PEO INS

PUBLISHED BY THE NATIONAL ASSOCIATION OF PROFESSIONAL EMPLOYER ORGANIZATIONS®

THIS MONTH'S FOCUS

PEOs: SMALL BUSINESS CHAMPIONS

BUILDING A GROWTH FOUNDATION

TALENT MANAGEMENT STRATEGY

CONNECTING WITH MODERN SMB OPERATORS

COVER STORY

ARKENSTONE DEFENSE:

A MISSION-READY PEO

Kerry Ashby, President, PEO, Arkenstone Defense

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A YEAR OF PROGRESS WITH MORE AHEAD

BY BILL MANESS

As I reflect on my first year as chair of the NAPEO Board of Directors, I'm proud of the meaningful progress we've made to ensure NAPEO is positioned to serve our industry well for years to come.

Serving as chair has given me an even greater appreciation for the strength of this association. NAPEO's success is rooted in the engagement of its members: the volunteers who serve on committees and task forces, the leaders who share their expertise, the companies that invest in our events and programs and the members who advocate on behalf of the PEO industry.

Over the past year, the board has remained focused on strengthening the association's foundation. I've worked closely with NAPEO President and CEO Casey Clark to assess where we are making progress, where we need to adapt and how we can continue delivering meaningful value to members.

We have also continued to build momentum on our strategic plan pillars. From strengthening relationships with policymakers to providing relevant education and creating opportunities for members to learn from one another, we are ensuring that the PEO industry is stronger than ever.

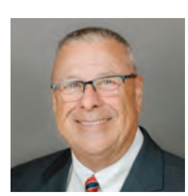
I look forward to building on the foundation we have established and continuing to strengthen NAPEO's ability to support and grow this remarkable industry.

None of this progress happens without strong leadership. I would like to recognize and thank the board members whose terms are concluding: Joe Beers, Erica Brune, Monica Denler, Hank Johnson, Wendy Katz, Britt Landrum, III, Andrea McHenry and John Polson. We are grateful for their time and dedication. Their service has helped move NAPEO forward, and I hope you will join me in thanking them for their contributions.

We will also welcome a new group of board members, each of whom brings valuable experience, a fresh perspective and a commitment to serving our association. I look forward to working with them as they begin their board service.

As I begin my second year as chair, I am energized by what lies ahead. We have made important progress, but there is more work to do. I look forward to building on the foundation we have established and continuing to strengthen NAPEO's ability to support and grow this remarkable industry.

Thank you for the opportunity to serve. I look forward to seeing many of you in Marco Island! ■



BILL MANESS

2025-2026
NAPEO Chair
CEO
Syndeo

QUICK HITS

INSIGHTS

G&A PARTNERS RELEASES SMB READINESS REPORT

NAPEO member G&A Partners has released its 2026 SMB Readiness Report, which finds that small and medium-sized business leaders remain cautiously optimistic about the future. While many companies plan to freeze hiring or reduce their workforce over the next year, they also expect to invest in better benefits and healthcare (41%), expand hiring efforts (40%), increase compensation (34%) and allocate or reallocate resources to compliance, HR and risk management (28%).

CONGRATULATIONS

REGISHR EARNS TOP WORKPLACE RANKING

NAPEO member RegisHR has earned the top ranking among small workplaces in the South Florida Sun Sentinel's annual Top Workplaces competition after four years of recognition on the list. "Our mission is to treat our internal employees with the care and the respect that they deserve," said Carlos Saladrigas Jr., co-founder and CEO of RegisHR. "At the end of the day, they're the ones out there on the road, doing the work, going on meetings with clients. It's just being good, giving back to the community, and providing our clients with world-class service."

KUDOS

PAYCHEX EARNS RECOGNITION FOR TRUST AND WORKPLACE EXCELLENCE

NAPEO member Paychex has been named one of the Most Trustworthy Companies in America by *Newsweek* and Statista. The company also has been recognized on America's Greatest Workplaces list by *Newsweek* and Plant-A Insights Group. "We are honored to be recognized by Newsweek for both trust and workplace excellence, which are principles that are deeply connected at Paychex," said Mason Argiropoulos, chief human resources officer at Paychex. "By investing in our employees and consistently delivering for our clients, we continue to build a company that businesses can rely on, and where people want to work."

REST IN PEACE

IN MEMORIAM: JIM BELL, SR.

James "Jim" Bell, Sr., founder of Abel HR and longtime NAPEO member, passed away on July 15.

After high school he proudly served his country as a petty officer second class in the United States Navy. Following his service, Jim earned his bachelor's degree from Rider University. He would go on to work at several corporations, including Johnson & Johnson, General Dynamics and Utz Quality Foods before opening his own company.

In 1992, Jim had an idea for a business that would help employers better support their people: a PEO. He founded Abel HR and grew the business into a thriving and successful PEO in New Jersey.

Through his entrepreneurship and leadership, he contributed not only to the success of his own company but also supported the growth and success of the entire PEO industry. He was an active and involved member of NAPEO. His experience and perspective strengthened those who had the privilege of knowing him.

Andy Lubash, former NAPEO chair and CEO of PrestigePEO, remembers Bell as a friend and mentor. He reflects:

> *As the founder of Abel HR, Jim, Sr. didn't just help start a business. He helped shape an industry. In the early days of the PEO world, when the model was still new and unproven to many, Jim, Sr. was among those who believed in it, fought for it and built the credibility that so many companies now stand on. He became a leader not because he sought the title, but because people trusted him—his word, his judgment, his integrity. That kind of leadership isn't handed out. It's earned.*
>
> *But for all he built professionally, those who knew him best will remember something simpler: that he was, first and always, a father and a friend. The kind of man whose door was open, whose advice was honest and whose loyalty never wavered. He measured success not by what he accumulated, but by the people he lifted along the way—employees who became family, clients who became friends and a family who was, without question, the center of his life.*
>
> *The PEO industry lost one of its true founders. But those of us who were lucky enough to call him father, friend or mentor lost something far greater—a steady hand, a generous heart and a man whose example we'll spend the rest of our lives trying to live up to.*

For all his professional accomplishments, Jim's greatest joy was his family. Roger Hays, president of Passio HR remembers Bell first and foremost as a family man:

> *Jim Bell, Sr. was one of the pioneers in our industry and his steady involvement and leadership during the early years of the PEO business, and NAPEO, helped to create the very foundation for everything that has come since. But more than that, I will remember him for his love of his family. He was a great family man; he loved his sons dearly, and his legacy will continue on though those three men as well as his grandchildren. He will be deeply missed by so many of us in this industry.*

Jim leaves behind a legacy of service and entrepreneurship. He will be greatly missed.

LEADERSHIP

KEENA PEO SERVICES APPOINTS THOMAS NANNINGA AS EXECUTIVE VICE PRESIDENT

NAPEO member KEENA PEO Services has appointed Thomas Nanninga as executive vice president. With more than 25 years of experience in the PEO industry, Nanninga has a track record of strengthening operations, creating stronger client partnerships and driving long-term growth for the organizations he's served. In his new role, he will work closely with KEENA's leadership team to advance the company's strategic priorities and expand its presence in the markets it serves. "I am thrilled to join Keena PEO Services and am confident that my experience, along with their great team, will have a significant impact on them reaching their goal of being a premier provider of PEO services," said Nanninga.

LEADERSHIP

ABSENCESOFT APPOINTS JOE FRASSICA AS CHIEF REVENUE OFFICER

NAPEO member AbsenceSoft has appointed Joe Frassica as chief revenue officer, strengthening its executive team as employers face increasing complexity in managing employee leave, workplace accommodations and regulatory compliance. "We're thrilled to welcome Joe to AbsenceSoft," said Chris Murphy, chief executive officer of AbsenceSoft. "With state leave laws expanding and accommodations requests on the rise, we're in business to reduce legal and financial exposure for the C-suite, while ensuring the best possible employee experience. Joe has a proven record of building revenue organizations that scale, and his deep HCM experience makes him exactly the right person for this moment."

KUDOS

POSTERELITE HONORED AS PRISMHR'S EMERGING PARTNER OF THE YEAR

NAPEO member PosterElite has been named Emerging Partner of the Year by PrismHR, also a NAPEO member. The award recognizes PosterElite's rapid adoption by PrismHR PEOs and the value it delivers through its integrated compliance solution, which helps PEOs streamline labor law poster management while improving service offerings to their clients. "We are honored to be recognized by PrismHR as their Emerging Partner of the Year," said Patrick Saeger, chief executive officer of PosterElite. "This award reflects the strength of our partnership and the meaningful impact we're seeing across the PrismHR community. With more than 100 PEOs leveraging our solution today, we're proud to be helping them modernize compliance, reduce administrative burden, and deliver greater value to their clients."

LEADERSHIP

CONGRUITY HR APPOINTS ARLENE ROSE AS VICE PRESIDENT OF 401(K) OPERATIONS

NAPEO member Congruity HR has appointed Arlene Rose as vice president of 401(k) operations. With over a decade of experience in the PEO retirement services industry, Rose oversees the strategic leadership and execution of retirement plan operations, ensuring exceptional service, operational excellence and regulatory compliance across the organization. "We are thrilled to welcome Arlene to the Congruity HR team," said Mike Viola, chief executive officer of Congruity HR. "Her deep technical expertise in retirement plan operations and her track record managing large, complex plans make her an incredible addition as we continue to expand our retirement services offering."

REST IN PEACE

IN MEMORIAM: SCOTT SILVA

We are deeply saddened to share the loss of Scott Silva, analyst at Silva Capital Solutions, who passed away on August 15. Scott quite literally grew up around the PEO industry and for the past five years worked alongside his mother, Wanda Silva, providing strategic counsel to PEO owners on a variety of issues including M&A, leadership transitions and valuation.

His election to the 2026 NextGen Leadership Class recognized what so many in our community already saw—a talented young professional with a bright future and a genuine desire to contribute to the health and success of the PEO industry. Scott also served on the NAPEO Gives Back committee and contributed regularly to *PEO Insider,* demonstrating his willingness to give back to our industry and help others.

Scott had a desire to learn and was an eager participant in NAPEO's mentorship program. Scott Johnson of Paychex, who led Scott's mentorship cohort, remembers him as "a bright and shining light," a sentiment that was echoed multiple times by his peers in the NextGen program.

"He was a selfless and giving soul and his fondness for his peers was all too evident whenever he and I spoke privately. I loved those times of reflection and introspection with him," Johnson says.

"Scott cared deeply about this industry and his enthusiastic and optimistic spirit was infectious to anyone who was fortunate to know him," says NAPEO President & CEO Casey Clark. "His contributions and impact will be sorely missed."

We extend our deepest sympathy to his mother Wanda, his wife Lizzy, his brother Alan and their entire family.

CONGRATULATIONS

ISOLVED NAMED TOP WORKTECH COMPANY

NAPEO member isolved has been named to the inaugural list of America's Top WorkTech Companies of 2026 by TIME and Statista. The award highlights impactful and financially strong companies that develop and provide workplace technologies, including software and hardware for HR, workforce management, employee experience, learning and workplace operations. "For the customers we serve—the HR, payroll and benefits professionals who show up every day to take care of their organizations—this one's for you," said Pragya Gupta, chief operating officer of isolved. "This recognition reflects the trust you've placed in us and the work we've done together." ■

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BUILDING A GROWTH FOUNDATION

SCALING WITH CONFIDENCE: WHY GROWING BUSINESSES NEED STRATEGIC HR PARTNERS, NOT JUST HR SUPPORT

BY BRANDON HARTSAW

Growth is often celebrated as the ultimate measure of business success. But anyone who has helped an organization scale knows that growth brings new challenges alongside new opportunities.

Expanding into new markets, adding employees, increasing revenue, and adopting new technologies all create momentum. They also introduce complexity.

The strategies and processes that served a business well in the early years rarely deliver the same results as an organization matures. Every growing company eventually reaches the point where what got us here won't get us there.

Today, conversations with business leaders often begin long before they're actively searching for HR support. Instead, they're asking broader questions about sustainable growth and organizational readiness. They recognize that the organization they're becoming requires a different operating model than the one that helped them reach their current stage.

The discussion is no longer simply about payroll or benefits administration. It's about building an organization that can continue growing without sacrificing culture, compliance, operational consistency or the employee experience.

GROWTH CHANGES THE CONVERSATION

Every growing organization eventually reaches a point where familiar approaches begin to show their limits. As businesses expand, decisions become more complex, responsibilities become more specialized, and leaders spend more time managing operations than driving strategy.

In the early stages, flexibility is often an advantage. Communication happens naturally, leaders stay close to employees, and decisions can be made quickly. Growth changes those dynamics. Teams become larger. Responsibilities become more distributed. Maintaining alignment requires greater structure and more intentional leadership.

As a result, the conversation changes. Instead of asking, "How do we solve today's HR problem?" growing employers increasingly ask, "How do we build an organization that can support where we're headed over the next several years?"

That's a fundamentally different question.

Organizations that scale successfully understand that people strategy is business strategy. HR is no longer simply an administrative function. It becomes a driver of organizational performance by strengthening processes, reducing risk, improving accountability and supporting an employee experience that can grow alongside the business.

TECHNOLOGY IS AN ENABLER—NOT THE STRATEGY

Technology has transformed workforce management. Artificial intelligence, automation, workforce analytics, recruiting platforms, and integrated HR systems all create new opportunities to improve efficiency and decision-making.

Technology alone doesn't solve organizational challenges.

One of the most common misconceptions is that implementing new software automatically improves operations. In reality, technology amplifies existing processes rather than fixing them. If workflows are inconsistent or expectations are unclear, those issues become more visible—not less.

Successful organizations take a different approach. They first define how work should happen, what experience they want employees and managers to have, and what information leaders need to make sound decisions. Technology is then selected to support those objectives.

When implemented thoughtfully, technology reduces administrative

burden, improves visibility into workforce data, strengthens compliance efforts, and frees leaders to focus on higher-value work. Its greatest impact, however, comes when it's supported by strong leadership, well-defined processes and a clear vision for growth.

The strategies and processes that served a business well in the early years rarely deliver the same results as an organization matures. Every growing company eventually reaches the point where what got us here won't get us there.

THE EVOLVING EXPECTATIONS OF EMPLOYERS

Today's employers are navigating a rapidly changing workforce. Employees expect more than competitive compensation and benefits. They want meaningful communication, opportunities for development, and confidence that their employer is investing in both people and long-term success.

At the same time, organizations face increasing regulatory complexity, ongoing labor market pressures, and heightened expectations around compliance and risk management.

These realities require a more strategic approach.

Organizations that scale well recognize that investing in people is not separate from investing in the business. Employee experience, leadership development, operational consistency and business performance are closely connected.

This is where strategic HR partnerships create lasting value. Beyond technical expertise, the right partner provides perspective. They help leaders anticipate challenges before they become disruptions, improve operational effectiveness and make decisions that support both today's priorities and tomorrow's goals.

The strongest partnerships don't simply respond to problems. They help organizations prepare for what's next.

BUILDING FOR THE BUSINESS YOU'RE BECOMING

One characteristic consistently separates organizations that scale successfully: they evolve before circumstances force them to.

Rather than waiting until rapid hiring, compliance challenges, or operational inefficiencies become obstacles, forward-thinking leaders build systems that support future growth. They invest intentionally in people, processes, technology and leadership before those investments become urgent.

