be on larger businesses.

But PEOs? That's a different story. PEOs are not "most" employers. The nature of your operations means you support many different small businesses and have more worksite employees as your "consumers." If you support 1,000 businesses, for example, each with somewhere between 30 and 100 employees, you now have tens of thousands of people under your portfolio. And that is

bound to catch the attention of data privacy regulators – even if you are a local or regional PEO.

Put simply, the sheer number of worksite employees involved with the average PEO puts you at higher risk than most employers.

### WHAT SHOULD YOU DO?

Fisher Phillips has created a seven-step compliance plan to help covered businesses prepare for this new era of enforcement and exposure. You can access that plan below<sup>1</sup>. The best place to start is a gap assessment of your data privacy practices, which can be completed in one day by our consulting subsidiary fpSOLUTIONS, among other Data Privacy Compliance<sup>2</sup> services.

### But The Key Step For Peos? Immediately Implement A Worksite Employee Privacy Policy.

- The new regulations require businesses to make available to worksite employees a privacy policy that, among other things, informs them about how they can exercise their new CCPA rights.
- They also require you to list each category of personal information and sensitive information collected, the purpose for each category, any category that is sold or shared, and the retention period for each category of personal information.
- The policy must be simple and easy to understand with minimal to no "legalese." It must be made available



*Just because your business is not located in California doesn't mean you can ignore the CCPA. You could be a covered business if you have one client in California and collect personal information from even a single California worksite employee.*

in other languages if you already provide worksite employees with legal notices in another language.

Since you are likely to be scrutinized by a regulator or opportunistic plaintiffs' attorney at some point given your status as a PEO, you need to pay particular attention to the content of your privacy policy. The time is now to update your privacy policy. This means you need to do much work to put yourself in the best position to succeed.

The bottom line – if you have not updated your CCPA notices since 2022 or earlier – or if you have never provided such notices – you should act quickly to implement new notices and stay compliant with the ever-changing law. ■

1 <https://www.fisherphillips.com/en/news-insights/california-can-immediately-enforce-ccpa-regulations.html>

2 <https://www.fpsolutions.com/services/data-privacy-compliance/>

▼ This article is designed to give general and timely information about the subjects covered. It is not intended as legal advice or assistance with individual problems. Readers should consult competent counsel of their own choosing about how the matters relate to their own affairs.



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# EMPLOYEE WELL-BEING IS AT AN ALL-TIME LOW: HOW PEOS CAN HELP

BY DEAN R. PAWLOWSKI

**A**ll is not well in the American workforce. While many economic indicators suggest an improving business outlook, worksite employees aren't so optimistic. Guardian's recent Mind, Body, and Wallet™<sup>1</sup> report shows that employee well-being—as measured by Guardian's Workforce Well-being Index—is in fact at an all-time low.

From return to office policies to resumed student loan payments, there are several factors underlying this pessimism. However, according to Guardian's study, one of the biggest sources of employee discontent is a perceived decline in employer support for their well-being, just 38% of employees say their employer cares about their well-being, down 13% from 2022.

Beyond the individual implications, this perceived lack of support presents business challenges for PEOs and their clients, as worker loyalty, productivity, and retention are directly tied to employee well-being. Businesses can't afford to lose key talent,

especially in a hyper-competitive job market, and need to take action today.

## UNPACKING THE MIND, BODY, AND WALLET CONNECTION

Among all sources of stress cited in the Mind, Body, and Wallet™ report, personal finance challenges are at the root of the problem.

The numbers are sobering. Among full-time working Americans, just 28% of employees said they feel like they have good financial health, down from 44% in 2022. Moreover, 40% report living paycheck-to-paycheck and only 3-in-10 say they are good at managing their personal finances.

As employees worry about how they are going to stretch every dollar, it is easy to see how financial stress can spiral, subsequently impacting mental health, physical health, and overall well-being. Understanding this connection between financial well-being and total well-being is therefore important for PEOs as they think about their own wellness efforts.

## OFFERING THE RIGHT SUPPORT

Here's the good news: Many PEOs already recognize they need to address employees' well-being. However, work remains.

Take the case of mental health. Guardian's report indicates that one-third of employees have experienced increased anxiety, depression, or other mental health challenges in the past two years. While the report found that 72% of employers say expanding mental health resources for employees is very important, just 39% of employees say their employer offers adequate support.

