



What's the Right HR Management Model for Your Business?

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Most Los Angeles and Southern California business owners and entrepreneurs realize that their employees are their most valuable asset. But the management of their human resources often takes a back seat to other business functions that are seemingly more important, whether it is sales, marketing, operations or finances.

But companies that neglect HR management do so at their own peril. There are a number of risks associated with HR that can have serious implications for a small and growing business' future. In addition, poor or inadequate attention to HR issues can result in high levels of employee dissatisfaction, leading to poor productivity and high staff turnover. Among the negative impacts that can result from poor HR management are the following:

- Employee litigation or government action due to the failure to comply with local, state or federal employment regulations.
- Failure or inability to provide health, 401(k) and other benefits may impact employee retention.
- Wasted resources (both time and money) spent recruiting, interviewing, hiring and training new employees when dissatisfied employees leave.
- Damaged relationships with customers, vendors and other stakeholders due to their interactions with disgruntled employees.
- Lost productivity and efficiency as dissatisfied employees give less than their best effort in their jobs and other employees are spread thin trying to cover for them.

Different HR Management Models

The key to ensuring a smooth-running HR function at your company is to choose the right HR management model for your business. There are four main HR management models:

- 1. Do it yourself** — Here, your company handles all HR functions internally: recruiting, interviewing, hiring, firing, payroll and payroll taxes, and ensuring compliance with all applicable employment laws and regulations.
- 2. Utilize outside HR resources like consultants and employment attorneys** — This model uses outside HR resources to supplement internal HR management functions.
- 3. Contract with an outsourced HR services provider** — With this model, you would outsource all of your HR functions to a firm that specializes in HR management (like ADP, for example).

4. Contract with a Professional Employer Organization (or PEO) — A PEO is similar to an outsourced HR services provider, but there are several key differences. The biggest is that from a legal perspective, the PEO becomes a co-employer, along with your company. Also, by aggregating employees from a large number of companies a PEO is able to offer large company benefits to employees of small and medium-sized businesses.

Choosing the Right Model

Choosing the right HR management model for your business will depend on many different factors, but probably the biggest is the size of your company. Very small businesses usually cannot cost-justify hiring a full-time HR professional and/or staff, so they often turn to outsourced HR services providers or PEOs. Doing so may also enable small businesses to offer a comprehensive benefits package (including health insurance and a retirement plan) provided by the outsourced service provider or PEO that they could not offer on their own.

Hiring an outsourced HR services provider or PEO also frees up small business owners and entrepreneurs from having to deal with the many complex issues involved with managing employees and HR so they can spend their time focusing on their business' core competencies. HR services providers and PEOs are experts in all aspects of HR and employee management, so it is often more efficient to let them handle this vital, but non-core, function.

Since experienced CFOs will usually have had responsibility for the human resource function, the right outsourced CFO services provider can help you assess the potential HR risks your company might be facing due to your current HR management model. Based on this, such a services provider can help you assess the relative benefits and risks of other potential models, including preparing a cost-benefit analysis of the options, and recommend specific HR services providers and/or PEOs that might be the best fit for your company and workforce.

Concluding Thoughts

Your employees are probably your most valuable business asset, which makes effective HR management crucial to your success. But management of human resources often takes a back seat to other business functions that are seemingly more important. Companies that neglect HR management do so at their own peril. The key to ensuring a smooth-running HR function is to choose the right HR management model for your business. An outsourced CFO services provider can help you assess the potential HR risks your company might be facing and assess the relative benefits and risks of various HR management models so you can choose the right one for your company and workforce.

About CFO Edge

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