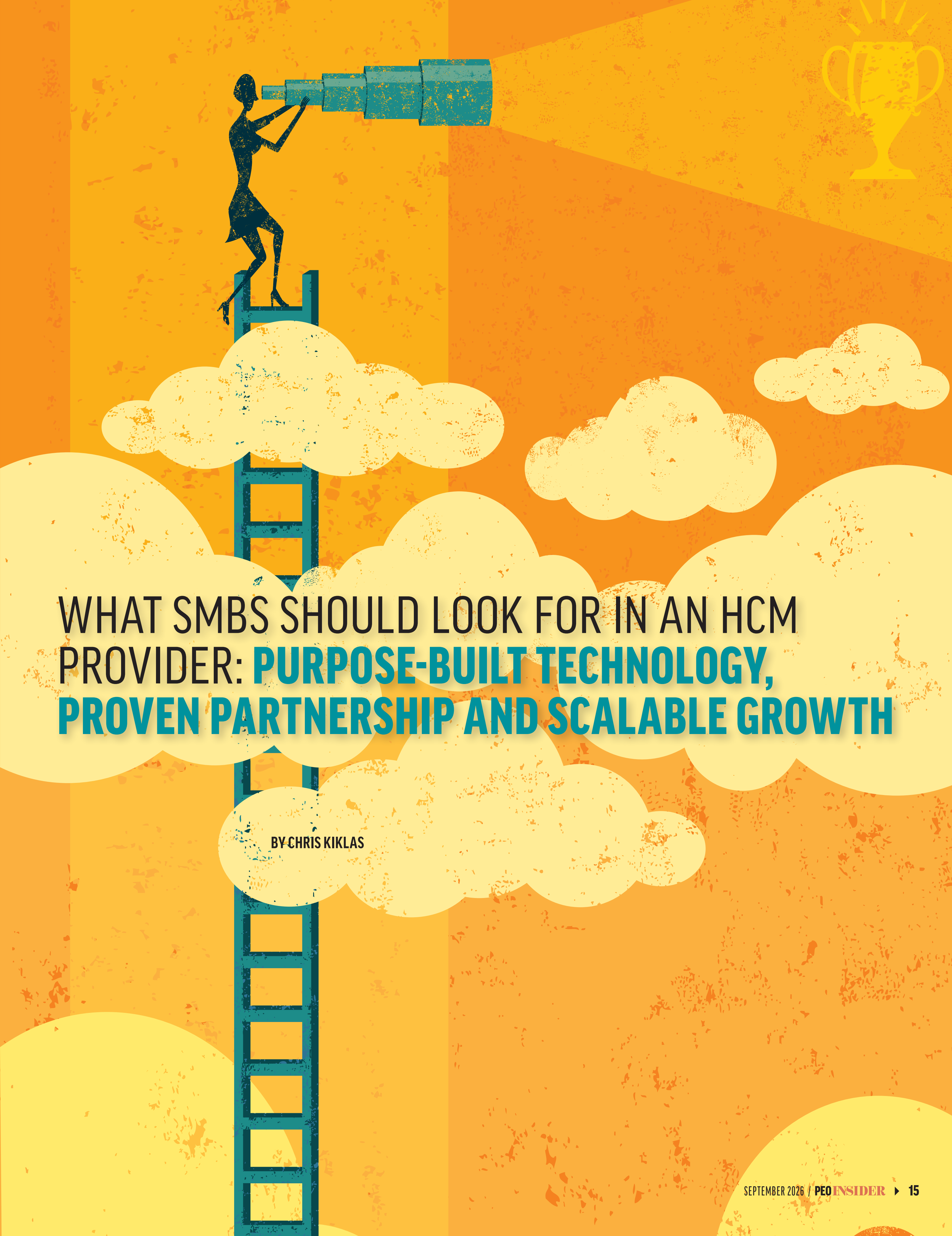
That mindset creates resilience. It enables organizations to adapt more confidently to changing business conditions, respond more effectively to new opportunities and continue growing without losing the culture and values that made them successful.

Growth will always introduce new challenges. The organizations that thrive are not the ones that encounter the fewest obstacles. They are the ones that prepare thoughtfully, make strategic decisions early and surround themselves with partners who help them see beyond today's priorities.

Ultimately, scaling with confidence isn't about growing faster. It's about building an organization that's prepared to sustain success long after growth arrives. ■

BRANDON HARTSAW

Chief Operating Officer
Questco
The Woodlands, TX



WHAT SMBS SHOULD LOOK FOR IN AN HCM PROVIDER: PURPOSE-BUILT TECHNOLOGY, PROVEN PARTNERSHIP AND SCALABLE GROWTH

BY CHRIS KIKLAS

For small and mid-size businesses (SMB), growth isn't linear. It often comes with a constant push and pull between ambition and bandwidth, efficiency and employee experience, cost control and compliance risk. For professional employer organizations (PEOs) supporting these businesses, this creates both a challenge and an opportunity: SMBs need more than standalone HR tools. They need interconnected human capital management (HCM) systems that help them operate in real time with greater clarity, consistency, and confidence.

THE PROBLEM WITH TOOL SPRAWL

Many SMBs start by solving one problem at a time. They buy a payroll solution, then add a timekeeping app, then layer in benefits administration, scheduling, compliance tracking, onboarding, reporting and employee communications. Each tool may address an immediate pain point, but over time, the business can end up with a fragmented technology environment that creates more work instead of less due to tool sprawl.

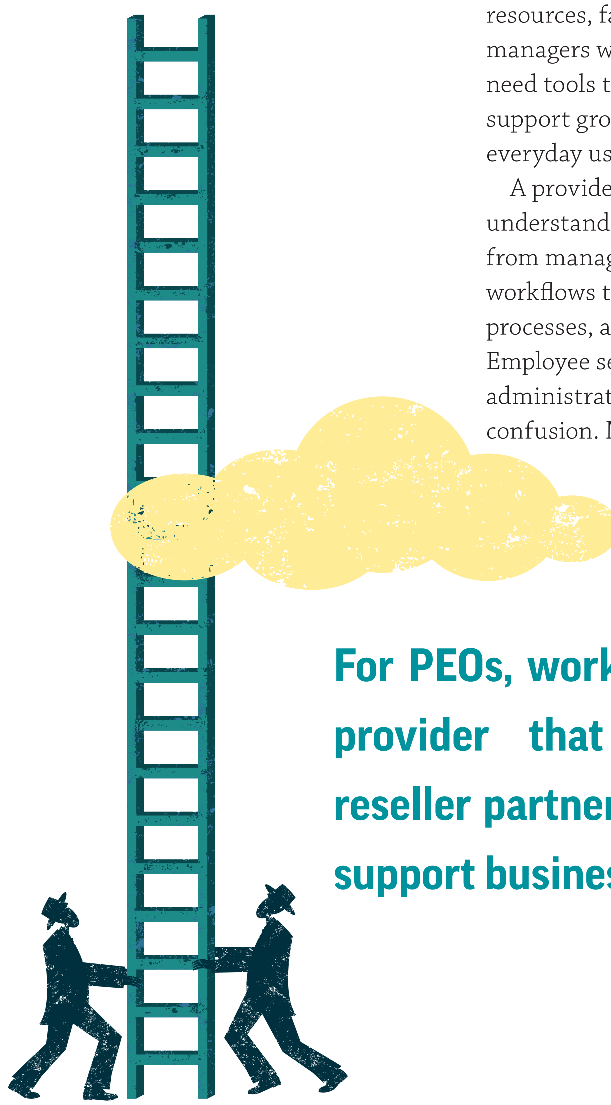
With different systems layered on top of one another, these organizations quickly realize that data lives in different places. Leaders struggle to get a reliable view of labor costs, staffing needs, compliance exposure, and workforce trends, leading to the same information being entered more than once, payroll changes happening manually, and employees experiencing inconsistent processes. For SMBs already operating with lean teams, these inefficiencies can slow growth, increase risk and chip away at employee trust, making integration even more crucial.

Integration is especially important for PEOs because their clients are often seeking simplicity, not complexity. SMB leaders do not want to become HR technology experts. They want confidence that payroll will be accurate, employees will be supported, compliance obligations will be easier to manage and workforce decisions will be based on reliable information. The best HCM providers make that possible by designing systems that work together from the start.

PURPOSE-BUILT SMB TECHNOLOGY MAKES A DIFFERENCE

SMBs need to consider not only the features of platforms they're evaluating, but if the platforms were built to support how their business actually operates. SMBs should also look for providers with a clear history of creating technology specifically for their size and needs. Purpose-built SMB technology is different from enterprise software that has been scaled down. Smaller businesses often have fewer administrative resources, faster decision cycles and managers who wear multiple hats. They need tools that are powerful enough to support growth but intuitive enough for everyday users.

A provider with deep SMB experience understands that ease of use is essential, from manageable implementation, workflows that reflect real-world business processes, and accessible reporting. Employee self-service tools should reduce administrative burden, not introduce new confusion. Mobile access, guided actions,



For PEOs, working with an HCM provider that has a mature reseller partner channel can also support business growth.

automated alerts, and plain-language insights can make the difference between a system that is adopted and one that is avoided.

FROM REACTIVE ADMINISTRATION TO PROACTIVE DECISION-MAKING

Purpose-built HCM technology also helps SMBs move from reactive administration to proactive decision-making. Instead of waiting until overtime costs spike, leaders can spot scheduling patterns earlier. Instead of discovering payroll errors after employees raise concerns, managers can catch discrepancies before they become problems. Instead of relying on spreadsheets to understand turnover, absenteeism or labor trends, SMBs can use connected workforce data to identify risks and opportunities sooner.

When HR, payroll, and workforce management operate as one system, they create a clearer picture of the business. Leaders can make better decisions about staffing, hiring, scheduling, compensation, compliance, and retention in real time. Employees benefit, too, through consistent processes, accurate pay, easier access to information and smoother experiences from onboarding through day-to-day work.

WHY THE PARTNER ECOSYSTEM MATTERS

For PEOs, the provider's technology is only part of the equation. The partner ecosystem behind that technology is equally important. A strong reseller partner channel can create meaningful advantages for both PEOs and the SMBs they serve.

Reseller partners bring local knowledge and trust. First, reseller partners often bring localized knowledge and trusted relationships. SMBs tend to value guidance from partners who understand their market, industry and operational realities. A strong SMB channel can help translate HCM capabilities into practical business outcomes, whether that means reducing manual payroll work, improving scheduling accuracy, simplifying onboarding, or preparing for growth.

The right channel can improve implementation and adoption. Second, reseller partners can improve implementation and adoption. SMBs may not have large internal project teams, so guidance, training, configuration support and ongoing education are critical. These partners can help clients move from purchase to value more quickly by aligning the platform to the business's processes and priorities.

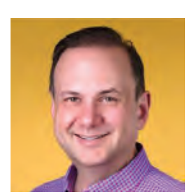
Long-term support helps SMBs keep evolving. Third, a strong channel extends support beyond the initial sale. SMB needs change as headcount grows, regulations evolve and business models shift. A reseller partner can help clients continue optimizing their HCM investment over time, from introducing new capabilities to refining workflows, supporting compliance updates and helping leaders interpret workforce data.

A strong channel also helps PEOs scale. For PEOs, working with an HCM provider that has a mature reseller partner channel can also support business growth. The right channel model can expand reach, strengthen client relationships and create a more scalable way to deliver technology-enabled HR services. Rather than positioning software as a separate product, PEOs can embed HCM capabilities into a broader service experience.

THE BOTTOM LINE

Connected technology, SMB focus and trusted partnership are key. Ultimately, SMBs should look for three things in an HCM provider: connected technology, SMB-specific design and a strong partnership model. The provider should help reduce tool sprawl, not add to it. It should offer systems that simplify work while supporting more strategic decisions. And it should bring a partner ecosystem that helps SMBs adopt, optimize and grow with the technology over time.

For SMBs, the goal is not simply to buy another HR tool. It is to build a stronger operating foundation for people, payroll, compliance and performance. For PEOs, the opportunity is to help clients make that shift. With the right HCM provider and partner channel, SMBs can replace disconnected processes with connected systems and gain the clarity they need to scale with confidence. ■



CHRIS KIKLAS

General Manager
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Talent Management & Strategy

TALENT AS

BY KARA BLOOMBERG

For small and mid-sized businesses, a merger or acquisition is rarely just a financial transaction. It is a workforce event. And workforce events, as anyone who has lived through one knows, are won or lost in the first ninety days.

I spend a lot of time talking with business leaders about workforce strategy, from manufacturers wrestling with turnover to healthcare practices trying to stabilize entry-level roles. Across every one of those conversations, a single idea keeps surfacing: talent is infrastructure. Just like roads, power, and connectivity, a stable workforce is the foundation that everything else gets built on. Nowhere is that truer, or more fragile, than during an M&A transaction.

THE PEOPLE RISK NOBODY PUTS A NUMBER ON

Due diligence has gotten very good at quantifying financial risk, legal risk, and operational risk. It is still catching up on people risk. Yet the workforce is often the single largest variable in whether a deal delivers the value it promised on paper.

Think about what a merger or acquisition looks like from an employee's seat. Their manager may change. Their benefits may change. Their pay structure, their title, their sense of job security, all of it is suddenly uncertain. Uncertainty is the single biggest driver of attrition, and attrition during a transition is expensive in ways that rarely show up in the deal model. It shows up months later, in lost institutional knowledge, in productivity dips, in the quiet erosion of the very team that made the target company worth

INFRASTRUCTURE:

PEO IS A STRATEGIC ALLY DURING M&A FOR SMBS

acquiring in the first place.

For an SMB owner who is also trying to close a deal, integrate systems, and keep the business running day-to-day, workforce stabilization is the thing most likely to get pushed to the back burner. Not because leaders don't care about it, but because they simply don't have the bandwidth.

WHY THIS IS WHERE A PEO BELONGS

This is precisely the gap a PEO is built to close. Not as a vendor brought in to process paperwork, but as a strategic ally that gives an SMB access to the kind of workforce infrastructure that larger, better-resourced companies take for granted during a transaction.

A few reasons a PEO relationship matters so much in an M&A context for smaller companies:

It absorbs the compliance complexity that multiplies during a transaction. Combining two companies almost always means combining two sets of employment practices, two benefit structures, and two compliance postures across however many states the businesses touch. A PEO already carries that infrastructure, which means the SMB is not building compliance capacity from scratch at the exact moment it can least afford the distraction.

It protects the assets buyers are paying for. In most SMB acquisitions, the value on the balance sheet is inseparable from the people who create it. A PEO relationship that already has strong onboarding, communication, and retention practices in place gives a business a head start on the single hardest part of any deal: keeping the workforce whole through the transition.

It gives leadership permission to work on the business instead of only in it. I have seen this pattern repeatedly with SMB leaders who partner with a workforce management team. Once the operational fires are being handled by someone else, leadership finally gets the bandwidth to think strategically rather than just react. During a merger or acquisition, that bandwidth is the difference between a leader who can shepherd the deal and one who is buried in HR triage while the deal shepherds itself.

It creates continuity that outlasts the deal. Employees do not experience a merger as a single event. They experience it as months of small signals about whether the new organization is stable, and whether they still have a future there. A PEO relationship provides a consistent point of contact for benefits, pay, and policy questions throughout that period, which matters enormously when everything else in the org chart is in motion.

It smooths culture integration instead of forcing it. Two companies coming together almost always means two different management styles, two different sets of unwritten norms, and two employee populations trying to figure out where they stand. That process usually gets rushed because everyone is focused on operational integration first. A PEO that already understands both workforces and has existing infrastructure for communication and feedback can surface cultural friction early, instead of letting it fester until it shows up as resignations. Culture integration is often the quiet variable that determines whether a deal is remembered as a success or a cautionary tale, and it deserves more attention earlier in the process than it usually gets.

THE BIGGER PICTURE

Every SMB that survives a merger or acquisition with its workforce intact is a business that keeps contributing to its local economy: the jobs it sustains, the wages it pays, and the community it is part of. Every SMB that loses its workforce in the chaos of a transition is a setback not just for that company, but for the regional talent ecosystem it was part of.

That is the lens I would encourage more SMB leaders, and more of the advisors who work with them, to bring to M&A planning. Talent stability is not a side effect of a well-run transaction. It is one of the conditions that make a well-run transaction possible. A PEO is one of the few partners positioned to help an SMB protect that stability while everything else about the business is changing at once.

The deals that succeed long after the ink dries are rarely the ones with the cleanest financial models. They are the ones where the people came along for the ride, still confident, still engaged, and still building toward something. That is the outcome worth designing for, and it starts well before closing day. ■

KARA BLOOMBERG

President
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WHY WINNING TALENT HAS MORE TO DO WITH *WHEN* YOU PAY THAN HOW MUCH YOU PAY

BY JENNIFER MING

WHO DECIDED WE SHOULD ONLY GET PAID EVERY TWO WEEKS? CAN YOU POINT ME IN THEIR DIRECTION BECAUSE WE MIGHT HAVE BEEF.

