



Promoting Your CPEO STATUS

Britt Landrum, III, SPHR

Everyone in the PEO business is well aware that the end of 2014 marked a major transition point for our industry. Following the passage of the Small Business Efficiency Act (SBEA), NAPEO sent Board of Directors members an official copy of the bill. I chose to display the framed copy outside of my office in our headquarters for two reasons. First, all of our internal employees, prospects, and clients who visit our home offices can see it, ask questions, and encourage discussion. Second, I want our staff to be reminded of all the great people who plowed the ground before us and made the industry what it is today. We truly have had some incredible business minds over many years who unselfishly worked together to make our industry great and to enable the passage of the SBEA. Although I'm not certain, I doubt if many other for-profit industries have come together as smoothly as ours has to reach the ultimate pinnacle of passing a new law that establishes minimal operating standards for the industry.

A disclaimer is in order: While I care deeply for all of my PEO sisters and brothers, and in many cases have learned much from their hard work over many years in the industry, I am a

strong believer in a minimum set of standards that puts us all on a (somewhat) even playing field. I believe that any industry that processes as much revenue as ours should subscribe to such standards. Furthermore, those

standards are much more practical and attainable if they originate voluntarily from the very folks who will be complying with them within our industry, rather than being forced upon us from governmental entities as a result of deviancy. In the recent words of a Stanford professor, "If you don't pick the regulation, the regulator will pick you!"

Most industry types would agree that there is a service difference when competing against a non-association member for prospective clients. However, it is asking a lot for the general public (i.e., prospective clients) to recognize those differences upon first glance. Therefore, I believe that we must do every single thing we possibly can, both personally and collectively, to distinguish ourselves from the other PEOs in the marketplace both on the surface level (via certifications, awards, and association memberships) as well as on a much deeper level via our service model.

To quote my father, H. Britt Landrum, Jr., "So the dog has caught up to the car—now what?" In this case, the dog is the SBEA and the car is the July 1, 2016, deadline for implementation that the commissioner of the Internal Revenue Service

(IRS) has stated he expects will be met. I have gradually been introducing the idea of the SBEA since its passage over a year ago to our 170 internal staff members in our departmental meetings, monthly all-employee meetings, seasonal gatherings, and various email communications. They are anticipating some sort of action out of our marketing, sales, and service teams in the near future, although they are still very uncertain about what that action will be. I have observed many of our employees attempt to read the bill outside of my office and leave scratching their heads in wonder.

Recently, I led a training session for our supervisors entitled, “Acronyms of our Industry,” which included a portion on the SBEA. The idea being that we, as industry leaders, get so used to slinging terms around every day that our reporting staff probably doesn’t have a clue what we are talking about (even though they will keep nodding along happily like they completely understand!) My father gave an overview about the origins of the SBEA many years ago, and I was able to expound upon the significance of it becoming law in December of 2014 and the IRS’s promise to “go live” this year.

As the time is rapidly approaching, I also plan to promote the concept during the second quarter with our business consultants at their weekly meetings. I have hesitated to introduce the concept to our sales team prematurely for fear that for some unforeseen reason the IRS deadline slips yet again, and we leave prospective clients with empty promises. (I would much rather our company “under-promise and over-deliver,” as the saying goes.) However, now it is looking more and more like the IRS will deliver on time as promised.

I begin by telling our staff and our sales team what the SBEA is not. It does not guarantee payment of wages, state unemployment taxes, workers’ compensation insurance premiums, health insurance premiums, vision or dental premiums, or retirement savings. In general terms, a CPEO simply asserts that: minimum financial requirements have been verified (via independently audited financial statements by an outside CPA, along with a surety bond); and federal taxes (employee withholdings, FICA, and federal unemployment taxes) have been paid. Although many PEOs are already granting credit for FUTA expenses paid to date, now new clients can officially avoid double-taxation on FUTA because the SBEA gives them full credit for the premiums they have already paid to date for the current year. Fortunately, the Employer Services Assurance Corporation (ESAC) already provides guarantees for all of the previously mentioned items, and that is why we are also proud to be accredited by the ESAC (in addition to NAPEO membership) with plans to now become a CPEO.

On the marketing front, our plan is to ride along on the vast familiarity with the IRS. While most people are certainly not very fond of the IRS, everyone has at least heard of the agency and understands its importance. I wish the PEO industry were already a household name and could stand completely on its own, as does the staffing industry, but we have a very long way to go. In other words, I believe that calling on prospective clients with the power of IRS approval attached will make us more marketable and therefore more successful. We will compete head-to-head with non-certified PEOs, and I expect that an IRS-certified firm will win the vast majority of those bids. IRS certification will therefore serve as a filter for our industry and direct better-qualified and more successful prospective businesses, just as ESAC has done for us over the past several years. I can point to several of our top clients that we have on our books as a result of ESAC accreditation, many of which would have never even approached us to begin with without such accreditation.

I look forward to proudly displaying the certified PEO logo on our website, business cards, and other marketing material just as we have proudly displayed our NAPEO and ESAC logos for years. Who knows? We may even go as far as to display it in left field on our local minor league baseball team’s fence. We plan on waving our flag of IRS “approval” every single chance we get!

Over time, the marketplace will force companies that choose to not become IRS certified PEOs to identify a different strategy of operations to compete effectively with CPEOs. Some may choose to become ESAC certified, so as to be regulated by an independent entity rather than the government. Others may choose an exit strategy such as selling off to other certified PEOs that have gone through the process. Our company has done several acquisitions over the past few years in which our NAPEO membership and ESAC accreditation have benefitted additional clients and worksite employees, and I expect that pace to increase in the coming years as IRS certification rolls out to more and more PEOs. ●

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