

Emerging Employer Model for Growing Companies

September 2010

Recent economic challenges have reinforced many businesses' decisions to outsource their Human Resource functions. The need to create additional efficiencies, reduce costs and focus on revenue generation has motivated businesses of all sizes to use outside providers to manage some or all of their human resource functions. The Professional Employer Organization (PEO) model offers small businesses an alternative solution to manage those employer functions.

Human resource issues are among the many challenges business owners face today. Retaining great employees, managing risk, and keeping up with employment laws rank as some of the top concerns.

WHAT IS A PEO?

Professional Employer Organizations provide a single source of employer services. They pool employees from many small companies into a large group to create efficiencies and cost savings for HR, payroll, group health benefits, plan administration, workers' compensation, and 401(k) programs.

"Every employer, no matter how small needs these integrated employer functions," says Anne Donovan, President of Xenium, a PEO located in Portland. "PEOs give companies access to all areas of HR expertise in a very cost-effective model."

PEOs operate in all 50 U.S. States. The National Association of Professional Employer Organizations (NAPEO) estimates the PEO industry grew a



In addition to providing the Xenium team with strategic direction, Anne Donovan also serves on the local NWPEA chapter of Professional Employer Organizations.

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- Peggy Bremer, CFO & Vice President, Columbia River Knife and Tool

robust \$5 billion in 2008, to \$68 billion in gross revenues.

PEOs GAINING TRACTION AMONG SMALL BUSINESSES

"It often doesn't make financial sense for small to mid-sized companies to hire an HR person internally," Donovan says, "and administrative HR functions can sidetrack small business owners from focusing on growing their

business. This is why more and more business owners are looking to PEOs for help—they offer administrative relief and an alternative to going it alone."

This a challenging time to be an employer, especially for small and medium-sized businesses. Employee health plan costs are rising and business owners are facing tough financial decisions. PEOs are in the business of relieving that burden through comprehensive benefit plan management. With a large employee pool, PEOs are able to keep costs and renewal rates much lower for small business owners. In addition to health benefit plans, PEOs also administer affordable employer programs such as 401(k), Section 125, and COBRA.

Using the PEO model gives business owners a customizable human resource

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program and allows them to focus on the strategic and operational side of growing their business.

THE INTEGRATED SOLUTION

Xenium is one of the most prominent players in the PEO market, with a worksite employee base of over 150 companies and 3,000 employees, and with a client satisfaction rate of 93%.

“Knowing how to manage all of these employer resources skillfully and efficiently is the key to a successful PEO,” Donovan says. “That’s where Xenium can step in and help our clients who don’t have core HR competencies in-house. We have a team of HR professionals with deep expertise in all areas of employer compliance.”

Between 1980 and 2000, the number of labor laws and regulations grew by almost two thirds, according to the U.S. Small Business Administration, which estimates that owners of small or mid-sized businesses spent up to a quarter of their time on employment-related paperwork. PEOs assume much of this burden and help companies comply with all employment regulations.

Ian Gillespie, VP of Operations, for Oregon Athletic Clubs said, “Because the law changes so often, it’s complicated. The leaders of our company rely on Xenium for their expertise.”

“We count on Xenium to provide guidance in human resources, payroll and related compliance issues,” said Peggy Bremer, CFO & Vice President of Columbia River Knife & Tool, and long time Xenium client. “Being able to rely on Xenium as our human resource and payroll service provider has minimized the resource impact on our management team and allows them to focus on our business.”

“The partnership with Xenium has helped us avoid the cost of internal HR,” said Graciela Cowger, partner

at Stolowitz Ford Cowger. “The relationship with Xenium has been more like a coaching relationship.”

Given the challenges faced by small and mid-sized business owners, it makes financial sense to evaluate the benefits of using a PEO. In addition to cost efficiencies, many of Xenium’s clients point to “peace of mind” as a primary benefit of their partnership: knowing they have a professional HR firm guiding them with best practice advice and support.

Business owners must spend their limited time wisely. By outsourcing the development and management of employer functions, a PEO enables business owners to focus on their core competency, growing their business.

COMPANY PROFILE:



Industry: Human Resources

Founded: 2000

Website: www.XeniumHR.com

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Territory: Focused in Oregon and Washington. PEO Client base includes 150 companies representing over 3,000 worksite employees in 44 states.

Q & A

with Anne Donovan
President of Xenium

WHAT SERVICES DOES XENIUM OFFER SMALL AND MID-SIZED COMPANIES?

Xenium is an HR and Employer Services provider.

We serve companies that have limited or no internal HR resources, and those that have internal HR staff



who can benefit from specialized support and training.

Services include HR compliance and best practice system development and implementation, HR consulting and management, supervisory training, as well as payroll and benefits programs and administration. Xenium’s dedicated staff of professionals work to develop great employers.

WHAT DIFFERENTIATES XENIUM FROM OTHER HR SERVICE COMPANIES IN THE MARKET?

Xenium is different because we think like an employer. We not only give best practice advice, we also implement it. At Xenium, we combine our deep level of HR experience with our flexible and hands-on style in order to build customized solutions for each client.