Employees earn their money every day they show up to work. But then that money gets held, in some kind of paycheck jail, and released on a schedule that has nothing to do with an employee's real life and when their bills are actually due.

REAL LIFE DOESN'T WAIT FOR PAYDAY

64% of Americans are living paycheck to paycheck. Not because they're bad with money, but because a flat tire, a sick kid, a dog who ate something it shouldn't have, or one unexpected bill can start a spiral that's incredibly hard to climb out of.

And the part that makes me feel the worst: sometimes employees are in such a tough spot, they end up asking their employer for the money they've already earned before payday. How awkward is that? For both sides.

And even worse, what if the answer has to be "no" like it usually does? Even when an employer wants to help (they do), the extra admin, the paperwork, the extra follow-ups, all for what might be a couple hundred bucks.

That "no" doesn't make the employee's expense go away though, it just forces them to go a different route to pay it. For example, the average overdraft fee from major banks is $33. While that's not a life-changing amount, it's kicking the employee while they're down and it's exactly the kind of thing earned wage access solves before it becomes a problem.

THE MATH IS GROSS

When employees aren't given control of their own finances, the ripple effects are disastrous. 12 million Americans turn to payday loans and one-third of employees say financial stress directly impacts their work performance. Across the U.S. workforce, that adds up to $200 billion in lost productivity per year. Gross.

And we haven't even talked about turnover. Within industries that employ the most hourly workers, the numbers are also, well, gross. Yearly turnover is 130% in quick-service restaurants. It's 80% in home care and assisted living. 65% in home service trades. That's a massive amount of time and energy small businesses (your clients) are pouring into finding candidates instead of doing what they actually want to do—building things, helping people, growing their business.

People aren't leaving because the work is bad. They're leaving because someone down the street is offering something, anything, that makes their financial life less stressful.

THE 95%

95% of workers would switch jobs for easier access to their wages.

Here's what workers are actually saying: 79% of hourly workers prefer employers that offer earned wage access. 93% say workplace wellbeing support is as important as salary. Only 38% are satisfied with what their employer currently offers. That's a wide open door for PEOs.

Earned wage access lets people access the money they've already earned, when they need it. No loans. No interest. No awkward conversations with their manager.

Employers offering on-demand pay are seeing twice as many applicants for open roles. And 95% of workers would consider switching jobs for it.

Ninety-five percent.

There's a clear demand from employees for earned wage access and a clear upside for employers. If you're a PEO not exploring this, you might want to ask yourself why.

Companies offering EWA are seeing up to a 40% reduction in turnover and twelve fewer days of absenteeism per employee, per year, which massively adds up. The math is finally mathing. Not gross.

93% say workplace wellbeing support is as important as salary. Only 38% are satisfied with what their employer currently offers. That's a wide open door for PEOs.

THE OLD PLAYBOOK ISN'T WORKING

PEOs today already have the trust of their clients and the infrastructure needed to effectively manage payroll, benefits, and be a real business partner. But, adding financial wellness tools like EWA isn't a nice-to-have anymore, it's a need-to-have. Luckily there are options out there that cost you and your clients nothing and add essentially zero admin work.

In a tight and competitive labor market where every SMB client is asking "how do I find and keep the best people?", this is a real, measurable answer. Not a theory. Not the latest TikTok fad. A real solution with real numbers behind it that you can offer to continue establishing yourself as a trusted business partner.

THE PEOS PAYING ATTENTION WILL WIN

PEOs who offer earned wage access to their clients aren't just filling benefits gaps. They're paying attention to the needs of their clients and their clients' employees. They're remaining current and competitive.

It's not the size of the paycheck that causes financial stress. It's the timing. And the fix is actually a lot simpler than you think.

Sometimes the most competitive benefit you can offer isn't bigger, flashier or more work. It's just more human. ■

JENNIFER MING

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THE GREAT EQUALIZER: POSITIONING THE PEO AS A STRATEGIC TALENT ARCHITECT IN A TIGHT LABOR MARKET

BY PAUL HUGHES

The labor market has undergone structural, irreversible transformation. For small and mid-size businesses (SMBs), the competition for top-tier talent is fiercer and more expensive than at any point in modern history. Today, a 50-person logistics firm or a 100-person tech startup isn't just competing against local peers; they are routinely losing A-players to enterprise corporations armed with massive HR budgets and dedicated talent acquisition teams.

For decades, the professional employer organization (PEO) industry built its value proposition around helping businesses manage complexity: staying compliant, controlling workers' compensation costs, streamlining payroll and relieving administrative burden. Those capabilities remain essential, but they are no longer the full story. In today's talent-scarce economy, the modern PEO has an opportunity to position itself not merely as a risk management partner, but as a growth enabler. By giving small and mid-size businesses access to enterprise-grade HR infrastructure, benefits, data and advisory support, the PEO becomes the "great equalizer" that helps them compete for—and retain—the talent they need to grow.

DEMOCRATIZING THE ENTERPRISE EMPLOYEE EXPERIENCE

To truly operate as talent architects, we must move beyond the standard "we have a master's health plan" pitch. Yes, pooling hundreds of thousands of worksite employees to secure Fortune 500-level benefits at economies of scale is our foundational advantage. But today's top talent evaluates total compensation through a much wider lens.

The modern workforce demands holistic compensation: robust mental health support, telehealth access, comprehensive financial wellness programs and flexible work infrastructure. For an independent SMB, curating, negotiating and administering this sprawling suite of benefits is financially and logistically impossible. For a PEO, it must be the baseline offering.

When positioning our services, we must emphasize that a PEO allows an SMB to offer an enterprise-tier package on day one. We aren't just lowering premium costs; we are democratizing the

Beyond benefits, employee retention is inextricably tied to workplace culture and professional development. SMB owners are often brilliant visionaries in their specific crafts, but they rarely possess formal training in organizational psychology or human capital management.

employee experience, directly expanding the pool of candidates who will accept an SMB's job offer and stay for the long haul.

CULTURE AS A SERVICE

Beyond benefits, employee retention is inextricably tied to workplace culture and professional development. SMB owners are often brilliant visionaries in their specific crafts, but they rarely possess formal training in organizational psychology or human capital management. Consequently, performance reviews are skipped, manager training is non-existent, and employee grievances are mishandled, leading to costly, preventable turnover.

This is where the PEO must step in to provide culture as a service (CaaS). We must elevate the role of the PEO HR business partner (HRBP) from a reactive compliance officer to a proactive organizational consultant. By providing SMBs with dedicated HR professionals who structure standardized onboarding programs, establish continuous feedback loops, and deliver leadership training, the PEO actively shapes the work environment. When an HRBP structures a successful onboarding sequence that embeds an employee into the company's culture, the PEO's administrative fee ceases to be a cost center. It becomes a high-yielding investment in human capital retention.

PREDICTIVE RETENTION THROUGH DATA ANALYTICS

The absolute frontier for the PEO industry, and core ethos lies in our data architecture. We sit on a goldmine of macro-level workforce intelligence, capturing everything from payroll trends and benefit utilization to PTO balances and turnover velocities.

To truly own the title of talent architect, PEOs must move from static reporting to predictive analytics. Imagine an HRBP advising a client: "Based on our platform's analytics, employees in your department who haven't taken PTO in nine months have a 60% higher flight risk. We need to proactively implement a mandatory time-off initiative."

This level of consultative, data-driven intervention transforms the PEO into an indispensable strategic advisor. According to benchmarks from Gallup and SHRM, replacing an employee can cost up to twice their annual salary in lost productivity, recruiting and training expenses. When a PEO leverages macro data to identify flight risks before an employee quits, the return on investment is immediate and undeniable.

THE PATH FORWARD

The opportunity for the PEO industry has never been greater. As SMBs navigate a talent market defined by rising expectations, workforce complexity and intense competition, PEOs are uniquely positioned to help them compete with confidence. By leading with our infrastructure, culture-building expertise and predictive workforce data, we can show business owners that a PEO is not simply an administrative solution, but a strategic partner in building stronger teams, retaining top talent and scaling for long-term growth. ■

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CONNECTING WITH MODERN SMB OPERATORS

MARKETING TO THE MODERN SMALL BUSINESS OWNER

BY MARK STEIGER

Most small business owners probably aren't out there looking for a PEO. They are concentrating on running the business and may worry about challenges like rising benefit costs or regulatory compliance, but they haven't identified a PEO as a must-have solution. PEO shopping hasn't begun.

Trying to talk small businesses into "needing" a PEO usually falls flat. PEO marketing doesn't need to manufacture demand. The goal should be helping owners see how a PEO tackles the problems they're already facing.

"PEO's will make the mistake of focusing marketing efforts solely on the goals of their company. Whereas this is important, overall communication and marketing decisions must appeal to the actual small business owner. It is not about the product or service, as much as the value and problem solved for the business owner," says Heather Keefer Saulsbury, Chief Strategy Officer of PrestigePEO.

Small business owners are surrounded by information, but they are busy people. They may struggle to separate useful guidance from marketing noise. The PEOs that stand out are the ones that explain things in plain language and show how actual results connect to the services they offer.

Trusted advisors play a big role in PEO deals, and their reputation is on the line with every introduction. They only put a PEO in front of a client when they believe the company is reliable and can point to true wins with similar businesses.

Most effective PEO marketing really has two audiences: the small business owners themselves and the advisors who already have the owners' trust. Both play a part in keeping a regular flow of good, qualified opportunities coming in.

Most effective PEO marketing really has two audiences: the small business owners themselves and the advisors who already have the owners' trust. Both play a part in keeping a regular flow of good, qualified opportunities coming in.

REACHING THE OWNER

Typical PEO marketing relies on claims about payroll, HR, benefits, and compliance support. The assertions are accurate, but they do little to distinguish one PEO from another.

The strongest marketing content connects to the buyer's world. A contractor worries about workforce risks and claims. Professional firms may care more about employee retention and benefits competitiveness. A multi-state employer might be losing sleep over compliance complexity. Messages that reflect a company's industry, growth stage, workforce mix, and footprint make a better impression. Owners can see themselves in the material; the topics relate to things they think about every day, so they pay attention.

"Small business owners are looking for better ways to care for their people, while

> THE ADVISOR ALREADY HAS THE DECISION MAKER'S TRUST, SO THEIR EXPLANATION CARRIES MORE WEIGHT IN THE EYES OF THE DECISION MAKER.

protecting and growing their business. Effective marketing connects those priorities to the value of a PEO partnership. Showing how PEOs help their clients succeed in their business goals is the focus for marketing. When we personalize our messaging and reach the right audience with the right message—based on their industry or specific business needs—we create stronger connections. That's where marketing makes the greatest impact," says Laura Wilbanks, Senior Vice President, Marketing and Business Development at Insperity.

When the conversation is about lower risk, steadier costs, keeping good people, and growing without constant drama, owners lean in. PEO platform features still matter, but by supporting those results instead of being the main story. Often the PEO value proposition is a mix of enhanced efficiency and process corrections while offering a savings opportunity on sunk costs, such as lowering benefit premiums. Those are important selling points but are really the means to attaining other business objectives.

It's easy to forget how powerful a simple story from another owner can be. Small business owners trust other owners more readily than they trust polished vendor brochures. Case studies, testimonials, and quick success stories let prospects see pieces of their own situation in what other companies went through.

A short, honest story from another owner about fewer compliance scares, safer operations, or better benefits without blowing up the budget can be enough to get a prospect talking seriously.

EQUIPPING THE ADVISOR

Plenty of the best PEO opportunities start when an owner vents to a broker, CPA, or attorney about something that isn't working. If advisors see a PEO as a dependable partner who helps solve valid problems, they won't hesitate to refer them. By the time the owner meets with a PEO, the advisor has usually done the early work: talking through the problem, eliminating bad options, and sometimes putting PEOs on the table for the first time.

Sometimes, an advisor can explain the PEO model and clear up confusion in a way a PEO sales rep cannot. The advisor already has the decision maker's trust, so their explanation carries more weight in the eyes of the decision maker.

That's why PEO marketing can't stop with the business owners. It must also influence the people that small businesses already trust. Those relationships can be the key to whether a company considers a PEO at all.

Advisors need clarity. They want to know which clients are a strong fit for a PEO, what outcomes are realistic, how PEO economics work, and how the transition will look in practice.

Good advisor focused content does two jobs at once. It helps advisors understand where the PEO fits and gives them something they can slide across the table to a client without rewriting it. Content might include question guides to help match a company's needs with the strengths of the PEO, industry-specific case snapshots, or brief explainers on topics such as time and labor management solutions, time clocks, and reporting—an issue facing many SMBs with part time workers.

Short, practical pieces make it easier to keep these relationships with advisors active and useful. When a PEO makes the advisor look smarter in front of the client, trust grows. When PEOs make it simple for advisors to explain the value of the platform, advisors bring them into more conversations.

BUILDING CONFIDENCE

In both groups, credibility keeps the conversations moving. Small business owners want guidance they can trust. Advisors want partners who will protect the relationships they have spent years building. Neither group responds well to generic claims or feature lists.

Straightforward explanations and honest case studies don't just make a PEO look good on paper. They shorten the path from first conversation to contract for owners and make advisors more comfortable putting their name behind the recommendation.

Approach PEO marketing content less like a vendor pitch and more like sitting next to the owner, helping them sort through options. Speak to the owner's real business pressures. Create content that fits distinct industries and business profiles. Keep authentic stories from actual clients at the center of the message. And make sure advisors have enough tools and real world examples so they feel comfortable bringing PEOs into their client conversations. ■

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THE MODERN PEO BUYER HAS CHANGED. HAS YOUR GROWTH STRATEGY?

BY RONDA MCCULLOUGH

Most professional employer organizations (PEOs) have experienced the same scenario.

A prospect schedules a meeting, expresses genuine interest, and clearly has workforce challenges to solve. Yet instead of discussing strategic business goals, the conversation quickly turns into an explanation of the PEO model itself.

What is co-employment? Will I still manage my employees? How is this different from payroll?

The challenge isn't that business owners don't have HR, compliance, or recruiting problems. They absolutely do. The challenge is that many still don't understand how a PEO solves those problems or why one provider may be different from another.

That disconnect has become one of the biggest barriers to growth, and it's becoming more important as buyer behavior continues to evolve.

BUYERS ARE DOING THEIR HOMEWORK BEFORE THEY EVER CALL

Not long ago, the first sales meeting was often where prospects learned about the PEO model. Today, that learning starts much earlier.

Business owners search online, ask AI tools questions, read reviews, compare providers, and visit multiple websites before ever speaking with a salesperson. By the time they schedule a meeting, they've already formed opinions about the companies they're considering. If your sales team is still spending the first half of every discovery call explaining the basics of a PEO, you're already playing catch-up.

The organizations gaining an advantage aren't necessarily explaining the model better during sales conversations. They're answering buyers' questions long before those conversations begin.

YOU'RE COMPETING AGAINST CONFUSION

PEOs often think they're competing against other providers. More often, they're competing against uncertainty.

Small and midsize business owners know they need help. They're struggling to recruit employees, retain talent, manage rising benefit costs, navigate changing employment regulations, and find enough hours in the day to focus on growing their business.

What they don't always know is whether a PEO is the right answer.

Some assume a PEO only handles payroll. Others worry they'll lose control of their employees or company culture. Many compare providers almost entirely on price because they don't fully understand the long-term business value.

When those misconceptions go unaddressed, sales conversations begin with education instead of strategy.

YOUR WEBSITE IS NOW ONE OF YOUR BEST SALESPEOPLE

Today's buyers expect answers before they ever speak with someone on your team.

They want to know what implementation looks like. They want to understand how co-employment works. They want to see proof that companies like theirs have achieved measurable results. If they can't find those answers on your website, they'll look elsewhere.

Increasingly, "elsewhere" means AI-powered search tools that summarize information from companies that have invested in creating helpful, educational content. That's why your website can no longer function as a digital brochure. It needs to act like your best salesperson—answering questions, building confidence, and demonstrating expertise around the clock.

START WITH THE BUSINESS PROBLEM, NOT THE SERVICE

One of the biggest shifts PEOs can make is changing how they tell their story. Business owners rarely wake up thinking they need a PEO.

