

PEO INSIDER®

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THIS MONTH'S FOCUS

LEADERSHIP AND PROFESSIONAL DEVELOPMENT

THINKING OUTSIDE
YOUR LANE

LEADING THROUGH
RISK & DISRUPTION

SCALING &
MANAGING
CHANGE

COVER STORY

LONE STAR PEO:

HOW TODD & BECKY NEWTON CARRY ON THE PEO FAMILY LEGACY

Becky Newton, Vice President and Todd Newton, President, Lone Star PEO

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▶ **Todd & Becky Newton,**
Lone Star PEO

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**LONE STAR PEO:
HOW TODD & BECKY NEWTON
CARRY ON THE PEO FAMILY LEGACY**

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INVESTING FOR THE FUTURE

BY BILL MANESS

NAPEO CEO Casey Clark and I recently sent out an email announcing that the NAPEO Board of Directors unanimously approved a 2.5% annual inflationary increase to PEO member dues for a five-year period, beginning in 2027.

We didn't take this decision lightly.

I have owned and operated Syndeo Outsourcing, a Wichita, Kansas-based PEO for a lot longer than I have been the Chair of NAPEO's board, so I know firsthand the impact even this small adjustment can have. But I've also seen how essential our association is to the future of our industry, and this small inflationary adjustment is the most equitable way to ensure that NAPEO can continue to be our leading advocate.

Because NAPEO staff has been successful in maximizing resources and managing costs, you may not be aware that association revenue has been declining for the past several years. This is due to three main factors: economic inflation, industry consolidation and an outdated dues structure that isn't reflective of our industry today.



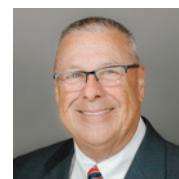
This inflationary adjustment will adequately fund the association for the next several years and allow us to continue to deliver significant, measurable value that supports the growth and success of our industry and your business.

We've made significant programmatic cuts over the last two years but have had to budget for operational deficits in order to continue to support and advance the best interests of the PEO industry. To help identify solutions to the shortfall, we hired Big Red M, a firm that specializes in working with associations to evaluate and optimize revenue. After conducting a thorough analysis, the company presented

several different options for the board's consideration. Ultimately, we decided that addressing the impact of inflation would be a fair and effective approach.

This inflationary adjustment will adequately fund the association for the next several years and allow us to continue to deliver significant, measurable value that supports the growth and success of our industry and your business. We'll immediately put your investment to work to strengthen our position in Washington and in the states, deepen understanding of the key role PEOs play in supporting small and mid-size businesses, shape a stronger, clearer industry narrative and enhance member education and engagement.

I'm excited about the work NAPEO is doing on our behalf and energized by our recent successes. Your continued support and engagement are both critical and appreciated. ■



BILL MANESS

2025-2026
NAPEO Chair
CEO
Syndeo

NAPEO HEADS WEST

OUR MEMBERSHIP TEAM HAD A FANTASTIC TIME IN COLORADO...



... recently connecting with some of our great members! Thank you Comploy, In Tandem, BBSI and Passio for the welcome! These visits are always a great opportunity to strengthen relationships, share insights and see firsthand the incredible work our members are doing to support businesses and their employees. We're grateful for the meaningful conversations, and we look forward to continuing supporting all our members across the country!



CONGRATULATIONS

NEXTEP WINS CLEARLYRATED BEST OF HR SERVICES AWARD

NAPEO member Nextep has won the Best of HR Services® Award for the second consecutive year for providing superior service to its clients. ClearlyRated's Best of HR Services® Award winners have proven to be industry leaders in service quality based entirely on ratings provided by their clients. "Either you're a client-focused organization, or you're not, and at Nextep, it's in our DNA," said Brian Fayak, president and CEO of Nextep. "It's our collective responsibility to enhance people's lives by empowering small businesses, and I am so proud of our team and their continued commitment to providing industry-leading customer service."

EXPANSION

FRANKCRUM DEEPENS MARKET PRESENCE WITH STRATEGIC EXPANSION IN GEORGIA

NAPEO member FrankCrum has expanded its sales presence into Georgia, reflecting growing demand from employers seeking hands-on guidance, multi-state compliance expertise and a long-term HR partner as workforce complexity continues to rise. "Compliance doesn't get simpler as businesses grow," said Matt Crum, co-president of FrankCrum. "Small business owners already spend dozens of hours each year managing employment requirements, and that burden only increases with growth. Deepening our presence in Georgia allows us to meet employers where they are and provide the kind of proactive support that helps them stay compliant, protect their people, and focus on running their businesses."

CONGRATULATIONS

NAYYA NAMED TO FORBES FINTECH 50

NAPEO member Nayya has been named to the Forbes Fintech 50, a recognition highlighting companies that continue to innovate and grow rapidly. Forbes assessed hundreds of companies for the list, evaluating revenue growth, product innovation and interviewing both CEOs and industry insiders.



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LEADERSHIP

QUESTCO NAMES OLIVIER KOHLER CHIEF EXECUTIVE OFFICER

NAPEO member Questco has appointed Olivier Kohler chief executive officer. Kohler previously served as executive chair of Questco and has helped guide the company's strategic direction and operational success. As part of a planned leadership transition, Jason Randall, who has served as CEO for the past eight years, has been named chief growth officer, a newly created role. "I'm honored to step into the CEO role at such an exciting time for Questco," said Kohler. "Jason and I have worked closely together, and this transition is a natural extension of that partnership. Questco has a strong foundation, a differentiated platform, and significant opportunities ahead."

EXPANSION

TRINET ACCELERATES NEXT GENERATION OF SALES TALENT DEVELOPMENT

NAPEO member TriNet has expanded its TriNet Ascend program, a specialized initiative designed to enrich, educate and empower the next generation of sales professionals. Building on the success of the program, TriNet is scaling to include additional locations and broadening its curriculum to meet the growing demand for skilled sales talent in an evolving marketplace. "The tremendous response to TriNet Ascend's first year has confirmed what many leaders already know—there is a deep need for sales programs that combine skill-building with real career opportunity for newer professionals," said TriNet Chief Revenue Officer Shea Treadway. "By expanding TriNet Ascend, we're doubling down on our commitment to develop future sales leaders who can deliver exceptional value to SMBs and key partners."

KUDOS

WHEN RAISES \$10M SERIES A TO TRANSFORM EMPLOYEE HEALTH BENEFITS

NAPEO member When has raised \$10.2 million in Series A funding and plans to use the funds to grow its team and expand its offering to support companies across a wider range of coverage transitions, such as career transitions, Medicare eligibility and early retirements. "We couldn't be more grateful to have the support of investors like ManchesterStory and 7wire on our side," said Andy Hamilton, co-founder and CEO of When. "Their expertise in health insurance and health tech respectively, make them ideal partners to help When achieve its next phase of growth."

LEADERSHIP

ABSENCESOFT NAMES CHRIS MURPHY CHIEF EXECUTIVE OFFICER

NAPEO member AbsenceSoft has named Chris Murphy chief executive officer. Murphy is a seasoned software executive with over 25 years of global experience scaling high-growth companies. "I'm excited to lead AbsenceSoft during this pivotal time," said Murphy. "We have exceptional talent, a differentiated product, and we are in a unique position to expand our market leadership in multiple ways. Our intelligence-first approach to leave management and accommodations positions us to deliver unmatched value to customers navigating increasingly complex compliance requirements. I look forward to working with our team to accelerate innovation and growth."

INSIGHTS

NEW METLIFE DATA HIGHLIGHTS EMPLOYEE RETENTION TRENDS

Amid persistent job market volatility and financial pressures, new data from NAPEO member MetLife shows that while employee loyalty is rising, it may be for the wrong reasons. The latest findings reveal that while 77% of employees intend to stay with their current employer, 56% are staying out of necessity rather than genuine commitment. Additionally, 31% of employees say a primary reason for staying in their role is that the uncertain job market makes it too risky to leave.

INSIGHTS

FISHER PHILLIPS TESTIFIES ON CAPITOL HILL



Dave Walton, partner at NAPEO member Fisher Phillips, testified before Congress during a hearing on artificial intelligence. Walton emphasized that AI is likely to create more jobs than it displaces and that employers need to take steps to govern themselves now as the legal landscape around the tools evolves. As federal lawmakers consider legislation to place guardrails around AI use, Walton cautioned them not to go too far, particularly since established employment and labor laws already apply. He also explained that AI can help retain employees, monitor workplace safety and health and reduce turnover.

INSIGHTS

STRATEGIC HR OUTPERFORMS COMPLIANCE-ONLY APPROACHES

A new research report sponsored by NAPEO member Insperty finds that companies relying on a compliance-only HR model often fall behind organizations that treat HR as a strategic function. The study shows that businesses prioritizing strategic HR report significantly stronger performance across key metrics, including higher scores in overall business outcomes and a greater ability to attract and retain top talent compared with those focused primarily on compliance.



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Thinking Outside Your Lane



CROSS-FUNCTIONAL LEADERSHIP AS A STRATEGIC LEVER IN THE PEO MODEL

BY KRISTEN FRADIANI

P

EOs were built on integration. The co-employment model depends on tight coordination across HR, payroll, benefits, risk management and compliance. Many PEO leadership teams still develop in functional silos. This model worked when growth was steady and regulation changed at a slower pace, but it doesn't hold up as well today.

PEOs are operating in a complex and constantly changing environment shaped by wage and hour enforcement under the Fair Labor Standards Act, expanded leave mandates, pay transparency laws, artificial intelligence in HR systems and rising client expectations for strategic guidance—not just transactional support. In that context, cross-functional leadership is no longer a development preference—it's a strategic requirement.

THE CHANGING RISK AND GROWTH LANDSCAPE

Over the past several years, PEOs have faced three converging pressures. First, regulatory complexity continues to increase. Federal enforcement priorities shift with each administration. State legislatures have been more active than Congress in areas such as paid leave, pay transparency and worker classification. For PEOs serving clients across multiple states, that patchwork of laws demands close and ongoing compliance oversight.

Second, clients expect more advisory depth. Small and mid-size employers in manufacturing, construction, retail, education and professional services want support on workforce planning, culture, engagement and retention. They expect insight, not just compliance.



Third, margin pressure is real. PEOs are investing more in technology and cybersecurity. At the same time, benefit costs continue to fluctuate. These factors put strain on the operating model. Growth is still important, but growth without careful risk review can reduce profitability instead of strengthening it.

These pressures create tensions within PEOs. Leaders tend to focus on their areas of expertise: sales drives revenue, compliance mitigates risk, operations seeks efficiency, technology ensures system performance and finance safeguards margins.

When these priorities are not aligned, strategy starts to pull in different directions. Decisions become fragmented, and the organization can lose focus on the bigger picture.

THE LIMITS OF FUNCTIONAL LEADERSHIP

Functional expertise is essential, but when leaders rise solely through one channel, blind spots form.

A sales executive may underestimate the compliance lift required to onboard a complex, multi-state client. A compliance leader may adopt an overly conservative posture that slows innovation. A technology leader may deploy automation that disrupts established client workflows. An operations leader may prioritize process efficiency without fully weighing the client relationship impact. And none of these outcomes mean leadership is poor. Rather, they reflect incomplete visibility.

In the PEO model, decisions rarely happen in isolation. A pricing adjustment influences sales positioning, a change in payroll workflow impacts compliance documentation, and a new benefits offering affects both risk exposure and client retention.

Cross-functional leadership helps leaders see these connections early. It equips them

to ask better questions, weigh tradeoffs with clarity and act with confidence before small issues grow into larger ones.

FROM COORDINATION TO INTEGRATION

Many PEOs coordinate across departments. Fewer truly integrate.

Coordination happens when teams meet to solve a problem after it shows up. Integration is different. It means leaders share accountability from the start. They use the same language around risk and performance. They measure success with shared metrics, not separate scorecards. In an integrated model, alignment is built into the structure. It is not something you scramble to create when issues arise.

