



WHO WILL MAKE IT HAPPEN?

Britt Landrum, III, SPHR

Growth—everybody wants it, or at least they think they do. Although PEOs vary in their pace of preferred growth, most business leaders agree that if you aren't growing you are shrinking. My father, H.B. Landrum, Jr., our chief executive officer and founder, has always believed in slow, controlled growth, and our company followed that philosophy for its first 45 years.

Our PEO first experienced serious growth during the late 1980s, when we actually could “control the throttle” of growth and be highly selective in our choice of clients. “Employee leasing” was in its infancy then, and leasing employees was somewhat of a business secret that only the most astute leaders took advantage of. PEO was the cool thing to do! Nowadays, very few owner/operators in select remote areas of the country still have the luxury of controlling the throttle of growth. For the most part, that luxury is long gone. Most of us are out there trying to drum up as much business as we possibly can. We will find whomever is interested in listening to our value proposition and attempt to entice them to outsource their human resources functions. Hopefully at the end of the day, the net result is increased growth for your PEO. Is there a better way?

Preparing for Growth

Preparing for growth involves a sales strategy, a service strategy, and a little luck. Most importantly, the leader of the organization must present a clear, aspirational, and compelling vision of the future in order for the staff to follow and desire to change and grow. The vision must be cast in a manner that the staff understands that remaining where it is will cause the organization great hardship. In other words, the vision must illustrate that the organization must move from “here” to “there” for it to thrive. Staff members must buy into the concept that times will be much better for the organization once it gets to there. However, if we stay here, we will surely fail.

Over the course of cultural transformation, new leaders will emerge within your organization that you never even realized you had. For example, since we began this phase of our growth journey a few years ago, we have established an entire new layer

of emerging leaders who report directly to our senior team. These are the folks who could go to Mars and start a new branch of our company if we needed them to. To be sure, there will also be some casualties along the way. There will be some staff members who do not wish to change and grow, and they will be left behind to ensure the future success of the organization.

Changing Growth Strategy

At Landrum HR, our entrenched culture of slow, steady growth has provided us with a stable, healthy company for our first 45 years. However, we have discovered that our home market has been basically tapped out for the most part. Because it is not a very large community, many prominent local small businesses have either done business with us in the past or are currently clients. In addition, we are negatively impacted when the majority of our clients suffer localized disasters, such as hurricanes or the BP oil spill. Therefore, our growth strategy is to diversify geographically and focus on acquiring other successful HR companies in select markets that have not been exposed to our methodology of conducting staffing, PEO, and HR consulting services, so we can attempt to build off of their core books of business. Because our model is very relationship-oriented, we have chosen to retain nearly all of the employees in these acquisitions. It has been exciting to partner with these smaller firms that were having growth struggles of their own, and we have been blessed with some excellent additions that complement our existing team.

From a service perspective, our many years of slow, steady growth have afforded us the luxury of tweaking and systemizing our processes for maximum compliance and efficiency. We invested in Statement on Standards for Attestation Engagements No. 16 (SSAE-16) compliance, established and refined auditing procedures, and developed software specifically customized to our workflow. Staff members have commented over the years that we were being too hard on ourselves in establishing these processes. However, the goal was not to maximize what we were doing at the time. The goal was (and still is) to maximize what we *will* be doing in the future and design our systems accordingly to

accommodate the increased volume obtained via acquisitions and increased sales in new markets. The key takeaway here is to design your internal systems for the future, not for the present. Otherwise, you will waste valuable resources, you will constantly be upgrading, and you will simply never get there.

Tools

It goes without saying that benchmarking key positions is of crucial importance. Of course, efficiencies gained through automation, fine-tuning processes, or upgrading technology platforms will all have an effect on the results. A great tool that can assist in determining resource needs is the NAPEO Financial Ratio and Operating Statistics (FROS) survey.¹ We have been participating in the survey since the beginning, and I could not imagine a senior team meeting without having that data at our fingertips. We are constantly referring to the survey to cross-check if we are staffed appropriately in payroll, HR, and other service areas and whether our profitability is in line with other companies of similar size and scope. The ability to look at years of data trends in the FROS survey is also very beneficial in making resource determinations.

Another tool that can provide great assistance during growth is eCAL, a web-based service designed to help PEOs comply with regulatory requirements more efficiently and reliably. The Alliance for PEO Electronic Compliance (APEC) developed the tool. APEC is closing in on the completion of its next compliance service for PEOs, an automated form completion system named eFile. eFile is designed to reduce errors, save time, and simplify PEOs' state compliance challenges associated with state licensing, registration, renewals, and client reporting.

A final tool that can be of great assistance during growth is customer relationship management (CRM) software. Not only can CRM be very helpful during the sales process, it also can be of great assistance during client enrollments and tracking client interactions over the course of time. We use CRM software that is customized exclusively for the PEO industry, and therefore recognizes and suggests many best practices we have incorporated into our processes. However, it is important to note that all of these tools are only as good as the amount of planning, preparation, work, and adoption that goes into them.

Continuity During Growth

Once you are sure of your sales strategy, you are staffed appropriately to support your service model, and have all the best tools in place to assist you, PEOs need to determine what level of service each client will receive and design the appropriate systems to accommodate the client base. Many newer PEO operators start out attempting to take the approach of, "everyone will always



receive the utmost, premium service." I would actually love it if that were even possible. However, once you reach the point where you have more than one client that demands the same resources, the reality is that decisions have to be made about who gets priority. Another cold, hard fact is that some clients provide 50 percent of annual net income, and others provide .001 percent. In other words, one pays your entire staff's salary for the year, and the other one pays for your lunch. If both call requesting the same HR manager, how are you going to determine which one gets priority? These are the types of tough questions that must be answered in designing your levels of service appropriately for your mix of clients.

Providing continuity during a transitional period of growth has to start with a compelling vision from the leadership. Once the vision is cast, sales and service strategies must be implemented. Also, buy-in from the entire organization is required to change from where you are and enable growth. Treating clients and internal staff with respect and admiration, and rewarding them appropriately is key. Surrounding yourself with a team of key leaders who are smarter than you in the various diverse facets of our industry is critical. Good luck in your growth endeavors! ●

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¹ www.napeo.org/peo-resources/publications-products/online-store.