It is a similar story for physical wellness. While half of employers offer physical health-related well-being resources, only 32% of employees say it positively impacts their wellness.

## TURNING GOOD INTENTIONS INTO MEANINGFUL IMPACT

PEOs must find ways to close this gap to effectively support employee well-being. In theory, that's simple. In practice, doing so requires some upfront work for PEOs, albeit efforts that will drive long-term results.

To start, PEOs should obtain copies of their benefits claims utilization report. PEOs can then begin to understand which benefits are being utilized. It is also important to identify what's not in the report, or, in other words, the benefits not being utilized.

PEOs should then contextualize those findings against the results of an employee audit. Fortunately, many PEOs already have the necessary audit information through existing HR documentation, including age, location, and number of dependents. The point is to get a collective understanding of your employee population to better understand their needs, and subsequently why certain benefits are being used more than others.

With this understanding, PEOs can then begin building year-round communication campaigns that support benefits education. Offering ongoing education is critical for PEOs, especially as Guardian found that only four-in-ten employees say that their employer does a good job of

educating them about their workplace benefits. Ultimately, the traditional practice of discussing benefits only during open enrollment is insufficient.

An easy way to get started with ongoing communications is to plan programming around key dates. For example, during various cancer awareness months, consider hosting a session for employees that explains the importance of preventative screenings, the concept of wellness reimbursements, and how employees can access such reimbursements through their critical illness or supplemental health policies. The emphasis should be on quality, pick the moments that most resonate with your employee population.

Another effective option is to leverage regular employee touchpoints, including quarterly webinars and testimonials. This is a great way to remind employees about available benefits, offerings, and services

that can support well-being. Make the most of these engagement opportunities by making it a vehicle where employees can share their personal experience using a benefit. While no one should be forced or required to share, peer-to-peer conversations are one of the most effective ways to drive benefits engagement.

It's important to ensure that information resonates with employees. This is especially relevant for PEOs with multi-generational workforces, as not everyone digests information in the same way.

To ensure information resonates, PEOs should once again revisit their employee audit. For example, if a PEO has many Millennial or Gen Z employees, short-form video content may be effective. For older worksite employee bases, access to representatives via a call center could be valuable. Fortunately, to meet these various needs, many insurance carriers

offer free employee-ready education materials PEOs can leverage.

### SUPPORTING EMPLOYEE WELL-BEING

The vast majority of PEOs and employers want to do right by their employees. Offering the right mix of workplace benefits—with an emphasis on addressing the mind, body, and wallet connection—is one of the most effective tools PEOs can use to support employee well-being.

With employee recruitment, retention, and productivity on the line, the time to get started is now. ■