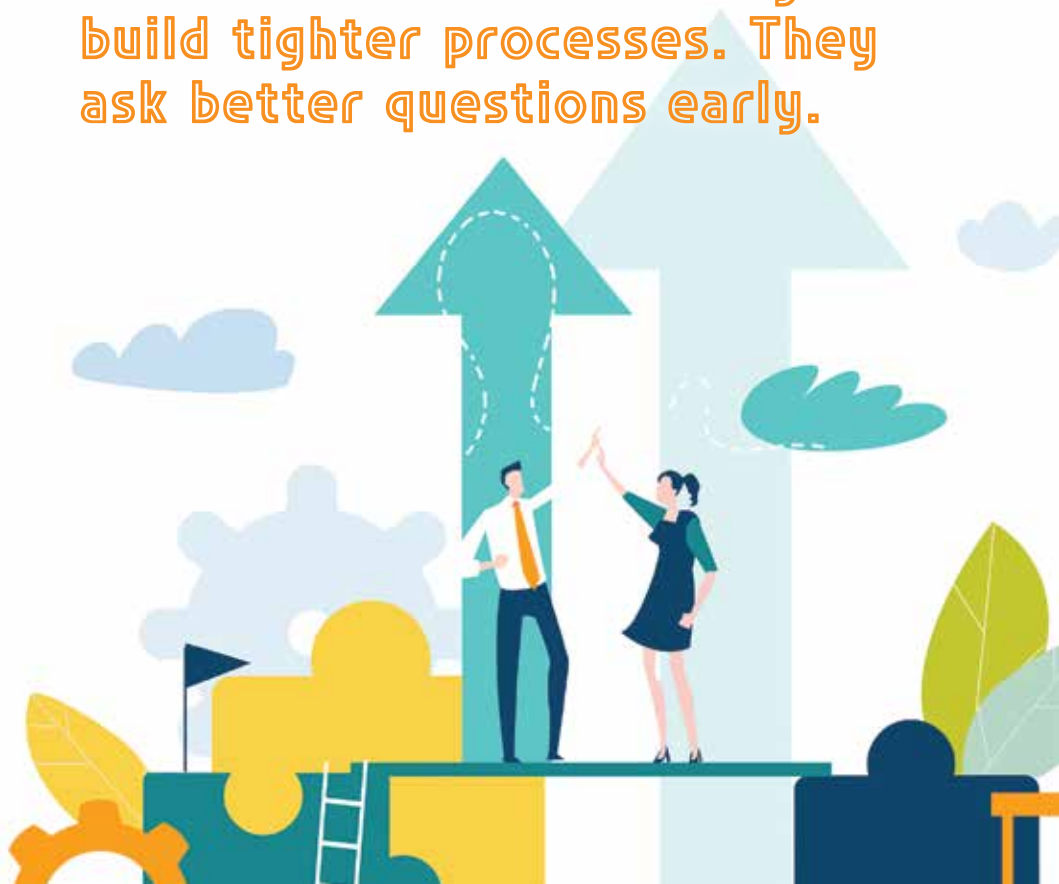
For executive teams, this shift requires three deliberate moves.

1. Define enterprise competencies.

Beyond functional skills, senior leaders should demonstrate enterprise-level capabilities. These include regulatory fluency across major employment laws, financial literacy tied to pricing and margin, data-driven decision-making and inclusive leadership practices that draw input from diverse voices. These competencies must be tied to succession planning and promotion decisions.

2. Share core metrics. Client retention, compliance findings, onboarding cycle time and client satisfaction should not belong to one function. They should be enterprise metrics. When sales, compliance and operations share outcomes, collaboration becomes structural, not optional.

When leaders understand how their work connects, they build tighter processes. They ask better questions early.



3. Build structured exposure.

High-potential leaders benefit from formal rotations or project assignments outside their primary function. A compliance leader who participates in pipeline reviews gains insight into growth pressure. A sales leader who sits in on wage and hour audits gains respect for regulatory nuance. These experiences build empathy and better judgment.

STRATEGIC IMPACT ON RISK MANAGEMENT

Cross-functional leadership makes your risk management stronger. It closes gaps before they turn into real problems.

Take wage and hour compliance under the Fair Labor Standards Act. Employee classification decisions often happen during client onboarding. If sales brings in a new client, onboarding sets up the structure and compliance reviews details later, mistakes can slip through. An employee may be classified as exempt when they should be nonexempt. If those teams aren't aligned from the start, that error can go unnoticed for months.

Now think about state leave laws. Rules change often, and they vary by state. If compliance tracks the legal updates but technology and payroll teams are not looped in quickly, system settings may not reflect the new requirements. That delay can create payroll errors or missed notices.

When leaders understand how their work connects, they build tighter processes. They ask better questions early. And they reduce the chance that small oversights become costly compliance issues. In a co-employment environment, that discipline protects both the client and the PEO's reputation.

STRATEGIC IMPACT ON GROWTH

Cross-functional leadership is actually a growth lever. When sales leaders understand operational capacity and

compliance thresholds, they pursue clients that align with the PEO's risk appetite and service model. When operations leaders understand margin targets and pricing logic, they seek efficiencies that protect profitability without eroding service quality.

This alignment sharpens market positioning. It clarifies which industries the PEO can serve best. It improves onboarding consistency. It reduces client churn driven by misaligned expectations. Over time, the organization moves from reactive problem-solving to intentional portfolio design.

TECHNOLOGY AS CONNECTIVE TISSUE

Technology investments will continue to define competitive advantage in the PEO space. But systems alone don't create integration. Leaders must insist on shared visibility into performance data. Data transparency reduces defensiveness. It shifts discussions from opinion to evidence. It enables earlier course correction.

As artificial intelligence tools enter HR workflows, cross-functional literacy becomes even more important. Leaders must understand how automation affects compliance documentation, employee communication and audit readiness. When teams work in silos, decisions made in one area can create problems in another. Those ripple effects are often unplanned and avoidable.

CULTURAL FOUNDATIONS

Structure and metrics matter, but culture sustains change. Executives set the tone by modeling curiosity across functions. They ask how decisions affect colleagues and clients. They invite dissenting views. They treat regulatory questions as shared challenges rather than departmental obstacles.

Inclusive leadership strengthens this dynamic. When individuals from varied

backgrounds and experiences feel safe raising concerns, the organization catches risks sooner and surfaces innovation faster. In complex regulatory environments, silence is costly. Psychological safety, therefore, becomes a strategic asset.

A FORWARD-LOOKING IMPERATIVE

The PEO industry stands at a crossroads. Regulatory complexity will not slow. Client expectations will continue to rise. Technology will reshape workflows and risk profiles.

In that environment, leadership depth, not just service breadth, will set high-performing organizations apart. PEOs that cultivate cross-functional leaders will be better positioned to navigate enforcement shifts, evaluate emerging technologies, assess risk-adjusted growth and deliver consistent client experiences. Those that remain functionally siloed will spend more time resolving internal friction and unintended compliance exposure.

The next phase of industry evolution will favor integrated leadership teams that think beyond their lanes and act with enterprise awareness. For PEO executives, the question is no longer whether cross-functional leadership is valuable, it is whether the organization is structured to produce it at scale.



KRISTEN FRADIANI

*Content Marketing Manager
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Branford, CT*

DISRUPTING WITH DISCIPLINE: WHAT I WISH I KNEW BEFORE I BECAME A CEO

BY CHRIS MYERS

When I launched Comply in 2018, I thought becoming a CEO meant expanding on what I was already good at as a career sales guy: moving fast, building momentum and chasing the number. In reality, I quickly learned that the CEO role requires a legitimate mind shift, from being a tactician to guiding as a steward. Along the way, the shift changes your risk tolerance, your relationship to decision-making and your responsibility to people.

Like many of the small and mid-sized businesses we support, my company focuses on growth. We counsel our partners on what we've learned firsthand: if you want sustainable scale, it is critical to set a solid foundation from the start. This footing becomes doubly important if you're planning to take risks and challenge the status quo.

With a company built on solid fundamentals, disrupting with discipline creates the space for scale while maintaining partner and client service, success and trust. In a PEO, where risk management, compliance and livelihoods intersect daily, a CEO's stewardship needs to be impactful, solid and repeatable.

So, with that in mind, here are five things I wish I'd known before I became a CEO.

1. ENTERPRISE ACCOUNTABILITY MEANS THE DECISIONS STOP WITH YOU

I spent most of my career in sales for large payroll processing companies, where my contributions drove defined outcomes. As a CEO, I still care deeply about results—but it's not just my behavior driving outcomes. I now carry full enterprise accountability for an entire team whose actions touch compliance, customers, employees and reputation. We all hold ourselves personally accountable to our clients at Comply, whom we regard as true business partners and whose success is our success.

There are two key ways in which assuming enterprise accountability influences how I lead.

First, I raised the bar for decision-making. The big question now is: "Does this choice make the business stronger a year—or three years—from now?" As a team, we don't just solve for immediate wins; we embrace opportunities to support the long-term success of our company and our clients.

Second, I learned to rely on the strong, smart, and capable people within my organization by setting clear expectations, stepping back and trusting them to do their jobs. Team trust sounds like a given, but I was amazed at how that particular mindset shift freed up my bandwidth to understand what moves the needle and use it to set our course.



2. HIRE PEOPLE WHO KNOW WHAT YOU DON'T

You can't scale a company on hustle and instinct alone. Be honest with yourself about what you don't know, then hire for it. At Comply, that meant bringing in a COO who is process-driven, disciplined and relentless about building a structure that actually holds up at scale.

This exercise reinforces a principle that I regularly revisit: Don't hire for cost. Hire for fit. Surround yourself with people who are smarter than you, then listen to them, let them advise and educate you. In any industry with deep-rooted legacy habits, enabling your leaders to rethink the playbook is how you change the game without creating chaos, which leads me to lesson three.

3. FAIL, BUT FAIL FORWARD

Early on, we made an acquisition where the opportunity to build our client roster was real, and the growth looked exciting, but our structure at the time wasn't ready. Our ambition outpaced our operational backbone because we didn't have the framework that we do now.

We caught up thanks to our team's grit and commitment. But the experience showed me where we needed to get stronger. From that point on, we learned to align decisions with what the organization could realistically support, not just what sounded exciting in theory. And that's the point. There's nothing wrong with trying and failing—or even just running into headwinds—as long as you don't make the same mistake twice.

The lesson helped us build a formal acquisition framework to match opportunities with operational readiness, clarify ownership and stress-test capacity before taking on more work. It showed us to treat challenges as data inputs by debriefing the situation, documenting the real drivers and improving the system without placing blame.

You can't
scale a
company
on hustle

and instinct alone. Be honest
with yourself about what you
don't know, then hire for it.



4. CALCULATED RISK IS PART OF THE JOB—BUT IT CAN'T BE RECKLESS

Trust your gut, then support it with facts and data. For example, Comply recently launched a master self-funded healthcare plan. We knew this could be a differentiator to offer our small business partners, but the stakes were high. So, we stayed persistent about knocking on doors and asking hard questions until we felt confident about a plan and a partner who could deliver for our clients.

This approach applies to growth, too: Resist the temptation to chase every opportunity. When you're clear on where you win, you can take smarter risks, execute better, navigate pitfalls and scale without piling on avoidable complexity.

5. CULTURE IS A STRATEGY, NOT A SLOGAN

We have a simple phrase in the office at Comply: "Do great work. Be great people." It's a standard I wish I'd learned sooner because it has shaped how we treat clients, how we make decisions and how we show up for each other when things get hard.

It also means investing in our team's development. How people lead, communicate, and take ownership is the backbone of our clients' and our success. We hire people who want to be here, who are curious, who care about the mission and who want to keep improving. When people

feel trusted and supported, they do better work, and they stay. We want them to stay.

We've learned that culture gets stronger when you make growth and learning habitual. Keep the environment human. Read relevant and challenging books, reflect together and apply what fits. Play games, laugh and make it comfortable for people to bring problems forward early.

DISRUPTING WITH DISCIPLINE AND INTENTION

When growth is the goal, making that growth sustainable is key to long-term success. That's what disrupting with discipline really means, and why it's important for a CEO to build guardrails for the fast lane. When enterprise accountability, smart hiring, learning from mistakes, taking calculated risks and investing in a people-first culture come together, you can scale with momentum while maintaining trust, service and consistency.

I may not have known these five things before becoming a CEO, but I'm grateful I know them now, and I'm fired up to see where the future takes us.



CHRIS MYERS

Founder & CEO
Comply
Thornton, CO

LEADING THROUGH

CRISIS-PROOF LEADERSHIP:

HOW PEO EXECUTIVES CAN PREPARE FOR THE UNEXPECTED

BY CHASE HEYWOOD

RISK & DISRUPTION

Several years ago, a mentor told me something that has stayed with me: “I don’t think in terms of good news or bad news. It’s all just news.”

The longer I’ve led in the PEO industry, the more that perspective has proven true.

News is information. Information requires action. The emotional label we assign to it—good or bad—is often what creates instability.

As leaders, we don’t have the luxury of riding emotional highs and lows. Celebrations and frustrations typically happen in the dark—on a drive home, or alone late at night in a quiet office. What our teams see is something different. They see our reaction. They feel our tone. They respond to our pace.

In a business as complex and exposed as a PEO, our response to news—any news—determines whether an issue becomes manageable or becomes a crisis.

Crisis-proof leadership starts with emotional discipline.

THE PEO REALITY: THERE IS ALWAYS SOMETHING

Few industries operate with more potential pressure points than ours:

- A government notice that doesn’t quite make sense.
- A payroll file (or vendor) that misses a banking window deadline.
- A benefits carrier notice terminating coverage for a client owner.
- A client calling about a termination that’s already escalated emotionally.
- A compliance interpretation that shifts with new guidance.

In our world, stability is earned daily. Sometimes the crisis isn't external at all. It's internal and layered. A long-tenured leader announces retirement. A strong contributor accepts a new opportunity. Critical "A" players have personal or family emergencies. And several others leave without notice. None of those events alone would destabilize an organization. Together, they test it.

In those moments, the question isn't "How did this happen?" It's "How do we stabilize, support, and move forward without panic?"

One phrase I lean on often is: *The only way out is through*. There is no reset button. No sudden turnaround. Only navigation.

Crisis-proof leaders understand that turbulence is not an exception in the PEO industry—it is part of the terrain.

THE LEADER SETS THE EMOTIONAL TEMPERATURE

In difficult moments, teams mirror leadership. If we escalate emotionally, they escalate. If we freeze, they hesitate. If we remain steady, they execute.

Calm communication becomes the most valuable tool in the room. That doesn't mean pretending everything is fine. It means communicating with the conviction that we will work through it—together—even if we don't yet have every answer.