They wake up thinking they spent another weekend processing payroll. They worry about replacing an employee who just resigned. They wonder how they'll keep up with changing regulations or afford another increase in healthcare costs.

Those are the problems they want solved.

When marketing and sales conversations begin with those business realities instead of a list of services, buyers connect the dots much more quickly. The discussion naturally shifts from features to outcomes, helping prospects understand how a PEO supports growth—not just HR administration.

TRUST BEGINS BEFORE THE FIRST MEETING

Buying a PEO isn't a small decision. Business owners are trusting another organization with payroll, benefits, compliance, HR processes, and perhaps most importantly, their employees. That level of trust isn't built during a proposal presentation. It's built through every interaction leading up to it.

Helpful articles. Client success stories. Educational videos. Practical guides. Honest answers to difficult questions. Each piece of content quietly answers the same question every buyer is asking: *Can I trust this company with my business?*

MARKETING, SALES, AND CLIENT SUCCESS MUST TELL THE SAME STORY

From a buyer's perspective, there is no distinction between marketing, sales, and customer success. It's one continuous

> BY THE TIME THEY SCHEDULE A MEETING, THEY'VE ALREADY FORMED OPINIONS ABOUT THE COMPANIES THEY'RE CONSIDERING. IF YOUR SALES TEAM IS STILL SPENDING THE FIRST HALF OF EVERY DISCOVERY CALL EXPLAINING THE BASICS OF A PEO, YOU'RE ALREADY PLAYING CATCH-UP.

experience. Marketing builds awareness and answers questions. Sales connects those insights to the prospect's specific business challenges. Customer success reinforces that value after implementation, helping clients realize the full benefits of the partnership.

When these teams communicate consistently, buyers gain confidence more quickly, onboarding improves, and long-term relationships become stronger.

THE PEOS THAT TEACH WILL BE THE ONES THAT GROW

The buying journey has fundamentally changed. Business owners no longer rely on salespeople as their primary source of information. They expect to educate themselves first and engage with providers only after they've developed confidence in the solution.

That creates an opportunity for PEOs willing to become educators instead of simply marketers.

Organizations that consistently answer questions, simplify complex topics, and demonstrate expertise position themselves as trusted advisors long before pricing is discussed. The result isn't just more leads. It's better-informed buyers, shorter sales cycles, more strategic conversations, and stronger client relationships.

Small and midsize businesses don't need to be convinced they have workforce challenges. They experience those challenges every day.

The real opportunity is helping them understand how a PEO addresses those challenges and supports long-term business growth.

As buyer expectations continue to evolve, education is no longer simply a marketing tactic, it's a business strategy. The PEOs that make it part of every stage of the buyer's journey will be the ones that build trust faster, differentiate themselves more effectively, and create lasting partnerships built on understanding rather than explanation. ■

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MOVING BEYOND AWARENESS TO BUILD UNDERSTANDING AND TRUST

BY JAY ZAMFT

The traditional buyer journey no longer exists.

Today's buyers are more informed, more independent, and more digitally connected than ever before. This shift creates a significant opportunity for the PEO industry, but it also requires a new marketing approach. Success increasingly depends not on generating awareness alone, but on simplifying complexity, educating prospective clients, and creating trust long before a sales conversation ever begins.

Today's SMB owner often conducts extensive research before speaking with a sales representative. They consume online content, compare providers, review thought-leadership articles, attend webinars, seek peer recommendations, and evaluate solutions across multiple digital channels.

By the time many prospects engage with a PEO, they may already have a basic understanding of available options and are looking for answers to specific business challenges.

They are asking:

- *How will this help my organization grow more effectively?*
- *Will this reduce administrative burden?*
- *How will this impact my employees?*
- *What level of expertise will I have access to?*
- *Why should I choose a PEO rather than other solutions?*

This shift should influence how the industry approaches marketing. Business owners aren't looking for more information. They are looking for clarity.

The organizations that succeed will be those that make complex workforce challenges easier to understand and easier to solve.

THE AI-POWERED BUYER JOURNEY IS ALREADY HERE

The most significant shift impacting PEO marketing today is the growing influence of artificial intelligence (AI) and digital-first buying behavior.

Business owners now have access to information on an unprecedented scale. Questions that once required conversations with industry experts can often be researched in minutes.

IN MANY CASES, A PROSPECT'S FIRST INTERACTION WITH THE PEO MODEL MAY NO LONGER COME FROM A SALESPERSON. IT MAY COME FROM AN AI-GENERATED RESPONSE, A COMPARISON ARTICLE, A THOUGHT LEADERSHIP PIECE, A WEBINAR, A DIGITAL RESOURCE CENTER, OR A RECOMMENDATION SHARED WITHIN AN ONLINE COMMUNITY.

Buyers can compare vendors, evaluate business models, read reviews, access educational resources, and increasingly leverage AI-powered tools to help guide purchasing decisions.

As AI becomes more integrated into search engines, workplace technology, and everyday business operations, this trend will continue to accelerate.

In many cases, a prospect's first interaction with the PEO model may no longer come from a salesperson. It may come from an AI-generated response, a comparison article, a thought leadership piece, a webinar, a digital resource center, or a recommendation shared within an online community.

This evolution requires organizations to rethink marketing. Visibility alone is no longer enough. Credibility has become the true competitive advantage.

The PEOs that will thrive in the years ahead will be those that consistently create educational, trustworthy, and authoritative content that helps buyers answer questions throughout their decision-making journey.

EDUCATION IS NO LONGER A MARKETING TACTIC

Historically, educational content was often viewed as a supporting element of broader marketing initiatives. Today, it has become the foundation of effective PEO marketing.

Modern buyers are increasingly skeptical of sales-driven messaging. They are drawn toward organizations that demonstrate expertise, provide meaningful guidance, and help them make informed decisions.

Whether through thought leadership articles, industry reports, compliance resources, webinars, videos, newsletters, podcasts, or digital resource centers, educational content allows organizations to create value long before a sales conversation begins. More importantly, education creates trust.

When business owners consistently encounter content that helps them solve challenges, understand changing regulations, manage workforce issues, or make better decisions, they begin to see the organization behind that content as a credible resource.

In many ways, the future of PEO

marketing belongs to organizations that teach better than they sell.

> BUSINESS LEADERS INCREASINGLY SEEK PARTNERS WHO CAN HELP THEM NAVIGATE COMPLEXITY RATHER THAN PROCESS TRANSACTIONS.

FROM SERVICE PROVIDER TO STRATEGIC ADVISOR

This evolution in buyer expectations presents a significant opportunity for the PEO industry.

Historically, many organizations positioned the PEO relationship around administrative efficiencies and operational support. Those benefits remain important. However, many business owners are increasingly looking for more than administrative assistance, they are looking for guidance.

Workforce challenges are becoming increasingly complex, employment regulations evolve regularly, employee expectations continue to shift, technology is advancing rapidly, and economic conditions remain uncertain.

Business leaders increasingly seek partners who can help them navigate complexity rather than process transactions. As a result, many buyers are evaluating providers not only on the services they offer, but also on their ability to serve as strategic advisors. This represents a powerful opportunity for PEOs.

The organizations that successfully position themselves as trusted workforce advisors, helping clients make better decisions, manage risk, support employees, and prepare for the future, will be better positioned to differentiate themselves in an increasingly competitive marketplace.

ALIGN MARKETING, SALES, AND REFERRAL NETWORKS AROUND TRUST

Building trust can't be the sole responsibility of marketing. Every interaction shapes the buyer's experience. Marketing campaigns, sales conversations, broker relationships, referral partnerships, educational events, and client interactions should all reinforce the same core value proposition, and prospective clients should encounter consistency at every touchpoint.

The greater the alignment among marketing, sales, and business development efforts, the easier it is to establish credibility and build confidence during the evaluation process. Trust is built through repetition, consistency, and authenticity. Organizations that align with these principles create stronger buyer experiences and ultimately stronger client relationships.

MEASURE WHAT MATTERS

Traditional performance metrics remain important.

Website traffic, engagement rates, content consumption, lead generation, and conversion metrics all provide valuable insight into marketing effectiveness.

However, the next generation of PEO marketers should expand how success is measured. The more important question may be: *"Are we creating understanding?"*

Organizations should evaluate:

- Whether prospects are engaging with educational resources
- Whether sales conversations are becoming more informed
- Whether common objections are being addressed earlier
- Whether buyers demonstrate stronger confidence during the evaluation process
- Whether marketing contributes to higher-quality opportunities

As buyer behavior continues to evolve, measuring understanding may become just as important as measuring activity.

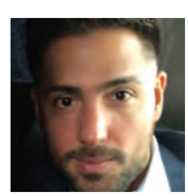
THE FUTURE OF PEO MARKETING

The future of PEO marketing will not be defined by who generates the most impressions, launches the most campaigns, or sends the most emails. It will be defined by who builds the most trust.

As technology, AI, and buyer expectations continue to evolve, the organizations that succeed will be those that simplify complexity, provide meaningful guidance, and help business owners make confident decisions.

The PEO industry has an incredible opportunity to elevate how it communicates value to the marketplace. By embracing education, demonstrating expertise, and positioning the PEO relationship as a strategic business partnership rather than simply a collection of services, organizations can build stronger connections with prospective clients and strengthen the industry's position for years to come.

Marketing the PEO model is no longer just about explaining what a PEO does. It's about helping business owners understand what is possible when they have the right partner by their side. ■



JAY ZAMFT

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Why are PEOs choosing PRO over their current provider?
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ARKENSTONE DEFENSE: A MISSION READY PEO

BY CHRIS CHANEY

When it comes to hiring talent, processing payroll and managing benefits plans, most small and mid-size businesses face similar challenges. For companies working in the national security and defense space, these issues only scratch the surface.

A technology startup with a promising new platform may also need to navigate federal contracting rules, cybersecurity requirements, security clearances, DCAA timekeeping obligations, proposal development, classified training environments and an array of acronyms that can make even seasoned business leaders feel like outsiders.

These are the challenges Arkenstone Defense is built to handle.

Founded in April of 2025, the company's mission is straightforward: remove friction between modern technology companies and the national security ecosystem. In practical terms, that means combining the traditional services and resources of a PEO with specialized capabilities designed for companies trying to enter, operate and scale within the defense industrial base.

Peter Dixon, William Treseder and Rachel Olney were inspired to start the company after experiencing firsthand how hard it is to do business with the federal government.

They had seen promising businesses struggle to make it through this complex process. Some had groundbreaking ideas and a desire to serve the country, but not the infrastructure, expertise or support required to navigate the defense market.

In other words, they faced exactly the kind of problem PEOs are built to solve—only in a far more specialized and security-sensitive context.

Arkenstone officially began PEO operations this July with Kerry Ashby at the helm of the PEO and serving as Arkenstone's Chief Administrative Officer. An industry veteran, Ashby brings over 20 years of PEO operational experience to the team which has helped the company hit the ground running.

The goal from the start was ambitious: build a 50-state PEO, launch with ESAC accreditation and offer a national master health insurance plan and other rich employee benefits.

Those are significant milestones for any PEO, but ones that are rarely—if ever—hit at the outset. The Arkenstone team was determined to hit them—and did. This certainly reflects the company culture that leadership has instilled.

"There are no egos here, and everyone takes extreme ownership and accountability," Ashby says. "If someone sees a problem, they jump in to solve it."

THE OPPORTUNITY

When many people think of defense contractors, they think of the biggest names in the industry. But the defense industrial base includes far more than large contractors. It also includes small and mid-size businesses, emerging

Kerry Ashby and members of the Arkenstone team open the company's PEO headquarters in Chicago.

technology companies and startups working on everything from autonomous systems to AI-enabled tools, cybersecurity solutions, navigation systems and other technologies that could have national security applications.

Ashby notes there are more than one million employees in the defense industrial base, with a substantial portion working for small to mid-size companies. Beyond that, there are many technology companies not yet counted in those numbers because they are still trying to break into the government market.

That is where Arkenstone sees enormous opportunity and need.

Technology has lowered the barrier to creating new products, especially as AI and software development tools accelerate the pace of innovation. A founder can move from idea to prototype faster than ever. But speed to product does not automatically translate into quick government adoption.

A company may have the technology. It may have the talent. It may even have a product the government needs. But the next steps can be daunting: identifying the right contract, understanding eligibility, drafting a proposal, achieving the right certifications, preparing for audits and building a workforce that can meet contract requirements.

Arkenstone's model offers solutions to these unique workforce and compliance challenges in one place. Alongside core PEO services, the company offers or coordinates support for security clearances, DCAA-compliant timekeeping, labor burden and contract information, fringe management, cleared talent recruiting, classified-environment learning management and other defense-specific needs.

"Just as traditional PEOs simplify workforce management by consolidating HR, payroll, benefits, and employment compliance, we're doing the same for government contractors by unifying the complex compliance requirements unique to the defense industry" Ashby explains.

This includes Supplier Performance Risk System (SPRS), Defense Federal Acquisition Regulation Supplement (DFARS), Defense Contract Audit Agency (DCAA) and other standards and frameworks that shape how companies manage data, contracts, timekeeping, audits and workforce processes.

The idea is to support companies from the earliest stages of market entry through the workforce challenges that come after a contract is awarded.

"It's not uncommon for companies in the space to have a few founders or a small team, but when the company wins a contract it needs to hire rapidly—sometimes dozens of people within weeks," Ashby explains.

And not just any people. They typically need security clearances, specialized training and onboarding processes that account for security requirements.

"If they don't move quickly, they could lose the contract," Ashby says.

That urgency makes the PEO value proposition clear. A company that needs to hire 50 people in two weeks cannot afford to build every HR, payroll, compliance, training and recruiting process from scratch. It needs infrastructure that can move at the speed of the opportunity.

A SECURITY FIRST MINDSET

For Arkenstone, security is not an add-on. It is foundational. The company adheres to rigorous, Pentagon-level data and cyber security protocols.

A component of this is Arkenstone's commitment to only hiring U.S.-based employees. That applies not only to Arkenstone's internal staff, but also to those with access to employee data on the company's platforms. In a market shaped by national security risks, espionage concerns and sensitive information, that distinction matters.

The company has also held its partners to rigorous security standards. Arkenstone does not want clients to wonder whether its technology, partners or internal practices are secure enough for the environments in which they operate.

"Even where specific certifications are not required, we have committed to adhering to the highest level of security standards," Ashby says.

The same philosophy applies to artificial intelligence.

AI is central to the technology trends shaping the defense market, and Arkenstone is leaning into AI internally and for clients. But Ashby is quick to distinguish between casual uses of AI and secure, mission-appropriate applications.

"AI has tremendous potential, but in our industry, it has to be deployed responsibly. Security and compliance can't be an afterthought," she says.

The challenge is to build AI agents and automation tools that can handle complex contract and compliance information securely. The company's security and engineering teams work closely together to ensure what they build makes sense both from a delivery standpoint and a security standpoint.

That means following standards such as NIST SP 800-171.

"It's the cybersecurity standard that specifies the security controls contractors must implement to protect Controlled Unclassified Information (CUI), like a SOC 2 for defense contractors," Ashby explains.

In today's world, cybersecurity can no longer be treated as a check-the-box exercise. It must be built into the way companies operate.

COMMITTED TO CLIENT SUCCESS

Success is not defined only by revenue, client count or sales targets. Arkenstone's success is measured by whether clients are able to win contracts, grow and deliver on their obligations.

When a client succeeds, it may mean a technology company gets its innovation in front of the government. It may mean a small business is able to scale quickly enough to keep a contract. Most importantly, it means the men and women who defend our country have access to the technologies and capabilities they need, making our nation stronger and more secure through the innovation Arkenstone's clients deliver.

> *For Arkenstone, security is not an add-on. It is foundational. The company adheres to rigorous, Pentagon-level data and cyber security protocols.*

For Ashby, working with businesses in the defense industry has been energizing.

"There's some really cool stuff out there," she laughs. "Sometimes I'll look at a company's website and think, I can't believe I'm talking to these people."

The entrepreneurs behind these companies are motivated, intelligent and passionate people, but they still need critical mission support to keep their businesses thriving.