1 <https://www.guardianlife.com/reports/mind-body-wallet>



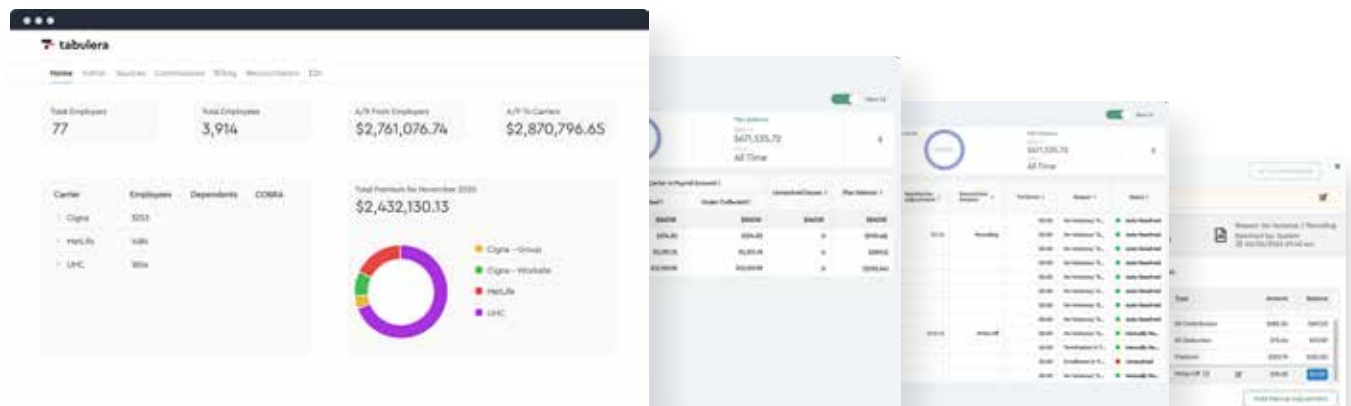
**DEAN R. PAWLOWSKI**

National PEO Director  
Guardian  
Cornelius, NC



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# AI-ASSISTED RECRUITING IS THE WAY OF THE FUTURE

BY JOSHUA SILER

**C**hatGPT's introduction in 2022 marked a significant milestone in the AI field, yet AI-assisted HR isn't novel. Data reveals that 88% of global businesses have already integrated AI into their HR operations, with 79% leveraging AI/automation to enhance their recruiting processes.

Adopting AI in recruiting is a strategic move made by HR professionals. Research indicates that 62% of HR experts recognize AI's potential to unearth higher quality candidates, addressing a perennial challenge in recruitment, 76% of recruiters say their biggest challenge is finding the best candidate for a role.

Despite some reservations from job seekers, the 2024 State of People Strategy Report's<sup>1</sup> insights find that, "HR leaders view AI as a strategic ally rather than a competitor."

Reluctance to embrace AI technology equates to falling significantly behind industry norms.

## AT THE FOREFRONT OF AI-ASSISTED HIRING

In our experience at HiringThing, the value of AI-assisted hiring is undeniable, benefiting both employers and job candidates alike. The impact is particularly evident in these examples, which revolve around AI-assisted resume screening.

### Spend More Time on Candidates

Research indicates that HR teams typically allocate only 7 seconds to review each resume, a timeframe insufficient to thoroughly assess a candidate's

qualifications or growth potential. Leveraging AI for resume screening allows for the generation of concise summaries of top candidates, enabling employers to dedicate more significant attention to evaluating the unique value these candidates offer. This innovation also assures job seekers that their applications receive more than a cursory glance, enhancing the fairness and thoroughness of the recruitment process.

### AI Can Help Combat Inherent Biases

A Stanford University study, using a scenario involving police chief candidates, highlighted the prevalence of inherent bias in hiring. Evaluators preferred male candidates without college degrees over female candidates with college degrees, citing "street smarts" as a critical factor. When the situation was reversed, the male candidates were still chosen, with the hiring individuals citing "degrees" as the most critical qualification. SHRM identifies inherent biases as the leading cause of recruitment errors, significantly affecting organizational productivity and financial performance.

AI technology presents a solution to this challenge by enabling the standardization of screening criteria, thus sidestepping some of the subjective biases traditionally influencing hiring decisions.

Beyond resume screening, AI's capabilities extend to crafting unbiased job descriptions, automating structured interviews, engaging candidates effectively, and anonymizing resumes and interview processes, thereby fostering a more equitable and efficient hiring landscape.

### Human and AI Collaboration

AI can significantly enhance a human recruiter's speed, accuracy, and impartiality, yet it lacks the nuanced understanding of intuition, emotions, and cultural contexts that humans possess. At HiringThing, we view AI as a strategic partner enhancing our processes, not as a substitute for human judgment. Below, I'd like to share what we've found works as best practices regarding AI-assisted recruiting.

## THE STRATEGIC APPROACH TO AI-ASSISTED HIRING

### Highlight the Human Element of Your Recruiting

Pew Research found that two-thirds of American workers say they wouldn't want to apply for a job if they knew AI was used during the hiring process. It's a valid fear, stoked mainly by an understandable lack of education.

My advice? Highlight the ways your recruiting is human-centric. Attach names and roles to the email communications you send. Highlight your HR team. When you first speak with a candidate, tell them who they'll be talking to and when during the process. Little things like this go a long way in keeping the candidate experience candidate-centric.

### Have an AI Strategy

Deploying AI without a clear objective is futile. Organizations use AI for various recruiting needs, including scheduling interviews, resume screening, chatbot applications, assessments, and generating recruiting collateral.

