PEO INSI

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THIS MONTH'S FOCUS

M&A

MARKET LANDSCAPE & OUTLOOK

LESSONS FROM THE FRONT LINES

INTEGRATION & CLIENT IMPACT

COVER STORY

A GREAT DAY TO THRIVE

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THIS MONTH'S FOCUS: MERGERS & ACQUISITIONS

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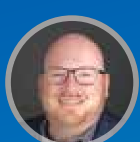

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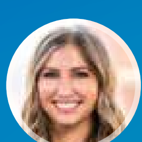

"Clients are always looking for the newest and latest technology for the future of their business. The Marketplace is incredibly helpful in standardizing automation in the system without a lot of manual intervention."

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A SEASON OF GRATITUDE

BY BILL MANESS

As I sit in chilly Kansas during this holiday season, I'm reminded of why we celebrate this time of year.

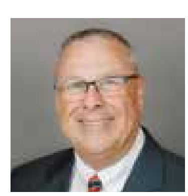
Thanksgiving is celebrated to remind us to give thanks for our many blessings. No matter where we are in our lives, we have to take the time to look back and remind ourselves how lucky we are to live in a country that is founded on the principles of freedom. There is plenty wrong in the world today, but those of us who have been fortunate enough to be born or raised in this country have the responsibility to be thankful for having had the opportunity to make a difference in the world around us.

Christmas is the season of giving. Rather than being thankful for what we have received, this season flips the script to focus on giving. As I grow older, there is no greater satisfaction than the giving of our resources to those around us to help make their lives better. Let us never forget that it is a privilege to give and a responsibility to do so generously.

As I grow older, there is no greater satisfaction than the giving of our resources to those around us to help make their lives better. Let us never forget that it is a privilege to give and a responsibility to do so generously.

As I ponder all of the great friendships I have developed within the PEO industry over 25 years, I am grateful. Grateful for the many people early in my career who helped me so much, asking nothing in return. And grateful for the numerous times I have had the privilege to pay it forward to many new friends who just needed a little help and encouragement to grow.

Many holiday blessings to all of you and may 2026 bear the fruit of your efforts of the past year. Great things will happen to all who persevere...bigger, better and faster! ■



BILL MANESS

2025-2026 NAPEO Chair
CEO
Syndeo

QUICK HITS

EVENT

NAPEO WELCOMES NEW VP KYLE KIZZIER AT D.C. RECEPTION

NAPEO hosted a reception in Washington, D.C. to welcome Kyle Kizzier as the new vice president of federal government affairs. Representative Scott Fitzgerald (R-WI), many congressional staff members and NAPEO members were among those in attendance. Welcome to team NAPEO, Kyle!

M&A

ONEDIGITAL ACQUIRES T&T STAFF MANAGEMENT

NAPEO member OneDigital has acquired T&T Staff Management, also a NAPEO member. The acquisition unites the companies' client-centric focus, innovation and industry expertise, strengthening their presence in a key market. "Welcoming T&T Staff into the OneDigital family is a significant step that will enhance our service delivery and expand our reach. The West Texas market is strategically important to OneDigital, and together, our shared commitment to premium benefits and personalized service will empower businesses and broker partners across the Southwest to grow and thrive in today's dynamic environment," said Ted Crawford, CEO of OneDigital's PEO.

CONGRATULATIONS

MEET THE 2025 POWER PARTNERS IN HR & PEOPLE OPERATIONS

NAPEO members Deel, G&A Partners, G-P, Insperity and Justworks have been recognized in Inc.'s Power Partner Awards for HR & People Operations. The awards honor leading B2B organizations in the U.S. and around the world that small businesses and entrepreneurs trust to support their success. These companies have built strong reputations for the value they bring to their clients, helping businesses grow and strengthen their operations.

EXPANSION

ALCOTT HR EXPANDS TO PHILADELPHIA

NAPEO member Alcott HR has expanded into the Philadelphia market, bringing its extensive experience and national reach to businesses in the region. Companies in Philadelphia now have the opportunity to leverage Alcott HR's services to simplify HR administration and compliance. "Alcott HR's mission has always been to empower businesses with the resources they need to thrive, and we are thrilled to bring our expertise to Philadelphia," said Steven Politis, CEO of Alcott HR.

KUDOS

ENGAGE PEO CEO JAY STARKMAN NAMED TO FLORIDA TREND'S FLORIDA 500

Florida Trend magazine has once again recognized Jay Starkman, CEO of NAPEO member Engage PEO, as one of Florida's most influential business leaders, marking his sixth consecutive year on the list. Starkman founded Engage in 2011 with a vision to raise the standard for HR outsourcing. Under his leadership, Engage has become one of the fastest-growing companies in the country, serving clients nationwide. The Florida 500 honor celebrates leaders who make an impact beyond their companies, with a strong emphasis on community service, philanthropy and setting standards of excellence in their industries.

M&A

G&A PARTNERS ACQUIRES HOUSTON-BASED HR OUTSOURCING PROVIDER HRO RESOURCES

NAPEO member G&A Partners has acquired HRO Resources, a prominent HRO provider based in Houston, Texas. "HRO Resources' commitment to a service-oriented, client-first approach aligns deeply with G&A's culture and reason for being. By bringing their book of business to G&A, we can provide clients with an expanded range of HR resources, products, and services to help them grow," said G&A Partners President and CEO John W. Allen. "This transition to G&A Partners ensures continuity for the clients and brokers we support, with the same team they know and an expanded set of HR capabilities and services behind it," said Carrie Mendelson, director of operations at HRO Resources.

INSIGHTS

NINE KEY CONSIDERATIONS FOR HR LEADERS RENEGOTIATING HEALTHCARE PACKAGES

As healthcare costs continue to rise, HR leaders are rethinking how they negotiate benefits to better balance cost, coverage and employee well-being. Key considerations include increasing plan transparency and control, understanding employee priorities, ensuring fiduciary compliance and balancing affordability with accessibility. Employers should also tailor benefits plans to workforce demographics, optimize value over price, emphasize sustainable and flexible options, leverage utilization data and benchmarking to guide decisions and support whole-person well-being across mental, physical and financial health.

PARTNERSHIP

COALESCE CAPITAL TO ACQUIRE MAJORITY STAKE IN DECISIONHR

Private equity firm Coalesce Capital has signed a definitive agreement to acquire a majority stake in NAPEO member DecisionHR. Coalesce will support DecisionHR's continued growth by investing in technology, talent and strategic acquisitions to further strengthen the company's HR solutions and value proposition to clients. "Coalesce brings significant experience and expertise in this sector, and we believe the partnership will accelerate our growth trajectory and drive meaningful value for our clients through enhanced service delivery and platform capabilities," said Peter Newman, CEO of DecisionHR.

EXPANSION

FRANKCRUM EXPANDS PEO MARKET PRESENCE IN CALIFORNIA

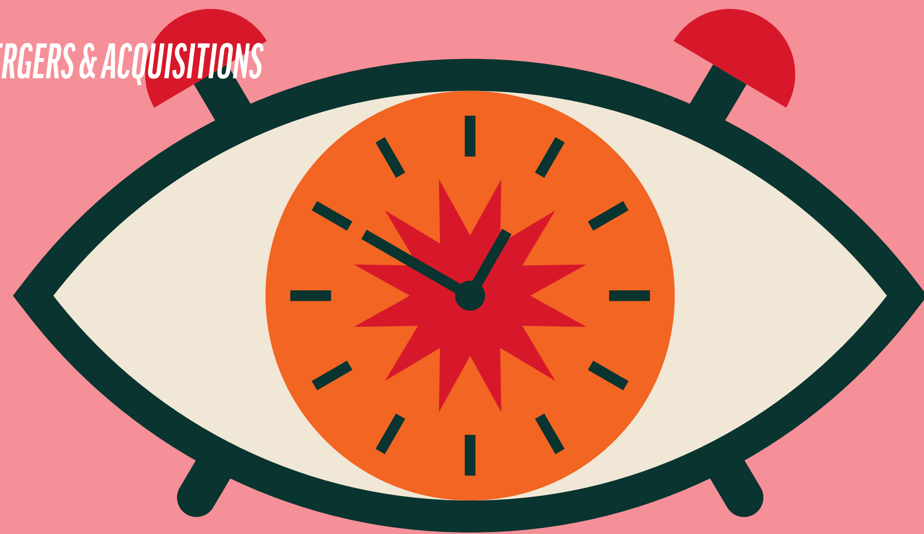
NAPEO member FrankCrum has expanded its California sales presence alongside the admission of its affiliated insurance carrier, Frank Winston Crum Insurance (FWCI), to provide workers' compensation coverage for PEO clients in the state. The expansion strengthens FrankCrum's ability to serve California employers in one of the most highly regulated employment environments in the nation. "By expanding our carrier operations into California, we're able to deliver more personalized solutions and partner closely with our clients to manage claims, support employees' return to work, and drive better outcomes for both businesses and their people," said Matt Crum, co-president of FrankCrum and president of FWCI.

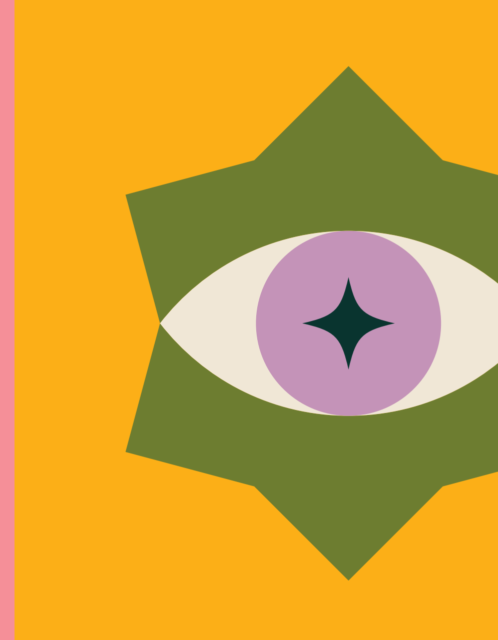
PARTNERSHIP

GUARDIAN AND PRISMHR ANNOUNCE API INTEGRATIONS FOR PEOs

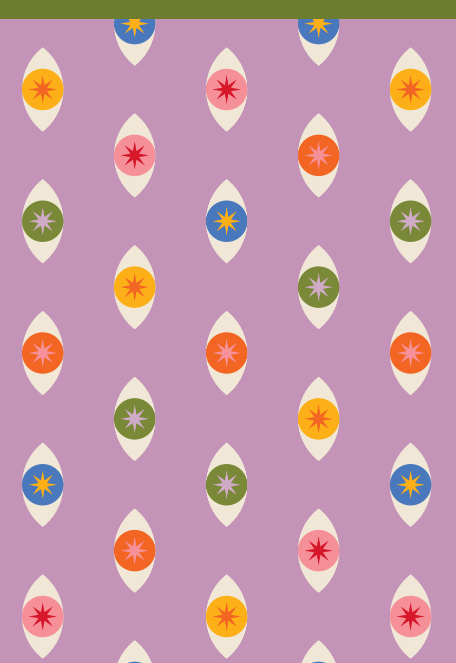
NAPEO member TriNet has launched a suite of human-centered, AI-powered capabilities designed to deliver intelligent and responsive HR support with privacy and security controls. The new tools will empower small and medium-sized businesses to make proactive, data-informed decisions, while continuing to benefit from the expertise and guidance that only experienced HR professionals can provide. "By harnessing AI-powered capabilities alongside our deep human expertise, we enable business leaders to anticipate challenges, receive tailored guidance, and make confident, data-driven decisions that put people first," said TriNet Chief Technology Officer Jeff Hayward. ■

MERGERS & ACQUISITIONS





MARKET LANDSCAPE & OUTLOOK



INSIDE THE PEO M&A MARKET
KEY INSIGHTS AND FUTURE OUTLOOK

BY JEREMY FALENDYSZ

Having recently returned from NAPEO's 2025 Annual Conference and Marketplace, UHY's national PEO practice is excited to share real-time insights into today's highly active PEO M&A market.

Despite a challenging and uncertain macroeconomic environment, M&A activity in the PEO market has remained resilient. Today, we continue to see consolidation driven by both private equity platforms and strategic PEO buyers seeking scale, diversification, service line expansion, and technology capabilities, in an otherwise fragmented (yet consolidating) market. As a result, the PEO sector has become increasingly competitive from an M&A standpoint; a challenge for active buyers, and a positive for owners seeking a liquidity event in today's market.

PEO M&A MARKET OVERVIEW

Over the past five years, consistent efforts to consolidate the PEO industry have led to sustained M&A activity. There have been more than 30 PEO acquisitions each year from 2020 to 2024, even as the universe of potential acquisition targets (and the quality of those targets) has become more limited. Similar to the broader M&A market, PEOs experienced record deal volumes in 2021 and 2022, with approximately 45 PEO transactions completed each year. Since then, deal volume has normalized to approximately 30 deals in 2023 and approximately 35 in 2024, generating an uptick in momentum that has carried into 2025.