Shifting the focus from "How did this happen?" to "What are we going to do about it?" is often the turning point. The longer an organization lives in frustration, finger-pointing, or blame, the longer recovery takes.

Strong leaders absorb magnitude. They remove the weight of fear from their teams.

In crisis moments, fear of making a mistake can cause people to freeze, fold, or crack. When leaders take ownership

IN A BUSINESS AS COMPLEX AND EXPOSED AS A PEO, OUR RESPONSE TO NEWS—ANY NEWS—DETERMINES WHETHER AN ISSUE BECOMES MANAGEABLE OR BECOMES A CRISIS. CRISIS-PROOF LEADERSHIP STARTS WITH EMOTIONAL DISCIPLINE.

of outcomes and create space for action, teams perform. When they feel protected, they move faster and think more clearly.

EMPOWERMENT OVER CONTROL

In many crisis situations, the instinct is to centralize control. That instinct can backfire.

At our organization, our people are the experts. Most of them know more about our processes than I do. In critical moments, my job is not to override their expertise. It is to provide context, ask the right questions, and allow qualified trusted professionals to execute.

Crisis-proof leadership is not about having all the answers. It is about creating clarity. Leaders must become masters of asking:

- What do we know? What don't we know?
- What matters most right now? Who is best positioned to act?

Empowerment accelerates response time. Micromanagement slows it down. The key is accountability without suffocation—clear roles, clear ownership, and confidence in execution.

TRUST AS INFRASTRUCTURE

Preparedness is not built in the moment of crisis. It is built in the culture long before it.

Trust must function as infrastructure. Trust in peers. Trust in leadership. Trust

in systems. Trust in process. Trust in clients.

When trust is lived—not just spoken—crisis response changes. You don't waste time questioning the person next to you. You don't hesitate because you're unsure whether someone will carry their load. You move.

In a PEO, where operations, compliance, HR, finance, and client services are tightly interwoven, trust determines whether the organization bends or breaks under pressure.

MOVING THROUGH, NOT AROUND

Crisis-proof leadership is not about eliminating disruption. That's unrealistic in our industry. It's about emotional discipline, clear communication, empowered execution and cultural trust.

The unexpected will come, it always does. The differentiator is not whether a PEO encounters difficulty. It is how its leaders process the news, steady the room, and move the organization forward—one decision at a time.

In the end, it's all just news. And leadership determines what happens next.



CHASE HEYWOOD

President & COO
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WHEN THE BANK FAILS:

HARD-EARNED RISK LESSONS FOR PEOS AFTER CHACHET AND SIGNATURE

BY JOHN MASON-SMITH

The first sign that something was wrong was an out-of-service tone. Payroll had been drafted. Employees were not seeing funds. The portal looked normal. The customer service number did not. That was my last direct contact with Cachet.

At the time, I was three months into running my new ASO firm in Richmond, Virginia. I had left a decade-long payroll sales career to start the business with my wife. We had a six-month-old baby at home. Just weeks earlier, she had asked me a simple question: “What’s the worst thing that could happen?”

Fraud, I answered confidently. If someone stole payroll funds, we could be personally liable. That’s why I chose Cachet. They were bonded and insured for \$50 million. At the time, that number felt enormous. In hindsight, it was irrelevant.

Within days, we learned that Michael Mann of MyPayrollHR had misappropriated roughly \$70 million in payroll funds, exceeding the bond coverage. Cachet’s parent bank froze assets while attempting to unwind transactions. Payroll operators across the country were trapped in the middle.

We moved money from our own operating account, printed paper checks, and I drove across Virginia hand-delivering replacement payroll. We survived largely because we were small.

That experience taught me the first lesson.

LESSON ONE: PAYROLL BANKING RISK IS LIQUIDITY RISK, NOT FRAUD RISK

I had focused on theft. I had insured against fraud. I had vetted the vendor.

None of that mattered when access to funds stopped.

In payroll, timing is everything. A temporary freeze is operationally indistinguishable from insolvency. When client funds cannot move, it does not matter whether the underlying cause is fraud, regulatory action, or market panic.

Payroll banking risk is not primarily about bad actors. It is about access.

After Cachet, I became obsessed with eliminating ACH exposure entirely.

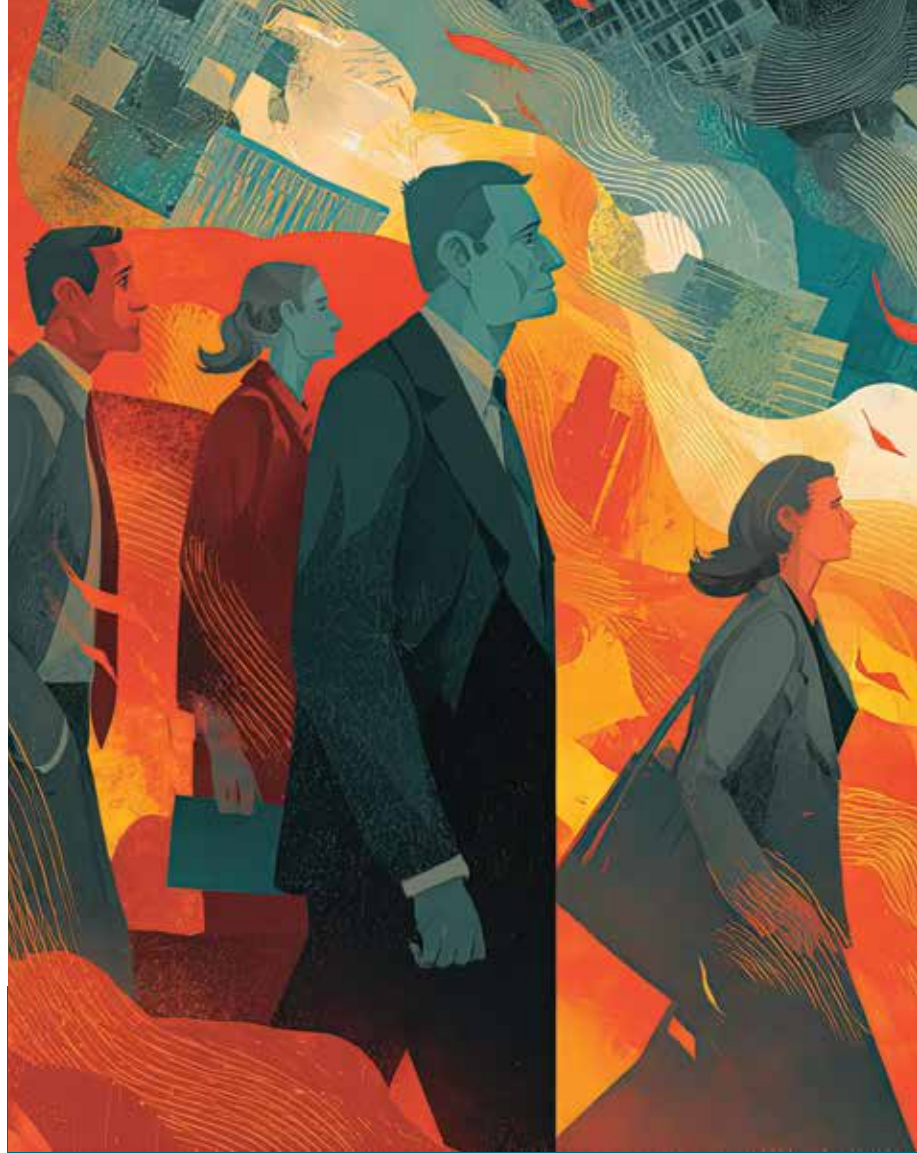
Trying to Engineer Around the Risk

While driving between clients delivering checks, I listened to a Planet Money episode where the host joked, “Put the word ‘blockchain’ in front of your business and people just throw money at you.”

The comment stuck, not because of hype, but because it forced me to question the rails we were using.

That search led me to Signature Bank and its real-time settlement platform. I cold-called the bank asking for Greg Tamberlane, whose name I had seen in a press release. I was routed directly to his cell phone while he was driving home.

Greg and his father, John Tamberlane, were key architects behind Signature’s innovation strategy. After visiting their New York headquarters, I began consulting with them to design what became Instant Payroll: real-time, end-to-end payroll funding built for the PEO space.



A PRACTICAL CHECKLIST FOR PEO RISK LEADERS

If these experiences taught me anything, it is this:

- Maintain at least two independent banking rails.
- Document a payroll failure contingency plan with clear authority and execution steps.
- Pre-draft employee and client communications for funding disruptions.
- Stress-test liquidity freezes of 24 to 72 hours.
- Never allow client funds to be treated, operationally or psychologically, as working capital.

These controls are not theoretical. They are what separate disruption from disaster.



INNOVATION IS NOT REDUNDANCY. SCALE IS NOT REDUNDANCY. REPUTATION IS NOT REDUNDANCY. IF PAYROLL FLOWS THROUGH ONE RAIL, THAT RAIL IS YOUR BUSINESS.

LESSON TWO: SOPHISTICATION DOES NOT ELIMINATE CONCENTRATION RISK

Cachet was insured. Signature was innovative, well-capitalized, and deeply connected. Both were still single banking rails.

In both cases, I had layered technology, contracts, and operational structure on top of one primary institution. When that institution disappeared, the sophistication built around it did not matter.

Many PEOs diversify software vendors. Fewer diversify banking exposure with the same urgency. Innovation is not redundancy. Scale is not redundancy. Reputation is not redundancy. If payroll flows through one rail, that rail is your business.

What Both Failures Had In Common

In both cases, the warning signs were subtle. Portals functioned. Executives were confident. Reassurances were credible. Until they were not.

LESSON THREE: CONFIDENCE IS NOT THE SAME AS RESILIENCE

Before Cachet collapsed, nothing looked broken. Before Signature entered receivership, liquidity was publicly affirmed.

In both situations, leadership teams believed the system was stable. They were not lying. They were operating within the information available to them. But resilience is not about belief. It is about structure. If your contingency plan depends on someone else's assurance, you do not have a contingency plan.

What Changed for Me

After selling my payroll firm and watching Signature collapse, I shifted my focus within the industry. Today, through HireWith, Astra Acquisitions, and Sticky Niches, I work closely with PEO and payroll leaders, navigating growth, exits, layoffs, and operational stress.

From that vantage point, one thing is clear: many PEOs still treat payroll banking as infrastructure. It is not infrastructure. It is concentrated operational risk.

Cachet and Signature were not anomalies. They were warnings.

Having lived through two payroll-related bank failures, first as an operator and later as a banking partner, I have learned that resilience is not about predicting every crisis. It is about identifying which failures would be existential and building around them before they happen.

The next failure will not look like the last. But the PEOs that understand the difference between liquidity and fraud risk, between sophistication and redundancy, and between confidence and resilience will recognize it sooner and respond faster.

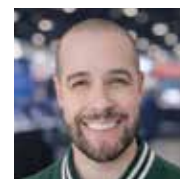
In the beginning, I split my time between running my payroll firm and building this technology. Eventually, I sold my firm and focused on the bank partnership. The product worked. It was fast, efficient, and free to use because the bank monetized deposits.

It felt like we had solved the problem.

Then Silicon Valley Bank failed. On Friday, March 10, 2023, while giving my kids a bath, I received a call from a large client asking if everything was okay with Signature. I called my buddy at the bank, who was at dinner with his family.

"We've secured additional liquidity," he assured me. "We're in constant contact with regulators. Everything is fine."

Two days later, Signature entered FDIC receivership. The rails were gone again. That experience reinforced the second lesson.




JOHN MASON-SMITH

CEO
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Scaling & Managing CHANGE





CROSS-FUNCTIONAL LEADERSHIP IN PEOs: DEVELOPING CHANGE MANAGEMENT SKILLS THAT WORK

BY KATELIN DOYLE

The most critical leadership gap in PEOs today is not technical expertise. It is the ability to manage change across functions in a way that keeps the organization aligned and clients protected. PEO leaders often rise through a single function—payroll, benefits, compliance, operations, technology or sales. That depth matters. But in a PEO, functional expertise alone is not enough. Leaders need practical change management skills that let them coordinate across the business, especially when regulatory updates, new technologies, client expectations and growth initiatives unfold simultaneously. This article focuses on developing those skills and providing practical frameworks PEO leaders can use to roll out change effectively across their organizations.

WHY CHANGE MANAGEMENT IS A LEADERSHIP SKILL, NOT A PROJECT FUNCTION

In many organizations, change management is treated as a communications exercise or a project management add-on. In a PEO, it needs to be a core cross-functional leadership capability.

When leaders manage change from inside their functional lanes instead of across the whole system, predictable breakdowns occur. Technology completes a benefits platform build before operations is trained to support it. Sales sets client expectations that do not match implementation capacity. Compliance discovers system gaps after go-live. Clients experience these disconnects as confusion, service disruptions, and broken trust.

Cross-functional change management is how leaders align decisions, coordinate execution, and communicate as one system. When done well, it produces

three measurable outcomes:

1. Alignment across operations, compliance, payroll, benefits, technology and sales.
2. Speed, because there is less rework and fewer surprises.
3. Trust, because clients and employees see consistent explanations and predictable follow-through.

THE FIVE CORE CHANGE MANAGEMENT SKILLS EVERY PEO LEADER NEEDS

Developing cross-functional change leaders starts with building five practical skills. These are not theoretical concepts. They are daily practices that separate high-performing PEO leaders from the rest.

