

Outsource Your HR - Because Running a Business Shouldn't Run You

By Bruce McCracken, Business Writer



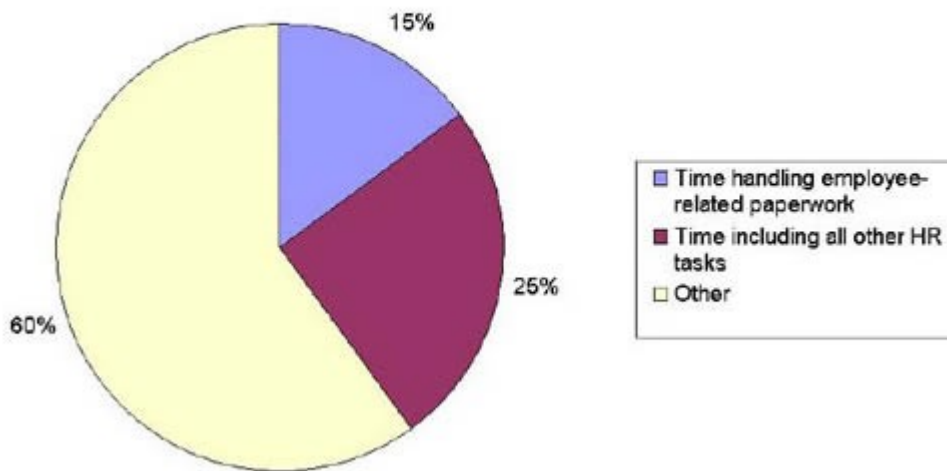
For a small business specializing in a hi-tech industry revolving around governmental contracts, an attractive benefits package is essential in providing every edge possible to attract and retain the best and brightest employees. Long Wave Incorporated, headquartered in Dallas, Texas, recognized this in late 1998. Long Wave, with 21 employees in five states, performs engineering, information technology (IT) and program management contracts for governments and private enterprises.

Jennifer Saiz, CFO for Long Wave explains, "Benefit plans are very important to our employees. They can easily go to work for a competitor. The way government service providers make it is by direct support. If you lose a direct support person, you are going to have problems." Long Wave had to provide a competitive Human Resource (HR) benefits package.

Additionally, the payroll and filings were time consuming for Saiz. "It took huge amounts of my time," she says. That included 10 hours every two weeks plus all of the monthly, quarterly, and fiscal-year filings. In addition, Long Wave has employees in many states, which meant it had to report those to each state, too.

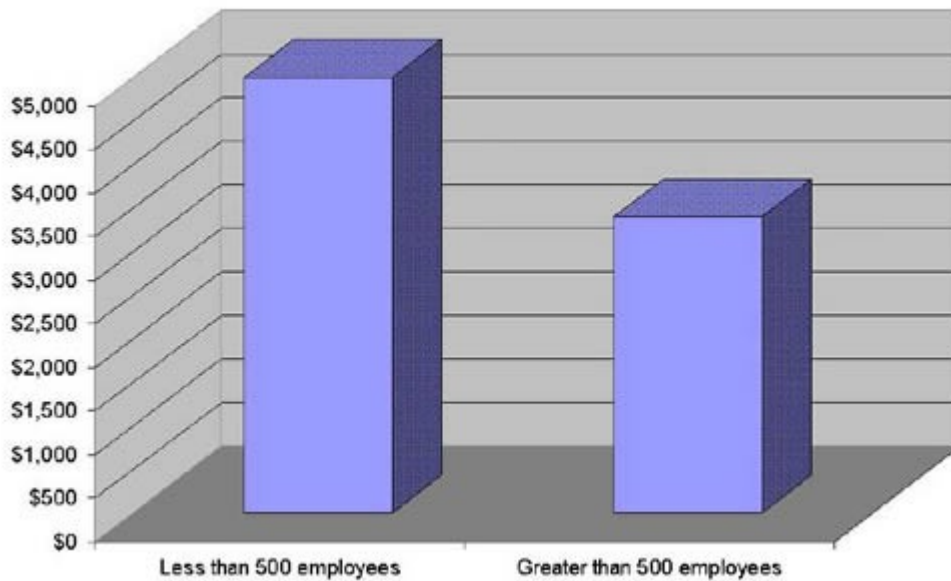
The Small Business Administration (SBA) estimates that the average small business owner spends between seven percent and 25 percent of his or her time handling employee-related paperwork. When the time spent on all the other HR tasks is factored in, this figure rises to 35 percent to 45 percent.

Time Estimates



Further, the SBA estimates that the average annual cost of regulation, paperwork and tax compliance for companies with fewer than 500 employees is about \$5,000 per employee. For companies with more than 500 employees, the cost is about \$3,400 an employee.

The High Cost of Employees



According to Dr. Katherine Jones, managing director enterprise business applications for the Aberdeen Group of Boston, Massachusetts, "Issues of compliance and taxation are tricky. Mistakes can be killers for the small business."