In reality, UHY believes that these reported transaction numbers likely understate M&A activity in the sector. Beyond perhaps smaller transactions that simply do not get reported, we are seeing a meaningful shift among PEOs toward M&A targets with operating models beyond the core PEO model, particularly in areas such as payroll, and really any area that allows PEOs to advance their tech stack for the benefit of clients, similar to what Paychex accomplished in their acquisition of Paycor earlier this year.

"We actually saw a slower start to 2025, in terms of PEO M&A volume, than anticipated," says Steve McCarty, CEO of UHY and leading member of UHY's National PEO Practice. "Nonetheless, this year remains on pace to eclipse 30 deals by year-end, with approximately 25 transactions completed already through Q3 and advanced discussions with PEO owners in today's market. This tells us that there remains a highly active and constructive PEO M&A market for both buyers and sellers."

Looking beneath the surface, PEO M&A continues to be led by larger acquirors in the space, with the majority of targets being on the smaller side, or regional PEOs. More specifically, in 2025, approximately 80% of PEO acquisitions involved targets with revenue below $20 million. The most active acquirers of PEOs since 2020 are primarily public and private equity-backed PEOs, including Deel, Engage PEO, G&A Partners, One Digital, Prestige PEO and VensureHR, who have combined for more than 40 PEO transactions over that time.

"We are observing a clear trend whereby mid-tier PEOs are increasingly attempting to pursue M&A as a strategic means to execute their growth mandates...without success," observes Jeff Solis, an audit partner and leading member of UHY's National PEO Practice. "We are in active dialogue with several middle-market players who have expressed frustration competing against their larger PEO peers on marketed deals, and frankly are missing out entirely in cases where smaller PEO sellers are going directly to the larger consolidators in the space."

As such, UHY believes (1) deal activity and momentum in the PEO sector will continue well into 2026, with both strategic acquirers and willing sellers actively looking to transact; (2) larger PEOs will continue to dominate the PEO M&A landscape; and (3) mid-tier, growth-oriented PEOs will need to be strategic and creative to generate the inorganic growth they desire in today's market.

"We are working with an increasing number of mid-tier PEOs today, who are opting to execute a highly tactical, pro-active buy-side search process in today's market," says Bryan Besco, a leading member of UHY's National PEO Practice. "And frankly, some of these searches are strictly focused on ancillary service lines, not just acquisitions of smaller PEO platforms."

PEO VALUATIONS

Fundamentally, PEO valuations are driven by factors such as the number (and growth rate) of worksite employees (WSE), client retention, geographic reach, service offering mix, the ability to scale, and technology adoption (e.g., AI adoption). In general, when evaluating those value drivers, middle-market PEOs with regional coverage tend to see EBITDA multiples ranging from 7.0x-9.0x, with increased upside available for companies having strong gross margins and WSE's in attractive end-markets. Higher multiples in the 10.0x-12.0x area are achievable for PEOs with more scale, typically generating over $10 million of adjusted EBITDA, with a national presence and high client retention.

"While these ranges are representative of the values being paid in the market today, we are seeing many deals where stretch values are being paid by larger industry consolidators," suggests Matt Munn, a Tax Partner and leading member of UHY's National PEO Practice.

The increasing incidence of "stretch values" being received by PEO sellers is not only a product of the fierce buyer competition in the PEO sector, but also due to value arbitrage among larger and publicly traded PEOs. To illustrate this point, several of the publicly traded PEOs are currently trading at high EBITDA multiples in the 18x-20x area. This means that they can meaningfully "overpay" for a PEO and still generate accretive results as the target's EBITDA is effectively re-priced at their current, higher trading multiple. "Valuation arbitrage is one tool that smaller, privately held PEO buyers simply do not have at their disposal," notes Matt Munn.

2026 PEO M&A OUTLOOK

Given the fragile state of the broader U.S. economy, which continues to be plagued by uncertainty, the range of potential outcomes for PEO M&A in 2026 is wide. That said, absent any significant adverse macroeconomic events or disruptions in labor demand (i.e., from tariffs, rising inflation, immigration policy, etc.), UHY believes that demand for growth via M&A will continue to be high on the priority list for PEO management teams. As such, UHY forecasts M&A volume in the PEO industry in 2026 will be in the 35+ area, a level similar to what we have observed annually since 2020, but slightly higher than where the current year is expected to close out.

An additional consideration for continued PEO M&A in 2026 comes in the form of favorable provisions in the One Big Beautiful Bill Act (OBBB). Tax benefits for buyers, such as 100% bonus depreciation and increased Section 179 expensing, provide favorable deductions against ordinary income. And tax benefits for sellers include continued lower tax rates for companies and individuals, certainty with estate tax exemptions for the next several years, and the expansion of Qualified Opportunity Zones to defer or eliminate some capital gains.

As it relates to PEO valuations, UHY predicts multiples will remain elevated.

With the significant competition for PEO acquisitions today, the risk is likely to the upside for PEO M&A valuations. Getting creative around acquisition strategy, running a proactive buy-side search process, or looking at ancillary service offerings for acquisition targets is probably the right strategy for PEOs with aggressive growth mandates, but who are otherwise more conservative from a valuation standpoint. ■

JEREMY FALENDYSZ

Managing Director
UHY Corporate Finance
Sterling Heights, MI

FROM FRENZY TO FOCUS
WHAT PEO OWNERS SHOULD KNOW ABOUT THE M&A MARKET

BY SCOTT SILVA

From 2021 to 2024, PEO M&A was defined by record deal volume, premium multiples, and aggressive roll-up strategies as buyers pursued scale through acquisition.

John W. Allen of G&A Partners sums it up well: "Several more private equity firms have made investments in the PEO space. A major part of their investment thesis is the opportunity to grow through acquisition. The competition is driving up valuations."

In 2025, acquirers continue to pursue deals, but the tone has shifted from frenzy to focus. The M&A surge left in its wake inflated valuations, limited deal inventory, and the risks accompanied by rapid expansion. As a result, investors are moving from speed to precision. Proven performance, operational excellence, and disciplined risk management have become defining priorities for leading PEO platforms.

APPROACHING THE TURNING POINT: WHERE WE ARE IN THE M&A CYCLE

After three years of strong deal activity, the PEO consolidation wave is approaching a critical juncture, marking a key shift for founders preparing for a strategic exit. The largest platforms have completed their headline transactions and are entering a period of integration. Post-merger fatigue, back-office centralization, and increasing costs are now putting strain on operating margins across the sector.

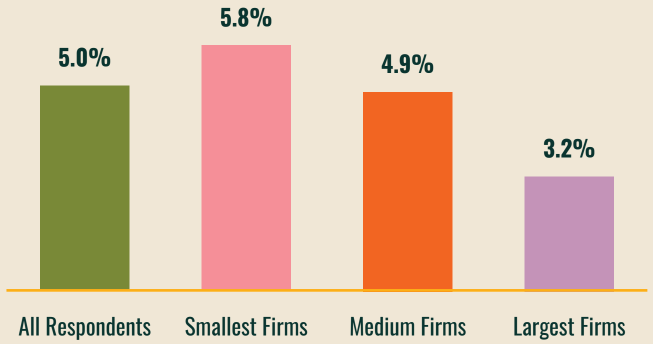
For the first time in the industry, the mega-rollup model is hitting a ceiling. The largest PEOs are at risk of becoming too big to exit, with their scale outpacing PE's ability to monetize their investment. As a result, sponsors are pivoting from growth-by-acquisition to sales-led expansion.

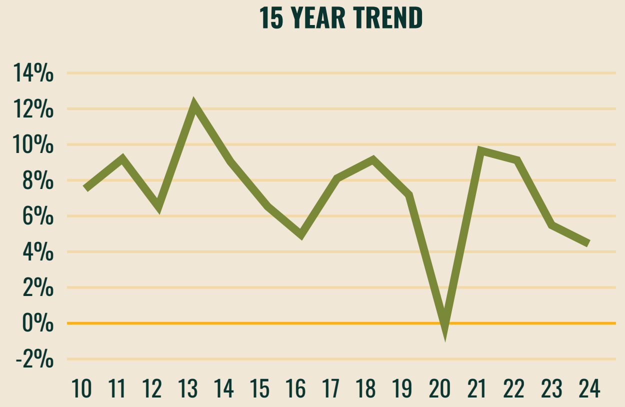
The next stage of the M&A cycle will reward operators who prioritize long-term value creation through recurring earnings and expansion into adjacent service areas to create new revenue streams.

WHY BUYERS ARE MORE SELECTIVE THAN EVER

Acquirers aren't slowing down, but they *are* becoming more discerning. Despite ample dry powder, the pool of highly qualified sellers has narrowed.

WSE GROWTH RATE





Macroeconomic headwinds, rising healthcare costs, and stricter deal criteria are forcing investors to trade deal velocity for deal quality. With the spree slowing, acquisitive PEOs must now defend EBITDA and scrutinize candidates with greater precision.

Ted Crawford of OneDigital PEO frames it well: “There are over four hundred PEOs in the U.S., but only three or four dozen truly fit what platform acquirers need. The roll-up runway is nearly gone, and PE-backed operators want long-term partners that can scale organically.”

NAPEO’s Financial Ratio & Operating Statistics (FROS) Report reflects this shift. WSE growth slowed from 10% in 2022 to 5% in 2024, with the largest PEOs growing by only 3%. Gross Profit is up in 2025, but Operating Profit is down, revealing thinning margins even though PEO revenue increase by an average of 8.5% in 2024. The latest data reveals a simple fact: revenue growth no longer compensates for weakening profit margins.

Healthcare and benefits remain under the microscope as premium inflation and rising medical loss ratios directly threaten future earnings.

Although prices are historically high, this cannot be sustained without squeezing profit margins. Within the next 24 to 36 months, deal economics are likely to normalize as multiples soften and investors recalibrate their expectations. Only PEOs who demonstrate durable EBITDA and a clean risk profile will secure top-tier valuations.

WHAT BUYERS ACTUALLY WANT NOW

In today’s market, financial readiness and net-new revenue are currency. These two factors reduce risk and indicate scalability. Buyers today prioritize targets that signal cultural fit, integration readiness, and sales-driven upside potential. The most attractive sellers can show sustained expansion without leaning on projections or acquisitions. As Ted Crawford points out, “The targets that stand out today are the ones with a strong sales team, clean data, stable benefits plans, and consistent EBITDA growth. You can’t justify a high multiple without those fundamentals.”

Differentiation is becoming critical for small and mid-sized PEOs. Niche vertical expertise or strong client retention can make a regional PEO attractive even without size. John W. Allen reinforces this point: “We look for PEOs that are run by good people who share our values and objectives. We look for companies that have built a solid sales engine and are consistently growing year over year. We also look for companies who provide outstanding service as measured by client retention.”

THE SECRET SAUCE OF A SUCCESSFUL DEAL: CULTURAL ALIGNMENT

Financial performance influences purchase price, but cultural compatibility determines whether a deal succeeds. In today's environment, savvy buyers scrutinize if a seller's leadership style, core values, and service philosophy will support a long-term partnership.

As John W. Allen puts it: "Put People First. If the seller values his or her employees and clients and wants to make sure they are treated well as part of the acquisition, then we have a good indication that there will be a cultural fit. If all the seller cares about is the purchase price, then we are not aligned and generally walk away."

Misalignment between the buyer and seller can "spell disaster" for a deal post-transaction, leading to talent flight and client churn. For PEOs contemplating an exit, these questions can help assess strategic and cultural alignment.

1. Is the buyer's culture a good fit for my people and my clients?
2. Does their leadership style and client service model complement ours?
3. What legacy do I want to protect, and what role do I want after close?

Chemistry matters. Shared philosophy is a reliable value multiplier in today's market.

HOW FOUNDERS SHOULD PREPARE: THE 24-MONTH PLAYBOOK

Founders planning a sale in the next two years should start now. The most successful results go to the sellers who understand their story and invest in readiness long before they enter the market. Engage a qualified M&A advisor early in the process. Thorough internal diligence helps PEOs to identify red flags, strengthen their position, and avoid costly mistakes.

Consider this 24-Month Playbook:

1. Audit financials, licensing, and reporting to present precise, up-to-date EBITDA and clean adjustments.
2. Demonstrate *earned* revenue by documenting past performance and reinforcing your sales team to highlight growth that has been built, not bought.
3. Fortify client relationships. Solid retention metrics strengthen your bargaining power.
4. Invest in compliance and risk management, especially Healthcare and Workers' Compensation plan performance.
5. Prepare leadership and key team members. Buyers evaluate the full bench, not just executives.
6. Understand deal structure, particularly rollover equity.

   Ted Crawford makes this clear: "High multiples can be deceiving. A buyer may offer 70% in cash but tie the remaining 30% to rollover equity based on future EBITDA. If growth stalls, the seller never sees that money. It's a magic trick that protects the buyer and inflates the purchase price."
7. Retain the three "A's": an expert Advisor, Attorney, and Accountant who can protect your enterprise value, ensuring proper tax treatment and legal structure.

