

The Birth, Care, and Feeding of New PEO Offices



Joe Beers

Opening PEO offices across state lines can be exciting, challenging, frustrating, and rewarding. It is a bit like raising children. After birth, they are nurtured, fed, and grown so they may stand on their own some day. I've talked to numerous PEO executives about the keys to opening offices. They gave many good insights, but three fundamentals became clear. The vital factors to success in opening a PEO office can be summarized with the "Three Cs:" Community, Culture, and Compliance.

Community

Each *community* in which an office is to open is unique. No two communities are identical, although many share similar key traits. Each community is driven by a specific set of business habits, cultures, and flow. In 387 A.D., St. Ambrose coined a phrase that eventually became, "When in Rome, do as the Romans do." What works in your home market may not work in an expansion city. It is critical to tailor the business model of the expansion office to fit the market in which it is located. One size does not fit all. PEOs sell against the status quo and fear of change. So what is the community's opinion of change? Some cities are full of family-owned businesses going back for several generations. The business owners in these cities are generally resistant to change and a harder sell for PEO services. Other cities are full of newcomers who have arrived for a myriad of economic and personal reasons. Business owners in these cities are generally open to change. In a market that embraces change, sales can

often be done faster, but client turnover is faster as well. In markets where people are resistant to change, clients may be slower to come on board, but once on they typically stick around and will be good clients for a long time. Some products are market driven as well. Securing workers' compensation coverage and group medical are obvious keys in any market being considered for expansion. In other words, you need to have something of value to sell! Restrictive workers' compensation markets can impact the type of salespeople who should be recruited. It also impacts the type of clients that should be targeted. If only low-risk workers' compensation classes can be successfully placed for coverage, the sales force hired should be tailored to target white- and blue-collar companies.

Culture

Fostering and promoting the corporate *culture* that the PEO holds dear is important for success. This can be accomplished by hiring key personnel that can not only execute the business plan, but also grow a team with the fundamental values of the organization. There are many different approaches used to staff a branch office. Some promote and transfer a key internal employee from the home office. Others start with a satellite sales office and build staff only after securing enough clients to ensure success. Whatever the approach, the most successful satellite offices start by hiring the leader first. This sets the tone. It also becomes clear who the leader is to all future additions to staff. If the leader is added later, it is usually

tougher for that person to succeed.

Empower the leader with incentives and decision-making authority to staff the office in a manner that will fit the market, execute the plan, and capture the culture desired by the mother ship. A quality first hire in a market paves the way for future success. Make sure the leader and those hired early on have spent enough time on the front end to understand the key components to success. Training programs, spending extended time at the home office, or having key home office personnel spend quality time in the new market are ways for this to be accomplished. Whatever your culture may be, find a way for that leader and that office to take the culture on as if it were their own and develop it to fit the market.

Compliance

Compliance is perhaps the most challenging thing about the PEO business operating across state lines. PEOs with multi-state operations could have a full-time compliance officer on staff whose main responsibility is keeping up with changes in compliance. NAPEO has put a lot of effort into stabilizing the requirements for PEOs by attempting to pass model legislation on a state-by-state basis. But even with this effort, PEOs touch such a vast number of issues that it is impossible for perfect conformity to occur in every state. Licensing, bonding, and registration are obvious keys to compliance. But a myriad of other issues exists as well. These issues can range from unemployment insurance reporting requirements to business taxes to minimum wage to benefits. There may be specific clauses

required in the client service agreement in a particular state. Other basic questions may extend to whether a client can keep its own workers' compensation policy or who must be notified if the relationship is terminated.

What do we take for granted or what small things may be overlooked? Is the office located in a place that will attract people to come to work? Would you let your daughter work in that part of town? Where is the office on the Federal Express delivery

route? If the answer is "last stop," that could pose a problem for some. Will the time difference in the expansion city and the home office cause logistical and communication stress? What about dress code? Business people dress differently in New York City and Albuquerque. Have you adjusted your internal human resources to account for the quirks of the market?

Expansion can be exciting and new challenges continually arise. We have an

industry full of intelligent and committed leaders. If asked, they are usually willing to offer advice or guidance. Don't be bashful in asking for input or using them as a sounding board. One will likely be pleasantly surprised at the helpful responses ■

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HONEY