



## **HR Pros And PEOs:**

**Busting The Myth That In-House  
HR Should Fear PEOs**

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## HR Pros And PEOs: Busting The Myth That In-House HR Should Fear PEOs

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In the past, in-house human resources professionals and Professional Employer Organizations (PEOs) have had a rocky relationship. The main cause of this rift has been the belief that PEOs are out to replace in-house HR. G&A Partners, a Texas-based PEO, takes a closer look at this long-held - but completely false - myth, and explains why HR professionals should embrace, not fear, the services that Professional Employer Organizations offer.

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### The Relationship Between HR Pros & PEOs

The role of human resources in business is ever evolving. In the past, HR was mainly seen as an administrative function of the business, and its sole purpose was to ensure employees got hired and paid. Now, however, as business owners have realized the value of human resources, HR professionals are expected to play many roles seamlessly throughout their day: counselor, trainer, company spokesperson, benefits expert, “welcome wagon” leader, government compliance authority, event planner...the list could go on and on. And although most HR professionals are delighted to have the chance to focus on more strategic functions like organizational culture and development, they continue to be burdened by transactional HR tasks like processing payroll and benefits enrollment.

Understandably, many HR departments are overwhelmed by all these demands on their time. This is especially true for HR professionals working in small businesses, where the “HR department” may only consist of just one or two people. That’s where Professional Employer Organizations come in. PEOs provide expert administrative HR services, alleviating the stress of managing employees and allowing their clients to focus more of their time on the company’s core business.

Unfortunately, many in-house HR professionals view PEOs as threats, not partners. This is a long-held belief that stems more from misunderstandings and a lack of communication than from fear. It’s time, however, to debunk that myth. In reality, PEOs are not only a tremendous asset to business owners, but with certified HR professionals, efficient processes and advanced technology platforms, they actually make the perfect partners for in-house HR personnel as well.

## Origins of the Myth

We've established that PEOs aren't out to replace in-house HR. So why is it such a common misconception that when a company engages a PEO, in-house HR jobs must be on the line? It comes down to three things: skills, systems and savings.

- **Skills** – For many small to mid-size businesses, the “in-house HR team” is often comprised of an overworked HR generalist or even a single employee with limited HR expertise or experience. PEOs, on the other hand, typically employ a multitude of accredited and highly skilled HR specialists who understand the intricate nuances of HR's complex issues. As businesses grow and demand more specialized HR knowledge, many of the employees currently handling their company's HR functions presume (incorrectly) that partnering with a PEO will make their skills (and jobs) redundant. In fact, a PEO partnership gives in-house HR professionals the time and opportunity to develop more strategic HR skills.
- **Systems** – In addition to that depth of knowledge, progressive PEOs also provide access to state-of-the-art HR technologies that can take clients' processes from antiquated to advanced overnight. But even the most rational people can feel vulnerable when confronted with rapid change, especially when those changes impact their realm of responsibility. In reality, though, these updated systems enable in-house HR professionals to focus more of their time and energy on those strategic HR initiatives, instead of those tedious administrative tasks that used to take up hours of their time.
- **Savings** – People hear about the savings a PEO can deliver and automatically assume that those result from staff reductions. That's not true. PEO savings are more often achieved through improved process efficiency, reductions in processing errors, and more competitive rates for employee benefits and workers compensation.

We'll say it again – PEOs aren't out to replace in-house HR. Of course, when circumstances demand it, PEOs are capable of offering a turnkey HR solution, but it's not a model most

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would recommend when there is already a competent in-house team in place. In fact, PEOs deliver the best value when they are augmenting strategic in-house HR initiatives, as opposed to reinventing the entire HR infrastructure.

The misconception that HR professionals should fear PEOs has created a rift between two groups that would otherwise work together seamlessly. Whether from fear of being displaced or a desire to maintain control, in-house HR professionals have at times assumed the role of gatekeepers in an effort to prevent business owners from entertaining a PEO model. There is a reasonable alternative - it's time for in-house HR to shift to a Professional Service model.

## HR as a Professional Service Model

Somewhere in the evolution of the modern organization, the Human Resources department got relegated to secondary corporate status. It was not a commercial function that could deliver bottom line profits, nor was it perceived to be as vital as the Legal or Accounting departments. But that's changing.