Defining the specific outcomes you expect from integrating AI into your hiring process is essential. Understand the capabilities of the AI tools at your disposal and precisely how they can benefit your business and its stakeholders. Establish a comprehensive strategy to measure AI's impact, enabling continuous refinement and optimization of its role in your recruitment efforts.



### Define Clear Roles for AI and Humans

Integrating AI into your hiring strategy demands careful planning to delineate the roles of AI and human participants, aiming for a synergy that capitalizes on the strengths of both. AI's prowess in swiftly analyzing extensive datasets makes it indispensable for tasks like initial resume screening, candidate sourcing, and employing predictive analytics to pinpoint ideal candidates through historical data analysis.

Conversely, human recruiters are unmatched in their intuition, emotional intelligence, and the nuanced interpretation of candidate profiles. A key component of your strategy should be defining which tasks are best suited for AI automation and which should remain under human oversight, ensuring a balanced and effective recruitment process.

### Evaluate and Iterate on AI Usage

AI is only as good as the people setting its parameters. As you work more with it and AI technology evolves, you'll need to consistently assess what works and doesn't work and iterate. This is still very new technology, and we haven't yet reached the point where you can expect it to run seamlessly without any oversight.

### Be Cognizant of Pre-Existing Biases

An integral part of this process is addressing and mitigating pre-existing biases within your team. For instance, question the necessity of a college degree for job roles, challenging assumptions about the qualifications that denote capability. Such critical evaluations should inform the setting of your AI's parameters, ensuring a fair and effective application.

AI-assisted hiring represents a significant shift in how organizations approach talent acquisition, promising a more efficient, unbiased, and inclusive future. By embracing AI as a partner in the recruitment process, companies can enhance their ability to identify and engage top talent while mitigating inherent biases that have long challenged the hiring landscape. The integration of AI into hiring strategies is poised to redefine the standards of recruitment. ■

1 <https://lattice.com/state-of-people-strategy-report-2024>



**JOSHUA SILER**

CEO  
HiringThing  
Portland, OR

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# PEO REVENUE CLIMBS CLIENT COUNTS HOLD STEADY

**T**he results of NAPEO’s PEO Pulse Survey for the fourth quarter of 2023 show that PEOs continue growth fueled by rising wages. The vast majority of survey respondents express optimism when thinking about the next twelve months. NAPEO’s 2023 Pulse Survey was generously sponsored by SUNZ Insurance.

Here are some of the survey’s highlights:

## PEO REVENUE INCREASES

- 58% of PEOs report revenue increasing somewhat or significantly from the 4th quarter of 2022.
- Only 20% of PEOs report declining revenue.

## WAGES REMAIN HIGH, INCREASES CONTINUE

- 61% of PEOs report that WSE wages increased.
- 34% report WSE wages stayed the same.

## HIRING STAYS FLAT

- 80% of PEOs indicated that the average number of WSEs per client remained the same.

NAPEO’s Pulse Survey was developed by the Accounting Practices Committee in 2016 and is conducted quarterly among members to take the pulse of the PEO industry through a series of easy-to-answer questions. For more information about NAPEO’s Pulse Survey, please contact Rach Komatireddy at [rkomatireddy@napeo.org](mailto:rkomatireddy@napeo.org). The 2023 survey was sponsored by SUNZ Insurance.

- 55% of PEOs indicated that the average number of internal employees stayed the same.

## FINANCIAL FOOTING STRONG AND STABLE

- 56% of PEOs reported that gross profit increased either somewhat or significantly.
- Only 20% of PEO reported declining gross profit.
- 51% reported increases to operating income.
- 48% reported that the number of clients has increased; only 17% report declining client counts.

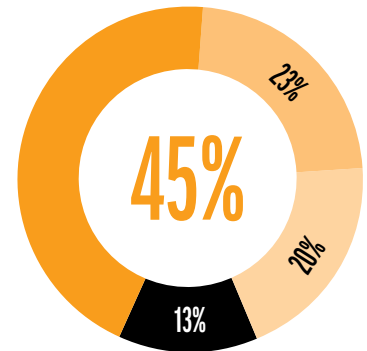
Thank you to SUNZ Insurance for sponsoring the 2023 Pulse Survey. ■



