

Why a PEO is a critical business investment during times of crisis

In times of crisis, entrepreneurs and SMB (Small Medium Businesses) face a unique set of challenges. More than ever, business owners need to be incentivizing their team and finding creative ways to weather the storm.

Small Medium Businesses (SMB) across the board will also find it essential to streamline services and find efficiencies in every possible domain. The more time and cash you can save, the greater your defense against a possible global economic downturn. Even better if you can do this while still making sales.

To do so, small- and medium-sized businesses have access to a secret weapon: **PEOs**.

PEOs — Professional Employer Organizations — can take on payroll management, employment regulations and ensuring that your team is properly compensated and motivated. While you may have been coping just fine with these tasks yourself, chances are your time could be much better spent focusing elsewhere in your business; future-proofing its success, even during these challenging times.

Investing in a PEO can help you create a more streamlined organization, ensure that every aspect of your business is as efficient and effective as possible, and give you the headspace you need to stay laser-focused where it *really* matters.

What is a PEO?

PEO stands for Professional Employer Organization. PEOs offer a huge range of HR support to SMB, from payroll management and benefits to compliance with government regulations and employment-related administrative functions. **Broadly speaking, a PEO acts as an**

outsourced HR department for a small- or medium-sized business, giving them access to dedicated resources and services that might otherwise be unattainable.

A PEO offers Small Medium Businesses (SMB) the opportunity to fully streamline administrative functions, and allows owners and founders to focus more fully on the success of their business. Rather than getting bogged down in keeping systems and processes running smoothly, or spending money on in-house resources, a PEO can take on the back-office challenges and leave entrepreneurs free to do what they do best.

PEOs can also take on a range of roles and responsibilities within a company, based on a co-employment model. They are able to manage various HR and payroll services and requirements, while the actual management of employees and operations remains the responsibility of the organization. While bigger, enterprise companies will most likely have an internal HR department, **PEOs work best with SMB for whom in-house HR support is not cost-effective.** A PEO is able to lighten the load, and take care of administrative tasks, meaning staff can focus on working directly towards commercial wins.

The benefits of a PEO for small- and medium-sized businesses

Working with a PEO allows Small Medium Businesses (SMB) to access many of the benefits available to larger organizations, while maintaining the autonomy, flexibility and agility that comes with being a smaller firm. In this way, a PEO allows you to have your cake, and eat it too!

During times of crisis, the benefits of working with a PEO are magnified. **SMB are particularly vulnerable to adverse market conditions and uncertainty in their industry, and ensuring that business processes are as efficient, effective and streamlined as possible will help protect a business more than anything else.**

PEOs aim to work alongside current leadership, as an extension of the core team. The role of an owner or founder should be looking out for the health of the company, ensuring that they have the tools and resources to succeed, and identifying new revenue opportunities to explore.

This is true at any stage in a business's lifecycle, but it's especially true when the going gets tough.

A PEO can be a hugely beneficial investment for SMB looking to work as seamlessly and effectively as possible, while also cutting costs without damaging the prospects of the company. [Research has shown](#) that businesses who work with PEOs grow 7-9% faster, and have 10-14% lower employee turnover.

Most importantly, **PEO relationships have been found to make businesses more durable and sustainable. Businesses in PEO relationships are 50% less likely to go out of business.** When facing a crisis, adding an extra layer of robustness can be critical to an organization's success.

So how exactly do PEOs enable such assurance? And how can a co-employment relationship to manage your HR benefit your organization?

Cost savings - A PEO gives a Small Medium Business (SMB) access to the benefits of a full in-house HR department, without the associated costs. With PEO support, SMB can delay making HR hires, as the vast majority of employment issues can be taken care of. On top of that, when the time does come to make an in-house HR hire, they can concentrate on nurturing the workplace and establishing a company culture, without worrying about vast amounts of day-to-day admin.

Access to retirement plans - Due to the way PEOs are structured, they can offer a broader range of services and options to SMB than an in-house HR department would be able to. The most popular service? PEOs are able to access generous retirement plans, from providers who may not normally sponsor small businesses.

Compliance and risk protection - According to Business Insider, around [33% of SMB are fined every year for mistakes that lead to compliance failures](#) — and you'd better believe these fines don't come cheap! With a PEO taking care of employment paperwork, and providing expertise and assistance with regulatory compliance, the risk of getting these things wrong is significantly reduced. With rules and regulations on compliance changing and updating all the

time, working with an organization that has insider know-how, and is fully up-to-speed on the latest compliance landscape, is a *huge* benefit.

Time - If there's one thing founders are often short of, it's time. But working with a PEO can help you win some of it back. For entrepreneurs and small business owners, time is the commodity that one can never have enough of, and crucially the lack of time is what limits the vision and the scope of many SMB. With a PEO taking much of the heavy lifting around HR off your hands, you are free to be creative, explore opportunities, pursue success, and generally do what you do best. After all, you didn't get into business to *only* flex your skills and passion for admin, did you?