Preparation creates leverage. Expert guidance lights the path and protects value.

CLOSING THOUGHTS: A MARKET EVOLVING, NOT ENDING

The PEO M&A landscape is evolving. Deal flow remains healthy, but the drivers of value are shifting. As the cycle enters its later stages, platform operators must justify every dollar they spend to their boards and shareholders. Cultural chemistry, operational compatibility, risk discipline, and sales performance now sit at the top of the list. With a limited supply of PEOs for sale and a higher bar for investment, capital is being deployed much more strategically towards sellers with clean financials and a healthy risk profile.

Three themes define today's market:

- Readiness = Leverage
- Durable Growth = Leverage
- Alignment = Deal Multiplier

Founders who begin preparing now with expert guidance will be positioned to secure the best possible outcomes. The market is not slowing, but it *is* maturing. The next chapter belongs to operators who deliver strength, stability, and a story worth betting on. ■

SCOTT SILVA

Associate
Silva Capital Solutions, Inc.
Marietta, GA

THE STATE OF M&A IN THE PEO INDUSTRY AND WHY YOU SHOULD PREPARE NOW

BY TED CRAWFORD

If you paid attention to the PEO space over the past few years, you likely noticed that the pace of mergers and acquisitions is picking up with no sign of slowing down anytime soon.

We see transaction volumes in excess of 30 deals a year. There are a few key factors driving this wave of activity:

First, there's an abundance of capital in the market. As more businesses around the country are beginning to understand the value in our services; investors, private equity, and other strategic buyers see the value in a PEO's recurring-revenue business model and strong potential for continued organic growth.

Second, the PEO industry is maturing. We're now 30–50 years into the industry's lifecycle. Just like banking, telecom, or even vision care before us, that is about the point where the first generation of owners, with some added gray in their hair, start thinking about what comes next. The natural outcome is consolidation. Larger players acquire smaller ones, and the market begins to concentrate.

Lastly, generational transitions are becoming less common. Many founders are finding that their children or key employees either aren't interested in taking over the business or more likely, don't have the capital.

You don't have to be ready to sell today to prepare for an M&A transaction. In fact, the best outcomes happen when owners prepare well before they're ready to make a move.

The thing I hear most often from owners is some combination of: I'm growing, things are going great, and I have gas left in the tank. Why sell now when I have momentum? But waiting for the perfect time comes with risk. Valuations are market-driven, and there's no guarantee they'll be higher in five years. The market changes, interest rates shift, and buyer appetites evolve. You never know what tomorrow will bring. A competitor might approach you. A private equity firm might be looking for a platform in your region. If you're not prepared, you could miss out or worse, rush into a deal without maximizing your value.

There are many strategic options, all of which present their own opportunities and challenges: minority investments, mergers of equals, recapitalizations, or selling a majority stake while retaining equity for a second bite at the apple. What you ultimately decide for the future of your business is one of the most difficult and emotional decisions you can make in your career, significantly impacting your life and wealth. Being caught off guard when the right opportunity presents itself can and does change the outcome, costing you time, money, or even the deal entirely.

THREE STEPS TO TAKE TODAY TO MAXIMIZE VALUATION AND READINESS

1. Know the Questions Buyers Will Ask

Every transaction involves due diligence. Buyers will want to understand your client mix, retention rates, compliance history, and growth trajectory. The more prepared you are with clean, organized data, the more confident they'll be in your business. If you are prepared with an answer to the questions any will ask, you are showing yourself and business to them as a potential partner that is organized, serious about the opportunity, and willing to do the work to find the best possible outcome for both parties.

2. Consider Rolling Equity

If you aren't ready to retire, but see the value in doing a transaction today, selling a portion of your business and retaining equity can be a powerful wealth-building strategy. It allows you to participate in the future growth of the combined entity while deferring some taxes and keeping skin in the game. To get the most out of it, you need to understand you and your team's values, culture, and unique value proposition so that you may do your own due diligence with any potential buyer about their platform, culture, and the opportunity for you to grow and be content as a part of a bigger organization. Culture doesn't show up in the numbers but may be the biggest individual factor driving your team's long-term growth if acquired.

3. Get Your House in Order

Make sure your financials are accurate, your contracts are up to date, and your succession plan is clear. A well-run business not only commands a higher valuation but also makes the transaction process smoother and faster. The more prepared you are, the more buyers can streamline the integration process, and the faster you and your team can return their focus to the work that impacts your firm's growth. This is especially true in transactions that have an earnout period – where you are paid out a higher valuation based on growth in the first few years following the deal. Your ability to hit the ground running is essential for maximizing the value of the transaction.

It's important for PEO owners to understand that M&A is a strategic tool, not a last resort. Too often, owners think of selling as the end. In reality, it can be the beginning of a new chapter for you, your employees, and your clients. Selling your business isn't a sign of weakness or a failing business. It's a sign that someone sees value in what you've built and wants to invest in its future. Whether your goal is succession, liquidity, or growth, M&A is a powerful tool to consider on the path to getting you there. ■

TED CRAWFORD

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Lessons That Light the Way

Strategies For A Successful M&A Transaction

BY ROBYN RUSIGNUOLO

If you are reading this, chances are it is no surprise that consolidation through mergers and acquisitions is one of the biggest trends shaping the PEO industry. What may surprise you, however, is that up to 75% of acquisitions fail to achieve stated objectives of post-acquisition sales growth, cost savings, or maintaining share price. While PEO industry consolidation creates significant opportunities for buyers and sellers in terms of financial rewards, market expansion, and product and service delivery enhancements, there are important factors both parties should consider and strategies they should employ to ensure successful outcomes.

I have been participating in M&A transactions since 2012 across various industries, and I currently lead diligence processes and operational integrations at PrestigePEO. In my experience, while every transaction is unique, there are consistent themes that foster a collaborative process and produce desired financial outcomes for both parties.

VALUE ALIGNMENT AND SELECTING THE RIGHT PARTNER

Shared vision and aligned values between parties are paramount. When choosing who to partner with, buyers and sellers should first define what they hope to accomplish through the transaction.

A seller must answer foundational, sometimes life-changing questions: Would they like to retire from the business quickly post-close? Do they envision a specific transition or succession plan? Or would they like a "second bite at the apple" and even greater financial opportunity, perhaps in a higher-growth environment with access to deeper resources? Likewise, a buyer's goals should have some alignment with the seller. Is the buyer looking to create value by accelerating growth in a particular market or industry? Are they seeking immediate cost synergies with an acceptable risk of client loss? Or is it a combination of these (or other) factors? Ultimately, candor about deal motivations prevents misalignment and frustration.

Both parties should also consider their utilization of representation. Whether partnering with a PEO broker, M&A firm, investment banker, or other advisor, cultural and personality fit matter (particularly for a first-time seller). This is an opportunity to build a transformative relationship with a person or firm who will create value through their industry knowledge, advocacy, and business acumen.

As with all important relationships, when it comes to selecting the right M&A partners, buyers and sellers are best served by investing sufficient time and effort. By realistically defining intended outcomes, interviewing extensively, and vetting references, this is the earliest opportunity to lay the groundwork for a successful transaction.

LEANING INTO THE DILIGENCE PROCESS

Benjamin Franklin appropriately observed that "diligence is the mother of good luck." Although the diligence process is notorious for being rigorous and exhausting, proactive engagement from buyers and sellers is essential to a well-run integration and the strongest possible financial results.

A typical diligence process takes anywhere from 30 to 90 days but may be shorter or longer depending on factors including business size and complexity, risk profile, buyer and seller readiness, and deal structure. While it is the buyer who will typically lead the seller through a series of workstreams (e.g. tax, legal, HR, business, operations) and potentially a Quality of Earnings process (a QoE analysis is used by buyers and sellers in M&A and generally conducted by an independent firm to evaluate the sustainability of a company's reported income by adjusting for non-recurring items to show true financial performance and value), the seller should also use this time to learn more about the buyer's operations, team, and integration plans. Holding in-person meetings during this stage is a good opportunity to get a feel for company culture and regional geography, as well as to learn more about one another's management teams and explore post-closing staffing structure.

Just as candor is essential when choosing the right deal partner, it is similarly important during diligence. This is the stage of the process where data discrepancies and unforeseen risks may come to light. Cost, revenue, and financial synergy opportunities will be reviewed and discussed in more detail. Each party will want a proactive partner that works through issues to find creative solutions that preserve the intent of the deal.

The diligence process is a fast-paced marathon comprised of a series of sprints. By being prepared and embracing it collaboratively, it will pay literal and figurative rewards to both parties and lay the groundwork for a well-executed integration.

THE INTEGRATION PLAYBOOK AND MANAGING EXPECTATIONS

In one of the first (non-PEO) deals I closed, I was dispatched by the buyer to physically change bank account ownership at the seller's longtime bank immediately after the contract was signed (before the days of Docusign). The seller, who had assumed they would continue to operate "business as usual" through a transition period, was shocked and hurt. Had the parties discussed material integration plans prior to or in conjunction with closing, the damage this action caused to their relationship could have been avoided.

Parties should ideally run an integration process free from surprises. The buyer can draft an integration playbook or project plan that encompasses key aspects of the transition along with metrics where appropriate. The playbook should consider areas including but not limited to internal and external stakeholder communications strategy and timeline; sales and revenue strategy; accounting and tax strategy; compliance and legal considerations; operations; human resources and staffing plans; insurance and risk management; and technology. Similarly, the synergies identified during diligence that are related to deal value, financial goals, and operational transition items should be addressed and incorporated, with timeframes and transparency.

Identifying transition and integration roles and defining their responsibilities is critical, as is dedicating a person or team to run the integration process. Material elements of the integration playbook should be shared with the seller as much as it is practical so that expectations are managed and post-closing surprises are prevented.

IN CONCLUSION

As with most aspects of business and life, preparation is the key to success in M&A transaction outcomes. By thoughtfully selecting partners, engaging in thorough diligence processes, and working from a comprehensive, measurable integration plan, buyers and sellers will defy the odds and obtain the best possible results for their employees, clients, and shareholders. ■

1 Lev, Baruch and Gu, Feng. **"We Analyzed 40,000 M&A Deals Over 40 Years. Here's Why 70-75% Fail,"** Fortune, Nov. 13, 2024.

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From Conception To Closing: *The Exit Process*

BY ABRAM FINKELSTEIN

When I started StaffLink Outsourcing, Inc., I envisioned building and operating a small business that would provide value to a group of business owners who appreciated concierge service and that would, hopefully, provide a reasonably nice lifestyle to my team and to me. When the business began, I was struggling to find clients that were the right fit, all while building my processes and team, one brick at a time. Needless-to-say, the concept of an exit seemed completely foreign and was not even remotely on my radar.

Every business owner has their own unique set of circumstances that drives them toward a business exit. For some, the exit is a form of succession planning. For others, they would like to get additional capital and support to fuel the growth of the business. Whatever the reason, mergers and acquisitions are becoming an ever more present part of industry and the growth trend is astonishing. According to Reuters, the total value of deals in 2024 totaled over $3.4 Trillion, which is up 15% from 2023. In the United States, M&A transactions were up 10% year over year (Allurius Briefing, M&A Report 2024-Q4, February 2025). Moreover, during 2025, the global M&A activity continues to build momentum despite economic and political uncertainty (Boston Consulting Group, The Brave New World of Dealmaking, online version, 2025). While large deals are still on the low end of the activity level, private equity and venture capital deal activity is trending higher and deal values are also on the rise. Indeed, PE firms are sitting on $2 Trillion of undeployed capital (Boston Consulting Group), so there is a compelling drive to find good investment opportunities. With these metrics, and with the success of the PEO Industry, it seems that the potential for additional M&A activity will continue, which means that there is tremendous opportunity for those who seek it.

As with so many others, as I grew the business, I began to contemplate how I could continue to scale the company, to grow my team and what the future could look like. I loved the PEO industry and had all intentions of being part of it for the foreseeable future, but I wondered if I could achieve more as part of something bigger: Perhaps I could best leverage the company by partnering with another company that shares my values and culture, but has more resources that could be deployed for growth and service!

For me, the exit process from conception to closing was not a straight line and it was not fast. In fact, making the decision to merge with another company took over ten years and multiple conversations with potential acquirers. None of those early discussions evolved into a transaction, but they were incredibly informative to me by helping to sort through the things that were important and what transaction would make sense.

What developed was a set of five core criteria that were my primary deal points and by which I evaluated every opportunity that evolved. However, in those early years, it was also clear to me that I was not mentally ready to merge my business with another company.

Eventually, all of the factors that were important to me came together and I became more open to the idea of merging my business into another, and that is when the work and the excitement really started.

While there are different variations that define the M&A process, they all seem to filter to five basic stages. The stages are:

1. ASSESSMENT AND PRELIMINARY REVIEW

This part of the process can occur over periods of years. As I said previously, it took me over ten years to get to the point in which I was truly ready to participate in a transaction.