Skill 1: Shared Understanding Before Execution

Before finalizing timelines, training, or client communications, leaders need to create shared understanding of the change across functions.

Schedule a 90-minute change alignment session before any major initiative. Gather leaders from operations, compliance, sales, technology, and other affected functions. Use a structured agenda to clarify facts and assumptions, the business problem, functional impacts, and unknowns. Document and update answers as new information emerges to prevent speculation and misaligned effort.

Skill 2: Clarifying Decision Rights

Change creates ambiguity about who decides what. If left unaddressed, that ambiguity leads to delay and frustration.

For every significant change, create a simple decision framework that clarifies centralized decisions, delegated decisions, required versus advisory input, and trade-off criteria when priorities conflict. Make this explicit early. When conflicts arise, refer back to the framework instead of re-arguing decision authority.

Skill 3: Building One Narrative for Multiple Audiences

PEOs communicate change to internal teams, client HR leaders, worksite employees, brokers, and partners. If each function crafts its own story, confusion rises quickly.

Before any major change goes live, align leaders on five core narrative elements: what is changing, why now, when it will happen, what it means, and where to get help. Then customize messaging for each audience without changing the underlying facts. When people hear the same fundamentals from every leader, confidence grows.

Skill 4: Treating Resistance as Operational Data

Resistance often appears first where work is closest to clients and systems. Instead of dismissing it, leaders should treat it as valuable information.

During major changes, set up weekly resistance office hours where concerns can be raised. Track whether issues relate to understanding, capacity, or design. Use this data to adjust rollout plans in real time. By treating resistance as input instead of

opposition, leaders refine execution before issues become client-visible problems.

This approach also creates room for small, controlled missteps. When leaders expect to learn during rollout—not just after go-live—they can correct issues early while protecting clients.

Skill 5: Demonstrating Alignment

During change, employees and clients watch what leaders do, not just what they say. Silence, mixed messages, or visible disagreement undermines trust.

Leaders should reinforce shared priorities, resolve disagreements privately, model adaptability, and support decisions once they are made. Alignment does not require unanimous agreement. It requires leaders to fully support the path forward in their words and actions.

DEVELOPING THESE SKILLS IN YOUR LEADERSHIP TEAM

Rotate leaders through cross-functional projects. Assign high-potential leaders to 90-day projects outside their function—a compliance leader co-leading an HRIS implementation, a sales leader joining a regulatory response project, and a technology leader participating in a new market launch. They keep their day jobs but spend 20% of their time on the rotation.

This approach also creates room for small, controlled missteps. When leaders expect to learn during rollout—not just after go-live—they can correct issues early, before they become client-impacting failures. Failing fast in contained ways allows PEOs to protect clients while continuously improving execution.

Embed change leadership in performance reviews. Measure leaders not only on functional results but also on how they coordinate across functions during change. Add specific questions: Did you surface issues early? Did you help peers understand your function's constraints? How effectively did you align with other leaders?

Create a cross-functional "change council." Form a standing group of 6-8 leaders representing all major functions.

They meet monthly to review all significant changes in progress, identify cross-functional dependencies, make go/no-go decisions, and share lessons learned.

In some organizations, this council may sit within or alongside an existing Project Management Office (PMO). The critical distinction is that it focuses on cross-functional change impacts and decision-making—not just project status tracking.

TIPS IN ACTION

Consider a PEO preparing for a regulatory-driven system update affecting payroll processing, benefits administration, and client reporting. Technology delivers system changes on schedule while compliance finalizes regulatory interpretation and operations works through process updates. Sales and account teams field early client questions about timing and impact.

When leaders align on decision rights, coordinate messaging, surface resistance early, and reinforce a consistent narrative, the rollout progresses with fewer surprises. Issues are addressed before clients feel disruption, teams stay aligned on priorities, and the organization protects both compliance posture and client trust.

WHY THIS MATTERS

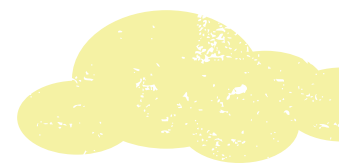
In the PEO model, change is constant. Regulations shift. Client needs evolve. Technology advances. The question is not whether organizations can launch new systems or policies, but whether leaders can manage that change together in a way that feels consistent and trustworthy to clients.

When change management becomes a core cross-functional leadership capability, PEOs achieve faster execution with less rework, reduced compliance and operational risk, and deeper client trust. The PEOs that invest in developing these practical skills today will be the ones leading tomorrow.



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THE SCALABILITY PARADOX: WHY ADDING CLIENTS SHOULDN'T MEAN ADDING HEADCOUNT

BY MICHAEL ANTCAK

The value proposition of the PEO industry has always been clear. Remove administrative burden so small and mid-sized businesses can focus on their core mission. PEOs position themselves as trusted experts who manage the complexity of HR, compliance, and benefits on behalf of their clients.

Yet inside many PEO organizations, a quieter contradiction exists.

While clients are promised relief from administrative overload, internal service teams are often weighed down by it. The professionals responsible for delivering a seamless client experience frequently spend their days buried in manual work that mirrors the very problems PEOs are hired to solve.

These teams are not entry-level administrators. They are experienced practitioners capable of providing thoughtful guidance and strategic support. Still, much of their time is consumed by low-value tasks such as pulling spreadsheets from a client's HRIS, cleaning up data, and manually entering information into carrier portals. Instead of advising clients, they act as human connectors between systems that should already be integrated.

This dynamic does more than slow things down. It creates a structural limit on growth.

WHY MANUAL PROCESSES CAP SCALABILITY

When a PEO relies on swivel-chair integration, where data only moves because someone manually re-keys it, scale becomes expensive. Each new client and each additional worksite employee require more administrative labor. Headcount grows linearly with revenue, and margins struggle to expand.

Over time, leadership attention shifts toward managing volume instead of improving systems. The organization becomes skilled at handling throughput but not at removing the friction that creates it.

Sustainable scalability requires a different mindset. PEO executives must move away from overseeing data entry and toward building automated, reliable data

pipelines. Without that shift, operational drag quietly taxes every stage of growth.

THE HIDDEN COST OF PREMIUM LEAKAGE

For a direct employer, a data error is an inconvenience. For a PEO acting as plan sponsor across thousands of covered lives, it has financial consequences.

One of the most persistent issues is premium leakage. It often goes unnoticed

day to day and only becomes visible during reconciliation, but it occurs continuously.

A common example is employee termination. A client submits the update, but the data sits in a queue until a benefits specialist manually processes the change in the carrier portal. That delay may last days or weeks. During that gap, the PEO is often still paying premiums for coverage that should have ended.

Recovering those overpayments after the fact is rarely straightforward. Carrier audits take time, documentation is incomplete, and retroactive adjustments are not guaranteed. In many cases, the money is simply lost.

Automated data connections help close this gap. When terminations flow directly from the system of record to carriers in near real time, premium payments align with actual coverage. The result is stronger margin protection and fewer surprises at year end.

THE MOMENT THAT DEFINES CLIENT TRUST

In a competitive market, retention matters as much as acquisition. Clients rarely leave a PEO because of the technology interface alone. They leave because of friction that shows up in moments that matter.

One of those moments happens at the pharmacy counter.

Imagine a new worksite employee picking up a prescription for their child on a Friday evening. The pharmacist searches for coverage and finds nothing. The enrollment file has not yet been processed.

That frustration does not stay isolated with the employee. It reaches the business owner quickly and undermines confidence in the PEO relationship. No service-level agreement can fully offset that experience.

Reliable, real-time data flow plays a quiet but critical role in retention. When enrollments process automatically, coverage is active when it should be. Support tickets decrease, client frustration declines, and

Sustainable scalability requires a different mindset. PEO executives must move away from overseeing data entry and toward building automated, reliable data pipelines.

the organization feels dependable. Over time, that consistency builds trust.

FROM MANUAL OVERSIGHT TO EXCEPTION-BASED MANAGEMENT

Automation is not about removing people from the process. It is about allowing people to focus where their expertise actually matters.

Leading PEOs are adopting an exception-based management model. In this approach, clean data flows automatically from the HRIS to carrier systems without human intervention. Before leaving the organization, the data is validated against predefined rules that check for missing Social Security numbers, invalid plan codes, or eligibility conflicts.

Instead of reviewing every record, benefits teams focus only on the small percentage of cases that are flagged as exceptions. Human judgment is applied where it adds value, not where it simply moves information from one place to another.

This shift changes internal roles in meaningful ways. Team members spend less time acting as data entry clerks and more time answering nuanced coverage questions, supporting open enrollment strategy, and providing the consultative service that differentiates a strong PEO partner.

FREEING LEADERSHIP TO FOCUS ON GROWTH

The days of emailing spreadsheets back and forth are fading. Modern PEO technology stacks are moving toward API connectivity and standardized EDI feeds that allow systems to communicate directly and consistently.

For leadership, the implication is straightforward. A scalable, high-margin PEO cannot be built on manual processes at its core. When organizations automate the mechanical work of benefits administration, they remove constraints that quietly limit performance.

Teams gain bandwidth. Errors decrease. Client experiences improve. Leadership is freed to focus on growth, culture, and long-term strategy instead of operational firefighting.

In the end, automation does not weaken the PEO model. It allows it to deliver on its original promise, not just for clients, but for the teams supporting them every day.



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THE LEADERSHIP GAP NO ONE IS TALKING ABOUT: WHY PEOs ARE UNIQUELY POSITIONED TO CLOSE IT

BY MAK CHOWDHURY

Here's a scenario that plays out in small and mid-sized businesses every day: a top-performing sales rep gets promoted to sales manager. She knows the product cold, closes deals instinctively, and has earned the trust of the leadership team. Six months later, two of her best reps quit; morale is low, and results are slipping. Nobody's sure what went wrong. The answer, often, is that she was never actually developed as a leader.

This is the leadership gap, and it's quietly costing SMBs millions. For PEOs, it also represents one of the most underutilized opportunities in the industry today.

THE SCALE OF THE PROBLEM

The data is striking. According to Gallup¹, companies fail to choose the right manager almost 82% of the time by selecting people based on tenure or technical skills rather than actual leadership ability. Meanwhile, Gartner research shows that 70% of HR² leaders say their current leadership development programs are not preparing managers for the future. The gap between the leaders' organizations and the leaders they need has never been wider.

For small and mid-sized businesses, the backbone of the PEO client base, the stakes are especially high. These companies don't have the luxury of a dedicated L&D team, an in-house executive coach, or the budget to send managers through multi-week leadership academies. What they have is a PEO.

Yet most PEOs still define their value proposition around payroll accuracy,

benefits access, and compliance support. These are essential, but they're also table stakes. The PEOs that will differentiate in the next decade are those that help clients solve business problems that go beyond HR administration.

WHY LEADERSHIP FAILURES HIT SMBs HARDEST

At a large enterprise, a poor manager can be absorbed. There's organizational redundancy, deeper bench strength, and HR infrastructure to catch problems early. At a 75-person company, one ineffective leader can destabilize an entire team. Research from MIT Sloan Management Review³ found that a toxic corporate culture is ten times more predictive of employee turnover than compensation.

A single employee typically costs 50 to 200 percent of their annual salary for a small business operating on thin

margins. That's not just a culture problem; it's an existential one.

According to the Center for Creative Leadership⁴, nearly 60% of managers report they never received any training when they transitioned into their first leadership role. They're expected to lead by instinct, and instinct alone rarely builds high-performing teams.

PEO ADVANTAGE

PEOs are already inside the organizations that need this most. They have existing relationships with decision-makers, visibility into workforce data, and the credibility to introduce new programs with a warm handshake rather than a cold pitch. That's a structural advantage no outside training vendor can replicate.

More importantly, PEOs have the infrastructure to deliver leadership development at scale across dozens or hundreds of



1. <https://www.gallup.com/workplace/231593/why-great-managers-rare.aspx>

2. <https://www.gartner.com/en/articles/top-hr-focus-areas-for-2025>

3. <https://sloanreview.mit.edu/article/toxic-culture-is-driving-the-great-resignation/>



client companies simultaneously. They can leverage enterprise-level tools and bring them to organizations that could never access or afford them independently.

The key is moving beyond the compliance training mindset. What clients increasingly want is behavior change: managers who listen better, give clearer feedback, handle conflict constructively, and build teams where people want to stay.

WHAT EFFECTIVE LEADERSHIP DEVELOPMENT LOOKS LIKE

The research on what works in leadership development is clear. Traditional lecture-based or slide-driven training has minimal impact on behavior. Gartner⁵ confirms that traditional seminars and lectures can have a negative effect on development. Adults learn most effectively through experience: navigating realistic situations, making decisions

under pressure, and observing the real-world consequences of those choices.

Effective programs also diagnose before they develop. Understanding where a leader struggles, whether it's giving difficult feedback, managing conflict, or building psychological safety, allows organizations to address root causes rather than delivering generic content.

For PEOs, this represents a new kind of service conversation—one that begins with workforce risk, moves through leadership behavior, and ends with measurable business impact.

A NEW FRONTIER FOR PEO VALUE

The PEOs that are winning long-term client relationships are the ones that have become indispensable not just as HR administrators, but as strategic workforce partners. Leadership development is one of the clearest paths to that kind of relationship.