"The challenge isn't convincing companies they need it," Ashby says. "It's helping them understand what we're building. Once they do, the value becomes immediately clear."

Industry partners have also been enthusiastic and excited about engaging with Arkenstone and their clients. Government contracting can be intimidating. The requirements are specialized. The risks are higher. The compliance environment is dense. But Arkenstone has attracted partners who understand the importance of the mission and want to be part of the solution. Those relationships have been critical, from helping shape the company's benefit offerings to securing the specialized insurance programs government contractors require. Partners like Marsh McLennan's PEO and federal teams have brought expertise that goes well beyond traditional brokerage services.

That kind of partnership will be important as the company grows. Arkenstone plans to continue layering in new services, building new partnerships and listening carefully to customer feedback. In the early months, Ashby says the company is especially focused on identifying what clients still need and where additional integrations or services could reduce friction.

Her long-term goal is clear.

"I want Arkenstone to be the most trusted partner for companies operating in this space," she says. "I want customers to see us as the first call when they're facing complex workforce challenges—not only HR and payroll questions, but anything that impacts their people, operations, and ability to execute."

Achieving that goal will require the same combination of specialization and accountability that has shaped the company from the beginning. The defense industrial base is evolving quickly, and the businesses driving its next generation of innovation cannot afford to be slowed by administrative complexity or unfamiliar government requirements. They need partners like Arkenstone that understand both the urgency of their work and the environment in which it must be performed.

Arkenstone may be a new entrant to the PEO industry, but its mission is rooted in a familiar promise: helping businesses overcome complexity, grow with confidence and take care of their people. In a market where readiness, trust and execution are essential, that promise could prove to be a mission-critical advantage. ■

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THE NEW SMB PLAYBOOK: HOW BUSINESS LEADERS ARE REALLOCATING RISK TO DRIVE SUSTAINABLE GROWTH

BY AARON CALL

Small and medium-sized businesses (SMBs) have always been defined by their ability to adapt. But today's operating environment requires a different kind of resilience.

Business owners are maneuvering through economic uncertainty, workforce constraints, and an increasingly complex legislative landscape—a convergence that rarely arrives all at once. Through all of that, they're expected to serve customers, retain employees, and plan for future growth as usual.

As a result, today's economic narrative suggests that SMBs are becoming extremely cautious. But that's not the full story. G&A Partners' 2026 SMB Readiness Report points to a different conclusion: Small and medium-sized businesses are reallocating risk instead of retreating from growth. They're making more disciplined decisions about where to invest, when to wait, and how to preserve flexibility until conditions improve.

For professional employer organizations (PEOs), understanding this shift fundamentally changes the conversations they need to have with clients. The discussion can no longer be confined to solving today's workforce challenges. It must expand to helping business leaders make smarter decisions in this complex operating environment.

GROWTH HAS BECOME MORE INTENTIONAL

At first glance, the SMB Readiness Report presents conflicting findings. While 57% of SMB leaders expect their business to remain stable over the next year, 70% have delayed plans to expand. It's one of many survey data points that appear contradictory. But these findings actually reveal that business leaders are taking a more disciplined approach to growth.

That discipline is rooted in today's economic realities. The report found that 87% of SMB owners say economic pressures have changed how they operate their business, underscoring the continued impact of inflation, wage pressures, tariffs, and rising operating costs. A majority have had to delay or stop hiring (77%) and conduct layoffs (57%) to weather the economy, but that doesn't mean they're not planning. Over the next year, these same SMBs reported they're planning to invest in better benefits and healthcare (41%), increase hiring (40%), and increase compensation (34%).

RISK IS BEING REDISTRIBUTED, NOT ELIMINATED

As business owners are becoming more deliberate about how they manage risk, client conversations are shifting from transactional HR support to broader discussions around workforce strategy and long-term stability.

That shift is visible across nearly every aspect of the business. From workforce planning and technology adoption to financial decision-making, SMBs are making calculated trade-offs designed to preserve flexibility today while strengthening their ability to grow tomorrow.

WORKFORCE RISK

Hiring illustrates this shift most vividly. According to the report, 53% of SMBs are operating with fewer workers than they need, and nearly half (47%) have reassigned employees into different roles. Strategic workforce planning is becoming less about adding headcount and more about maximizing existing talent while balancing talent acquisition and employee retention.

OPERATIONAL RISK

Almost half (46%) of SMB leaders say they are considering using AI, automation, or offshoring to improve operational efficiency. For many organizations, AI is streamlining repetitive work and helping leaner teams increase capacity without adding new hires.

FINANCIAL RISK

Business owners are also making calculated financial decisions to preserve long-term stability. The survey found that 50% of SMBs have reduced or eliminated certain employee benefits or perks, while 30% of owners report foregoing their own salary to continue paying employees and covering business expenses. Those decisions show many owners absorbing financial pressure before compromising investments in their workforce or long-term growth.

Rather than signaling contraction, these findings reflect a delicate balancing act between managing today's pressures and preparing for tomorrow's opportunities.

THE PEO ROLE IS EVOLVING

Historically, PEOs have helped businesses manage payroll, benefits, compliance, and risk. Those capabilities remain essential, but today's environment requires PEOs to connect workforce strategy with broader business priorities.

Today's challenges don't exist in isolation. Hiring decisions, compliance obligations, labor availability, technology investments, and economic pressures all influence one another, making holistic guidance more valuable than standalone solutions.

Business leaders aren't simply asking, "How do I stay compliant?" They're wondering, "How do I grow responsibly in this climate?" "Should I hire now or wait?" "How do I invest without overextending?" Each question reflects a broader reality: Workforce strategy has become inseparable from business strategy.

For PEOs, the great opportunity is navigating clients through the full picture. Providers that help clients connect workforce decisions to broader business outcomes will become increasingly indispensable.

SMB RESILIENCE IS A SHARED EFFORT

Supporting SMB success will require collaboration across the broader business ecosystem. Reducing administrative costs is not enough. Business leaders must continue investing in their organizations by strengthening leadership, developing employees, and modernizing operations where it creates meaningful impact.

Policy makers also have a role to play by reducing the uncertainty driving many of today's difficult trade-offs. Greater regulatory clarity and continued investment in workforce development and skills training can give small businesses the confidence to make long-term decisions.

The SMBs that emerge strongest over the next several years won't necessarily be the ones that expanded the fastest. The winners will be the entrepreneurs who made disciplined decisions, protected their people, and preserved the flexibility to grow when conditions improve. Our data suggests that many business leaders are already taking that approach.

PEOs have an opportunity to help clients navigate those trade-offs with confidence. Bringing together workforce strategy, business insight, and practical expertise to better guide better decisions will help America's SMBs build more resilient businesses. ■

AARON CALL

Chief Operating Officer
G&A Partners
Houston, TX

STATE-RUN RETIREMENT PLANS

BY JASON WROBLEWSKI

You've probably read or heard that there's a retirement savings gap in America. There's a good chance you've even read that in the last month. Many states have introduced retirement plan mandates to address that gap. Here's how PEOs can help.

States began considering retirement plan mandates approximately 15 years ago. Prior to the existence of state mandates, more than 50,000,000 private sector workers did not have access to a retirement plan (many of those workers employed by businesses with less than 100 employees). But people have always been free to set up their own IRA, so why the focus on workplace retirement plans?

States recognized that if individuals need to take all the steps to open an IRA on their own, most never will. But if it's automated through payroll deduction participation rises enormously.

According to Ann Margaret Donnelly, senior sales executive within Marsh's PEO retirement practice, auto-enrollment is one of the reasons why workplace plans have the best odds of success.

"The auto enrollment feature (aka opt-out) in a company's 401(k) plan helps employees overcome procrastination due to perceived paperwork complexity and importantly it makes savings the default option. This results in compounding and wealth creation earlier than the former 401(k) opt-in method," she explains.

Initially, there were concerns around whether employees would object to money coming out of their paychecks by default. However, "studies have shown that people do not notice a difference in their paycheck with 401(k) contributions up to 6% of pay despite the tendency to think that they cannot afford it," Donnelly says.

THE STATES IN PLAY

Today, the following states have either launched a program or passed legislation to do so: California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New Mexico, New York, Oregon, Rhode Island, Virginia and Washington.

The overwhelming majority of state programs are structured as auto-IRA programs. A few features they have in common include:

Auto-enrollment. Employees are automatically enrolled at a percentage determined by the state (generally 3%-5%). Employees can change their savings rate or opt out entirely.

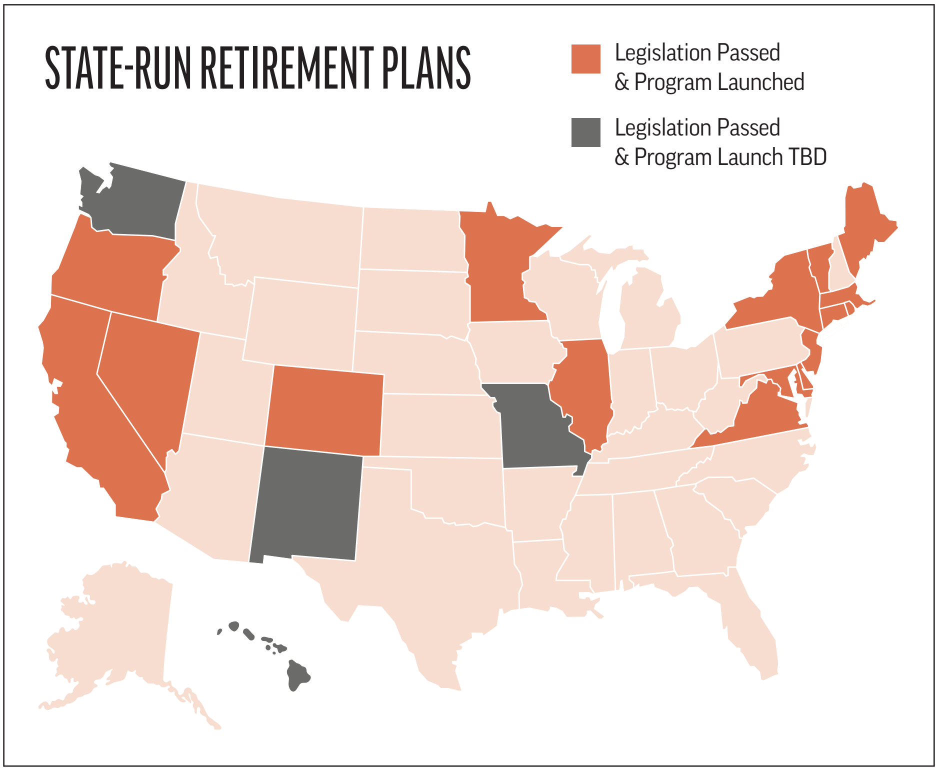
After tax savings only, tax-free growth and withdrawals. The auto-IRA is essentially a Roth IRA offered by the state. IRA contribution limits ($7,500 in 2026, $8,600 for people age 50 and older) apply.

A small menu of investment options. These are primarily age-based funds.

Eligibility Requirements. States all have eligibility requirements and penalties for failure to comply, but the eligibility and penalties vary from state to state: employers in New Jersey and New York have a threshold of 10 employees; California goes all the way down to 1 employee.

As I mentioned earlier, state mandates were introduced to address the retirement savings gap, and they've been a success: over 1 million workers who weren't saving for retirement are doing so today through a state-sponsored plan. That said, there are some drawbacks to consider.

Compliance falls on the employer. Many employers aren't even aware that



they're subject to a state mandate, especially if their primarily location is in a state not subject to one.

Setup responsibility falls on the employer. As PEOs know, most employers do not have the capacity for additional tasks.

No benefits to employer other than ticking the box. There are no tax savings, limited investment options and low contribution ceilings for high earners.

Rafal Baransky of RBF Retirement Plan Advisors puts it this way, "unlike state-run retirement programs, a PEO-sponsored 401(k) offers plan design flexibility, higher contribution limits, broader investment options, and both pre-tax and Roth (after-tax) contribution features, whereas most state programs are limited to Roth-only. Participants also benefit from access to investment advisory support, which studies suggest may improve long-term returns by up to 3% annually."

THE PEO ROLE

The opportunity for PEOs should be obvious. According to Ken Jewell, partner at The Baldwin Group, "We see more and more states adopting state run retirement plans, that quite frankly, are not as attractive as PEO MEPs and PEPs. We feel that this creates a huge opportunity for PEOs to further their growth."

And with the tax credits available from SECURE 2.0, many businesses will experience little to no cost a tax benefit they leave on the table if they join the state-run plan.

If your PEO operates in any states affected by retirement plan mandate, businesses need your help. First, they need help understanding whether their business is subject to a mandate in any states they operate in. Second, they need help understanding their options; the state's auto-IRA will be a suitable solution for some, but for others, the PEO's plan is a more robust alternative with less hassle.

> *If your PEO operates in any states affected by retirement plan mandate, businesses need your help.*

According to Jason Chepenik, senior vice president at One Digital, "For smaller companies, joining a PEO PEP plan can be much easier, as it provides immediate access to existing infrastructure and reduces administrative burden. The PEP model also accommodates outside advisors, creating a collaborative and flexible approach for employers adopting the plan."

PEOs operating in these states have an opportunity to get ahead of the conversation before deadlines (or fines) hit. Many employers have no idea the mandate exists, let alone how to comply. State-sponsored IRAs have been successful in addressing the retirement savings gap and will work for many employers, but for employers who want a true employee benefit that attracts and retains talent, the PEO's plan is the stronger conversation. ■

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THE RISK YOUR SMALLEST CLIENTS CAN'T SEE AND WHY PEOS ARE POSITIONED TO FIND IT

BY MAK CHOWDHURY

For a large enterprise, an employment claim is a bad quarter. For a 60-person company, it can be the end of the story.

That asymmetry is the defining fact of small business risk. Small and mid-size businesses carry the same legal exposure as the Fortune 500, the same discrimination statutes, the same harassment standards, the same retaliation liability with none of the insulation. No in-house counsel. No employee relations team. No layer of management redundancy to catch a problem before it becomes a charge. When something goes wrong inside a small business, it goes wrong fast, and it goes wrong at a scale the business often cannot absorb.

Which is exactly why small businesses partner with PEOs. Not for payroll convenience, but for protection. The PEO is, functionally, the small business's entire risk infrastructure.

And that raises an uncomfortable question for our industry: how good is that protection, really?

THE DASHBOARD SAYS GREEN. THE RISK SAYS OTHERWISE.

Most PEOs can tell a client, at any moment, exactly who has completed their required training. Assignment rates, completion rates, certificates on file. The dashboard is green.

But consider what happens when a claim actually arrives. The EEOC recorded more than 88,000 new discrimination charges in fiscal year 2024, and recovered roughly $700 million for workers, much of it from employers whose training programs were fully in place. The training was assigned. The courses were completed. The dashboard was green. The behavior didn't change.

This is the gap the compliance industry rarely says out loud: completion is not protection. A completion record proves an employee clicked through a course. It says nothing about whether a supervisor will actually intervene when they overhear something on the floor, whether an employee believes reporting is safe, or whether a new manager knows what to do in the thirty seconds when a situation is still recoverable.

For a small business, that gap is existential. They don't have the margin to find out the hard way.

THE QUESTION NO ONE CAN ANSWER

Here is a simple test. Ask any small business owner or, honestly, ask ourselves on their behalf: Which team in your company carries the most behavioral risk right now? Which role? Which location?

Almost no one can answer. Not because the risk isn't there, but because nothing in the standard compliance stack is designed to see it. We measure participation. Risk doesn't live in participation. It lives in three things:

Knowledge: Do people actually know what to do in a hard moment?

Attitude: Do they believe it matters, and believe the organization means it?

Behavioral Intent: What do they say they would actually do under pressure?

These three dimensions are what predict real-world behavior. When they're measured before and after development, across teams, roles, and levels, risk stops being an abstraction and becomes a map. One large international organization recently measured all three dimensions across more than 7,700 employees before and after a targeted development program and documented improvement on every one. Behavior, it turns out, is measurable. Most organizations simply have never measured it.