Today's business owners are beginning to recognize the value of human resources, and they are calling upon their in-house HR teams to meet a variety of strategic demands:

- Forecasting staffing needs
- Recruiting and retaining elite employees
- Building a culture that engages those employees
- Creating training and mentoring programs to develop employees
- Designing compensation and benefit packages that attract and retain top talent
- Evaluating and rewarding performance
- Planning for succession

In-house HR professionals are finally being given the opportunity and responsibility of delivering strategic human resources solutions that the present business environment demands. Unfortunately, they are still bogged down in day-to-day demands:

- Onboarding new employees
- Tracking time and attendance, vacations and paid time off
- Administering payroll
- Overseeing benefits enrollment
- Managing workers' compensation claims
- Handling disciplinary issues
- Conducting exit interviews

In addition to the strategic and day-to-day demands on their time, HR professionals are also expected to stay on top of HR compliance issues. But keeping up with the ever-changing laws and new government-mandated policies impacting employers is no small task. It is nearly impossible for a small HR team to stay abreast of changing employment law, manage the necessary filings for compliance and still tackle their company's strategic HR initiatives. Yet many internal HR departments attempt to do just that.

So why does HR feel the need to go it alone? What marketing department doesn't occasionally use an outside graphic designer? What accounting department doesn't rely on external auditors? Why shouldn't in-house HR teams adopt a professional service model similar to their peers? From that perspective, PEOs offer the best possible value proposition – they can assist internal HR with the time-intensive administrative tasks, as well as act as consultants for bigger or more complex projects.

## An HR Pro & PEO Case Study

With only the help of an entry-level HR coordinator and an assistant, Susan manages HR for a thriving mid-size manufacturing company. Susan has always outsourced certain administrative processes, like payroll and benefits administration, and she occasionally engages outside experts to help with a one-off HR project, like an executive search or a safety training initiative, but she never considered hiring a PEO for a turnkey HR solution.

Susan didn't want to engage a PEO because she didn't want to relinquish control, and truth be told, she worried that a PEO might threaten her position within the company. She knew the company's executives trusted her instincts and valued her contributions, but she never felt entirely confident that she was irreplaceable. If a PEO could do everything she was doing, why would the company keep her and her team?

Susan held firm to this notion until one day she had lunch with Deb, the company's chief counsel. Deb could see how stressed Susan was. The company's business was booming, and the demands on Susan and her team were intense and steadily increasing. Deb encouraged Susan to enlist outside help. Deb pointed out that her in-house team of attorneys rarely tackles the complexities of specialized legal matters without engaging outside counsel, so why should Susan and her small team attempt to manage tedious and technical HR matters without the same expert assistance?

Susan still had reservations, so she was somewhat taken aback when her boss, Bob, embraced the idea wholeheartedly. Bob explained, however, that he had no intention of letting a PEO replace her. Instead, he envisioned a PEO providing Susan and her team more time to focus on the strategic HR initiatives that company executives had been calling for, starting with long-term staffing projections, a performance evaluation process to identify and develop top talent, and a campaign to reinforce the company's culture, especially among the many new employees the company was hiring.

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Susan was eager to tackle those more engaging elements of HR, so after a thorough selection process, Susan signed on a PEO that could not only provide integrated HR services (like marrying a time and attendance tracking system with payroll processing so data no longer had to be input manually), but that could also deliver strategic upgrades (like an online recruiting platform that offered an automated application process and candidate tracking).

The HR experts at Susan's PEO have become true partners to her. Her PEO is delivering the depth and dependability of an entire HR department for roughly the same annual expense as one full-time employee. Now Susan finds herself consulting with them on every aspect of the company's HR, including the new HR initiatives she is undertaking. Not only has Susan finally been able to tackle some bigger agenda items, but the company is also seeing a significant cost savings from more efficient processes and a less expensive benefit plan. So now, Susan isn't just a valued contributor, she's a hero.

## Conclusion

It's time for in-house HR professionals to embrace their new, elevated corporate status, and realize that PEOs are not a threat. In reality, PEOs are an experienced advisor capable of helping HR professionals decipher the most complex nuances of HR. They are a trusted, hands-on resource for determining and implementing tactics. In short, PEOs are the perfect partners for internal HR.

## About G&A Partners

G&A Partners, one of the nation's leading professional employer organizations (PEO), has been helping entrepreneurs grow their businesses, take better care of their employees and enjoy a higher quality of life for nearly 20 years. By providing proven solutions and technology in the areas of HR compliance, employee benefits, payroll administration and workplace safety, G&A alleviates the burden of tedious administrative tasks and allows business owners to focus their time, talent and energy on growing their company. Headquartered in Houston, G&A has offices throughout Texas, as well as Arizona, Utah and Minnesota.

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