The critical part of this is for the prospective seller to decide their "why." What goals are they trying to accomplish in a transaction. Getting very clear on the "why" will help to identify the target companies with whom they would like to engage. That exact same process applies to the prospective buyer, as well.

Once all of that is determined, the process of organizing the data and developing valuation models can start.

2. NEGOTIATION AND LETTER OF INTENT

Once the prospective seller organizes their data and gets a range of valuation, they would send some basic financial, operating and tax information to the prospective buyers to allow them to craft a Letter of Intent or an Indication of Interest. Once received, the LOI is evaluated and negotiating the terms can proceed.

3. DUE DILIGENCE

After selecting the buyer with whom one wishes to partner, the due diligence period begins, which typically pauses negotiations with other potential suitors. To get the process started, a data room is established to house voluminous amounts of data about all aspects of the business. This allows the buyer to evaluate the quality of the earnings of the seller to verify the valuation that was agreed upon in the Letter of Intent or Indication of Interest.

Part of the due diligence period often includes sight visits for both the seller and the buyer so that each can evaluate the culture, facilities and operations of the other.

Once the due diligence period is concluded, the valuation can be confirmed or the parties can renegotiate the terms based upon information discovered during due diligence.

4. NEGOTIATIONS AND CLOSING

As negotiations continue, the closing documents are drafted, which would include a purchase agreement and supplemental agreements. When all of the terms have been agreed upon and documented, the transaction will go to closing.

5. POST-CLOSURE AND INTEGRATION / IMPLEMENTATION

The integration plan should really be part of the discussion during the entire

process and none of it should come as a surprise. However, once the deal is closed the process begins. The integration will involve the combining of all aspects of the operations of the seller and buyer but perhaps more importantly, also involves the integration of the two cultures of the business (PwC, Mergers & Acquisitions: The 5 Stages of an M&A Transaction, see also (Ansarda, Overview of the M&A Process, May 19, 2025).

The timeline required to complete a deal varies widely based upon the amount of data that the seller has completed; the extent of the due diligence process and the resources available to both parties to draft the documentation for the transaction. However, for smaller deals, the process can be from a few months to six months.

It is very easy to focus exclusively on the financial aspects of a transaction once you have made the decision to move forward. However, as so many have said; When you see one transaction, you have seen one transaction. Every deal is different and every deal has multiple layers, all of which are important to the ultimate success of the transaction.

My experience is that it is important to be crystal clear on what your goals and objectives are in completing a transaction. Evaluate every element of the transaction with a clear eye and make sure that you are comfortable.

In every deal, there will be points that you will need to concede in order to move forward; that is understandable because the deal has to make sense to both sides. However, it is important to evaluate the transaction at every step of the process to make sure that the deal still makes sense and fulfills the goals and objectives that were identified at the outset.

Deal structure matters! The amount of equity that you are selling, the amount of equity that you plan to roll over, holdbacks and the timeline for payments and how all of those factors are structured and drafted are important considerations.

Another consideration is whether one's goal is to completely exit and sell all of their shares or to stay involved in the business for future liquidity events. If one is to stay involved as an executive in the company, it is important to identify in advance a role for you in the newly constructed business and to ensure that one is happy in that role. Getting clarity around all of these points will go a long way to ensuring that the transaction will be good for all parties.

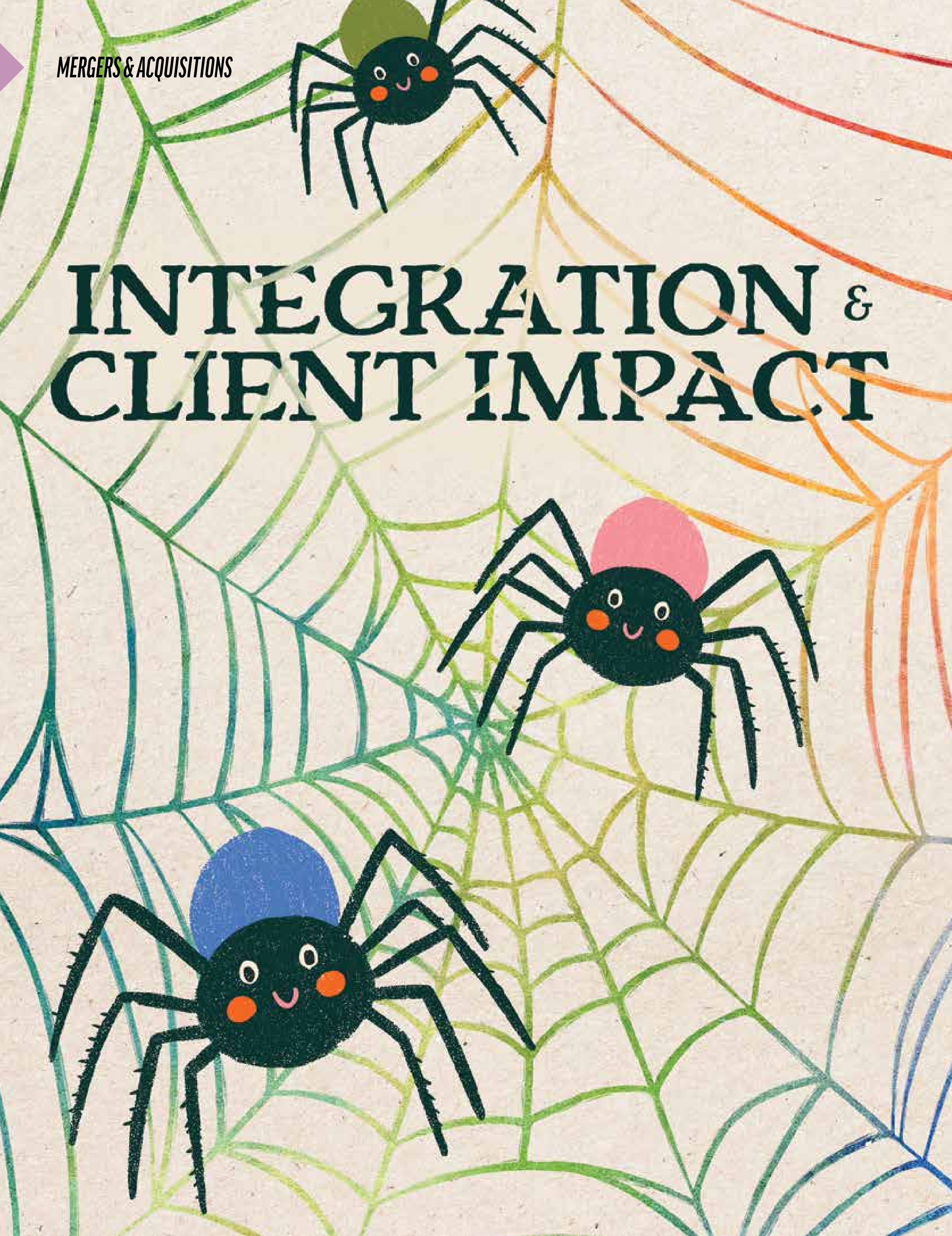
A successful business exit is considered the pinnacle of success for many entrepreneurs. Only a fraction of the businesses started ever get to the point in which a liquidity event is even a consideration. So, of course, contemplating an exit is an extremely exciting but also frightening proposition. But when approached with clarity of purpose, discipline and attention to detail, the process can be extremely educational, fulfilling and rewarding, both professionally and financially! ■

ABRAM FINKELSTEIN

Former NAPEO Board Chair
Fort Lauderdale, FL

> **"For me, the exit process from conception to closing was not a straight line and it was not fast.**

INTEGRATION & CLIENT IMPACT



How PEOs Help Preserve Value During M&A Transactions

BY NATE OLSEN

There are countless high-profile stories of massive company mergers worth millions, or even billions of dollars, where everything looks perfect on paper. Financial projections shine, stock markets soar in anticipation, and the deal appears poised for long-term success. Then, suddenly, a wave of employee departures hits. The talent that brought so much value to the company merger walks out the door within a matter of weeks. What went wrong?

M&A teams often dedicate enormous amounts of time to financial due diligence and operational planning, but the people side of the acquisition sometimes only receives attention once problems arise. This can result in a costly wave of turnover that disrupts operations, erodes institutional knowledge, and jeopardizes the very value the merger was intended to create. For firms counting on stable operations and retained institutional knowledge to drive value, these numbers represent a direct threat to projected returns.

This is why partnering with the right PEO can help protect crucial human capital starting on day one.

THE REAL COST OF POST-ACQUISITION ANXIETY

When an acquisition is announced, employees immediately begin asking themselves difficult questions: Will I still have a job after the merger? What happens to my health insurance? Will my 401(k) be impacted?

This uncertainty can often translate to decreased productivity, increased absenteeism, and most critically, a talent exodus that can fundamentally undermine the acquisition's primary goals. The employees who made the target company valuable (those with deep client relationships, specialized technical knowledge, and leadership capabilities) are often the most marketable and therefore the most likely to leave if they sense instability.

Replacing a departed employee can cost between 50% and 200% of that individual's annual salary when you factor in recruiting, onboarding, and the productivity ramp-up period. However, the financial impact extends well beyond replacement costs. Lost institutional knowledge can take years to rebuild. Client relationships carefully cultivated over decades can evaporate when a trusted account manager walks out the door.

A REAL-WORLD LESSON IN OVERLOOKING HR INTEGRATION

Corporate history offers a cautionary tale. In the early 2000s, AOL and Time Warner attempted what was then the largest merger ever announced. On paper, the deal seemed like a massive financial success. But behind the scenes, little effort was made to align compensation systems, benefits programs, or onboarding practices before closing. Employees quickly felt the disconnect. Morale fell, key talent left, and integration slowed. Within two years, the merged company reported one of the largest corporate losses in U.S. history. While multiple factors were involved, analysts agree that cultural misalignment and workforce instability played a defining role.

The lesson: When the critical importance of people is forgotten or neglected, even the most promising deal can unravel.

WHERE PEOs CREATE STRATEGIC VALUE

This is where a well-chosen PEO partnership becomes more than an administrative convenience. It serves as a strategic tool for value preservation and creation. Here's how the right PEO can help you navigate the complex waters of post-acquisition integration:

Benefits continuity that builds confidence.

Nothing signals uncertainty to employees faster than vague communications about their benefits. Will their health insurance change? When? What about premiums and coverage levels?

A strong PEO eliminates this anxiety by providing immediate access to comprehensive benefit packages that often exceed what the acquired company could offer independently. Through collective buying power, PEOs deliver Fortune 500-caliber benefits to companies of all sizes. Instead of worrying about benefit downgrades, employees often experience improvements: better health plans, enhanced 401(k) options, expanded benefits. This tangible demonstration of commitment to employee welfare sends a powerful message during a vulnerable transition period.

Unified administration that prevents chaos.

Anyone who has lived through an acquisition knows the administrative challenge of integrating disparate HR systems. Different payroll platforms, incompatible technology systems, conflicting policies and procedures create complexity that frustrates employees and management alike.

PEOs provide turnkey HR infrastructure that can support the combined workforce from day one. Employees continue receiving paychecks on time, benefits administration remains seamless, and HR questions get answered consistently. This operational stability allows management to focus on strategic integration priorities rather than getting bogged down in administrative firefighting.

Compliance expertise that reduces risk.

Acquisitions can create a minefield of regulatory complexity. Employment laws vary significantly across jurisdictions, and non-compliance carries serious financial and legal consequences. The acquiring company may lack expertise in the specific states where the target operates, creating blind spots in risk management.

Reputable PEOs maintain deep expertise in federal, state, and local employment law across the US. They handle workers' compensation, unemployment insurance, and regulatory reporting, ensuring the combined entity remains compliant throughout the transition and beyond. This risk mitigation protects deal value while freeing management to concentrate on operational priorities.

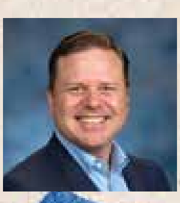
THE POWER OF BROKER EXPERTISE

While PEO partnerships provide numerous benefits during the M&A process, choosing the right PEO is paramount. This is where a PEO broker can play a crucial role.

The entire PEO marketplace includes over 500 providers, each with different strengths, specialties, and service models. A broker with deep industry knowledge can assess specific business needs and match client companies with PEO partners positioned to deliver tailored benefits. They can also negotiate pricing and terms, often securing better arrangements than companies could achieve independently, or with a one-size-fits-all PEO.

In M&A scenarios specifically, an experienced broker understands the unique pressures and timelines involved. They can accelerate the evaluation and implementation process, helping you get the right PEO partnership in place quickly to support employee retention from day one.

Partnering with the right PEO, guided by an experienced broker, provides the infrastructure and expertise to preserve this critical value through the vulnerable transition period while positioning the combined organization for accelerated growth and future success. ■



NATE OLSEN

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How SMBs Win From PEO Integration

BY ALEX CAMPOS

The PEO industry is changing faster than at any point in its history.