Solutions like WILL Interactive's Guardian Suite pair AI-powered behavioral diagnostics with immersive, story-driven leadership simulations, designed to help organizations diagnose performance risks, develop leaders through realistic scenario-based experiences, and measure the impact on culture and business results.

For PEOs looking to deepen client relationships and add meaningful value beyond traditional HR services, innovative tools that diagnose behavior, deliver immersive development, and measure real outcomes are what elevate a PEO from service provider to strategic partner.



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4. <https://executiveeducation.wharton.upenn.edu/thought-leadership/wharton-at-work/2024/09/new-leaders-need-training/>
5. <https://www.gartner.com/en/newsroom/press-releases/2024-10-15-gartner-survey-finds-leader-and-manager-development-tops-hrleaders-list>

LONE STAR PEO: HOW TODD & BECKY NEWTON CARRY ON THE PEO FAMILY LEGACY

BY CHRIS CHANEY

When Todd and Becky Newton made the decision to launch Lone Star PEO in 2016 it was, in many ways, a return to their family business roots and the kind of business culture they believed in.

Today, as the company approaches its 10-year anniversary, the San Antonio-based PEO reflects a clear philosophy: keep it personal, responsive and never lose sight of the people behind the payroll.

THE FAMILY CONNECTION

Becky's father, Wallace Brumley, was a PEO industry pioneer and led early legislative efforts in Texas to fight for PEO recognition.

"The successful legal action ultimately contributed to the passage of the PEO licensing act here in Texas, providing regulatory structure and formal recognition for the PEO Industry,"

Becky explains.

He's also responsible for first pulling Todd into the PEO industry.

"I was working in Houston as an investment advisor, dealing with investments and insurance for high-net-worth individuals," Todd recalls. "One day my father-in-law called and asked if I had interest in managing the retirement plan at his PEO."

Todd had no expectations of joining the family business. His career had taken off, and he thought there was plenty of opportunity in front of him. Yet, the appeal of returning to Becky's hometown of San Antonio ultimately won out.

At Brumley PEO, Todd began by overseeing 401(k) plans and eventually worked his way up to chief operating officer. Under Wallace's mentorship, he absorbed lessons that would shape his professional philosophy: prioritize customer service, treat employees like family and remember the business is about people.

Over the years, the company grew significantly—from roughly 1,500 worksite employees when Todd joined

to about 8,000 by 2008. At that time, Wallace decided that it was time to begin planning for the next phase of the company's history. Ultimately, the PEO was acquired by SWBC.

Following the acquisition, Todd and Becky found themselves in a very different environment. SWBC was a large corporation with multiple lines of business. It was a bit of an office culture shock compared to the family business mindset of Brumley PEO.

"It didn't take long to realize we weren't in that family business atmosphere anymore," Todd says.

Becky left the company soon after the acquisition, but Todd stayed on until 2015.

Todd spent a year reflecting on his career and planning next steps. He also enjoyed the chance to spend time attending soccer games and enjoying family life. It was during that year that the idea of starting their own PEO began to crystallize for Todd and Becky.



Todd & Becky Newton of Lone Star PEO.

The motivation wasn't simply to launch a business. It was to recreate the culture they had valued most, one centered on service, accessibility and strong relationships with clients and staff.

In June 2016, they officially began working with their first clients as Lone Star PEO opened its doors.

STARTING FROM SCRATCH

Unlike stepping into an established operation, building a PEO from the ground up meant creating everything from systems and service agreements to vendor relationships.

Fortunately, years in the industry and active involvement with NAEPO provided valuable connections and guidance. The couple leaned on industry peers and consultants to navigate the early stages.

Inside the office, the firm's culture reflects the same family-first ethos of Brumley PEO.

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With 10 internal employees the environment is intentionally supportive and relaxed. Staff enjoy flexible Friday afternoons when workload permits, casual dress and even massages from a visiting masseuse once per month.

There's also a designated relaxation room for employees who need a brief reset during the day, and paid time for volunteering with charities of their choice.

Expectations are set clearly to preserve work-life balance.

"The benefits of a work-life balance prevent burnout, increase productivity, enhance job satisfaction, and strengthen relationships which start internally and waterfalls down to the client," Becky says.

The result is strong employee morale and minimal turnover which is something clients notice and appreciate.

A DELIBERATE CLIENT FOCUS

Rather than rely on an internal sales force to grow the business, Todd and Becky partner with brokers and benefit from referrals from existing clients. Recently, they began exploring digital marketing to expand lead generation, though the long-term impact remains to be seen.

The company primarily serves blue-collar businesses which often operate with leaner management structures and appreciate hands-on support. Todd notes that construction companies in particular tend to have straightforward HR and workforce expectations which can simplify service delivery.

Rising costs and regulatory complexity continue to make healthcare a challenge for the PEO and clients alike. But Todd and Becky are committed to always helping their clients as best as possible, and have leaned into establishing ICHRAs, a relatively new way for employers to provide health coverage to employees.

Geographically, the focus remains Texas—a market large enough to sustain significant growth. While the firm is

licensed in more than 20 states, out-of-state expansion is evaluated carefully, balancing opportunity against regulatory complexity.

SERVICE REMAINS CENTRAL

Over the last two decades, the PEO technology landscape has transformed dramatically. In the early days, employee portals were barely emerging, and systems were largely DOS-based.

Today, robust, sophisticated platforms power much of the administrative backbone of PEO operations. Todd readily acknowledges the value of modern systems, but he understands that technology is only as good as the people behind it.

For Lone Star PEO, the differentiator isn't automation. It's accessibility.

"We don't have an automated phone system. We don't have AI answering employee questions," he explains.

Each client is assigned a dedicated payroll specialist as a primary contact, and issues are escalated internally as needed.

Perhaps most telling: clients have direct access to Todd and Becky.

"All of our clients, their key contacts, they have my cell phone number, they have Becky's cell phone number. We're available to them 24/7," Todd says.

That availability isn't just rhetoric. On one family vacation to Costa Rica, they fielded client questions from the jungle to ensure issues were resolved promptly. For small business owners, that level of access resonates.

"Small business owners like to do business with other small businesses," Todd explains.

DEEP COMMUNITY ROOTS

Outside the office, the company's commitment to community is equally personal.

Todd has long supported the National Multiple Sclerosis Society, riding in the MS 150 cycling event for more than two

decades after a family member was diagnosed with the disease. The firm also supports the Bexar County Junior Livestock Show and other local initiatives.

Other employees are deeply involved in volunteer work, too, from park cleanups to school supply drives and meal deliveries.

In a gesture that reflects their service philosophy, the company donates a portion of revenue from each newly onboarded client to a charity of that client's choice.

"This has always been part of our business plan. We strongly believe that everyone can give back—whether through financial support or by giving their time—and we strive to lead by example," says Becky.

AN ENDURING FOUNDATION

Nearly a decade into their entrepreneurial journey, Todd and Becky have built more than a PEO. They've built a business that mirrors their values rooted in accessibility, community and genuine partnership.

In an era defined by consolidation, automation and rapid change, their approach offers a reminder that in the PEO industry, relationships remain the ultimate differentiator.

For them, success isn't measured solely in worksite employee counts or expansion across state lines. It's measured in the stability of their staff, the loyalty of their clients and the ability to answer the phone—even from the jungles of Costa Rica—when a business owner needs help.

As the industry continues to evolve, that commitment to personal service may prove to be their most enduring competitive advantage. ■



CHRIS CHANEY

*Director, Public Affairs & Editor,
PEO Insider
NAPEO
Alexandria, VA*



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NAPEO's NextGen Leadership program highlights rising professionals across the PEO ecosystem who demonstrate leadership within their organizations and a strong commitment to advancing the industry's mission of supporting America's employers and workforce.

Please join us in congratulating this group of leaders who will shape our industry's future.

ANDREW BARTHOLOMEW
Operations Director, Helpside
Lindon, UT

**How Will You Capitalize on the
Biggest Opportunities Ahead for PEOs?**



Andrew Bartholomew

The biggest opportunity on the horizon for the PEO industry is improving business-practice hygiene for small businesses at scale. After working with hundreds of small business owners, I've seen a consistent challenge: many do not fully understand their true cost of doing business or where they are exposed from a compliance or liability perspective. In an increasingly complex regulatory and talent environment, this knowledge gap presents a significant opportunity for PEOs to lead. At its best, the PEO

industry serves as both infrastructure and consultant, providing sophisticated, cost-effective solutions that allow small businesses to compete with larger organizations. From benefits strategy and payroll compliance to risk management and HR technology, PEOs can level the playing field while improving long-term sustainability. As a PEO operator, I see my responsibility extending beyond delivering competitive solutions. I believe the industry must continue shifting toward a consultative sales and service model that prioritizes education, transparency, and long-term client success. High touch service and relationships will remain critical differentiators as technology becomes more commoditized. Through NAPEO and peer collaboration, I aim to help elevate industry standards, promote best practices, and ensure PEOs are viewed not as transactional vendors, but as strategic partners in the growth and resilience of small businesses nationwide.

Fun Fact: Outside of work, I love spending time with my wife and two kids. We love time out on the lake, going out to dinner, and enjoying movies at home. ■

EMILY DUNCAN

Vice President of Business Operations,
Questco
The Woodlands, TX



How Will You Capitalize on the Biggest Opportunities Ahead for PEOs? The PEO industry stands at an exciting crossroads, with one of the most significant opportunities on the horizon being the thoughtful and strategic use of artificial intelligence. AI has the potential to transform every facet of the services we provide. By leveraging AI and advanced analytics, PEOs can streamline administrative tasks, reduce operational inefficiencies, and provide predictive insights. This technology also opens the door to creating more personalized experiences for employees, improving engagement, and ultimately enhancing retention across client organizations. Beyond operational efficiency, AI offers the chance for PEOs to position themselves as strategic partners rather than transactional service providers. By harnessing AI driven insights, we can proactively

2026 NEXTGEN LEADERSHIP CLASS SPONSOR:

The logo for SLAVIC 401K, featuring three vertical bars of increasing height to the left of the text "SLAVIC 401K" in a bold, blue, sans-serif font.

identify workforce trends, anticipate compliance challenges, and offer solutions that help clients grow and scale their businesses more effectively. For the industry, responsible AI adoption can raise the standard of service delivery, set benchmarks for best practices, and provide measurable outcomes that demonstrate the value of PEO partnerships. I see my role as a transformational leader in this process, ensuring that AI is implemented thoughtfully, ethically, and in a way that complements, not replaces, human expertise. For my business, this means integrating AI tools to enhance operational performance, improve client satisfaction, and free our teams to focus on high-value, relationship driven work. For the industry, it means contributing to knowledge-sharing, advocating for best practices, and helping shape standards that ensure technology adoption benefits clients, employees, and PEO providers alike. Ultimately, I believe the most successful AI initiatives will be those that remain people focused, using technology as a tool to elevate human decision making, foster innovation, and build a more agile, resilient workforce. By approaching AI with this mindset, I aim to help my organization capitalize on these opportunities while advancing the PEO industry's reputation as a forward-thinking, client-centered partner in workforce solutions.

Fun Fact: My husband and I run an animal rescue in Oakhurst Texas where wayward animals come to live and never get adopted out. ■

ASHLEY MARTINEZ
VP Operations, ESAC
Little Rock, AR



How Will You Capitalize on the Biggest Opportunities Ahead for PEOs? The future of the PEO industry is bright, and the biggest opportunities continue to surround AI and technology while always considering advocacy. My company is committed to the success of the PEO industry and its stakeholders. We work every day to help our customers increase positive marketplace exposure and simplify their compliance requirements to help them receive the full value of our services. We will continue to

enhance our services with the help of emerging technology. Technology is moving at lightning speed. It is imperative that we stay current with new opportunities, both in my organization and as an industry. I will continue to be “in the room” learning as much as I can when opportunities present themselves and lending my knowledge and experience to ensure that we are creating systems, services, and processes that are effective, accurate, and protective of confidential information. With respect to advocacy, it’s easy to push to the backburner when running on all cylinders learning and developing the latest and greatest technology, but it is imperative that we as an industry continue to nurture relationships at the federal, state and local levels. The more work we can do to educate the masses about how great PEOs are, the more successful we will be now and into the future. This is why our future is bright today!

Fun Fact: I most enjoy being a dog mom to my two rescue pups, Hershey and Star. My husband and I love planning vacations that include our furry family members, with Florida’s Emerald Coast being our top destination. I’m an avid Dave Matthews Band fan, and I enjoy supporting local theatre and down time with a good book. ■

BILLY MILLER
President & COO, Spirit HR
Oklahoma City, OK

How Will You Capitalize on the Biggest Opportunities Ahead for PEOs? As complexity rises, so does the value of a great PEO. Our opportunity is



to take the employment complexity off clients’ plates and deliver confidence with clear ownership, fast answers, and consistent execution that makes their business stronger. Clients aren’t buying payroll; they’re buying confidence. That confidence is knowing the right things are handled—proactively and correctly—across payroll, benefits, compliance, and risk, without the client having to become their own HR department. The second opportunity is technology that actually improves execution. AI is everywhere. Results are what count. I’m focused on PEO-specific automation and AI that removes busywork from sales, onboarding, and service workflows so our teams have more time for higher-value client interactions—and clients get better outcomes, not just more tools. Finally, we need to keep drawing a bright line between a platform and a partner. We’re not SaaS. We’re SwaS—Service with Software. Tools manage data; PEOs own outcomes and accountability. I’m excited to contribute by continuing to modernize processes with responsible automation, execute with discipline, measure what moves the needle, and share what works so we raise the bar together.