## HOW DID THE FOURTH QUARTER OF 2023 COMPARE WITH THE FOURTH QUARTER OF 2022?

### PEO REVENUE

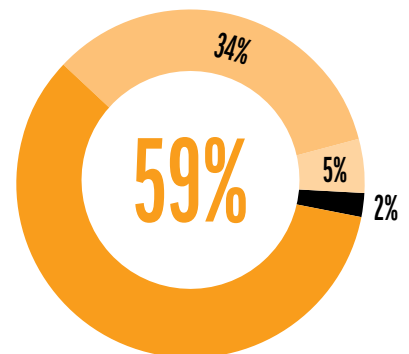
▲ INCREASED SOMEWHAT



RESPONSE COUNT 40

### AVERAGE ANNUAL WAGE PER WORKSITE EMPLOYEE (WSE)

▲ INCREASED SOMEWHAT



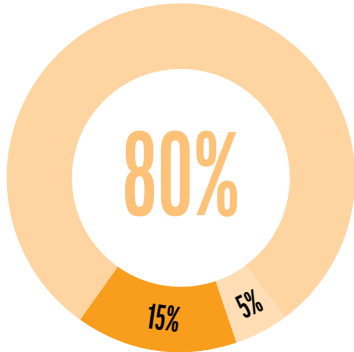
RESPONSE COUNT 41

Note: Throughout this report, the word “Typical” is used to describe the median (middle) value for a given item.

■ Increased Significantly	■ Stayed About the Same	■ Decreased Significantly
■ Increased Somewhat	■ Decreased Somewhat	

**AVERAGE NUMBER OF WORKSITE EMPLOYEES  
PER CLIENT COMPANY**

STAYED ABOUT THE SAME



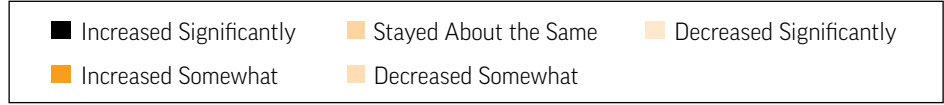
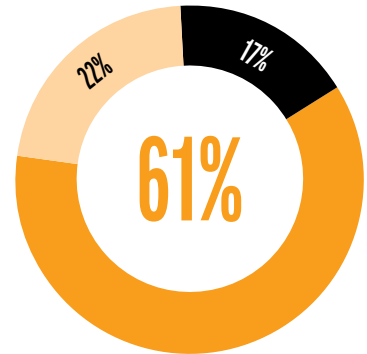
RESPONSE COUNT **40**

**WSE PROJECTION**

HOW DO YOU ANTICIPATE YOUR NUMBER OF WSES WILL CHANGE OVER THE NEXT 12 MONTHS?

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# PEO INDEX DIVERGES FROM GDP

BY JOHN J. SLAVIC

**T**he PEO Employment Index has been diverging in recent quarters from its historical correlation with GDP. The near one-to-one historical correlation has indicated that employment in small and medium-sized businesses (SMBs) would rise and fall with the economy, and accordingly the

PEO space would move in tandem. The divergence is yet to be fully explained, but several factors are likely simultaneously in play.

1. The employment landscape has normalized from its frenetic pace a few years ago. Firms of all sizes tended to “over-hire” because of the scarcity of workers and an uncertain future. With more time passed since the pandemic disruption, a new reality is emerging.
2. Technology (most notably AI) has brought new efficiencies and productivity to the workplace. Hiring could not only slow but recede from current and historical levels.