Previously, the category was comprised of a vast collection of regional, entrepreneurial firms managing payroll and a few other HR functions for small and medium-sized businesses (SMBs). In just a few years, we've shifted from an industry marked by competition among these providers to one of collaboration and consolidation among local, national, or even international players, creating a connected network of technology-enabled service providers.

This transformation has raised a valid question among PEOs and the businesses they serve: Will mergers and acquisitions make PEOs too large, too impersonal, or too complex for the small and mid-sized businesses they serve?

As our company approaches its 100th acquisition since 2019, I have a strong point of view on the subject. From my perspective, when done correctly, consolidation creates strength in scale. In other words, consolidation enables providers to build systems that reduce risk, improve compliance, and deliver greater reliability for SMBs than most standalone PEOs could provide.

WHY CONSOLIDATION IS ACCELERATING

The reasons behind today's M&A activity are numerous. Compliance demands are multiplying from every level of government. Keeping up with rapid regulatory changes from Washington, D.C. alone is difficult for PEOs that don't have the right resources and expertise. Add technology investments in things like payroll systems, analytics, and of course, AI, smaller operators may struggle to find their footing with new levels of required investment.

The good news is that payroll and other HR functions are very portable. Meaning that most of the work in our industry doesn't depend on geography, but rather on accuracy, security, and consistency. This "portability" makes it possible for PEOs to centralize infrastructure while still maintaining local relationships. One of our focus areas in previous acquisitions has been to decentralize

sales and marketing by keeping the local company name and sales representatives, but centralizing operations to deliver standardized service to both old and new clients.

STRENGTH IN SCALE

When integrated effectively, consolidation among PEOs gives their SMB clients tangible benefits: A more robust product offering, unified compliance systems, shared best practices, stronger data security, and greater redundancy. These advantages form strength in scale, or the ability to perform consistently and accurately across thousands of client relationships.

Still, growth must not erase the entrepreneurial spirit that defines this industry. Most PEOs were founded by owners who knew their clients personally and built trust one relationship at a time. Losing that spirit is the biggest risk of consolidation. That's why many acquirers focus on partnership models that preserve ownership and engagement.

By keeping founders invested, both financially and emotionally, we ensure continuity for clients and maintain the local expertise that makes this business special. The best consolidations don't diminish the entrepreneurship spirit; they amplify it by surrounding local teams with stronger infrastructure and support.

REDUNDANCY AND RESILIENCE

If consolidation is the strategy, redundancy is the safeguard. Every PEO professional knows how unforgiving our cadence of providing services can be.

Here's a story I often tell about redundancy to illustrate why it matters. A number of years ago, one of our delivery partners experienced a weather-related shutdown that delayed shipments. When we went to activate our backup system, we discovered the account had lapsed because we hadn't used it in three years. Since then, we've used both delivery providers in parallel. The lesson? Backups don't really exist until you use them.

That mindset of testing your contingencies before you need them is really what turns scale into strength. Larger, integrated PEOs can afford these layered systems, security, and continuity planning that smaller firms simply can't. In turn, the real winners are the SMBs whose employees rely on precision and punctuality every pay period.

EXECUTION AT SPEED

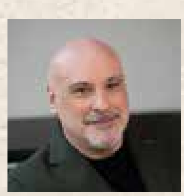
None of this works without disciplined execution. At Vensure, we talk about "violent execution," which I define as urgency paired with constant iteration. It's derived from a George S. Patton quote that reads, "A good plan violently executed now is better than a perfect plan executed next week." To that point, I like to say that some companies spend five years perfecting the car. While they're doing that, we build the skateboard, then the scooter, then the bicycle, then the motorcycle, and finally the car. Along the way, we're already providing transportation, and it gets better every year.

That mindset is crucial in integration. Deliver value early, refine as you go, and never let the pursuit of perfection delay progress. For clients, that approach means seeing tangible improvements (including faster support, better reporting, stronger compliance) while the larger systems continue to evolve behind the scenes.

A BETTER FUTURE FOR SMBs

PEOs have always helped SMBs reach new heights by giving them access to tools, expertise, and benefits that would otherwise be unachievable as a standalone business. Done correctly, consolidation extends that promise.

The future of this industry will be defined by balancing scale with service and efficiency with empathy. The best PEOs will be those who understand that and raise standards across the ecosystem. For SMBs, that means more stability, fewer surprises, and a partner equipped to protect their people and their payroll no matter how the world around them changes. ■



ALEX CAMPOS

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A GREAT DAY TO THRIVE: JON SCOGGINS' MISSION TO BUILD A NEW KIND OF PEO

BY CHRIS CHANEY

When Jon Scoggins and a small team of Tulsa entrepreneurs gathered in late 2019 to map out a business strategy for a new kind of PEO, optimism was in no short supply. After three decades in the PEO industry, Scoggins had a clear vision for what a modern, people-first model could look like: elevated relationships and exceptional service delivered with integrity.

By early 2020, everything was ready. Technology, benefits partnerships and licensing paperwork were in place. Thrive PEO was set to launch March 1.

Then, just days before opening its doors, the world shut down.

"Seventy-two hours before we were scheduled to start operations, COVID hit," Scoggins recalls.

It could have been a devastating setback. Instead, it became the crucible that defined Thrive's culture, sharpened its mission and revealed what kind of company it would be.

A JOURNEY ROOTED IN PEOPLE

Scoggins' career in the PEO industry began long before PEO was a familiar acronym. In the early 1990s, he was working in marketing and advertising when his cousin, Kirk Scoggins—a former NAPEO president—asked him to design an ad for his Tampa-based PEO, TeamStaff. The project offered his first glimpse into a business model that was, at the time, still in its infancy.

"I was immediately intrigued. Helping businesses streamline HR and compliance so they could focus on what they did best just made sense to me." he says.

Scoggins joined TeamStaff shortly thereafter, learning the business from the ground up.

"I remember walking into my cousin's office and seeing a book by T. Joe Willey on his desk. He handed it to me and said, 'Read this and go sell something.' I learned the business the hard way; I was in my 20s, trying to get business owners to trust me," Scoggins explains.

Over the next four years, Scoggins managed markets from Jacksonville to Atlanta, building relationships in a pre-digital industry where payrolls were faxed in and checks were printed by hand. Yet even in those early days, he saw the transformative potential of the PEO model, not just for business owners, but for the people who made those businesses run.

After TeamStaff went public and employees pursued new career paths, Scoggins remained in the PEO industry finding sustained success in business development. This path would eventually lead him to launching his own PEO.

A LAUNCH DELAYED, A VISION REFINED

When Scoggins finally decided to start his own company, the timing seemed perfect—until it wasn't. As the pandemic brought the economy to a standstill, the Oklahoma Department of Insurance, responsible for PEO licensing, shut down. What was normally a 30-day process stretched into months. Clients could not be onboarded until September.

That same summer, Scoggins himself was hospitalized with COVID-19 and pneumonia.

"It was still early in the pandemic," he recalls. "A lot of people weren't coming out of the hospital then. I was lucky. I walked out 25 pounds lighter but extremely grateful—and even more determined to get back to work."

While Thrive waited for the world to re-open, the team didn't sit idle.

"We used those months to get better. We refined our systems, improved processes and rethought how we could make the client experience better. By the time we officially launched that fall, we were stronger for having gone through it together," Scoggins says.

That pause also gave Scoggins and his team time to reimagine some of the industry's pain points.

"We asked, what are the common complaints we hear about PEOs, and how can we fix them?" he says. "Customer service was a big one. So was improving relationships with brokers who historically saw PEOs as competitors."

The result was a new kind of partnership model. Thrive built a close relationship with its major medical carrier, creating a unique billing identifier for every client. This allows brokers to maintain their agent-of-record status—ensuring there's no loss of commission or control when they bring business to Thrive.

"It's a win-win," Scoggins believes.

THE TULSA ADVANTAGE

Tulsa, Oklahoma offers the perfect environment for a people-centered PEO like Thrive to flourish.

"Our focus has been narrower than most," he explains. "We want to be the go-to solution in the state of Oklahoma. Most of our clients are within an hour's drive. They're also our friends and neighbors. In Oklahoma, people want to do business with their own."

Although Thrive is licensed in 40 states, 98% of its clients are Oklahoma-based. Scoggins estimates that 80% of customers are within 15 minutes of Thrive's Tulsa headquarters. That proximity means Scoggins' team visits clients regularly; another touchpoint that reinforces that true partnership nature of the relationship.

That local-first approach has paid off. Thrive has grown steadily since its 2020 launch, earning recognition as Tulsa's fastest-growing company and Oklahoma's third fastest-growing overall. But the company's reach is


Jon Scoggins, Thrive PEO President & CEO

beginning to expand. Thrive is now exploring new markets in Texas and Oregon, regions Scoggins says share Oklahoma's appetite for local, relationship-driven business.

And all this growth has come without employing a single salesperson and nimble team of just 10.

BALANCING GROWTH AND SERVICE

Thrive's rapid rise could easily have come at the cost of client service. Scoggins has worked hard to ensure it hasn't.

"Growth has always been the outcome of doing the right things, not something we chase," he says. "If you communicate honestly and follow through, good things happen."

One striking example: in five years of operation, Thrive has never had a client leave a voicemail during business hours.

"We've trained our team kind of like Apple Store employees," Scoggins laughs. "Everyone's cross-trained on our platform, so whoever answers the phone can usually solve the problem."

That philosophy extends to training. New employees complete a six-month program that covers every corner of the company. Once they reach their six-month anniversary, they're gifted a pair of custom Thrive-branded Nike sneakers—a lighthearted but meaningful symbol of belonging.

"We wanted to make HR fun again," Scoggins says. "Now even our clients ask for the shoes."

CULTURE THAT LIVES ITS NAME

Step inside Thrive's Tulsa headquarters and the culture is immediately visible—and audible.

"When you call our office, whoever answers the phone will say, 'It's a great day to Thrive,' and the best part is, we mean it," Scoggins says.

The company's atmosphere is intentionally open and upbeat, with office dogs roaming the office, Pac-Man battles and plenty of laughter.

"Culture isn't a buzzword here," Scoggins explains. "It's the energy behind everything we do. People genuinely like working together. They show up ready to solve problems and support each other."

That supportive spirit extends to work-life balance. Every employee has a partner with whom they alternate Fridays off, ensuring everyone gets regular downtime.

Thrive's approach to culture is simple but powerful: trust, transparency and shared ownership.

"We don't do rigid hierarchies; everyone's voice matters, whether they've been here a week or five years," Scoggins says.

POWERED BY TECHNOLOGY, GROUNDED IN PEOPLE

Though Thrive's service model is deliberately high-touch, the company has invested heavily in behind-the-scenes technology including AI-driven tools that increase efficiency without replacing human interaction. The goals is not to take people out of the equation, but to free them to focus on relationships and results.

That blend of high-efficiency systems and personal service is what Scoggins believes truly sets Thrive apart.

"We're a people-first company powered by technology not a technology company that happens to employ people," he says. "Every client has a dedicated 'Thriver' who knows their business inside and out."

This approach, combined with Thrive's partnership network of trusted advisors, brokers and CPAs, has fueled its steady growth.

"Every relationship starts through someone the client already trusts. It shortens the sales cycle and starts the partnership on solid ground," Scoggins says.

WHAT'S NEXT FOR THRIVE

Looking ahead, Scoggins isn't focused on becoming the biggest PEO, just the best version of Thrive.

"We've built a model that works," he says. "Now it's about refinement,

The custom Nike sneakers Thrive orders for employees.

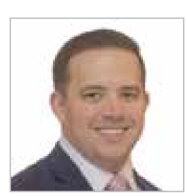
innovation and scaling thoughtfully. We're exploring expansion to other regions, but not just for the sake of growth. We want to go where our model fits and where we can make a real difference."

Thrive's ongoing investments in AI and automation will continue to streamline operations, allowing staff to stay client-focused.

Still, for all the accolades and growth, Scoggins insists the company's success comes down to one thing: people.

"Without question, I'm most proud of our team," he says. "They're the heart and soul of this company. Every milestone we've reached, every client we've served well, is because of them."

For Scoggins and his team, that philosophy isn't just marketing, it's the company's identity. Every day, in every interaction, they live the motto that greets every call and anchors every relationship: It's a great day to Thrive. ■



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TEN QUESTIONS FROM A RECENT REBRAND

BY SUSANNAH ALBRIGHT

Few business decisions stir up as much fear and excitement as a rebrand. After effecting our company's transition from *Payroll Funding Company to Ready to Fund*, I sat down with our CMO, Andrew Allgaier, to capture the questions we wrestled with along the way. Here are ten of the most important—and what we learned.

WHY IT MATTERS FOR PEOs

Many companies face this dilemma: what happens when the name that built your business no longer fits where you're headed? Do you hold onto the old brand for safety, or step into something new? This article is designed to help PEO leaders recognize the hidden leadership work behind a rebrand and better understand what their clients may be experiencing when they go through the same process.