Fun Fact: I am happily married to my high school sweetheart of 20+ years and am the proud dad of two teenage volleyball athletes, which keeps the family calendar full in the best way. Outside of work, I enjoy woodworking and hands-on projects, and I am a big basketball and football fan. ■

CHRISTOPHER MYERS
CEO, Comploy
Thornton, CO



How Will You Capitalize on the Biggest Opportunities Ahead for PEOs? I believe the largest opportunity for the PEO industry is vertical specialization. Helping like business with industry specific needs from compliance to training and specialized insurance products. We are actively working on identifying the areas for opportunity and which industries would benefit the greatest from a vertically integrated growth partner.

Fun Fact: I love being outside with my wife and kids. We love to camp, hike, ski/snowboard and just about anything else that we can do to take advantage of all that this world has to offer. ■

ELISABETH SHAW
Chief HR Officer, PrestigePEO
Melville, NY



How Will You Capitalize on the Biggest Opportunities Ahead for PEOs? The PEO industry is poised for growth in three major areas that benefit small and medium sized businesses: technological innovation, the nationalization of the workforce, and political advocacy. Artificial intelligence and technological advancements are increasingly important for our clients. Businesses rely on PEOs for smart solutions and rapid guidance on complex employment, legal, and tax matters across multiple states. They need our expertise to navigate the growing legal compliance with the use of AI in their workforces so they can stay relevant and hire the best individuals for their own companies. To stay ahead, I actively participate in AI-focused conferences and evaluate new tools to better serve our clients and the broader PEO community. Our small business clients also continue to hire across the United States. Many clients are unaware of the employment law requirements in the states they are hiring and need the PEO industry now more than ever to assist them in navigating compliance for their remote hires and

multi-state locations. I speak with clients regularly regarding multi-state employee issues and conduct webinars for our clients throughout the year to keep them updated on new state requirements and trends. Our clients are also looking for us to continue to advocate for them in Congress and on our local levels. I will continue to add my voice in the halls of Congress and in my local legislature to advocate for solid and realistic business practices that protect small businesses.

Fun Fact: When I'm not working, you'll usually find me reading, spending time with my sweet husband, or being happily outnumbered by our four cats. We love our life together in sunny Florida. ■

SCOTT SILVA
Associate, Silva Capital Solutions, Inc.
Atlanta, Georgia



How Will You Capitalize on the Biggest Opportunities Ahead for PEOs? In my view, the PEO industry is entering a generational transition. Owner succession is colliding with an influx of institutional capital. Consolidation is not the risk; consolidation without discipline is. Our prime opportunity now, as a community, is to prioritize integrity, cultural alignment, and long-term value

creation. As our industry matures, many multi-generational owners are navigating succession and liquidity decisions that must balance both enterprise value and professional legacy. The entry of private equity has accelerated M&A activity, exposing a gap between the desire for market share and the imperative for operational risk control. My contribution is to guide owners through these decisions with clarity and discipline, with a steady focus on the long-term health of the industry. This means helping PEO shareholders prepare for outcomes that extend beyond purchase price alone. This includes translating valuation, risk, and cultural dynamics into informed judgment calls, not just transactions. When we approach this challenge with emotional intelligence, we strengthen the broader PEO ecosystem. Thoughtful combinations set higher benchmarks for governance, transparency, and risk management, creating greater resilience across the landscape. M&A is not something to be feared but something we must steward responsibly. When executed with intention, it's not a zero-sum game. Responsible M&A expands the capacity and sustainability of the industry, ultimately delivering compounding benefits to the SMBs it serves.

Fun Fact: My wife Lizzy and I were married in October 2025. This year we're honeymooning in Paris, the South of France, Mallorca, and Dublin. We're also celebrating her stepdad's retirement in Jekyll Island this spring and visiting my mom in Bozeman this summer. We love discovering new places, great food, and experiencing the wonders of the world. Reach out if you have recommendations! ■

YOU CAN'T SPELL PEO WITHOUT PEOPLE

WHY THE FUTURE OF THE INDUSTRY IS STILL DEPENDENT ON ITS MOST VALUABLE RESOURCE

BY RAMON CRUISE

Let's be honest: the world of human resources and PEOs can sometimes sound a little robotic. Between compliance, risk management and benefits administration, it is easy to become buried under industry jargon and cold, serious-looking spreadsheets. But if you strip all of that away, what sits at the very center? People.

As we transition into a new era where artificial intelligence and automation dominate the headlines, a familiar concern has resurfaced across the industry: are the machines coming for our jobs? The chief U.S. economist at J.P. Morgan, Michael Feroli, recently noted

that “the discussion about AI taking jobs, or at least good jobs, is generally framed as tomorrow’s problem.”¹

AI is not a rogue force from a sci-fi movie; it is simply the latest iteration of tools designed to help professionals work smarter. According to a 2024 report by McKinsey², AI has the potential to be as transformative as the steam engine was to the 19th-century Industrial Revolution. The key word here is transformative, not eliminative.

History proves that technology acts as an assistant, not a replacement:

- Excel didn't eliminate finance teams.
- SQL didn't make analysts obsolete.
- Power BI didn't replace decision-makers.

Instead, these tools stripped away manual effort to create space for higher-value work: strategy, judgment and relationship-building.

THE UNREPLACEABLE HUMAN TOUCH

While AI is undoubtedly a gamechanger, our industry is living proof that technology alone isn't enough. Success depends on deep-rooted human connectivity, flexibility and know-how.

At Justworks, I've seen this commitment firsthand. We leverage expertise to help business owners navigate complex workforce challenges so they can grow, adapt and remain resilient. While technology can process payroll with lightning speed, it cannot reassure a business owner facing economic uncertainty, intuitively understand organizational culture, or build the trust that sustains a long-term partnership.

WHEN IT MATTERED MOST

During the COVID-19 pandemic, the PEO difference moved from a theoretical benefit to a lifeline. Research conducted by McBassi & Company³ quantified this impact with striking clarity:

- Survival: Businesses partnering with PEOs were 58% less likely to close permanently.
- Resilience: PEO clients were 32% less likely to experience a negative overall impact.
- Funding: PEO clients were 71% more likely to receive PPP loans and 18% more likely to have them forgiven.

At Justworks, this commitment to going “above and beyond” was best defined by our fight for the Employee Retention Tax Credit (ERTC). While others waited for clarity, our team mobilized—navigating the shifting legal landscape and traveling directly to the Capitol with our customers to ensure their survival was a national priority. By giving our community a voice in the halls of power, we didn't just facilitate a process; we secured an additional

\$374 million for our customers to reinvest, rebuild and recover.

BRINGING AI TO SCALE

The true promise of AI lies in its ability to relegate mundane, repetitive tasks to the past. K-Ann Wilson, Senior Director of Payroll Tax & Unemployment Operations at Justworks, championed this potential in her February 2024 *PEO Insider* article, 'AI within UI,' noting that "the infusion of AI into the unemployment sector holds the key to unlocking a multitude of advantages."⁴

I agree wholeheartedly with Wilson's assessment: AI is an essential catalyst for the next era of our industry. However, we must recognize that reaching this horizon is not an automated process. It requires countless hours of human-driven coding,

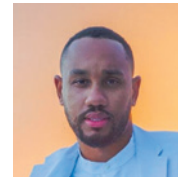
sophisticated software engineering, and rigorous cost-benefit analysis. Realizing AI's potential often demands a complete overhaul of outdated infrastructure—a transition that is impossible without human stakeholders to navigate the complexities. Without the *PEOPLE* behind the technology, the benefits of automation remain purely theoretical. Ultimately, we are at our best not when we are replaced by machines, but when our human expertise is amplified by them.

The future of the PEO industry is not a binary choice between human expertise and automation; it is a powerful partnership. In every major technological shift—from Y2K to the present—we didn't just survive; we adapted. The PEO industry will continue to thrive if we

remember that technology is the tool, but people are the beacon. We will always be at our best when there are people working alongside AI. ■

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THE NO-FRICTION WORKFLOW: DEFINING THE NEW STANDARD OF CLIENT-CENTRIC AGILITY IN PEOs

BY SWETHAA KUMAR

Client expectations are increasingly shaped by speed, clarity and ease of interaction across many insurance sectors. Small and mid-sized businesses now expect experiences that keep pace with how they operate day to day. For PEOs, this shift is especially visible in areas traditionally viewed as complex, such as workers' compensation underwriting and pricing.

By 2025, digital maturity has become a baseline rather than a differentiator. While many organizations across insurance and workforce services have adopted modern platforms, a meaningful number of PEOs still rely on manual or fragmented workflow for risk assessment and pricing. These legacy processes do more than slow internal operations.

They directly shape how clients perceive responsiveness, professionalism, and trust.

Henceforth, the concept of a “no-friction workflow” is emerging not as a technology trend, but as a client experience imperative. Reducing friction is no longer only about speed. It is about removing operational barriers that create confusion, delay, or inconsistency for clients at critical moments

THE HIGH COST OF FRICTION IN A CLIENT JOURNEY: WHERE TRUST BREAKS DOWN

The disconnect between PEO business goals and their everyday operations often creates substantial pipeline friction for SMBs. In fact, roughly 84% of prospects reportedly abandon their insurance

quotes due to slow response times¹. Customer dissatisfaction also peaks when pricing methods lack clarity. SMBs often refuse to accept premiums that appear inflated due to manual underwriting inefficiencies, a primary driver of high customer churn rates². Slow turnaround times during quoting, inconsistent eligibility decisions, or last-minute pricing adjustments introduce uncertainty when clients expect confidence.

In claims management, these gaps are even more glaring. Research suggests that a vast majority of workers' compensation costs stem from a small percentage of unpredictable, high-severity claims³. These are blind spots that do more than just drive-up costs—they compromise the hard-earned reputation that PEOs have cultivated over the years.

THE 'STACKED WIN' OF DIGITIZED UNDERWRITING

Reducing friction requires more than incremental process improvement. It requires rethinking how underwriting and pricing workflows support the overall client experience.

Digitalized underwriting plays a crucial role in this shift.⁴ When done right, it enhances experience while cutting costs. Intelligent systems reduce manual errors, standardize decision criteria, and provide clearer visibility into eligibility and pricing logic. This combination helps prevent last-minute coverage issues and inconsistent outcomes that frustrate clients.



Reducing friction requires more than incremental process improvement. It requires rethinking how underwriting and pricing workflows support the overall client experience.

Transparency is a critical outcome of these workflows. Modern platforms provide clear differentiation criteria and real-time status updates, simplifying workers' comp complexity for SMBs⁵. Automated workflows go beyond manual capacity, with businesses using intelligent automation reporting about 40% higher policyholder satisfaction due to faster resolution times⁶. Predictable, professional service is what distinguishes smart PEOs.

As workers' compensation portfolios grow more complex, AI-driven underwriting has reshaped how PEOs assess risk. By compressing portfolio analysis from days into minutes, these platforms enable faster, more consistent decisions without any hidden risk. This backend precision ensures stable pricing, uninterrupted coverage, and predictable outcomes, and directly improves the client experience for SMBs that depend on their PEOs for continuity and trust.

FROM OPERATIONAL EFFICIENCY TO CLIENT-CENTRIC AGILITY

Client-centric agility emerges when operational discipline and human judgment work together. The ability to understand true client value and leverage technology to acquire the right prospects is what makes PEOs stand out. Platforms

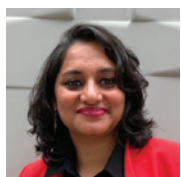
designed specifically for the PEO ecosystem reflect this shift.

By serving distinct client needs with hyper-personalized quotes, PEOs can redefine the scope of smart insurance technology. In this way, PEOs can build profitable and long-term partnerships.

Ruby Newell-Legner observes in her study 'Understanding Customers' that it takes 12 positive experiences to compensate for one unresolved negative one.⁷ While modern technology may have expanded what's operationally possible in businesses, superior client experience ultimately determines sustained growth. In an era where precision is non-negotiable, adopting no-friction workflows defines a new standard—the one where PEOs no longer must choose between speed, thoroughness, and agility. ■

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SWETHAA KUMAR

Product Manager
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Phoenix, AZ

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SOC 1 OR SOC 2 READINESS: A PRACTICAL PATH FOR PEOS TO BUILD STRONGER CONTROLS WITHOUT FULL CERTIFICATION

BY JASON F. CLAUSEN

PEOs occupy a unique position in the business ecosystem. They process payroll, manage benefits, handle HR compliance, and safeguard highly sensitive employee and financial data for thousands of client companies. In an environment where data breaches and financial reporting errors can destroy trust overnight, clients increasingly expect assurance that their PEO partner has robust internal controls.

System and Organization Controls (SOC) examinations developed by the American Institute of Certified Public Accountants (AICPA) offer one of the most respected ways to provide that assurance. Yet the reality in the PEO industry is clear: most organizations choose not to pursue full SOC 1 or SOC 2 certification. The reasons are practical and understandable high costs, significant time commitments, ongoing resource demands, and the fact that many

clients (particularly small and midsize businesses) do not explicitly require a formal report.