Liability assurance - SMB will often find the costs of licensed attorneys and HR professionals to be prohibitive. Working with a PEO gives you access to these services, and others, to help mitigate risks and provide expertise that would otherwise be out of reach, at least for now.

Purchasing power - When you partner with a PEO, your employees are grouped together with all other co-employees of the PEO, forming a far larger negotiating body with greater purchasing power than an individual SMB can muster. This means that when it comes to health coverage and other employee benefits — like gym memberships — the PEO is able to negotiate rates that compare to far larger, enterprise-level organizations.

How to choose a PEO

There are over 900 PEOs in the United States, providing services to over 175,000 small- and medium-sized businesses across the country. This represents around 15% of all SMB with a staff complement of 10-99 employees.

With over 3.7 million people employed by PEO-supported businesses, the PEO industry in the US represents roughly the same number of people as the combined employees of Walmart, Amazon, IBM, FedEx, Starbucks, AT&T, Wells Fargo, Apple, *and* Google!

So how do you choose the right partner for your business?

On the face of it, it might look like all PEOs are the same, but this is hardly the case. You need to think carefully before choosing a PEO, and understand exactly what you want, what they can deliver and what is best for your business before committing to the relationship.

Every PEO offers something a little different, with different benefits packages, different service providers and bespoke HR tools and resources. You'll need to assess what your company needs, and take a look at some of these things to look out for when choosing a PEO to partner with.

Your business goals and needs - You'll need to carry out an assessment of your workplace and your company as a whole, and work out what you actually need when it comes to HR. You also want to be clear about what your goals are, what you want to achieve and whether your preferred PEO can help you with these.

References - A PEO should be able to provide you with professional and client references, to give you an idea of how they have worked with others in the past, and whether they've dealt with companies like yours.

History and certification - Understanding a PEO's history is key to discovering whether they can provide the right level of service for your business and your employees. A good PEO should have a demonstrable track record of good practice, particularly when it comes to responsible management of its *own* business. Their financial statements should be independently audited by a CPA, and practices around risk management, operations, ethics and finances should be certified and accredited independently as well. A good PEO will be able to demonstrate full adherence to the relevant performance practices of the industry — otherwise how can you trust them to handle yours?

Membership of NAPEO - NAPEO is the national trade association of the PEO industry in the US. If a PEO is a member, they will have access to a range of benefits, services and tools that non-members cannot access, which can be a huge help for your organization in turn.

Experience and training - Investigating the management expertise of a PEO company will give you a great insight into how they work and what they can offer your business. Take a look at the

experience that their management board can bring to the table, look at the depth of their top team, and find out whether their senior staff have taken part in relevant professional training, designation or accreditation.

Employee benefits - Benefits are a huge selling point of the PEO relationship, and one of the major reasons that SMB chose to enter into a co-employment model. Working with PEOs gives smaller organizations access to a range of benefits, perks and privileges that they would otherwise be unable to offer their employees. Health benefits are top of the tree, but there are a range of ancillary benefits that PEOs can provide, like life insurance, commuter benefits, gym memberships and bicycle schemes. Exploring the range of benefits a PEO offers will help you decide which one works best for your team.

Funding - It is also really important to ascertain how employee benefits are funded. Some PEOs are comprehensively insured, while others will rely partially on self-funding. You'll also want to make sure that their TPA (third party administrator) has the proper authorization to do business in your state.

Roles and responsibilities - When you work with a PEO, you sign up to a co-employment model which allows the PEO to become your employer of record. They take on various responsibilities and liabilities for your company, assume certain risks, and run your payroll under their tax ID numbers, and as a result also assume control over some elements. PEOs will require you to sign up to their policies and procedures, and potentially take on their employee handbook wording as well. That's why you need to know *exactly* what the roles and responsibilities are going to be on each side of the relationship *before* choosing your PEO. If you are giving up even partial control of your company practices, you'll want to be crystal clear on how things are going to work. You also need to assess whether your preferred PEO fits with your existing culture and HR approach.

Compliance - PEOs will help ensure that your company is up to speed, compliance-wise, but it is also important to check that they practice what they preach! Individual requirements do vary from state to state, so take time to confirm that the PEO you choose meets all the requirements of the state in which you do business.

Key tasks that PEOs can handle during times of upheaval

Things change *fast* in times of crisis, upheaval and uncertainty. And the way SMB work often has to evolve as well. Adaptability becomes key, and dealing with an ever-changing and often unrecognizable landscape requires effort and focus.

While PEOs offer a range of benefits to SMB at all times, when it comes to a crisis they stand out as a genuinely critical investment. They offer an unparalleled ability to streamline your business, and can handle the tricky tasks that come about as a result of disasters and crises.

During these periods, it is more essential than ever that entrepreneurs and owners are able to focus on the welfare of their business and workforce, and a PEO can free up the time and mental energy for this.

Here's how...

Let a PEO handle all-important payment tasks

Running payroll can be laborious for SMB owners at the best of times. But during economic trouble and global uncertainty, payment management becomes *crucial* for both cash flow and staff wellbeing and engagement.

A PEO will handle all payment functions for your company, ensuring that all staff are paid properly and on time — even when the pressure is on. You can enjoy a steady cash flow, free from external audits.