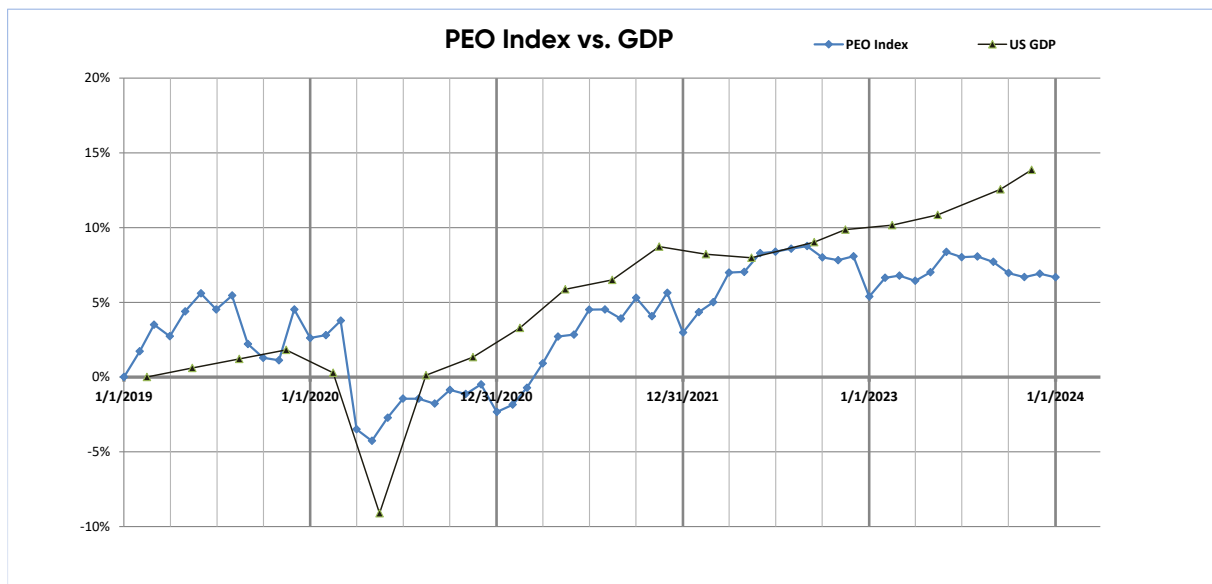
3. The longevity of higher interest rates has taken some momentum out of the economy at all levels.

The challenge and opportunity for PEOs will be to adapt to this new environment, complete with new complexities, and make it easy for SMBs to not only survive, but thrive going into the future. ■



**JOHN J. SLAVIC**  
CEO & President  
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Boca Raton, FL

## PEO Index vs. GDP



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# ENGAGING FOR THE FUTURE

BY CASEY M. CLARK

**I**n late February the NAPEO board, Leadership Council chairs and other industry leaders met in Arizona for our annual retreat. This meeting is an opportunity to think big about the ways NAPEO serves the industry's interests, what's on the horizon that the association needs to prepare for, and how we can be your best advocate in the future.

Having spent my entire career in and around trade associations of all shapes and sizes, I've experienced a lot of well-intended planning retreats where the staff pulls teeth to get anyone to say anything! As you know better than me, we don't have that here.

I shared with the attendees that I am truly in awe of the sustained level of engagement from every person in the room. It makes us stronger as a group, and I continue to be thankful for your eagerness to get involved.

The discussion focused on industry and association priorities including:

- Maintaining a close connection with previous Board chairs so we don't lose the invaluable contributions of established industry leaders. How do we continue to benefit from experienced industry executives after their terms end?
- Diversifying PEO industry entrants and employees to better reflect the



*Each of those topics has an ability to influence the growth and success of the PEO industry in the years ahead.*

breadth of communities well-served by PEOs across the country. How can we get more young people involved with/interested in the PEO industry as an employment destination?

- Deepening the bench of NAPEO-member engagement to maximize member benefit and improve the association through broader participation of member professionals. How can we get our tentacles deeper into organizations so that more professionals know how to engage with and contribute to NAPEO?
- Identifying big "horizon issues" that will have an outsized impact on the association and the industry, including everything from AI to industry consolidation. What issues are ripe for NAPEO to lead on and how can we meaningfully engage now to maximize return on that investment of time and resources?

These curated discussion topics reflect several of the core priorities of

our Chair Steve Politis of Alcott HR but were carefully considered because of the impact they have on your businesses and the association. Each of those topics has an ability to influence the growth and success of the PEO industry in the years ahead.

Because the professionals in that room (and those of you reading this column!) are so committed to the industry and the association, we left with some real actionable ways that NAPEO can engage and lead. Together we're not only going to be ready for what's around the next corner, but we are proactively finding ways to grow the association's impact.

"Coming together is a beginning. Keeping together is progress. Working together is success." – Henry Ford ■



**CASEY M. CLARK**

President & CEO  
NAPEO  
Alexandria, VA

The logo for Cohesion, featuring a stylized icon of three horizontal bars in blue and red to the left of the word "cohesion" in a white, lowercase, sans-serif font.

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