1. WHY REBRAND AT ALL?

As Scott Galloway would say, a good brand is an economic moat, and a weak or confusing one is a tax on growth. The name "Payroll Funding Company" confused some with payroll processors, others with payday lenders, and it boxed us into a single product. We wanted a brand that reflected our values and future aims. Notably, we kept "Payroll Funding" as a product name rather than the company name.

2. HOW DO YOU PICK THE RIGHT NAME?

Start by clarifying themes and values you want the brand to represent. For us, those themes included speed, trust, integrity, and heritage. We narrowed the choice by focusing on the first two. The word *Ready* delivered both: it conveyed quickness but also preparedness and reliability. And the domain was available, no small thing when you're naming a company today.

> *Brand is culture made visible. If employees don't wear it proudly, the market won't either.*

3. IS THE NAME THE MOST IMPORTANT PART?

Yes and no. A good name matters—it should be simple, memorable, and ideally match your domain. But what you do with the name matters more. You fill it with meaning through execution and performance, which always outweigh design.

4. HOW LONG DOES A REBRAND TAKE?

Expect at least 12 months for the heavy lift and 1–2 years for the brand to fully evolve across collateral, websites, and communications. In some sense, branding is never "done"—it compounds over decades.

5. WHEN DO YOU KNOW YOU'RE READY TO LAUNCH?

Think MVP: minimum viable product. Have your logo, website, and core collateral in place, then launch and refine as you go. Don't let perfection stall progress. Some organizations even phase it—think of banks that update their website before tackling legacy portals.

6. WHAT IS THE ROLE OF EMPLOYEES?

Bring them in at key decision points so the brand feels like theirs. Brand is culture made visible. If employees don't wear it proudly, the market won't either. At Ready, our BizDev and Client Success teams became ambassadors—communicating the change directly to clients and partners.

7. WHAT SURPRISES SHOULD YOU EXPECT?

Cross-functional impacts. Branding touches contracts, legal documents, forms, vendor relationships and more. In hindsight, we should have assigned both a marketing lead *and* an operational project manager from day one to minimize surprise impacts.

8. WHAT ARE THE BIGGEST RISKS AND OPPORTUNITIES?

The risk of rebranding: confusing the market and losing trust. The opportunity: strengthening reputation and winning new clients. A rebrand can be either; execution determines which way it goes.

9. HOW DO YOU MINIMIZE THE RISKS?

Over-communicate. Make sure clients and partners hear the same clear message again and again. Protect the brand assets: even small slips—a stretched logo or an off-brand color—can weaken consistency, and consistency is the silent builder of trust. Finally, don't let the hunt for the "perfect" name stall progress. Keep a few "good enough" options on the table to give your team confidence to move forward and turn uncertainty into momentum.

10. SHOULD YOU HIRE OUTSIDE HELP?

It depends. Many companies do. If you go external, pick partners with true branding expertise, not just marketing or design. In our case, we led it internally, which worked because we had the skills in-house.

CLOSING REFLECTION

A rebrand requires dozens of small decisions across strategy, execution, and culture. Some are exciting (picking a name that feels exactly right), some tedious (updating every last form), and some nerve-wracking (wondering if clients will still recognize you). Your clients going through a rebrand may be living with a mix of fear and excitement—uncertain how the project will play out, but under pressure to lead their people through it anyway. They'll value your support as they manage the anxiety and channel it into energy, turning the rebrand from a risk into a rallying point. ■

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2025 IN REVIEW: THE YEAR EMPLOYMENT LAW GOT REAL

BY BRIAN MCDERMOTT, ESQ. & KELLY E. EISENLOHR-MOUL, ESQ.

If 2024 was the year of speculation—when HR and legal teams braced for everything from AI regulation to sweeping wage transparency rules—2025 was the year it all became real. Federal agencies delivered on long-teased proposals, state legislatures kept expanding worker protections, and employers faced an increasingly fragmented patchwork of obligations.

For PEOs, that meant more client hand-holding, more compliance monitoring, and more education at scale. As we close the year, it's worth taking stock of the top changes that defined 2025—and what they signal for 2026.

1. WAGE TRANSPARENCY: THE PATCHWORK TURNED INTO A QUILT

At the start of 2025, only a dozen states had formal pay transparency mandates. By year-end, that number has more than doubled. New entrants—including Illinois, Michigan, and Pennsylvania—rolled out their own versions of salary range disclosure laws, each with a slightly different twist.

For PEOs, the challenge wasn't just updating job postings or pay bands—it was standardizing inconsistent state rules across client locations. Some jurisdictions required disclosure in all postings, others only for internal transfers, and still others applied thresholds based on company size or remote status.

PEOs increasingly became the "translator" between multi-state compliance and practical HR execution, updating templates, conducting manager training, and ensuring clients avoided disparate pay audits. The lesson: treat transparency as an ongoing process, not a one-time policy.

2. FEDERAL AGENCIES REASSERTED THEMSELVES

After several years of back-and-forth in the courts, 2025 brought renewed regulatory vigor from Washington. The Department of Labor (DOL) finalized its much-anticipated update to the FLSA "white-collar" exemptions, raising the minimum salary threshold for exempt employees to nearly $61,000. Employers scrambled to reclassify workers or bump salaries to maintain exemptions—a heavy administrative lift that fell largely to PEO payroll and HRIS teams.

Meanwhile, the National Labor Relations Board (NLRB) continued pushing its broader definition of "joint employment." Although litigation is ongoing, the Board's emphasis on indirect control once again raised questions for the PEO model—particularly around shared supervision and policy enforcement.

The takeaway: PEOs must document role boundaries carefully. Client Service Agreements should clearly delineate which party exercises which control. The best operators are already refreshing templates and training staff on what "joint employer" really means in practice.

3. THE RISE (AND REGULATION) OF AI IN HR

No 2025 recap would be complete without addressing artificial intelligence. By now, most PEOs have dabbled in AI-driven recruiting, analytics, or chatbot support. But this year, state and local governments began demanding transparency and accountability in how those tools are used.

New York City expanded its Automated Employment Decision Tools law, California and Washington followed with their own disclosure mandates, and the EEOC issued technical guidance clarifying that algorithmic screening still must comply with Title VII.

For PEOs and their clients, this wasn't an abstract risk—it affected the products and platforms used to deliver HR services. Many had to audit vendors, adjust client communications, and create "AI fairness statements" explaining how tools are validated.

Expect 2026 to bring more formal audit obligations and even potential certification requirements. Compliance now means understanding your technology stack as deeply as your pay codes.

4. STATE LEAVE LAWS MULTIPLY (AGAIN)

Paid family and medical leave continued to be one of the fastest-moving areas of employment regulation. This year saw new programs launching in Maryland, Minnesota, and Oregon, with expanded benefits in Colorado and New Jersey. The administrative complexity of multi-state clients ballooned—and PEOs were on the front lines of figuring out funding mechanisms, payroll integration, and employee education.

The smartest PEOs took a "centralized tracking, localized compliance" approach: one national dashboard to track eligibility and accruals, paired with state-specific documentation and client briefings.

Looking ahead, expect at least three more states to enact PFML statutes in 2026, including Texas—long resistant but now signaling openness to employer-funded leave models.

5. DEI MOVES TOWARD "BELONGING" AND COMPLIANCE SAFETY

The U.S. Supreme Court's 2024 decision restricting race-based preferences in higher education continued to ripple into the corporate world throughout 2025. Lawsuits and state attorney general warnings prompted many employers to rebrand DEI initiatives as "belonging" or "inclusion" efforts centered on equal access and compliance.

PEOs had to walk a tightrope: helping clients maintain values-driven cultures while avoiding programs that could be perceived as preferential or quota-based.

The key evolution? Shift from identity-based programming to behavior-based training. Rather than teaching demographic awareness, PEOs are now emphasizing inclusive leadership behaviors—communication, feedback, and decision-making—tied to measurable performance outcomes.

6. WORKPLACE SAFETY EXPANDED BEYOND THE PHYSICAL

OSHA's new rule on Heat Illness Prevention, finalized in mid-2025, marked a major milestone. For the first time, federal law imposed uniform heat exposure standards across industries. Meanwhile, psychological safety—once a soft topic—found itself at the center of workplace wellness initiatives, with several states mandating mental health accommodations similar to physical disability standards.

PEOs and their clients responded by building integrated EHS and mental-health risk management programs, blending ergonomic training with stress reduction policies. Expect more enforcement on this front in 2026 as regulators test the boundaries of "workplace safety" in hybrid environments.

7. THE COMPLIANCE META-TREND: FRAGMENTATION MEETS ACCOUNTABILITY

If there's a unifying theme to 2025, it's that the compliance landscape is more fragmented but more enforceable. Every state seems to want its own rulebook, and yet enforcement tools—from DOL audits to state AG task forces—are becoming more coordinated.

For PEOs, this means elevating compliance from a checklist to a narrative. The story you tell clients about how you monitor risk, vet vendors, and train employees has become part of your value proposition. Compliance is no longer an add-on service—it's your differentiator.

LOOKING AHEAD TO 2026

As we head into 2026, three predictions stand out:

1. AI Governance Becomes a Legal Mandate. Expect draft federal legislation requiring algorithmic impact assessments for employment tools.
2. National Paid Leave Momentum Accelerates. At least one bipartisan federal proposal is expected, likely modeled after the Social Security framework.
3. Joint Employment Litigation Heats Up. The Fifth Circuit is poised to issue a landmark decision that could redefine employer liability under the NLRA.

The employers that thrive will be those with embedded compliance capacity—not just policies on paper, but systems and partnerships that flex with the rules. For PEOs, that's both challenge and opportunity. As this year showed, the most successful operators aren't merely reacting to regulation; they're anticipating it and building client trust in the process.

FINAL THOUGHT

2025 reminded the industry that employment law doesn't stand still—it evolves with culture, technology, and politics. For PEOs, the mandate is clear: stay proactive, stay integrated, and stay human. Because at the end of the day, compliance isn't just about checklists or deadlines; it's about building workplaces that work. ■

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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MAINTAINING YOUR COMPETITIVE ADVANTAGE: ESSENTIAL FINANCIAL BENEFITS TO WIN OVER MARKET SHARE

BY JOSHUA SCHULTZ

Employees are sounding the alarm about the state of financial wellness—and they want their employers' support.

According to ZayZoon's 2025 Employee Financial Wellness Report, 80% of U.S. employees report moderate to very high levels of financial stress, and nearly half have no emergency savings.

This stress causes ripple effects across business organizations, like lower productivity, higher absenteeism, and increased turnover. 93% of HR professionals say employees' financial stress has a financial cost for their company, with 38% reporting losses over $25,000 annually.

As inflation, student debt, and healthcare costs continue to strain household budgets, employees increasingly expect their employers to act as partners in financial health. According to a Wallethub survey, a staggering 93% of people think companies should offer financial wellness tools to employees.

To maintain a competitive advantage, employers must design benefits packages to truly support employees' financial well-being—or risk losing out on talent.

Below are four essential financial benefits that can help employers attract and retain top talent while strengthening their bottom line.

1. EARNED WAGE ACCESS (EWA)

Earned wage access allows employees to access a portion of their paycheck before payday. Unlike payday loans or credit cards, EWA helps employees bridge financial gaps with access to money they've already earned, without debt or high-interest fees.

ZayZoon's survey of 500 HR professionals across the U.S. found that 60% already offer earned wage access, and among them:

- 74% reported improved productivity
- 67% saw improved morale
- 53% said EWA helped with recruitment

Beyond immediate relief, EWA empowers responsible money management. With features like daily limits, flat fees, and built-in financial education, it encourages occasional, thoughtful use—helping employees avoid costly alternatives.

Perhaps most strikingly, 70% of employees said they would choose a job that offers EWA over one that doesn't.

EWA doesn't just enhance employees' financial wellness—it's a strategic differentiator in a tight labor market.

2. LIFESTYLE SPENDING ACCOUNTS (LSAS)

According to ADP, a lifestyle spending account (LSA) is "a post-tax account funded by employers that allows employees to be reimbursed for expenses that relate to their lifestyle, including financial, social, emotional and physical aspects."

The employer decides what expenses are eligible for reimbursement and what the allowance will be.

Lifestyle spending accounts are gaining traction. Unlike traditional benefits with rigid categories, LSAs allow employers to allocate funds for a variety of needs from gym memberships to family activities, commuting costs, or mental wellness.

This flexibility appeals across generations, empowering employees to choose what's most valuable to them.

ADP adds that employers can expect several benefits to employee and business performance when offering LSAs, including an increase in productivity. When employers demonstrate care for their team's well-being, employees feel more satisfied, productive, and engaged.

This directly translates to employee retention. A Betterment at Work survey found that 74% of US employees are more likely to leave their job for one that offers better financial wellness benefits.

3. LEARNING AND DEVELOPMENT ASSISTANCE

A commitment to employee growth is one of the most impactful benefits an employer can offer. According to Gallagher's 2025 U.S. Benefits Strategy & Benchmarking Survey, 67% of employers now offer tuition assistance.

These benefits resonate particularly strongly with younger generations.