Moving a client from "we don't know where our risk is" to "we know exactly where it's concentrated, and here's what we're doing about it"—from unknown to known—is one of the most valuable things any advisor can do for a small business. And PEOs are uniquely positioned to do it at scale.

WHAT THIS MEANS FOR THE PEO BUSINESS

This is not just a client-protection argument. It's a growth argument.

Every PEO reading this knows the commoditization problem. From the prospect's chair, payroll is payroll and benefits are benefits. Deals are won on

A PEO that diagnoses where risk lives, targets development where it's actually needed, re-measures to confirm the shift, and sustains it over time becomes embedded in the client's risk posture rather than their back office.

price and lost on price, and the renewal conversation is a rate negotiation.

Now imagine a different conversation. A PEO sits down with a 75-person prospect and says: "Your current provider can tell you who finished the harassment course. We can show you where behavioral risk is actually concentrated in your workforce by team, by role, by level and then show you, twelve months from now, that it moved." That is not a training upsell. It is a fundamentally different category of service, and no one else in the room is offering it.

It changes the renewal conversation, too. Administrative services are switchable; a working risk-intelligence loop is not. A PEO that diagnoses where risk lives, targets development where it's actually needed, re-measures to confirm the shift, and sustains it over time becomes embedded in the client's risk posture rather than their back office. The annual review stops being about fees and becomes: here is what changed in your workforce this year. Small business owners do not walk away from that.

And when a client does face a charge, the question that matters is never whether training was assigned. It's whether the employer genuinely worked to identify and reduce risk. A PEO that can produce before-and-after behavioral evidence gives its clients something a completion report never can: a credible account of diligence.

THE OPPORTUNITY IN FRONT OF US

Small businesses came to our industry for protection. The PEOs that thrive in the next decade will be the ones that deliver it at a deeper level, not more training, but a system that finds hidden risk, remediates the behavior underneath it, and proves the change.

The place to start is one question, asked of every client in the portfolio: Do we actually know where your risk lives?

Right now, almost nobody does. The PEOs that can answer it will not have to sell against anyone. ■

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THE GROWTH INFRASTRUCTURE SMBS DON'T SEE: WHY PEOS MATTER MOST DURING TIMES OF EXPANSION

BY JAY MINCKS

For many small and mid-size businesses (SMBs), growth is the goal. New customers, additional employees, expanded service offerings and geographic expansion all indicate success. Still, rapid growth can expose weaknesses unrelated to sales or operations. What begins to bend and fracture is the back office with HR administration, payroll, compliance, benefits management and risk mitigation.

Business owners are excited to grow revenue and invest in expansion. They often know their business sector well, but lack the knowledge to support a larger, more complex organization. Hiring accelerates, employment laws become more complicated, benefits expectations rise and multi-state regulations create new compliance obligations. If there is an internal HR team or staffer, they can quickly become overwhelmed.

This is where professional employer organizations (PEOs) become more than an outsourced HR provider. During periods of growth, they serve as operational infrastructure, helping businesses scale responsibly while leadership remains focused on strategic priorities.

GROWTH CREATES COMPLEXITY FASTER THAN MANY BUSINESSES EXPECT

Growth is rarely a straight ascent. A company may add dozens of employees within months, acquire another business, open operations in a new state or diversify into new markets. Each of these milestones introduces new administrative and regulatory responsibilities.

Payroll becomes more complicated as employee counts increase. Recruiting requires competitive benefit packages. Employee handbooks need updating. Workers' compensation classifications evolve. State-specific employment regulations overlap, especially for organizations hiring remote employees across multiple jurisdictions. Growth is welcomed, but the growing pains are arduous.

There often comes a tipping point for many businesses, when HR professionals spend more time managing administrative tasks than supporting organizational strategy.

Adding more staff is easy. Building scalable systems to support growth without increased operational risk is the true challenge.

PEOS FUNCTION AS CRITICAL BUSINESS INFRASTRUCTURE

The value of a PEO extends beyond outsourcing individual HR functions. A well-matched PEO provides an integrated framework that supports workforce administration as an organization evolves.

Beyond streamlining payroll processing, benefits administration, compliance management, workplace safety initiatives and HR support under one coordinated model, it creates consistency and predictability for company leadership. Every leader thrives in an environment where they can think more strategically and not react to what can feel like arbitrary compliance deadlines or administrative challenges.

The right PEO serves as the operational backbone, enabling companies to grow without rebuilding their internal HR infrastructure.

SUPPORTING GROWTH THROUGH EVERY STAGE

The human resources needs of a 25-person company differ vastly from those of a 150-person company. Similarly, businesses expanding into multiple states face entirely different challenges from those of organizations operating from a single location.

An effective PEO relationship should evolve as the business grows.

The PEO relationship often begins with leaders seeking assistance with payroll administration, benefits access and basic HR compliance. As the company grows, priorities can shift toward talent acquisition support, leadership development, risk management, employee retention strategies and multi-state employment compliance.

Businesses entering new geographic markets frequently encounter unfamiliar employment regulations, tax requirements and leave policies. Experienced HR guidance is invaluable for organizations, helping them avoid costly compliance mistakes while maintaining a consistent employee experience across locations.

Growth is not just about headcount but about managing greater complexity without sacrificing operational efficiency.

CHOOSING THE RIGHT PEO IS A STRATEGIC DECISION

As a PEO general agency that works closely with brokers to identify the best HR services partner for small and medium-size businesses, our experts regularly explain that no two PEOs are structured the same way. Nor is every solution appropriate for every employer.

Industry specialization, technology platforms, service models, compliance expertise, pricing structures and available benefits can vary significantly between providers. What works well for a small accounting firm may not meet the needs of a multi-state manufacturing company or a rapidly growing tech organization.

As with any partnership, the right PEO partner must be thoroughly vetted. In this case, look at the business's current needs and its long-term growth strategy. A few factors to consider include current and future hiring plans, geographic expansion, workforce demographics, internal HR capabilities and operational priorities before deciding.

> *Adding more staff is easy. Building scalable systems to support growth without increased operational risk is the true challenge.*

It is daunting to think about evaluating the right PEO while running a growing business. This is when many businesses benefit from working with advisors who understand the broader PEO marketplace rather than evaluating a single provider in isolation.

BROKERS PLAY AN IMPORTANT ADVISORY ROLE

PEO and insurance/benefits brokers often serve as trusted advisors during the PEO evaluation process. They have a clear understanding of their client's unique workforce needs, benefits objectives and business goals, so brokers are well positioned to identify when a PEO solution may provide additional value.

Plus, the sheer volume of PEO options is daunting and time-consuming to evaluate. This is where specialized PEO consulting and research support can strengthen the advisory process. By conducting independent evaluations of providers, comparing service offerings and helping identify organizations that align with a client's specific needs, these back-office resources enable brokers to focus on client relationships and strategic guidance rather than navigating an increasingly crowded marketplace alone.

Instead of replacing the broker's role, independent research enhances it by providing deeper market intelligence and objective analysis, thereby supporting well-informed recommendations.

BUILDING FOR SUSTAINABLE GROWTH

Successful businesses recognize sustainable growth is dependent on more than revenue. It requires building systems that support the complexities of the operation. PEOs have become an important part of that infrastructure. At the same time, brokers and independent PEO research partners help ensure organizations find solutions that fit their business now and in the future.

When businesses invest in the right operational foundation before growth creates strain, they position themselves to scale with greater confidence. ■

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MARKETING THE PEO MODEL TO THE MODERN SMALL BUSINESS OWNER: CLOSING THE RETIREMENT GAP

BY ANDREW GUNNING

The small business owner walking into your pitch today is not the same one who sat across from PEO sales reps a decade ago. According to NAPEO's 2025 Annual Tracking Survey, 76 percent of business decision-makers now name economic uncertainty as one of the most challenging parts of running a business—the first time it has topped the list—followed closely by healthcare costs at 68 percent. Workforce headaches, once the default worry, have slipped down the list.

That shift matters for how PEOs market themselves. The old pitch—"let us handle your HR paperwork"—was built for an owner drowning in administrative tasks. The owner in front of you now is drowning in cost anxiety instead. The pitch that lands in 2026 isn't about offloading paperwork. It's about competing on retirement benefits—at a scale no business with 15 or 50 employees could ever negotiate alone.

THE RETIREMENT GAP IS THE STORY

Start with the number that does the most work: among businesses with 10 to 49 employees, 52 percent of PEO client employees have access to a retirement plan, compared with just 23 percent at businesses that don't use a PEO. That gap sits exactly where most small businesses live—too small to justify an in-house benefits department, too competitive to skip retirement benefits and expect to win talent.

The mechanism behind that gap is scale. PEOs pool employees across many client companies into a single retirement plan structure—a multiple employer plan or pooled employer plan—which is how a ten-person landscaping company ends up with the same institutional pricing, investment lineup, and plan design that a 500-person company would negotiate on its own. That's the sentence worth repeating to prospects: the PEO doesn't just administer a 401(k), it buys retirement plan services better than a small business ever could alone.

WHY NOW

Three pressures are converging to make this a live conversation rather than a someday one. More than 25 states have proposed state-mandated retirement legislation, and 15 states now have active state-sponsored programs—turning "we should really set up a 401(k)" into a compliance deadline. Retirement plan administration has also grown more complex, as recent federal legislation reshapes contribution limits, eligibility rules, and required plan features nearly every year. And talent competition increasingly runs through the retirement line of the offer letter, not just the salary line. Owners who once treated a 401(k) as a "someday" investment are now treating it as a "this year" necessity.

SCALE IS AVAILABLE—YOU JUST HAVE TO CHOOSE THE RIGHT PARTNER

Here's the part of this story that matters most for the PEOs reading this, not just their clients. M&A activity in the PEO market has stayed resilient, with more than 30 acquisitions a year from 2020 through 2024, driven largely by private equity platforms and strategic buyers chasing scale, technology, and lower unit costs. Some mid-market PEOs report losing deals outright to larger, PE-backed consolidators who can simply out-buy and out-tech them.

That's a real dynamic—but it's also good news, because scale itself has become something you can purchase without selling your business to get it. A mid-size PEO doesn't need private equity backing to offer institutional-grade retirement plan design or modern recordkeeping technology. The right retirement plan partner brings that scale directly into your existing book of clients—no equity given up, no independence traded away. The differentiator in a consolidating market isn't size anymore; it's whether you've lined up partners who let you deliver big-firm retirement benefits while staying exactly the PEO your clients chose you to be.

THE PEO MODEL, RECONSIDERED

For any client still hesitant about co-employment: the client retains control over hiring, firing, and day-to-day operations, while the PEO takes on payroll, tax administration, compliance, and retirement plan administration as a co-employer of record. That's the mechanics. The payoff is what shows up in NAPEO's own research—PEO clients grow at more than twice the rate of comparable non-users, see 12 percent lower employee turnover, and are 50 percent less likely to go out of business. Those numbers do more selling than any feature list.

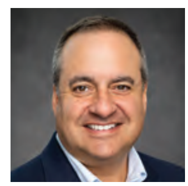
RETIREMENT AS THE RETENTION ENGINE

Retirement plans, in particular, function as a retention mechanism for the PEO relationship itself. Sixty-two percent of business owners now cite employee retention as a major challenge—and PEOs that offer flexible, well-designed retirement plans convert that pressure into their own client loyalty. Layer in NAPEO's finding that PEO clients report an average 27 percent ROI in cost savings alone, and the pitch to a skeptical owner becomes concrete: a modern 401(k) isn't a cost center, it's a measurable return.

THE CASE FOR ACTING NOW

Even businesses that already have a plan are shopping. Among plan sponsors planning a recordkeeper review, one in five is now actively considering a shift to a pooled employer plan— the exact structure a PEO already delivers. That's true whether the client is comparing PEOs or the PEO is comparing carrier partners. For PEOs, the move is the same: line up the retirement and benefits partners that let you compete on scale now, on your own terms, rather than waiting to be outcompeted or acquired.

The modern small business owners don't compete on payroll processing anymore—they compete on retirement benefits. And the modern PEO doesn't have to be bought to compete on scale. It just has to partner smart. ■



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SCALING WITH CONFIDENCE:

WHY THE MOST SUCCESSFUL SMBS DON'T DO IT ALONE

BY SRIDHAR IYER

We live in an era where small businesses are scaling faster than ever before. According to NAPEO, SMBs that partner with a PEO grow 7% to 9% faster, experience 10% to 14% lower employee turnover and are 50% less likely to go out of business than their independent peers.

But what does it actually take for a PEO to deliver on that promise?

The answer lies not in the breadth of services a PEO offers, but in the depth of its operational infrastructure, and how well that infrastructure adapts as its clients grow.

THE INFLECTION POINT EVERY GROWING SMB HITS

The journey from startup to mid-market enterprise is rarely smooth. At some point, every growing business hits a critical inflection point, where headcounts multiply; operations expand across state lines, and risk profiles shift faster than existing administrative frameworks can handle.

At this stage, the business owner is no longer just managing a team. They are managing complexity. Payroll obligations multiply. Compliance requirements vary by state. Workers' comp classifications change as the workforce evolves. And the administrative burden of keeping up with all of it begins to compete directly with the time and energy needed to run the business.

This is the moment when the right PEO partnership becomes transformational, not just helpful, but essential. How can PEOs be ready for this moment when it arrives for their clients?

TURNING OPERATIONAL COMPLEXITY INTO CLARITY

One of the first casualties of rapid growth is visibility. As businesses add new teams, expand into new states, and launch new services, data gets scattered. Payroll costs, claims trends, compliance obligations and workforce data begin to live in separate silos. Leadership finds itself making critical decisions without a clear picture of what is happening inside the business.

Recent perspectives in the Insurance Journal highlight that surviving in today's fast-paced economy means moving away from reactive decision-making. The most forward-thinking organizations are bringing risk, payroll and claims data under one roof, creating a single, coherent view of operational health.

For PEOs, this is one of the most significant value-add opportunities available. When a PEO can offer its SMB clients a simple, panoramic view of their operations, connecting payroll, compliance, claims and risk data in one place, it transforms the relationship from administrative support to strategic partnership.

Business leaders who can see the health of their company in real time make bolder, more confident scaling decisions. They stop reacting and start anticipating.

PEOs that deliver this kind of visibility can have a very different conversation with their clients: "We noticed a slight shift in your claims frequency this quarter, let's address it before it impacts your premiums." Or "As you expand your workforce into Texas, here is exactly how your payroll compliance and workers' comp obligations will change."

This is what separates the most effective PEOs from the rest, not just the ability to process information, but the ability to turn complex, evolving data into actionable insight.

BEYOND VISIBILITY: RIGHT-SIZING RISK AT EVERY STAGE

Visibility is only half the equation. The other half is action; specifically, ensuring that every SMB client is in the right workers' comp program for where they are right now, not where they were when they first onboarded.

This matters more than most business owners realize. A company that has grown from 20 to 200 employees, expanded into new states, or shifted its workforce mix by adding warehouse workers, delivery drivers, or remote employees, has a fundamentally different risk profile than it did two years ago.

A generic, one-size-fits-all program will inevitably hold a dynamic, growing company back. Risk & Insurance magazine recently highlighted how complex the current legal and regulatory landscape has become for expanding employers, noting that PEOs act as an essential backbone for navigating these challenges.

Modern PEOs are addressing this by

This is what separates the most effective PEOs from the rest, not just the ability to process information, but the ability to turn complex, evolving data into actionable insight.

moving away from static, annual program reviews and toward continuous, data-driven risk alignment. By regularly evaluating each client's current risk profile for class codes, payroll, claims history and state-specific requirements, PEOs can ensure that their clients are accurately covered, competitively priced and compliantly positioned at every stage of growth.

With targeted risk management, PEOs can:

Eliminate coverage gaps: Ensure clients are neither underinsured nor overinsured as their workforce evolves.

Improve pricing accuracy: Clients placed in the right programs pay the right price-protecting PEO margins and client relationships alike.

Strengthen client confidence: When a client knows their PEO is actively monitoring and adjusting their risk posture, the relationship deepens from transactional to truly strategic.

DATA-DRIVEN RISK MANAGEMENT IS THE NEW STANDARD

In today's dynamic business environment, data is more than just numbers. It is a window into the health of a client's business, and a roadmap for where their risk is heading.