That does not mean PEOs should ignore the underlying value. *SOC readiness*, a focused gap analysis and control-strengthening process short of a full third-party attestation, delivers many of the same operational and risk-management benefits at a fraction of the commitment. For PEO leaders evaluating whether to invest in controls improvement, readiness

represents a smart, low-pressure entry point that strengthens the organization today and positions it for future growth or client demands tomorrow.

UNDERSTANDING SOC 1 AND SOC 2 IN THE PEO CONTEXT

SOC 1 and SOC 2 address different but often overlapping risks that PEOs face daily.

SOC 1

SOC 1 focuses on internal controls over financial reporting (ICFR). It evaluates whether the controls a PEO has in place are suitably designed (Type 1) and operating effectively over time (Type 2) to ensure the accuracy and reliability of the financial information it processes for clients think payroll calculations, tax withholdings, benefit deductions, and financial data feeds. Because PEOs essentially act as an extension of their clients' finance and HR departments, SOC 1 directly speaks to the integrity of the numbers that appear on client financial statements. Many PEOs that do pursue full certification start here, as payroll processing is core to the service model.

SOC 2

SOC 2 by contrast, examines controls related to the five Trust Services Criteria: security, availability, processing integrity, confidentiality, and privacy. It is particularly relevant for PEOs because they store, transmit, and process vast amounts of personally identifiable information (PII), protected health information (in benefits contexts), payroll data, and other sensitive records. A SOC 2 report reassures clients that the PEO's systems are secure

against unauthorized access, that data is confidential and private, and that services will be available when needed.

Some PEOs ultimately obtain both reports when serving enterprise clients or regulated industries that demand layered assurance. Others focus on SOC 1 because of its direct tie to financial processing. The key point is that both frameworks force organizations to document, test, and continually improve the very controls that prevent errors, fraud, and breaches, the same controls that protect both the PEO and its clients.

WHY MOST PEOS OPT OUT OF FULL CERTIFICATION

Full SOC examinations are rigorous. A Type 2 report typically requires 6–12 months of operating effectiveness testing, extensive documentation of policies and procedures, evidence collection for every control, and annual renewals. Independent CPA firms charge tens of thousands of dollars (often \$50,000–\$150,000+ depending on scope and complexity), and internal teams must dedicate significant hours to readiness, walkthroughs, and remediation. For smaller or mid-sized PEOs, the majority of the industry, these demands can feel disproportionate when client contracts rarely mandate a SOC report.

Many PEOs already operate under other oversight mechanisms: IRS Certified Professional Employer Organization (CPEO) status, Employer Services Assurance Corporation (ESAC) accreditation, state licensing requirements, or internal audits tied to workers' compensation and benefits administration. These programs address financial

stability and compliance, reducing the perceived urgency for an additional SOC attestation. Clients of smaller PEOs often prioritize cost, service responsiveness, and local expertise over formal SOC reports. In short, the return on investment for full certification simply does not pencil out for every organization in every market.

THE CASE FOR READINESS INSTEAD OF (OR BEFORE) CERTIFICATION

Readiness is not a watered-down version of compliance. It is the disciplined foundation that makes compliance possible and valuable. A SOC readiness engagement (often called a readiness assessment or gap analysis) involves an experienced advisor, internal compliance lead, consultant, or CPA firm, reviewing current policies, processes, and controls against the relevant SOC criteria. The deliverable is a clear report of strengths, gaps, and prioritized remediation steps. No formal opinion letter is issued, and there is no public or client-facing report requirement.

The advantages are compelling and immediate:

Risk reduction without the full price tag. Identifying weaknesses in access controls, change management, incident response, or payroll reconciliation processes allows a PEO to fix issues before they become audit findings or worse real incidents. Many data breaches and payroll errors stem from preventable control gaps that readiness uncovers early.

Operational efficiency gains. The process of mapping controls often reveals

redundant steps, outdated procedures, or manual workarounds that can be automated or streamlined. PEOs that complete readiness frequently report faster payroll cycles, fewer reconciliation errors, and reduced internal audit burden.

Stronger internal culture and governance. Documenting policies and training staff on security and financial controls creates accountability. Employees understand why dual authentication, least-privilege access, and segregation of duties matter when handling client data.

Future-proofing and competitive positioning. If an enterprise prospect or strategic partner later requests a SOC report, the PEO that has already completed readiness can move to full certification far faster and at lower cost. Even without a report, leadership can confidently describe control maturity to prospects (“We have completed a comprehensive SOC readiness assessment and remediated all high-priority gaps”).

Cost-effectiveness. A typical readiness engagement is a one-time or periodic investment measured in low five figures rather than the recurring high-five- or six-figure expense of annual Type 2 examinations. Many PEOs use readiness as a stepping-stone, deciding later whether the full report adds strategic value.

PRACTICAL STEPS TO ACHIEVE SOC READINESS

PEOs do not need to boil the ocean. A structured approach works well:

1. Define scope and objectives.

Decide whether to target SOC 1 (financial controls), SOC 2 (security and privacy), or both. Align the scope with the services that pose the greatest risk payroll processing, benefits administration, HRIS platforms, or data hosting.



Readiness is not a watered-down version of compliance. It is the disciplined foundation that makes compliance possible and valuable.

2. Assemble a cross-functional team.

Include representatives from IT/security, finance/payroll, operations, legal/compliance, and executive leadership. Assign clear ownership for each control area.

3. Document the system and controls.

Create or update narratives describing how services are delivered, the infrastructure and software involved, and the specific controls in place (access management, change control, backup and disaster recovery, vendor oversight, etc.).

4. Perform a gap analysis.

Compare existing controls against the AICPA criteria or control objectives. Use a qualified advisor if internal expertise is limited. Prioritize gaps by risk level (high-impact financial or security issues first).

5. Remediate and test.

Implement missing policies, automate controls where possible, train staff, and conduct internal testing to confirm effectiveness. Many PEOs leverage existing tools (HRIS audit logs, multi-factor authentication, automated payroll reconciliation) to satisfy criteria efficiently.

6. Monitor and maintain.

Build ongoing testing and reporting

into operations so that controls remain effective year-round. This makes any future full examination dramatically easier.

7. Optional external validation.

Engage a CPA firm for a formal readiness assessment report. The external perspective often uncovers blind spots and provides credible language leadership can use with clients or prospects.

The entire process typically spans 3–6 months depending on starting maturity. Many PEOs complete readiness in parallel with other initiatives (cybersecurity enhancements, HRIS upgrades, or CPEO renewal preparations) to maximize efficiency.

MOVING FORWARD WITH CONFIDENCE

PEOs exist to help clients manage risk, control costs, and focus on growth. Applying that same philosophy internally strengthening controls through targeted readiness rather than committing to full SOC certification upfront allows organizations to protect their clients, reduce their own exposure, and build operational resilience without unnecessary burden.

The PEO industry has always evolved through smart, pragmatic choices. SOC readiness is one such choice: it acknowledges the real barriers to full certification while capturing the tangible benefits of stronger controls. Whether your organization eventually pursues a formal SOC 1 or SOC 2 report or simply uses readiness to elevate internal standards, the result is the same: a more secure, efficient, and trustworthy partner for the businesses you serve.

In an industry built on trust, that is an investment worth making. ■



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AT THE CROSSROADS: ALIGNING TACTICAL AND STRATEGIC OPERATIONS IN PEOs

BY SCOTT A. JOHNSON

In most professional employer organizations (PEO), the management team spends the bulk of its week tackling whatever problem sits squarely in front of them. A client escalates a benefits issue; payroll files are late; a state regulator updates a form; a sales opportunity demands a custom proposal by end of day. This is the familiar rhythm of blocking and tackling—tactical challenges that are real, urgent and consequential. The hazard is not the work itself; it's what we forget while doing it: we operate as if each problem is an isolated event rather than part of a larger system moving toward a grander strategic vision.

Tactical efficiency does not replace strategic efficacy. Being excellent at solving the problem of the day is not the same as moving the business toward tomorrow's goals. In fact, tactical problems only make sense when viewed in the context of broader strategic priorities, and strategists working together across the organization will always outperform smart people operating in silos.

After my many years in the PEO industry, one lesson is clear: strategy is a team sport. It is rarely the product of a lone visionary. It emerges from the messy, invaluable input of data points across the entire enterprise—sales and client success, payroll and benefits, compliance and legal, product and technology, finance and HR. Clarifying, defining, and refining the right path forward depends on the

organization's ability to knit together these perspectives into a coherent, prioritized plan.

When the executive team genuinely understands both where the PEO industry is headed and how to steer operations in that direction, it is culturally and organizationally imperative to listen. Strategic clarity is a scarce asset. By the same token, it is essential to vigorously seek and surface holes in that strategy—assumptions that don't hold, risks that are underestimated, capability gaps that could stall execution—and to move quickly toward rectification. Of paramount importance is the collaboration itself: the willingness to test, debate, and improve the plan without ego, and then to align the entire operating system around it.

This is hard work. Accounting for the people, processes, and tools that may or may not exist to support a strategic vision is a nontrivial exercise. In a PEO, that means understanding whether our HRIS can scale with the product roadmap, whether the benefits team's workflows can meet a new service promise, whether our compliance team can absorb a new state entry, whether our sales compensation plan drives the right mix of clients. Inevitably, gaps appear. Closing them requires disciplined tactical execution to get things back on track: redesigning processes, retraining teams, resolving tech debt, renegotiating vendor terms, and rebuilding dashboards. Strategy without this operational backbone is



Strategy without this operational backbone is aspiration; tactics without this strategic north star are motion without progress.

aspiration; tactics without this strategic north star are motion without progress.

It helps to draw a sharp yet respectful distinction between tactical and strategic thinking. Tactical thinking centers on immediate action and problem-solving, employing detailed plans for specific outcomes. It assesses current circumstances, anticipates near-term obstacles, and devises concrete steps to hit defined targets. This is the domain of engineers and project managers, and in PEOs, of implementation leads, payroll managers, and benefits administrators who must get things right the first time, every time. Strategic thinking, conversely, is an intentional, rational process that focuses on the larger context—industry economics, regulatory trends, client segment shifts, technology disruption—and on decisions that create enduring advantage. Strategic thinkers question whether we are doing the right things; they anticipate opportunities and challenges, challenge conventional wisdom, and favor long-term value over short-sighted wins.

Both modes matter. Strategic effectiveness and tactical efficiency are the two operational aspects of a healthy organization. Leadership systems and management frameworks help structure roles, decision rights, and delegation; they ensure that strategy is articulated and owned. But tactical efficiency—the ability to execute

consistently, adapt quickly, and solve problems at the edge—is just as important. It is deceptively easy for leaders who excel at tactical leadership to become hyper-focused on the day-to-day grind and lose the big-picture view in the process. Equally, it is tempting for strategists to live in PowerPoint while the field fights fires. The truth is that both need to be on the same page, and both need input from each other: tactical insights should inform strategy, and strategy should shape tactics.

There is also a cultural dimension to this alignment. In practice, tacticians tend to land on the latter half of the old question, “Do you want to be right, or do you want to be effective?” They prize what works—what clears the backlog, fixes the issue, and satisfies the client. Strategists, too, must privilege effectiveness over theoretical elegance. That means designing plans that the organization can actually execute, sequencing initiatives against real capacity, and welcoming the friction that occurs when people closest to the work push back on assumptions. Effectiveness is a team outcome.

How do PEOs build a bridge between the boardroom and the front line? A few mechanisms reliably close the gap:

Translate the north star into a few non-negotiable priorities.

Define what winning looks like in concrete terms—target client segments, service model, unit economics, product roadmap—and socialize it relentlessly. Every initiative and project should map to one of these priorities or be paused.

Establish a clear operating model.

Decide and document who decides. Clarify decision rights, handoffs, and escalation paths across sales, operations, compliance, and technology. Ambiguity breeds silos, and clarity encourages cooperation.

Create a strategy-to-execution cadence. Use quarterly objectives and key results that link directly to strategic

priorities. Pair these with weekly operational reviews that surface blockers early. Keep the chain of context intact from broad goals to team backlogs.

Build cross-functional squads for key outcomes. For example, if the strategic goal is to halve onboarding cycle time, form a squad spanning sales, implementation, payroll, benefits, and IT. Give them a single metric and the authority to change processes and tools.

Balance leading and lagging indicators. Mix outcome metrics (client NPS, gross margin, revenue growth) with leading indicators (first-pay accuracy, ticket aging, time-to-issue resolution). Make data visible and actionable at every level.

Institutionalize learning loops.

Run premortems on major initiatives to anticipate failure points; conduct after-action reviews on incidents to bake learning into process; use “red team” sessions to deliberately poke holes in key assumptions without stigma.

Practice portfolio discipline.

Not every good idea fits the capacity or the strategy. Fund the few initiatives that matter most. Mothball or kill low-impact work quickly and redeploy resources with purpose.

Invest in hybrid thinkers. Develop leaders who can zoom out and zoom in—people who respect the craft of daily operations and can also connect dots across markets, clients, and capabilities. Promote for collaboration, not just heroics.

Map people, process, and tools to the vision. Inventory capabilities honestly. Where there are gaps, plan specific tactical sprints—process redesigns, system upgrades, training programs—with owners, timelines, and measures of success.

