

FAMILY BUSINESS FORUM

Handling Personnel Issues As You Grow

By Donald Levitt

The Issue

It is sometimes said that the first generation of a family business starts the business; the second generation grows the business; and the third generation “professionalizes” the business. This “professionalizing” may include hiring a Human Resources Manager to bring the expertise required by the larger business.

But what about a business that is not large enough to accommodate a fulltime HR professional? It’s not easy to find part-time professionals who will be devoted to your business success – yet without this higher-level of expertise, the business may be overlooking significant HR opportunities or risks.

A solution which has arisen in the HR area is the Professional Employer Organization (PEO). PEO’s become “co-employers”, establishing an employment relationship with the employees and assuming shared responsibility as an employer for specific purposes. PEO’s handle the “business of employment” – generally including transactional HR activities (payroll, workers compensation, benefits) and often including other HR support activities (e.g., hiring, training, discipline, safety, compliance with employment law, employee handbooks, drug-free workplace, etc.).

Might a PEO be the right approach for your family business? Let’s hear from a PEO expert and from a family business which uses a PEO.

The Expert

Jim Sasse is President of HR Systems, a Toledo-based PEO. He notes that outsourcing HR offers many advantages to small and mid-size businesses. “A recent study from the Society for Human Resource Management showed that PEO’s save companies substantial dollars – averaging \$600-1,000 per employee. Interestingly, the study also showed that companies found the savings in administrative time and hassles to be even more important – freeing them up to focus on the business.”

The Family Business

Harmon Sign, founded in 1937, provides signage to businesses throughout the Midwest from its headquarters in Toledo, OH and from Planet Neon in Novi, MI. Dan Kasper purchased the business from his aunt in 1976. Two years ago Dan’s son Jeff became president of Harmon Sign, while Dan continues to serve as chairman and CEO.

In 1999 Dan was concerned about workers compensation costs. He contracted with Jim Sasse and HR Systems to serve as a PEO – initially focusing on payroll and workers compensation. HR Systems quickly enhanced and formalized Harmon Sign’s safety program with written policies, safety walk-throughs, and safety meetings. “Jim has been very helpful in handling our safety program,” observes Dan Kasper. “We want to keep our people safe. In today’s world is it also difficult to keep up with OSHA and DOT requirements –and of course we are subject to inspections for compliance. When we try to do things like drug testing in-house, with the press of business it just doesn’t get done as it should. But now that’s Jim’s job. They get it scheduled and get it done.”

“When there are corrective actions required,” notes Jim Sasse, “we counsel the employee, document the counseling sessions, and hopefully turn the situation around – or create a basis for termination within EEOC guidelines.”

A year after starting with the PEO, Harmon Sign expanded Jim’s role to include recruiting and screening new employees. This resulted in improved employee retention. “He’s an outsourced HR department for us,” notes Dan Kasper. “He’s our HR advisor. He creates employee manuals and gives us guidance on health insurance, COBRA, and our 401K plan.”

The transition to the PEO was a non-event for Harmon Sign. “There was no impact on employees whatsoever,” says Dan Kasper. “We explained it all, and there weren’t even any questions. Their checks come with a different name on them, but they still feel that they work for us.”

“Jim’s work frees us up to do a lot of other things that need to be done. They have the HR expertise that most small companies don’t have, and they’re doing a better job than we would do ourselves,” notes Kasper.

The Tip

Outsourcing non-core functions to reduce costs and gain expertise can make sense as a family business grows. This can be especially relevant in increasingly complex areas such as human resources.

Donald Levitt, president of Levitt Consulting, helps family businesses to succeed as both a business and a family. More information about this month’s topic, and other family business issues, can be found at LevittConsulting.com