PEOs that harness the power of data analytics gain a measurable edge. They can identify emerging claims trends before they become costly problems, anticipate compliance challenges before they become violations, and align clients with better programs before renewal season creates pressure to act.

The most forward-thinking PEOs are already embedding data into every touchpoint of the client relationship, from onboarding and underwriting through to renewal and beyond. The result is a partnership that feels less like outsourced administration and more like having a deeply invested operational partner in your corner.

EMBRACING STRUCTURED INFRASTRUCTURE IS THE WAY AHEAD

AI, automation and integrated technology are reshaping how PEOs operate, underwrite and manage risk for their clients. The PEOs that will define the next decade of this industry are the ones that treat technology not as an add-on, but as the backbone of how they deliver value.

For SMBs, this matters enormously. The business owners who choose a PEO partner are, in many cases, making one of the most consequential operational decisions of their growth journey. They are choosing to trust someone else with the complexity of compliance, risk, and workforce management, so they can focus on building their business.

The future belongs to PEOs that are ready for that responsibility. Not just those that can process the paperwork, but those that can see around corners, anticipate what's next, and build the resilient, intelligent infrastructure that lets their clients grow with total confidence. That is what it means to help SMBs scale not just faster, but smarter, safer and with the right partner beside them at every milestone. ■

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Trusted by customers.
Awarded for

Ranked 11
out of 5,000

Applicant Tracking
Solution
Gold

Technology
Executive of the Year
Silver

"As an industry analyst, I always look for the story behind the announcements, and, this year, one theme stood out: PrismHR is evolving from a PEO technology platform into a broader workforce-enablement ecosystem."

Mustafa Pitolwala, *Everest Group*

40+ years
of leadership

950+ developers
driving innovation

$70M+ invested
annually in development

Validated by analysts.
Innovation.

THE STEVIES
THE AMERICAN BUSINESS AWARDS®

Achievement in
Product Innovation
Silver

THE STEVIES
THE AMERICAN BUSINESS AWARDS®

PrismHR LIVE
Conference
Bronze

THE STEVIES
THE AMERICAN BUSINESS AWARDS®

Most Innovative
Company of the Year
Bronze

PRISMHR

prismhr.com

250,000+
organizations powered

$100B+ payroll
processed annually

60+%
of the PEO industry served

HOW AI-DRIVEN LEARNING TURNS PEOS INTO STRATEGIC PARTNERS

BY RACHAEL ALPERT

Offering AI-driven learning moves the PEO from the cost column to the investment column.

PEOs that offer AI-driven learning management give SMB clients a scalable, proven path to better retention and workforce agility. With the right multi-tenant LMS infrastructure, PEOs can move from administrative vendor to strategic growth partner without adding significant operational overhead. Payroll gets you in the game. Strategic execution keeps you there.

The PEO industry is approaching $414 billion in revenue, having quadrupled since 2012. As compliance and benefits become baseline expectations, forward-thinking PEOs are asking: what's the next layer of value that earns a deeper client relationship? The answer is workforce learning and AI is making it more accessible, more scalable and more measurable for SMB clients.

WHY DO SMBS STRUGGLE WITH LEARNING AND DEVELOPMENT?

Most SMBs don't have a dedicated learning and development (L&D) department. Employees wear multiple hats, managers juggle hiring and operations simultaneously, and training often gets deprioritized until a knowledge gap becomes a business problem.

The cost of that gap is real. According to the World Economic Forum, 39% of workers' current skills will be outdated by 2030. Meanwhile, 63% of employers say skills gaps are the biggest barrier to business transformation, and 71% of U.S. employers report difficulty finding skilled talent. For lean SMBs, losing a single multi-role employee doesn't just create a gap on the org chart—it can stall entire business units.

NAPEO research shows PEO clients already experience 12% lower employee turnover than non-PEO businesses. A structured, embedded learning strategy can extend that advantage even further. When employees see a clear development path, they stay. When they don't, they leave, and SMBs feel that more acutely than large enterprises.

HOW DOES AI-DRIVEN LEARNING LIFT THE BURDEN FOR LEAN SMB TEAMS?

This is where AI-powered LMS platforms fundamentally change the equation.

Traditional learning infrastructure demands dedicated resources to build, administer and maintain. SMBs don't have that bandwidth. AI removes the friction. The business case for personalization is equally clear. Brandon Hall Group research shows 93% of companies find that personalized learning helps employees reach their goals faster. Role-based learning paths, an AI-powered course builder, a robust pre-built content library, and automated enrollment based on skills or compliance requirements all deliver personalization without manual intervention.

Beyond course delivery, AI enables contextual upskilling: surfacing the right content at the right moment, informed by performance data and skills gaps rather than a fixed annual training calendar. The result is learning that responds to how the business is evolving.

HOW CAN PEOS SCALE LEARNING ACROSS DOZENS OF CLIENTS WITHOUT ADDING OVERHEAD?

Multi-tenant architecture is the operational foundation that makes this scalable. A single PEO administrator can manage learning across dozens of isolated client environments from one dashboard. Each client gets a branded portal, their own content, and their own compliance data while the PEO maintains centralized oversight and reporting.

This structure solves three persistent challenges:

- **Administrative efficiency:** Automate course assignments, completion tracking and compliance reminders across the entire book of business.
- **Standardization with flexibility:** Deploy core compliance universally while giving each client the ability to customize beyond that baseline.
- **Scalable growth:** Onboard new client environments quickly as the PEO's business expands.

HOW DOES WORKFORCE LEARNING SHIFT PEOS FROM COST LINE-ITEM TO GROWTH INVESTMENT?

The PEOs that will lead this industry over the next decade won't be defined by who processes payroll most efficiently. They'll be defined by how deeply embedded they are in their clients' growth strategies. Offering AI-driven learning moves the PEO from the cost column to the investment column. According to IBM, HR functions could see a 35% productivity boost over the next two years as AI adoption accelerates which is a measurable outcome PEOs can point to directly. It opens conversations about workforce planning, skills development and organizational capability; conversations that vendors don't get to have, but strategic partners do. It also creates meaningful stickiness: when training history, learning pathways and development data all live within the PEO's ecosystem, switching becomes genuinely costly for the client.

The PEOs that win long-term client relationships won't be the ones who simply process payroll without friction. They'll be the ones who helped their clients build more capable, resilient workforces and had the intelligent infrastructure to prove it. In an environment where skills gaps are widening, talent is harder to find, and every employee departure hits harder, AI-driven learning isn't just a differentiator. It's the foundation of a partnership that earns genuine, lasting trust.

FREQUENTLY ASKED QUESTIONS

What is an AI-driven LMS, and why does it matter for PEOs? An AI-driven learning management system uses artificial intelligence to automate course creation, personalize learning paths, and surface development content based on employee roles and skills data. For PEOs, it means delivering high-quality workforce training to SMB clients at scale—without building an internal L&D team.

How does a multi-tenant LMS work for PEO resellers? A multi-tenant LMS allows a single PEO administrator to manage separate, branded learning environments for each client from one centralized dashboard. Each client's data, content, and compliance records remain isolated, while the PEO maintains full visibility across all accounts.

What ROI can PEOs realistically expect from offering AI-powered learning? The outcomes are measurable at both the PEO and the client level. Clients benefit from faster onboarding, stronger retention, and more agile skill development. For PEOs, AI-powered learning increases client stickiness, opens upsell opportunities, and repositions the PEO as a strategic growth partner rather than an administrative service provider. ■

RACHAEL ALPERT

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WHAT TO DO WHEN YOUR SMB CLIENT'S NEXT HIRE LIVES OVERSEAS

BY SEAN DAZET

The call comes in like any other. A client you've supported since they were twelve people, now forty, has just made an offer to a senior engineer. She's the best candidate they've seen in a year. She's also in Lisbon, and has no plans to move.

Your client isn't worried. You've handled every hire they've ever made. They assume you'll add her to payroll the same way you added the new controller in Ohio. But for the first time in the relationship, the honest answer is that you can't. And how a PEO handles that moment says a lot about whether the client relationship deepens or starts to fray.

WHERE DOMESTIC INFRASTRUCTURE STOPS

PEOs have already solved the hardest version of domestic compliance. The one thing that expertise doesn't cover is the border.

To legally employ someone in Portugal, or Brazil, or the Philippines, a company needs a registered local entity, payroll run under local law, statutory benefits, and contracts that comply with rules written for that country.

In much of the world, at-will employment does not exist. Contracts are required in writing, probation periods are regulated, and ending an employment relationship involves notice periods and severance defined by statute, not company policy. A US handbook has no legal standing in any of it.

Faced with that wall, most SMBs reach for the same shortcut: pay her as a contractor. It feels clean. It's usually wrong. If she works set hours, reports to a manager, and earns most of her income from one client, many jurisdictions will treat her as an employee no matter what the invoice says.

Misclassification tends to surface at the worst possible time: during a tax audit, or after the relationship ends badly. When it does, the bill can include back taxes, penalties, and retroactive benefits. The exact exposure varies by country, which is part of the problem. Your client can't assess a risk they can't see.

The other route, setting up a foreign entity for one hire, means months of legal work and significant cost before anyone gets paid. For an SMB, it's a nonstarter. The client is stuck between a shortcut that creates liability and a solution built for companies ten times their size. That gap is exactly where they need an advisor.

WHY THIS IS A REFERRAL MOMENT, NOT A LOST CLIENT

The instinct might be to see international hiring as scope creep, or worse, as a client outgrowing you. It's neither. Global employment is an adjacent need, not a competing one, and PEOs are better positioned to understand the solution than almost anyone.

An employer of record, or EOR, legally employs a client's international hires through its own entities in each country. The EOR owns payroll, taxes, benefits, and compliance under local law. The client directs the day-to-day work. If that sounds familiar, it should. It's the international cousin of co-employment. PEOs have spent decades explaining a version of this model to skeptical business owners. Your clients already trust the concept because you taught it to them.

Lava.AI, a San Francisco SaaS startup building real-time fan engagement tools for sports and entertainment, ran into exactly this problem after its Series A in 2024. Competing with big tech for Bay Area engineers wasn't realistic on a startup budget, so hiring globally became a necessity. With no legal entities abroad, they had no compliant way to do it.

Their PEO had an answer. Through its partner network, the PEO introduced Lava.AI to a global EOR. Mala Wai, Lava.AI's Head of HR and Operations, said the recommendation from their PEO meant one less vendor search: "we didn't have to research and vet EOR vendors on our own."

Sixteen months later, Lava.AI has hired 11 team members across four countries, including three engineers in Ireland, while their PEO still runs everything domestically. One client, one advisor, two systems doing what each does best.

Consider the alternative: The client leaves that call without an answer, searches on their own, and picks a vendor with no input from you. You weren't the advisor when it counted, and clients remember who was in the room for the hard decisions. Lava.AI had tried the go-it-alone route once before, switching to a low-cost, self-service payroll provider to save money. They ended up spending more time and money handling compliance themselves, and came back. The lesson holds at home and abroad. SMBs don't want tools, they want someone accountable.

There's a commercial case too. Partner programs in this space typically include referral revenue, so pointing a client to the right solution doesn't just protect the relationship. It pays.

WHAT A GOOD REFERRAL PARTNER LOOKS LIKE

Not every global employment provider deserves your client's trust, or your name attached to the referral. A few things separate the ones that do.

Compliance ownership in-country. The partner should employ workers through its own infrastructure and be accountable when local law changes, not pass that risk back to your client through layers of subcontracting.

Transparent pricing your client can budget against. If fees surface six months in, that reflects on whoever made the introduction.

Human support, because global employment is mostly edge cases. Parental leave in a country the client can't place on a map. A resignation with a notice period nobody expected.

Software handles the routine work, but when something unusual happens, your client needs a person who has seen it before.

STAYING THE ADVISOR AT EVERY STAGE

PEOs exist because SMBs shouldn't have to build employment infrastructure alone. That promise doesn't have to stop at the border. When the first international hire shows up, the PEO that says "here's how we handle this" keeps the trusted seat. The one that says "that's outside what we do" hands it to someone else. ■

KEY TAKEAWAYS

- Referring international hires to an EOR partner keeps you the client's advisor through the one stage of growth your own scope doesn't cover.
- Misclassifying international hires as contractors risks fines and back taxes.
- An EOR employs workers abroad so PEOs keep clients through global growth

SEAN DAZET

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OPERATING METHODOLOGIES THAT DRIVE SUSTAINABLE PROFITABILITY: MCHENRY CONSULTING'S CORE ELEMENTS

BY MATT CLAUS

Sustainable profitability is rarely the result of a single initiative or cost-reduction effort. Instead, it is built through disciplined operating methodologies that shape the decisions organizations make every day. Despite sophisticated technology, experienced leadership teams, and sound strategic plans, many organizations experience inconsistent financial performance. The difference is rarely a lack of strategy or talent, but rather, in our experience, the strongest organizations reduce variability, strengthen accountability, and produce increasingly predictable financial outcomes regardless of market conditions.

Through decades of advising organizations, one characteristic consistently distinguishes the strongest performers: they operate within a management framework that aligns strategy, decision-making, operational execution, and financial accountability. This article examines operating excellence and the methodologies that enable organizations to create sustainable profitability.

PROFITABILITY BEGINS WITH STANDARDIZATION, COMBINED WITH WISDOM AND EXPERIENCE

One of the first things we evaluate during an operational assessment is whether important decisions are made consistently. In our experience, operational consistency is often one of the strongest predictors of sustained profitability. Organizations with highly effective decision-making processes tend to produce predictable financial outcomes, while those that rely primarily on individual decisions frequently experience inconsistent performance despite having talented leadership teams.

We frequently observe this variability in areas that directly influence profitability. For example, similar profile clients may receive materially different pricing proposals depending on the salesperson involved. Underwriters evaluating comparable opportunities sometimes reach different conclusions despite working with essentially the same information. Service leaders establish different expectations for clients with nearly identical client profiles, while renewal decisions may become influenced more by historical relationships than by objective economic analysis.

Individually, these decisions rarely attract management attention because each appears reasonable on its own. Collectively, however, they create what we refer to as profit leakage—the gradual erosion of profitability resulting from inconsistent execution rather than flawed strategy. Organizations can often lose profitability in dramatic ways. More often, however, profitability leaks away gradually through thousands of well-intentioned decisions.

MCHENRY PRINCIPLE

Operational flexibility and operational inconsistency are not the same. The highest-performing organizations give leaders discretion to address unique circumstances while maintaining disciplined methodologies for routine decision-making. Consistency creates predictability, and predictability drives enterprise value.

The strongest PEOs' operating methodologies utilize a common framework for decision-making. These methodologies do not eliminate professional judgment; they improve its consistency. Often our clients discover that they already possess many of the individual processes needed to improve performance, therefore the opportunity is not creating new procedures, but integrating existing

> *The highest-performing organizations identify the measures that truly influence enterprise value and incorporate them into everyday decision making.*

best practices into a cohesive operating system followed consistently across the enterprise.

Among the methodologies most frequently associated with sustained profitability are:

- Standardized underwriting.
- Pricing architecture with clear economic guardrails.
- Uniform client segmentation aligned with long-term value.
- Defined service delivery models.
- Structured implementation and renewal governance.
- Enterprise-wide profitability reviews.
- Common operational scorecards.
- Clearly defined decision authorities.

One client rarely causes margin compression. Rather, profitability erodes through hundreds of small decisions—a pricing concession here, additional service resources there, an implementation requiring more effort than expected, or a service exception that quietly becomes permanent. Unless management periodically evaluates whether operational activity remains aligned with client economics, these incremental decisions accumulate unnoticed until margins begin to deteriorate.

DATA CREATES ACCOUNTABILITY

Most organizations do not suffer from a shortage of information. They suffer from a shortage of data utilization. We promote the "run the business with data" in combination with the utilization of experience, wisdom and intuition.

The highest-performing organizations identify the measures that truly influence enterprise value and incorporate them into everyday decision making. When the right data measurements are consistently visible, discussions become more objective... and productive. Priorities become clearer, and accountability improves because leadership is working from a shared framework rather than individual anecdotes.