48% of American workers would switch to a new job if it offered skills training opportunities.

Investing in employees' futures—through upskilling programs, certification reimbursements, or access to educational resources—signals long-term commitment and encourages loyalty.

4. REWARDS AND RECOGNITION

Recognition speaks to belonging and motivation. And that's just as vital to financial wellness as the paycheck itself.

Today, more than two-thirds of employees say they don't feel engaged, energized, or enthusiastic about their work—a crisis that leads to costly turnover and disengagement. Research from Gallup and Workhuman shows that employees who receive regular recognition are 45% less likely to leave and five times more likely to be engaged at work.

ZayZoon's own research reinforces this: in our survey of 2,500 employees, recognition ranked among the top four qualities of effective management.

Recognition can be tied directly to company goals and values, making it more transformational than transactional. By connecting shoutouts to specific core values (for example, "collaboration" or "innovation"), employers can reinforce behaviors that align with organizational success.

5. PERKS AND DISCOUNTS

Who doesn't love a good deal? Providing employees with discounts on their everyday expenses can significantly boost retention.

Your workers have different needs and wants. Your perks offering should reflect that. What if you could give your workers a digital gift card that they can cash out for their favorite stores? What if they enjoyed a break on gas prices?

When employers offer personalized perks and discounts, employees feel seen and appreciated—it signals to them that their employer has an understanding of employees' diverse lifestyles and preferences.

According to ADP, perks can lead to:

- Stronger talent attraction and retention
- Reduced healthcare costs
- Improved employee engagement
- Increased productivity and performance

THE NEW STANDARD: INTEGRATED FINANCIAL WELLNESS

What separates a good benefits program from a great one isn't the number of offerings—it's how seamlessly they work together. Financial wellbeing, mental health, physical fitness, and professional growth are all interconnected. Employees don't experience stress in silos, so their benefits shouldn't be siloed either.

For PEOs, the opportunity lies in simplifying access to these benefits for clients. Modern financial wellness solutions like ZayZoon's integrate directly into payroll systems, requiring minimal administrative effort while increasing HR efficiency by 57%. In other words, the right benefits don't just support employees—they make HR teams' lives easier.

The workplace of the future will prioritize choice, personalization, and accessibility. By blending empathy with innovation, PEOs can help employers design benefits packages that not only attract top talent but also keep them engaged and supported for years to come. ■

JOSHUA SCHULTZ

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THE ROI OF A MODERN 401(K): TURNING BENEFITS INTO BUSINESS RESULTS

BY CHRIS MILLER, SCOTT HOLECHEK, AND TRAE MARCHANT

In today's competitive labor market, retirement plans are no longer just a perk—they're a strategic lever for business growth. For PEOs, the modern 401(k) offers measurable returns in productivity, retention, and client acquisition. As the PEO industry continues to expand and diversify, the ability to deliver scalable, high-impact retirement solutions is becoming a key differentiator.

FROM COST CENTER TO VALUE DRIVER

Historically, retirement plans have been viewed as a compliance requirement or a line-item expense. That perception is changing. According to the Employee Benefit Research Institute (EBRI), consistent participation in 401(k) plans leads to significant asset growth, especially among younger employees. This financial security translates into higher engagement and lower turnover.

PEOs are uniquely positioned to help small and mid-sized businesses unlock this value. With more than 230,000 U.S. businesses now partnering with PEOs—representing 15% of employers with 10 to 499 employees—the opportunity to scale retirement benefits across industries is substantial.

BOOSTING PRODUCTIVITY THROUGH FINANCIAL WELLNESS

Research from the Society for Human Resource Management (SHRM) shows that nearly 60% of employees cite retirement benefits as a key reason they stay with an employer. That sense of security fosters a more stable and productive workforce—something every PEO client values.

That productivity benefit is key. According to a 2023 Price Waterhouse Cooper financial wellness survey, employees distracted by money worries are less focused, less engaged, and more likely to miss work. A well-designed 401(k) plan can help address this.

Features like auto-enrollment, target-date funds, and managed accounts also help simplify employees' decision-making and encourage participation. When paired with financial education, these tools empower employees to take control of their future.

REDUCING TURNOVER WITH SMART PLAN DESIGN

No matter what industry you work in, turnover is costly. Recruiting, onboarding, and training new employees takes time and resources. Retirement plans can help reduce churn by creating long-term incentives for employees to stay.

Key plan design elements that support retention include:

- Employer match: Encourages participation and builds loyalty.
- Vesting schedules: Reward tenure and discourage early exits.
- Portability: Allows employees to take their savings with them, increasing perceived value.

According to a 2024 survey published on Napa-net.org, HR leaders cited employee benefits packages as the key retention factor for 33% of employees remaining at their current company. For PEOs, offering customizable retirement plan designs across adopting employers can be a powerful retention tool.

ATTRACTING TOP TALENT AND CLIENTS

Benefits matter. Job seekers are evaluating employers not just on salary, but on total compensation. A competitive 401(k) offering signals stability, investment in employees, and long-term vision. According to Morgan Stanley at Work's fifth-annual State of the Workplace Financial Benefits Study, roughly 7 in 10 (69%) HR executives believe access to retirement planning assistance from financial professionals is a top or high priority for employees when choosing where to work.

PEOs that deliver robust retirement solutions help their clients stand out. This is especially important in industries like healthcare, construction, and professional services, where skilled labor is in high demand.

Recent research from NAPA-Net shows that plan sponsors are prioritizing 401(k) design as part of their talent strategy. For PEOs, this means retirement plans are no longer optional—they're essential to winning and retaining business.

MEASURING ROI: WHAT TO TRACK

Quantifying the return on a 401(k) investment requires looking beyond plan costs. Key metrics to monitor include:

- **Participation rates:** Higher rates indicate employee engagement and plan effectiveness.
- **Retention rates:** Compare turnover before and after plan enhancements.
- **Productivity indicators:** Track absenteeism, performance reviews, and engagement scores.
- **Client acquisition and satisfaction:** Use surveys and feedback to assess how benefits influence buying decisions.

While some of these metrics are qualitative, they provide valuable insight into how retirement plans impact business outcomes.

PEO INDUSTRY MOMENTUM SUPPORTS INVESTMENT

The timing for retirement plan investment is ideal. According to NAPEO's Q2 2025 PEO Pulse Survey:

- 75% of PEOs reported revenue growth, and 79% saw increased gross profit.
- 72% increased their client base, and 93% expect growth in worksite employee counts over the next year.
- The PEO Expected Growth Index was 4.07 in Q1 2025, signaling strong optimism.

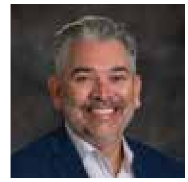
This momentum creates a favorable environment for expanding retirement offerings and demonstrating their value to clients.

TODAY'S 401(K): A STRATEGIC IMPERATIVE

The modern 401(k) is more than a benefit—it's a business strategy. For PEOs, offering flexible, high-impact retirement plans helps drive productivity, reduce turnover, and attract top-tier clients. As the industry grows and evolves, retirement solutions will play a central role in shaping workforce outcomes.

PEO leaders should evaluate their current offerings and consider enhancements that align with client goals. By doing so, they position themselves not just as service providers, but as strategic partners in long-term success. ■

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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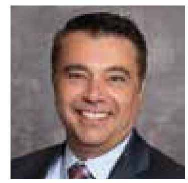

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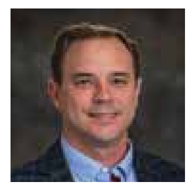

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LOOKING BACK TO MOVE FORWARD: INSIGHTS FROM 2025

BY STACY JENSEN, SPHR

It was another thrill ride of a year in the PEO industry! If we don't glance in the rear view mirror occasionally, we can lose sight of the best path forward. Come reflect with me, won't you, on a few highlights from the unique journey that was our year.

THE WORKFORCE SPLIT IS WIDENING: A WAKE-UP CALL FOR PEOs

The workplace has become a petri dish of the broader societal divides we see in politics, culture, and social media. From generational clashes to differing views on diversity, remote work, and ethics, today's PEOs and their HR Professionals are navigating a more divided employee environment than ever before.

The pandemic, social justice movements, and geopolitical instability have all amplified personal beliefs, which has seeped into the workplace. What was once a casual disagreement can now escalate into conflict, impacting team cohesion and productivity.

But why? And what are our HR teams supposed to do, factoring in free speech, state protected law, and off duty conduct?

The HR department's role is evolving. It's no longer just about enforcing policies—it's about fostering empathy, psychological safety, and inclusive dialogue. Leaders must be trained to manage conflict constructively, and organizations must actively create environments where different perspectives can coexist without fear or friction, while focusing on productivity and work itself.

Understanding that our client's workplace can be divisive isn't cause for despair—it's a call to action. PEOs can help clients by reviewing their social media policies, being the Switzerland we rely on, and by staying on top of topics and trends so that we can, with relevance, help navigate turbulence when it erupts at our clients (or, gasp, at our own shops).

AI FEARS, FUMBLES, AND FREEDOM IN THE WORKPLACE

Artificial intelligence (AI) is often met with apprehension, particularly around the idea that it may replace human jobs and that it reeks of artificiality. Does this fear overlook the true potential of AI as a tool to *enhance* rather than eliminate human jobs? Let's turn our attention to the Golden Book, "Tractor Mac," for a direct comparison. A few years ago I was shuffling through a "Litte Free Library" for books for my son, (and for me if we're being honest). My son saw a picture of a horse on the cover of a "Little Golden Book", titled "Tractor Mac", by Billy Steers. The cover shows an absolutely terrified horse, with a friendly but roguish seeming tractor beaming back and barreling towards him. The story showcases Sibley, a hard-working horse on Stony Meadow Farm who feels replaced by the new tractor, Mac. The farm kids, once so smitten with Sibley, turn their attention and affection towards the red, shiny, and infinitely more productive Tractor Mac, leaving Sibley feeling despondent and worthless. Good news, though, Sibley and Tractor Mac become great buddies after the former rescues the machine from a muddy field. When was this book written, you ask? 1999. Prophetic? Perhaps, though we can point to transportation innovation, industrial revolution, and countless other innovations that have changed the landscape of the workplace that preceded its release.

So how did we, as PEOs help prepare our clients and ourselves for Tractor Mac? These tips come straight from the horses' mouths (our actual AI partners who help us create efficient communication):

Lean Into Assistive Intelligence, Not Artificial Intelligence. Words matter. Position AI as a copilot that reduces busywork and elevates the role of your employees. Rather than working on repetitive, mundane tasks, they can focus on more strategic projects and relationship building.

Send A Clear Message: Efficiency Over Headcount Cuts. Say it plainly and repeat it. The aim is to prevent incremental hires as you grow, not replace current team members. Tie gains to Service-Level Agreements, improving work/life balance, backlog burndown, and quality instead of staffing reductions.

Start With Early Adopters and Innovators. Give your tinkerers early access, tight goals, and fast feedback loops. Share their wins with short demos and simple metrics to build momentum with the broader team.

Start Small, Then Compound. If your team is not using ChatGPT, start there. Overtime, start to add more sophistication like workflow automation or response drafting.

> *From generational clashes to differing views on diversity, remote work, and ethics, today's PEOs and their HR Professionals are navigating a more divided employee environment than ever before.*

Make Adoption Easy By Default. Put tools where people already work. Pin as default browser tabs or bookmarks. Even better, choose solutions that already integrate with your existing tool and don't require employees to go out of their way.

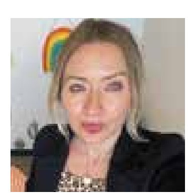
I would add that it is imperative that your clients understand if they are using AI (and they are using AI, whether or not they acknowledge the full extent), they should, with your help or a qualified employment law attorney's assistance, develop a policy for their employee handbook to outline the company's policy on use of AI in the workplace. Ensure that use of ChatGPT either removes any client or employee names, or PHI or HIPPA related information, or use their "Temporary Chat" feature. Alternately, use another AI platform. Help clients to understand that they shouldn't assume all employees embrace, or disdain, or understand how to benefit from, AI.

THE THING WE ARE STILL TALKING ABOUT—OFFICE VS. HOME

If you feel the excruciating bilious debate about in-office versus remote work should be curtains, keep in mind for your workers, and for the PEO's client's employees, it is very much still lights on (whether those bulbs are fluorescent or dimmed). Though employers could argue that during times of high unemployment, workers' preferences are outweighed by their necessity to earn a paycheck, about 40% of workers say they'd accept a pay cut of at least 5% to keep their remote job, according to a recent study by researchers at Harvard University, Johns Hopkins University and the University of Illinois at Urbana-Champaign. Another nearly 10% would trade at least 20% of their salaries to preserve telework, said researchers, who polled more than 2,000 workers.

How do we help ourselves and our clients understand what this means in terms of negotiating with prospective candidates for employment? While many employees value the flexibility, reduced commute times, and work-life balance that working from home offers, some business owners believe that in-office presence fosters better collaboration, innovation, and company culture. The tension is also fueled by the business costs of empty office spaces and the desire for a sense of control by management, leading to policies that can backfire and reduce employee satisfaction, making finding a universally preferable approach a near impossibility.