As government support for employees and businesses ramps up, payments can become more complex. A PEO will handle all the admin related to small business loans and assistance from

the SBA, as well as any surprise government requirements or changes in Cal/OSHA regulations.

While everything will be done to avoid it, difficult times do sometimes require belt-tightening, and job losses can be a deeply regrettable outcome of a crisis. Once again, your PEO will handle all the admin surrounding unemployment payouts, and will be available to offer advice, support and expertise if unemployment hearings become necessary.

Despite the changing circumstances and complex situations that arise from a crisis, everyday life doesn't stop. One of the major benefits of working with a PEO is that they will continue to deal with the necessary payroll issues, benefit deductions and tax filings throughout, regardless of external events. Once again, this gives you and your staff more freedom to work on crisis response, without having to worry about other essential operations falling between the cracks.

Stress less about compliance, with a PEO by your side

As previously mentioned, compliance is one of the more complicated aspects of HR work for SMB. Payroll tax filing and administering benefits systems is complicated stuff, and over a third of small businesses fall foul of regulations and get stung with a fine every year.

Entrepreneurs are usually creatives — visionaries! — focused on innovating and challenging the status quo. They don't usually get into business to become compliance experts. But expertise is what you need to navigate the more convoluted areas of compliance law, cut out human errors and avoid getting hit by hefty fines.

This is even more important during a crisis. **While fighting fires or battenning down the hatches, it is ever so easy to let best practices slip. This, in turn, can lead to costly compliance mistakes, particularly if you don't have a dedicated HR department or the appropriate in-house representation.**

PEOs provide this expertise in HR compliance, and will ensure that whatever measures you are taking, you know exactly what you need to do to stay compliant with payroll-related tax filings. Many PEOs will even file the paperwork for you.

Reward your staff with the scale of benefits PEOs have access to

Employee perks and benefits are hugely important to staff. When applying for roles, a huge proportion of employees say that the benefits package on offer has a significant swing. To attract the best hires, companies need to be able to offer the best benefits packages possible.

But it's not just about attracting and hiring new talent, benefits play a major role in retaining staff members, too. And [72% of employees](#) agree that benefits directly correlate to job satisfaction.

In times of crisis, health benefits, insurance and other plans and perks are even more incentivizing. SMB who are able to offer, and continue to provide, a great safety net during difficult periods are going to be far more attractive prospects.

Through a PEO, employees of small businesses can gain access to enterprise-level employee benefits. From 401(k) plans and health, dental and life insurance to care for dependents, the benefits that can be secured through a PEO far exceed those that employees of a small business would typically receive.

The current crisis has impacted us all in different ways, but if a team member doesn't have to think twice about getting health coverage for their kids, or protecting a little extra cash to pay for their gym membership, it all amounts to increased satisfaction, engagement and loyalty.

Trust your PEO to manage essential HR challenges quickly, sensitively and effectively

A PEO gives small- and medium-sized businesses the benefits of an enterprise-level HR department. They can take care of the full range of HR tasks and provide all the services that you would expect from an in-house expert — without needing the desk space or salary!

Your PEO will handle every aspect of recruitment from start to finish, dealing with putting together job descriptions, managing appropriate employee compensation, and finalizing contracts and hires.

They can also deal with necessary lay-offs, ensuring that any terminations are managed in a fully compliant and sensitive manner, and that the proper processes and procedures are followed.

If needed, a PEO can provide specialized HR consulting services, senior management training, and can help put in place robust succession planning. There's even scope for dedicated, curated systems and programs to ensure employees are properly motivated.

Lastly, your PEO will handle critical HR compliance. They'll make sure that employee handbooks are correct, and updated regularly. Appropriate informational posters will be posted around the office, and staff awareness of policies and procedures will all be taken care of. Your PEO can also ensure compliance with safety protocols, schedule safety meetings and guarantee that your organization has access to the most relevant and up-to-date IIPP manual, to provide robust and comprehensive workplace safety measures.

Staying on top of HR, in *all* its forms, requires careful handling during a crisis. Businesses often face difficult decisions and need to respond quickly but sensitively while remaining fully compliant. Having access to the skills, experience and expertise of a PEO during times like these can make all the difference.

How MartinoWest can help

Our primary goal at MartinoWest is to help small- and medium-sized businesses flourish. We're the definitive PEO experts — the *only* PEO-focused agency — and one that truly speaks your language. We know the issues you're faced with day-to-day, but we also know PEO better than anyone else.

And we use that knowledge to create simple, worry-free PEO bundles for our clients.

We relate strongly to visionaries and entrepreneurs who started a business to do things differently, to innovate and revolutionize, and to bring ideas to life. We want to help you do *more* of that, and less of the other stuff.

In ambiguous, uncertain times like these, we can help you make informed decisions about what is best for your business, and what to do in response to challenging external factors.

Streamlining and finding efficiencies is hugely important, and we can help you achieve this by finding the right PEO to support your needs.

[Get in touch](#) with us today, and let's find the best PEO partner for you.