Big Benefits for Small Companies

Outsourcing was the solution for Long Wave; it chose Accord Human Resources of Oklahoma City, Oklahoma. Founded in 1992, Accord is a Professional Employer Organization (PEO). Accord specializes in providing a full range of HR functions, including payroll and benefits, to small businesses.

Accord manages the HR affairs of nearly 600 clients totaling over 11,000 employees, according to Dale Hageman, Accord president and CEO. "Accord takes care of all the administrative and regulatory burdens associated with employees while the client provides the day-to-day direction and control," he explains.

In late 1998, Long Wave had spoken with many PEO, payroll, and benefit organizations. "Accord had the best package. They were the most personable and flexible," Saiz says. "We made the decision in the first part of December and, by the 26th, everything was in place. Everybody had his or her medical cards for January 1. Accord made it happen."

"It really starts with the people on our team," says Hageman. "We hire degreed HR professionals who have great customer service skills." Accord provides a HR consultant (HRC) and payroll resources coordinator (PRC) for the client. Many Accord PRCs are members of the American Payroll Association, adding to their knowledge of federal and state compliance. The staff also has ongoing in-house training.

Hageman explains that transitioning the work to Accord begins with the HRC and PRC meeting with the client to go over the timing and implementation details and then forming an action plan to meet the client's specific needs.

Hageman explains that retirement plans and 401(k)s "require a fair amount" of legal costs to set up. Ongoing administrative costs include testing, compliance and audit. "Using our leverage, we are able to bring the costs down tremendously. We charge nothing to our client for retirement plan administration. That would cost the client at least \$3,000 a year to set up and \$1,000 a year to maintain," says the CEO.

Health benefits cost savings can vary widely. Hageman estimates the saving to clients over doing it on their own are "five to 20 percent."

Accord's services for Long Wave and its employees include payroll, tax advice, 401(k), pensions, medical, dental, vision, and a cafeteria plan. The cafeteria plan allows pre-tax withholding for expenses, including childcare and non-covered medical.

The emphasis is on flexibility and customer service. The 401(k) with five-star rated funds can either be managed for the employee or self-managed by the employee via the Internet. An employee doesn't have to go online to access the 401(k) information. "We have a few employees who say 'I don't do Internet'," Saiz muses. The servicing is based on the desires of the employee, not the needs of the technology.

At the employee's option, Long Wave, Accord or the employee can handle issues on benefits with providers. "Not only does Accord have the authority to discuss issues with providers, but the employer and employee do, too. This extends from an employee's spouse to the top management of Accord. Accord is great about it," according to Saiz.

Accord's help becomes crucial when a problem arises. Saiz recounts the story of one employee who had to see a specialist who was not in the doctor's network. "Accord helped fight that battle for him and was right there by his side," she says.

The HRC is a tremendous asset for Saiz. "The HRC is the best thing that probably ever happened to us. If there is a problem, all we have to do is call her and she will get to the bottom of it," she reports. She likes their "Hey, just have everybody call us; we will handle it - that's what you pay us to do" attitude.

Saiz says the stellar customer service extends to the PRC also. "The only time we ever had a problem was with a server glitch. It printed out direct deposits that were never made. We discovered this at 4:45 one Friday afternoon. The manager of our account had checks hand delivered to all of our employees by 11:00 PM that evening. With Accord there is consistency; there is never a drop."

Accord is the employer of record for all reporting in the five states with Long Wave locations. This includes W-2, IRS, OSHA, workers' compensation and unemployment insurance compensation.

Jones notes that even small and mid-sized companies have employees in more than one state; and that "compounds taxation management, making it clearly a task best left to tax professionals." Jones says these complicated compliance issues are "one of the main reasons" HR outsourcing is growing.

Outsourcing Multiplies Service, Value and Staffing

Outsourcing to Accord produces HR synergy for Long Wave. As opposed to doing it in house, the PEO reduces benefit costs while maintaining a highly competitive benefits package with excellent service. Outsourcing removes the need to add an in-house HR administrator. "If we paid somebody in house to do this, I would pay them more than we pay Accord. Accord gives us everything we need at a minimum of a 20 percent savings," explains Long Wave's CFO. "And what happens if that employee were to leave? If we had to replace somebody, I would not only have to retrain but temporarily take over. With Accord, we have continuous nonstop service. Accord takes off a huge load. I can't understand how they can do all of this and still make a profit."

"Outsourcing HR controls our costs over time," says Jones. "This is a big value to a small company. How much time does a small company want to spend to do a task that it has to do but doesn't want to do? They can rent a Lexus instead of buying Hyundai."

Lessons from the Outsourcing Journal:

- Outsourcing enables small employers to recruit and retain top employees.
- Outsourcing allows small companies to provide benefits comparable to larger organizations at a competitive cost.
- Outsourcing assures the buyer of regulatory compliance.
- Outsourcing reduces back-office expenditures and workload, while providing a continuous high level of service.

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