It is important to remind clients that the best approach should hinge on attracting and retaining talent and opening our minds to the realities of our current workforce's desires. Mandatory return-to-office policies can negatively impact employee satisfaction and lead to higher turnover. The most effective solutions are often tailored to a company's unique business needs and the specific roles within it, rather than applying a one-size-fits-all approach. PEO client advisors should note that being transparent with workers about the "why" of your office, hybrid, or remote philosophy is key, and understanding the evolving nature of our work and employee's ever-increasing yearn for work life balance is paramount to their employee satisfaction and to their business's overall success. ■



STACY JENSEN, SPHR

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THE NEW AGE OF GLOBAL PAYROLL

BY ANTHONY FALZONE

As organizations expand their operations across borders, managing payroll on a global scale has become both more critical and more complex. Today's businesses must navigate a rapidly evolving landscape shaped by international regulations, technological advancements, and shifting economic conditions. Understanding the challenges and solutions related to global payroll is essential for companies seeking to remain competitive and compliant in an interconnected world.

Global payroll intersects finance, HR, and technology, and is increasingly shaped by international events. Companies have contended with challenges such as increases in payroll costs from currency fluctuations, as well as difficulties paying employees in regions affected by sanctions. Geopolitical changes and currency volatility impact payroll directly, but new technologies and service models now help organizations address these risks.

THE NEW LANDSCAPE OF GLOBAL PAYROLL TECHNOLOGY

Managing multi-country payroll used to mean juggling separate providers and systems in each region. Today, a wave of global payroll platforms and integrated PEO/EOR (Employer of Record) have emerged to simplify this task. These technology-driven solutions provide a single, unified process to pay employees across different countries while handling local compliance behind the scenes. Major providers in the global payroll space emphasize integration and simplicity in their approaches.

To deliver on these promises, modern global payroll systems come loaded with features. They typically include automated payroll processing, built-in tax and social contribution calculations for each jurisdiction, multi-language employee self-service portals, and multi-currency payment capabilities. For example, the platform may automatically ensure each employee is paid in the correct local currency and in compliance with local laws, while giving headquarters a consolidated reporting dashboard. By integrating with HR Information Systems (HRIS) and time-tracking tools, these solutions maintain consistency across the organization. The result is that, in one interface, a payroll manager can run payroll for employees in France, India, and Brazil, and the software can handle the differing tax withholdings, filing requirements, and bank transfer formats, behind the scenes. This kind of unified approach is increasingly accessible to SMBs, not just large enterprises. In fact, the Global Payroll Management Institute found that managing compliance and vendors are top concerns for payroll professionals—70% cited keeping up with local regulations as their biggest challenge, and 33% struggled with multiple payroll providers. A centralized platform or PEO partner directly addresses these pain points by providing one contract and one workflow for payroll, no matter how many countries are involved.

The transformation is moving fast—the most advanced systems even leverage AI for things like anomaly detection (flagging unusual salary payments that might be mistakes) and predictive analytics (forecasting the impact of currency moves on budgets). The overall trend is clear: global payroll is transforming from a fragmented, manual process into a streamlined digital operation, much like how cloud ERPs transformed global finance a decade ago.

GEOPOLITICAL CHALLENGES: PAYROLL UNDER PRESSURE

Geopolitics can profoundly affect a company's ability to pay its people. Wars, sanctions, political upheavals, and sudden regulatory changes create scenarios to which even the best payroll technology must adapt. Two recent examples show how companies navigated such challenges.

Sanctions and Conflict: The Russia-Ukraine war in 2022 triggered swift sanctions that upended payroll operations in the region. Western governments cut off certain Russian banks from the SWIFT international payments network. Almost overnight, multinational employers found they couldn't easily transfer funds to pay their Russian staff.

Political decisions: Brexit forced companies to adjust payroll processes for

UK vs. EU employees (e.g. handling new social security arrangements and work authorizations). In emerging markets, a sudden change of government might bring new labor laws or tax regimes that payroll must immediately incorporate. EORs, PEOs and global payroll services play a critical role here—they continuously monitor local legislative changes and update compliance protocols. In fact, having in-country expertise supported by a robust compliance framework is considered a key differentiator of top global payroll providers.

Agility and contingency planning are essential: For payroll in a volatile world. Best practices include: maintaining a list of backup payment methods for high-risk countries, ensuring employee data (addresses, bank info) is always up to date in case people must be paid in a new location, and working closely with legal counsel to understand sanctions or export controls. Many global companies learned in recent years that payroll isn't just a back-office function—during a crisis it becomes mission-critical to employee welfare and requires executive attention. By leveraging global providers with on-the-ground capabilities, companies can better navigate the geopolitical minefields without missing a beat on payday.

CURRENCY VOLATILITY: THE HIDDEN COST IN PAYROLL

Fluctuating exchange rates are a quieter, but pervasive challenge in global payroll. When you're paying salaries in multiple currencies, swings in FX (foreign exchange) rates can dramatically alter labor costs and complicate budgets. A currency drop or surge can also affect employees' real income. Let's see why currency risk is important and how companies address it.

Why FX risk in payroll is a big deal: If your home currency weakens, paying overseas staff becomes more expensive in your books; if it strengthens, those staff might feel pain if their salaries don't keep up with local inflation. A recent example was noted in a Papaya Global report: a U.S. manufacturing company saw its payroll costs in Mexico jump 15% in one quarter simply because the Mexican peso strengthened against the dollar, leading to $250,000 in unbudgeted expense in Q4 2024.

Strategies To Manage Currency Fluctuation Risks

Local Currency vs. Hard Currency for Wages: In some high-inflation

The table below compares some of these payment methods in the context of global payroll:

PAYMENT METHOD	ADVANTAGES	CHALLENGES/CONSIDERATIONS
Local Bank Transfer (via in-country ACH/clearing)	Low cost per transaction; fast settlement for employees; compliant with local norms.	Requires a local entity or partner bank account to initiate; not feasible directly from HQ without local presence
International Wire (SWIFT network)	Can reach virtually any bank worldwide through correspondent banks.	Slow (often 2–5 days); high fees and foreign exchange markups; susceptible to disruptions (ex. Sanctions)
Global Payroll or EOR Provider	One-to-many solution: you fund once, provider pays everyone; provider ensures compliance and handles FX conversion.	Service fees for the provider; relies on provider's financial health and accuracy (need to trust they pay out correctly and on time).
Multi-currency Fintech Platform	Competitive exchange rates, transparent fees; faster transfers (often same-day); easy to scale to new countries.	May not be integrated with payroll systems natively; employees might need to manually move money from platform to their bank; careful setup required for bulk payroll use.
Prepaid Payroll Card (or digital wallet payouts)	Enables paying unbanked or mobile employees; instant access to funds on payday.	Card/wallet fees can cut into net pay; not universally accepted for all needs; regulatory hurdles in some countries
Cryptocurrency/Stablecoin (emerging use)	Bypasses traditional banks – instant global transfer, useful in crisis if banks are offline.	Largely unregulated for payroll; legal/tax issues in many jurisdictions; employee must convert to local currency to use

economies, it's become common to pay (at least partly) in a stabler foreign currency (like USD) to protect employees. For example, Argentina's ~200% inflation in 2023 and continuous volatile currency fluctuations has made it extremely difficult to preserve employees' purchasing power through typical peso-based compensation. Many employers—especially multinationals—have resorted to "dollarizing" wages informally, i.e. setting salaries or bonuses in U.S. dollars. Argentine regulations currently allow up to 20% of an employee's salary to be paid in a foreign currency (treated as an in-kind payment).

FX Clauses in Contracts: Some companies include provisions in employment contracts to address exchange rate changes. A currency fluctuation clause might say, for example, that if the exchange rate moves by more than 10% from a baseline, the company will adjust the salary upward or downward by a certain formula, or perhaps switch the currency of payment.

INNOVATING PAYMENT METHODS FOR A GLOBAL WORKFORCE

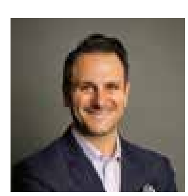
Delivering salaries globally can be complex, but recent innovations have improved the process. Cross-border payments are often slow and costly with traditional methods, as countries use various banking systems like checks, transfers, or mobile money. Ensuring timely payments means using appropriate channels.

Many companies now use a hybrid payroll strategy, combining global providers with direct payments or alternatives when needed. For example, if a country's banking system fails, they might use crypto or prepaid cards as a temporary solution.

Payroll technology is also evolving to integrate payments seamlessly. 57% of payroll professionals report failed cross-border payments at least monthly. This highlights why tighter integration and error-checking is needed.

BUILDING A RESILIENT, STRATEGIC GLOBAL PAYROLL INFRASTRUCTURE

In summary, global payroll success depends on effectively combining technology with risk management. Advanced payroll platforms allow companies to scale efficiently. EOR & PEO providers can play a key role by providing specialized tools and expertise for navigating global complexities. For global providers, staying ahead of trends and delivering resilient, tech-based solutions is essential. Simplifying payroll lets organizations hire and support talent globally with confidence. ■



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SAVE THE DATES!

FOR NAPEO'S 2026 EVENTS

March 12: California/Nevada LCF, Sacramento, CA

April 20 - 21: CEO Retreat, Dallas, TX

Week of May 4: Georgia LCF, Atlanta, GA

May 19 - 21: PEO Capitol Summit, Arlington, VA

June 18: Oregon/Washington/Alaska LCF, Salem, OR

July 14 - 15: Operations Workshop, Madison, WI

July 16: NextGen Leadership Workshop, Madison, WI

July 30: Colorado LCF, Denver, CO

August 18: Mid-Atlantic LCF, Baltimore, MD

September 16 - 18: Annual Conference & Marketplace, Marco Island, FL

Week of October 5: New York/New Jersey/New England LCF, Boston, MA

November 17: Texas LCF, Austin, TX

AD INDEX

Boldface type indicates NAPEO Medallion Partner

A YEAR OF MOMENTUM

BY CASEY M. CLARK

As we close out 2025, I find myself reflecting on a year defined not just by progress, but by momentum—real, sustained momentum that is shaping the future of the PEO industry. We started the year by setting organizational and industry priorities, and I'm proud of the meaningful progress we've already made across all four pillars of our strategic plan.

It's been a landmark year for our federal advocacy efforts. H.R. 3223—the bill that clarifies liability for payroll tax credit claims—was introduced with strong bipartisan support which continues to grow with a Senate companion bill on the way. This is one of the most significant federal policy advances our industry has seen in years, and I look forward to moving the bill across the finish line next year. Additionally, we engaged with the IRS, OMB and the Department of Labor to strengthen our standing as a trusted, credible voice in Washington. Our efforts helped secure IRS commitments on penalty relief for new "no tax on tips" requirements, and public acknowledgment from key members of Congress about the need for IRS modernization.

Through nearly 150 meetings with policymakers on Capitol Hill we expanded our network of PEO champions and broadened the level of understanding about the value PEOs bring to small businesses. NAPEO PAC continues to be our strongest asset to build these important relationships. We participated in 68 fundraisers, ensuring lawmakers hear directly from us about the issues that matter most. I'm grateful for everyone who supported NAPEO PAC this year. Together, we raised nearly $180,000 which makes 2025 our second-strongest fundraising year ever.

> *All of the success I describe above is indicative of a high-performing team and an engaged membership that is in lockstep as we tackle our industry's highest priorities.*

Our advocacy success was not limited to Washington. We passed pro-PEO legislation in Kansas, Oregon (twice), Montana, New Jersey and Texas; we defeated threats to PEOs in Indiana, Maine and Nebraska. As if that wasn't enough, we made positive progress on pro-PEO initiatives in California and Georgia. Our model act efforts moved further than ever before in these two states, laying strong foundations for success in 2026.

This year's annual industry research report examined PEO clients in the most comprehensive study to date. The report dissected PEO client penetration by each Congressional district; data that will amplify our advocacy efforts. We also undertook an industry-wide communications audit for the first time ever. These findings will underpin our efforts to define and drive a compelling industry narrative. The new website we launched in April serves as the backdrop for all NAPEO resources and information about PEOs. Traffic has surged to the site since the launch, indicating you're finding more value than ever before.

Of course, delivering member value lies at the core of everything we do. With record attendance at our Annual Conference & Marketplace, nearly 9,000 profiles now active in our database, growing participation in WIN and NextGen and a record year for NAPEO Gives Back, member engagement is stronger than ever.

All of the success I describe above is indicative of a high-performing team and an engaged membership that is in lockstep as we tackle our industry's highest priorities. And that is what I'm most proud of. Thank you for your partnership and your continued commitment to playing team ball: there is no limit to what we can accomplish together. 2025 was a year of momentum. In 2026, we'll turn that into impact. ■

CASEY M. CLARK
President & CEO
NAPEO
Alexandria, VA

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