

PEO EXIT STRATEGIES

As organizations grow, they need to mature their strategies to match their new size. Reliance on a professional employer organization (PEO) can become a barrier to growth. As headcount approaches 50 employees, it begins to make less financial and strategic sense to stick with a bundled solution.

REASONS TO LEAVE A PEO

Leaving a PEO is a necessary part of company growth. At certain point, it no longer makes economic sense to stay tethered to a PEO. Growing companies need more autonomy, freedom, and flexibility to meet operational goals.

PEO services are laden with one-size-fits-all components that aren't fully tailored to your company's unique needs. It's time to move on when you can need more customized solutions:

- **Expert advice:** When you call a PEO, you'll often hear from an account manager in a call center, not a dedicated HR specialist. Growing companies can benefit from the support of a single HR leader.
- **Increased efficiency:** Moving HR processes in-house, or outsourcing them to a dedicated partner and subject matter expert, can dramatically improve your operations.
- **Greater transparency:** PEOs don't provide clarity on where your budget is being allocated. By exiting the relationship, your company will gain more control over its vendors and its spend.

The longer growing companies stay with a PEO, the greater these risks become:



Increased costs for critical services and support



Lack of control over company culture and policies



Limited choices on tools for attraction and retention, specifically employee benefits and perks

OUR CAPABILITIES

At OperationsInc, our PEO Exit services are fully customizable. We can serve as an expert consultant to guide your firm through the process and manage the project on your behalf.

We can handle the full project life cycle, including:

- Vendor assessments and transition planning
- Technology sourcing
- Payroll platform setup and implementation
- Employee communications
- Employee handbook development and updates
- Location-based compliance
- Document creation and handling
- Data migration
- HR checklists

WHAT TO CONSIDER WHEN LEAVING YOUR PEO

Without the right strategy, leaving a PEO can be a challenging and time-consuming process. However, the long-term benefits greatly outweigh the short-term work it takes to detach your company from the PEO.

- **Timing:** It typically takes about six months from the moment you decide to initiate the process to completely exit the PEO relationship.
- **Taxes:** You'll need to start filing payroll taxes under your own tax ID. If you make the switch mid-year, your employees will receive W-2s from both your company and the PEO.
- **Vendors:** It can take time to identify new vendors and transfer your data to them.
- **Technology:** Sourcing new technology vendors and implementing new systems can be challenging, but you're likely to end up with better solutions in the end.

IMPACT ON EMPLOYEE EXPERIENCE

Employee experience is an often overlooked yet important aspect of a PEO exit. Clear employee communication is essential to ensure a smooth transition. Done correctly, employees will understand how the transition benefits them.

OperationsInc supports the employee experience by:

- Crafting communications that employees can easily understand
- Setting up self-service systems for employees to access and control their information
- Identifying user-friendly technology
- Customizing benefits to suit the company's unique culture



Contact us to learn more, or visit operationsinc.com