Organizations rarely suffer from a lack of data. They are far more likely to suffer from the absence of a process of leveraging data into consistent quality decisions. The good news is that this process is within reach. We help our clients do this every day.

Our value proposition is "We help our clients make more money and keep more money" and these concepts are at the center of our mission. ■

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GROWTH BY ACQUISITION IS A SOLID STRATEGY. BUT DON'T MISS THE BOAT ON BRAND.

BY AMANDA ORTEGA

PEO growth increasingly runs through acquisition. Roll-ups and consolidation are reshaping the category, and it is easy to understand why. Acquiring an established book of business and greater market reach can move a company forward much faster than building organically.

The growth opportunity is real. But so is the risk of losing value after the deal closes.

McKinsey looked at ten years of merger data and found that organizational issues, including cultural differences and changes to the operating model, were behind nearly half of the deals that failed to meet expectations. Most companies know those risks, at least in part. But once a merger or acquisition is underway, the spreadsheets tend to take over, while brand, culture, and the disruption people are experiencing can feel less pressing to address.

What often gets overlooked is the role brand and culture play in protecting the value of the deal. They build customer confidence through the transition and give the combined company a sense of purpose behind the change. The company may be more focused on how the growth plays out on the ledger, but employees and the market need a clear sense of what the company stands for and how the acquisition moves it closer to that vision.

WHAT GETS LOST IN A ROLL-UP

A roll-up brings legacy brands and different ways of working together quickly. Brokers may no longer be sure which company they are placing business with. Clients may wonder whether the service experience they trust will change. Producers who built their books on the strength of one brand may suddenly be expected to represent another.

For PEOs, communication issues are business issues because PEOs run on relationships. Broker trust takes time to earn, while clients stay because they know and trust the people serving their business. Those relationships are valuable. They are also highly exposed during a period of uncertainty.

BRAND ARCHITECTURE

Brand structure should be addressed early in the integration, before new materials are created and different teams begin explaining the acquisition in different ways.

One of the first decisions is whether the acquired company should move under one master brand or retain some form of its existing identity. Leadership should consider the equity each brand already holds and whether keeping multiple names protects value or creates unnecessary complexity.

But brand architecture is more than deciding which names stay. The combined company also needs a clear vision for the future that explains where the organization is going and why the acquisition matters. Employees need to believe that story, and the market needs to understand why the growth matters.

The transition plan matters just as much as the final structure. Bain advises acquirers to make customer experience part of merger planning and establish specific retention goals during integration. That matters even more for PEOs, where a change in the company name or service experience can create uncertainty throughout the relationship.

Communication should be planned in advance, begin early, and continue throughout the transition. Customers need to understand what is changing and what will remain familiar. They also need to know how the acquisition will improve their experience.

That takes more than one announcement. Client-facing teams need clear language they can use in conversation, and every customer touchpoint should reinforce the same story. A clear brand architecture protects existing equity. A compelling vision gives the combined company a future people can understand and believe in.

CULTURAL ALIGNMENT

Once the combined company has a clear vision, that vision should guide the cultural integration.

Employees need to understand what the organization is becoming and how their work contributes to that future. The strongest parts of each company's culture should be carried forward because they support the new direction, not simply because they are familiar.

That makes leadership communication especially important. People need more than updates about systems, reporting lines, or process changes. They need a credible story about why the companies are coming together and what they are now building as one organization. Leaders should communicate early and honestly, acknowledge what people may feel they are losing, and give employees a role in shaping how the new vision comes to life.

Deloitte's research on employee experience in M&A warns that gaps in communication and transition planning can keep companies from realizing the expected value of a deal. The deal begins to lose value when the talent and relationships that made the acquisition attractive are not handled with care.

Long after the acquisition press release, that clear vision gives employees a shared direction to trust and focus on. A strong brand gives them continuity and a sense of belonging in the company they are building together.

MARKET DIFFERENTIATION

On paper, an acquisition looks attractive because of its revenue potential. But the future of the combined organization needs more than a clear vision. It needs a differentiated position in the market.

Positioning mattered before the acquisition, and it matters even more afterward. As your PEO moves into new territories, the market needs to understand the vision behind the deal and what it means for customers who already knew and trusted the acquired company.

> *Brand structure should be addressed early in the integration, before new materials are created and different teams begin explaining the acquisition in different ways.*

PEOs already face a differentiation challenge. Many offer similar services and make overlapping claims about features and technology. The harder question is what the combined company can now stand for that competitors cannot easily claim.

An acquisition changes what the company can deliver and where it can compete. That position needs to align to a bigger brand story early, so client-facing teams know how to talk about the new company with confidence. PwC's research on M&A growth emphasizes early go-to-market planning as important to maintaining commercial momentum.

The key question is: What can the combined company now deliver that neither organization could deliver as well on its own?

The answer should become the clearest expression of the brand. It should give brokers a specific reason to choose the combined PEO and show up consistently wherever the company presents itself to the market.

TURNING BUSINESS GROWTH INTO BRAND VISION

The deal that brings two companies together with enormous growth potential is exciting. The brand work protects that value and gives the combined organization a future worth moving toward.

Employees should be able to see themselves in that future. Customers should understand why the change makes the company stronger for them. Together, the brand and vision should answer the questions that surface after the announcement: Who are we now? Why is this better?

PEOs that answer those questions early and communicate consistently are more likely to protect those promising spreadsheet calculations behind the deal. PEOs are in the relationship business. Lasting growth requires a clear picture of the future people in that relationship can believe in. ■

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RETIREMENT COULD BE THE PEO DIFFERENTIATOR HIDING IN PLAIN SIGHT

BY OMAR EZZELDIN

PEOs have spent decades making all the moving parts of employment feel like a single, coherent product. Payroll, benefits administration, compliance and onboarding can now live behind a single log-in, potentially improving HR administration for organizations of all sizes. This impressive feat of engineering may end when an employee clicks on the retirement tab.

Retirement benefits have been a walled garden, where the brand, login, support and data no longer feel seamless. The unified environment that PEOs have worked so hard to build suddenly seems assembled from parts. That breakdown is more expensive than most PEOs realize. Closing this gap may be one of the clearest retention and differentiation opportunities in the market right now.

Improving the retirement plan experience for PEO clients is a matter of leaning into an established strength. Retirement is already one of the places PEOs can create the most value. According to NAPEO, among businesses with 10 to 49 employees, 52% of PEO clients offer a retirement plan, compared with 23% of companies that do not use a PEO.

For clients, the retirement plan is central to why employees stay. More than half of employees say benefits are a primary reason they remain in their jobs, and 53% specifically name a competitive retirement plan. Employees satisfied with their benefits are five times more likely to say they will stay with their employer. The key detail, however, is the one that should matter most to anyone building a platform: 84% of employees who say they understand their benefits well are very satisfied with them, versus 49% of those who do not. When an employee's benefit is buried in a separate portal, rather than a unified experience, it makes it harder to convey its value and to understand.

When SECURE 2.0 mandated auto-enrollment in many cases, integration of retirement benefits became table-stakes for PEOs. What now separates one platform from another comes down to a unified experience, and whether the retirement benefit feels like part of the product, or a place where the product ends.

This is the distinction worth drawing clearly, because the industry uses one word for two very different things: Surface integration versus real integration.

Surface integration is single sign-on and a white-labeled logo on a portal that a different company runs. It looks unified on the marketing page, but "breaks" the moment an employee tries to change a deferral.

Real integration is structural: enrollment and contributions that move with payroll in real time, eligibility and auto-enrollment triggered by the same system of record, the retirement view rendered natively next to pay and benefits, one support relationship for all of it.

Employees increasingly expect retirement to behave like the rest of their financial life. Platforms that deliver are building toward where the market is going, rather than just "bolting on" to a portal.

Consequently, the PEO market is consolidating around the platforms with the deepest client relationships. The five largest PEOs already account for roughly 39% of all worksite employees. In that environment, differentiation is scarce, and retirement benefits remain one of the few categories where it is still genuinely available.

A retirement experience built into the product does two things at once: First, it makes the 401(k) become infrastructure, rather than just another vendor. Second, it makes the platform easier to sell, because a demo with no visible "seam" beats one with an obvious handoff.

For decades, this was a technological limitation. The infrastructure that retirement ran on was not fundamentally compatible with payroll software. Now, those days are over, and platforms that are built on modern rails can craft better experiences that feel like an extension of their platform.

A non-integrated retirement plan was never a choice that PEOs made. It was a constraint they inherited. But constraints that no longer exist become decisions, and every PEO is now making one whether they realize it or not. It is now an active choice whether a PEO will treat retirement benefits as a checkbox, or as the thing that finally makes their experience whole. The employee clicking over to the retirement tab isn't thinking about integration. They just feel whether it's a unified experience, or a fragmented process. The platforms that win the next decade are the ones making sure they never feel it at all. ■

OMAR EZZELDIN

Head of PEO Partnerships
Basic Capital
New York, NY

AD INDEX

Boldface type indicates NAPEO Medallion Partner

PEOS ARE SMB GROWTH ENABLERS

BY CASEY M. CLARK

Many of you reading this will soon head to Marco Island for NAPEO's 2026 Annual Conference and Marketplace. As always, it will be a worthwhile opportunity to reconnect with colleagues, build new relationships and learn from peers.

By sharing ideas and experiences, PEO professionals strengthen not only their own organizations but also the businesses and employees who rely on them. A lesson learned by one member can become a better solution for hundreds of clients. A connection made during the conference can lead to a partnership or new approach that benefits thousands of workers.

Those connections are important because the strength of the PEO industry has always been its people, and the impact you make extends far beyond your own companies.

NAPEO's new research demonstrates the scope of that impact. The results will be released soon but suffice it to say that the number of businesses and workers PEOs support is not insignificant. Behind those numbers are entrepreneurs pursuing an idea, family-owned companies building a legacy, growing businesses creating jobs and employees working to support their families and communities.

PEOs help make that possible, and this is the story we are telling in Washington and across all 50 state capitals.

When we advocate for PEOs, we are also advocating for the small and mid-size businesses that are the backbone of the American economy. Policies affecting PEOs ultimately affect the hundreds of thousands of employers and millions of employees PEOs support.

Our research helps us tell that story with greater clarity and credibility. It demonstrates that PEO policy is small business policy. When policymakers support a fair regulatory environment for PEOs, they help business owners comply with the law, provide competitive benefits, create jobs and grow.

> *When we advocate for PEOs, we are also advocating for the small and mid-size businesses that are the backbone of the American economy.*

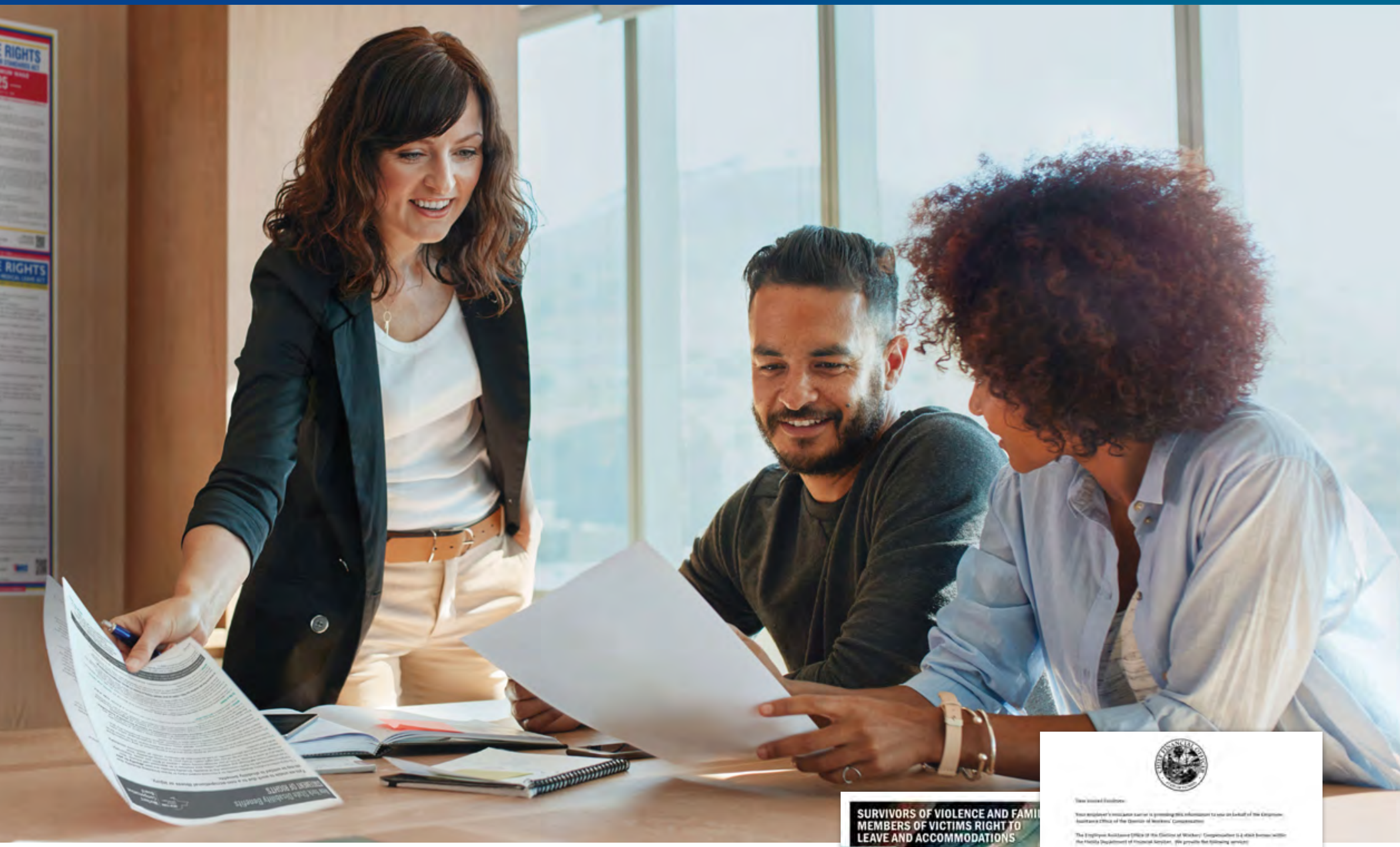
That is why one of NAPEO's strategic plan pillars calls for the industry to speak with one voice to drive an industry narrative. The true power of an association is realized when the collective voice of its members is harnessed to drive meaningful progress. If we tell the PEO story with a unified message, it will resonate further and stronger. There's a lot of noise in Washington but speaking together is how we break through. You'll hear much more about this initiative in the coming weeks, and I hope all of you will join us in this important effort.

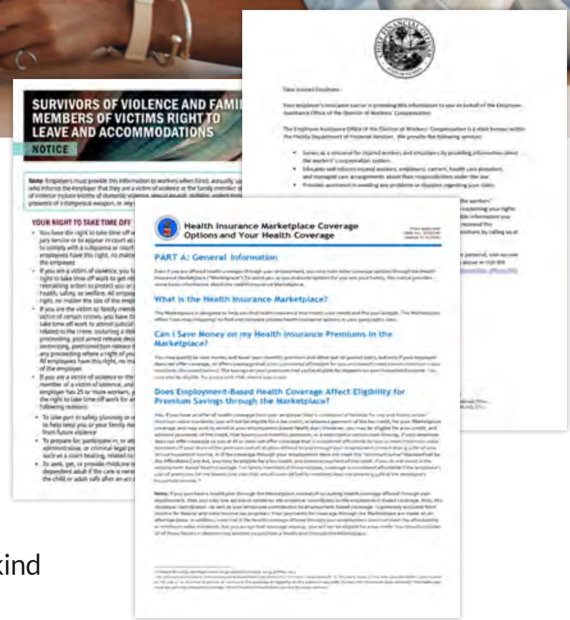
As we gather in Marco Island next week, we should take pride in how far this industry has come. We should also take pride in whom that progress serves. When PEOs grow stronger, small businesses grow stronger—and so do the employees, families and communities that depend on them. That's a story worth telling. ■

CASEY M. CLARK

President & CEO
NAPEO
Alexandria, VA

Are You Confident that Your Clients Comply with Employee Handout Requirements?





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- Change frequently
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