For PEOs, these practices are not abstractions. Consider a common scenario: leadership commits to a strategic move up-market, targeting larger clients with complex benefits and multi-state payroll. Without alignment,

sales pushes the segment, while operations struggles with an HRIS that isn't configured for multi-state, benefits lacks carrier relationships in new regions, compliance is underwater with new filing requirements, and finance hasn't priced service to reflect complexity. Clients feel the disconnect and churn. With alignment, the sequence changes: operations and technology test and harden the HRIS, benefits cultivating carriers, compliance and staffs and tools up, finance recalibrates pricing, and only then does sales scale the segment. The result is not just fewer fires—it is strategic efficacy realized through tactical excellence.

Finally, remember that this alignment requires a particular kind of culture. If executives have a sound view of the industry and a pragmatic plan, they must be listened to intently. And if front-line teams see gaps and risks, they must be encouraged to speak candidly. Respect without deference and dissent without disrespect. The point is not to win arguments—it's to build a better approach together.

PEOs sit at a crossroads where the demands of daily service are relentless, and the pace of industry change is accelerating. The only sustainable path is to walk both lanes at once: to keep our boots on the ground solving today's problems while our eyes stay on the map of where the business must go. Strategy sets direction. Tactics create motion. Progress requires both—linked, sequenced, and continually informed by the other. When we make that connection explicit and durable, we move from merely being busy to being effective, from blocking and tackling to building and winning. ■



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THE BEST-LAID GROWTH PLANS:

PART ONE OF A THREE PART LOOK AT HOW AI IS RESHAPING THE PEO BUYER JOURNEY

BY AMANDA ORTEGA

It's happening. AI is reshaping the growth equation for PEOs. Employers evaluating PEO options can research their choices through conversation-style answer systems outside the traditional sales funnel. If PEOs want to earn a place in the consideration set, they have to make a strategic shift in their marketing priorities.

This article is the first in a three-part series that examines how AI-search is reshaping PEO growth today and what leaders can do in response. Each article focuses on a different lever that shapes employer understanding before a sales conversation begins. Those levers are 1) clarity, 2) consistency, and 3) trust.

CLARITY: THE STARTING POINT FOR GROWTH

For years, PEO sales teams have carried much of the responsibility for explaining differences between providers. In a complex category that is often misunderstood, early conversations have traditionally been where employers first gain a clear understanding of scope and fit.

What's changing is not the importance of those conversations, but where and how they happen.

In an AI-shaped buying environment, employers conduct fast, self-directed research to understand the PEO landscape before engaging a provider. This early discovery increasingly mirrors rapid-fire sales conversations, only

without human involvement.

Independent research shows that B2B buyers are already 57–70% through their evaluation before engagement begins. By the time a conversation happens, early perceptions have already formed through AI search, and in many cases, a shortlist is already taking shape.

Once that early picture forms, it becomes difficult to change. In the context of deep buyer research, clarity has become a price of entry. When positioning is unclear, PEOs are often excluded from consideration before sales has a chance to engage. A PEO's positioning must answer a critical question early: what is this PEO best suited to handle, and for whom? Whether that answer

carries enough specificity for your target audience directly impacts growth.

Sales teams already know how to articulate fit in live conversations. The new challenge is reinforcing that clarity online where buyer discovery begins.

HOW BROAD MESSAGING WORKS AGAINST DISCOVERY

Many PEOs address buyer relevance in sales conversations but, online, use language that feels safe and comprehensive. Phrases like “full-service,” “end-to-end,” or “solutions for employers of all sizes” are common.

While well-intended, leading with broad language often works against clarity during AI-supported buyer research. Broad claims lack the anchors AI algorithms rely on. They don't clearly signal who the PEO serves best, what complexity it handles particularly well, or where its experience is deepest. As a result, answer systems struggle to connect those claims to the types of questions employers are actually asking.

Employers increasingly frame their research around context:

- “What PEO works best for multi-state employers?”
- “Which PEOs specialize in healthcare compliance?”
- “How do high-growth companies manage payroll and benefits complexity?”

Crystal clear positioning is less about narrowing opportunity and more about increasing precision. When positioning is

broad, there's almost no way for those questions to surface your message. When positioning is clear and specific, relevance becomes easier to establish.

CLARITY AS A GROWTH LEVER

Traditional growth planning relies on familiar activities: defining target segments, prioritizing demand channels, setting pipeline targets, and aligning sales around what a “good fit” looks like.

When positioning is clear, it attracts employers who already recognize themselves in the message. Online messaging supports sales upstream by pre-aligning and pre-qualifying buyers, resulting in fewer, more highly engaged website visitors. (This is a *good* thing.)

Unclear positioning slows growth plans. The work of marketing now is to clarify online what sales teams are already delivering in conversations with employers. Make online content effective in AI-driven discovery by scaling what works.

This brings into focus a key shift in the sales-marketing relationship. Modern marketing's role is to become more sales-informed about buyer intent. Sales teams are in conversation with employers, refining language, answering objections, and explaining where the PEO is strongest.

TURNING CLARITY INTO ACTION

Ensure Marketing is Sales-Informed.

Use sales conversations to define clarity. Listen to how your team explains fit, specialization, and value in plain

language, then pair that insight with structured research into the questions employers ask during early exploration. This is where insights for clear positioning may already exist.

Reinforce that clarity everywhere discovery happens.

Take the language sales uses successfully and carry it online. Shape headlines, service descriptions, FAQs, and industry pages around real employer questions, pain points, and semantics. Marketing's job is not to invent clarity, but to scale what sales already knows works.

Let clarity guide growth decisions.

Focus growth investment on the segments and complexity scenarios where clarity earns consideration and converts with confidence. When coherence informs content priorities, growth and fit move forward together.

Clarity determines whether a PEO is understood early enough to be considered. It is the first filter in an AI-influenced buyer journey.

In the next article, we'll build on this foundation by examining consistency and why reinforcing the same clarity across channels is essential for trust and momentum at scale. See you next month! ■



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THE MODERN PEO PLAYBOOK: MANAGING COMPLIANCE, NAVIGATING UNCERTAINTY, ADOPTING AI

BY JURA SLATTERY

With ongoing economic uncertainty, rising healthcare costs, and evolving regulations, employers are under increased pressure to manage these shifts and control costs while also improving employee experience. As a result, PEOs and brokers are navigating one of the most demanding advisory environments ever, with *isolved's* 2026 Emerging Trends for Brokers¹ report finding that nearly all respondents (93%) say clients now seek support beyond traditional services.

The most forward-thinking PEOs are stepping into this newfound role of trusted, year-round HR advisors by leveraging AI to help clients proactively

prepare at a time when the economic and regulatory environment feels too unpredictable to plan for.

RISK & COMPLIANCE: WHY REGULATORY EXPERTISE IS A DIFFERENTIATOR

Compliance and risk management remain one of the most complex and high-stakes responsibilities for PEOs to manage, and one of the greatest opportunities to build long-term trust.

As regulations continue to evolve at both the state and federal levels, employers are looking for partners who can simplify complex requirements, reduce risk, and help them feel confident that the work is done thoroughly and in accordance with applicable regulations.

At the same time, advisors' own compliance burden is growing, as firms face increased volumes of largely manual work as they guide clients through unique state-by-state rules and compliance considerations.

ERISA and COBRA administration, FMLA tracking, and Affordable Care Act reporting rank among clients' top concerns in *isolved's* report, and each carries strict timelines, standards and compliance requirements. Missing a notice, misclassifying an employee or overlooking a filing deadline can expose employers to significant financial and reputational risk.

For PEOs, addressing these concerns and meeting the changing needs of

employers requires staying current on regulatory updates, investing in systems to streamline tracking, and leaning on HCM partners for added support.

When PEOs combine regulatory expertise with strategic support, they move beyond reactive problem-solving and position themselves as a proactive risk manager, delivering the steady, reliable support that today's employers need year-round.

NAVIGATING CLIENTS THROUGH ECONOMIC UNCERTAINTY

Regulatory changes and compliance are not the only source of volatility and uncertainty for employers, who are also now leaning on their PEOs for guidance in navigating an unpredictable economy. Client needs are being reshaped by rising costs, shifting budgets and ongoing market changes, now requiring steady guidance as they navigate financial pressures, workforce changes, and the growing complexity of AI.

For many advisors, this means shifting from renewal-focused support to year-round guidance that connects budgets, benefits, and workforce needs. Nearly half (47%) of brokers say rising healthcare costs and data privacy regulations will have the greatest impact on advisory services over the next two to three years.

In this environment, employers need more than just price comparisons. They need advisors and partners who will work closely with them to plan workforce scenarios and break down relevant trends.

PEOs can strengthen their role in a few effective ways. Specifically,



The advisors who will set themselves apart will be those who proactively turn market shifts into actionable, practical guidance, providing the clarity and confidence customers are depending on.

leveraging forecasting tools will help clients explore different budgets or workforce scenarios for longer-term planning while maintaining consistent, proactive communication. The advisors who will set themselves apart will be those who proactively turn market shifts into actionable, practical guidance, providing the clarity and confidence customers are depending on.

LEVERAGING AI TO MEET CUSTOMER EXPECTATIONS

As employer expectations for PEOs continue to rise, PEOs are under pressure to deliver faster, more strategic, and highly personalized guidance. AI and automation are quickly becoming critical tools to help meet and exceed client demands, not by replacing advisors' expertise, but by augmenting it.

Many firms are already integrating AI capabilities into their operations, with isolved finding that 53% of brokers are automating compliance monitoring,

50% are using AI for financial wellness planning or investment strategy personalization, and 48% are using AI-powered analytics to customize employee benefits. The results are already showing, with 64% saying AI has streamlined tracking and reporting.

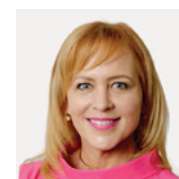
By reducing administrative strain and improving accuracy, it's clear that AI tools give advisors the time they need to focus on strategic conversations, scenario planning, and client support. However, though AI adoption has exploded among PEOs, there is still some hesitation. For instance, 55% say AI recommendations don't always account for company culture and softer needs of employees, providing a clear signal for where AI can continue to evolve to help firms do their best work.

LEADING WITH CLARITY THROUGH COMPLEXITY

As employers increasingly look to their advisors for broader, year-round support, PEOs will set themselves apart by how effectively they manage key client concerns. In a more demanding advisory environment, PEOs that are successful will provide both traditional services and steady, forward-thinking, and AI-driven leadership when their clients need it most. ■

REFERENCE:

1 <https://www.isolvedhcm.com/media-center/press-releases/brokers-see-rising-demand-compliance-services>



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YOUR DUES AT WORK

BY CASEY M. CLARK

In late February, our leadership convened in California for our annual first quarter board retreat.

You've heard me say many times that your deep commitment to collaboration and engagement represents a core strength of our industry. True to form, the conversations were thoughtful, robust and productive.

You invest a lot in NAPEO—corporate dues, personal PAC contributions and, importantly, time. That is why we focused our retreat discussion on ways to enhance the return on those investments in us by elevating the value derived from NAPEO membership.

We left the retreat with tangible steps to produce new resources, elevate the PEO industry's voice in Washington and enhance our insightful programming—all in alignment with our strategic plan. I look forward to introducing these new resources throughout the year.

PILLAR 1: DEFINE AND DRIVE A COMPELLING INDUSTRY NARRATIVE

Several new tools are in the works to more consistently tell the story of how PEOs help American businesses thrive. We're working on an interactive map that will showcase the comprehensive PEO

client data captured in last year's study. This will enable all NAPEO members to self-serve data most relevant to their business needs while highlighting the full breadth and scope of our industry.

A new advocacy toolkit will better equip you to communicate with policymakers. The collateral within will offer messaging guidance, industry factsheets and material to share with the legislator or regulator. By getting the industry on the same page, we'll be able to enhance PEO comprehension with those with the greatest ability to impact the business climate for PEOs and the more than 230,000 businesses we serve. This leads me to pillar two.

PILLAR 2: SECURE A FAVORABLE POLICY ENVIRONMENT FOR PEO SUCCESS

Each year we meet with legislators on Capitol Hill during PEO Advocacy Day, and I hope to see many of you next month. It's an important opportunity for policymakers to hear our message. This year, we're extending these efforts by launching a pilot program to host small business roundtables with influential legislators, PEOs and PEO clients in-district. These roundtables will localize the PEO impact story for policymakers and create opportunities for NAPEO

members and their clients to interact directly with their elected officials.

We're also exploring ways to convene regulators who cover or oversee topics of great importance to PEOs. Convening groups of regulators will allow us to highlight effective regulation and deliver a consistent industry message and perspective on key issues at scale.

PILLAR 3: ELEVATE NAPEO AS THE DEFINITIVE PEO INDUSTRY RESOURCE AND CONVENER

Member education and engagement will always be a core function of NAPEO. That being said, as the industry evolves so too must the format, structure and content we deliver. We're focused on creating opportunities for new industry voices to participate in conference panels to drive engagement and offer more chances for leadership development. We'll also evaluate our current event calendar to see where improvements can be made. Lastly, we'll take a close look at our current leadership council structure and make improvements to better serve the needs of our association.

The progress ahead is only possible because of the engagement and commitment of NAPEO members. Your dues support the advocacy, resources and community that strengthen our industry and help PEOs deliver real impact for American businesses and communities all across the country. Together, we will continue advancing our shared priorities and ensuring that the PEO industry remains strong, influential and well-positioned for the future. ■



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