

BUSINESS



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SECTION D



INNOVATORS

Entrepreneurial duo aim to help small to midsize businesses' owners such as Polly Levine with payroll, recruiting, benefits and other human-resources tasks. The firm, HR Betty, is part of the growing industry of professional employer organizations.

One-stop HR shop

Chestnut Lane owner Polly Levine is passionate about making lobster Cobb salads and sandwiches with organic ingredients. She doesn't want to sweat whether her payroll taxes are paid, Levine said.

That's why she hired HR Betty last year to take over all of her business' human-resources tasks, Levine said.

"My employees are the most important part of my business," Levine said. She said that she wants to make sure that paychecks and other issues that workers care about are handled properly.

Phoenix-based HR Betty is part of the growing industry of professional employer organizations, or PEOs. The companies oversee payroll, recruiting, employee benefits and other human-resources tasks for small and medium-size businesses.

The recession has slowed the growth of PEOs, experts say, especially in states that have battled tough economic headwinds, such as Arizona, Nevada and Florida. But HR Betty officials say that the company has grown its fledgling clientele through referrals and its backers' business contacts.

After two years in business, HR Betty

is on track to handle \$110 million in payroll this year, up from \$40 million in payroll in 2009. The firm has 75 clients in 22 states and has 12 employees, said Dan Wheeler, HR Betty's CEO.

Wheeler, and HR Betty's president, Nick Smith, decided to start the business because they felt that they could create a human-resources service focused on customer service. Wheeler is a former executive at an employer-services organization and Smith was a PEO client for 15 years, having owned six restaurants that were part of fast-food chains.

HR Betty doesn't charge new customers a deposit or setup fee. The firm offers a full refund, and will pay to switch an unhappy client to another firm, if a client is not satisfied during the first 90 days.

HR Betty offers a personal touch, Smith said.

"I know how business owners feel," said Smith, adding, "I can explain all of the things that we can do for them and the ramifications" for their business.

HR Betty has also cultivated new customers through the business connections of its majority owner, Mac Magruder. Magruder once owned as

many as 17 McDonald's franchises in the Valley but sold the last of his restaurants this year.

New HR Betty clients include Global Media Group, an 8-year-old Scottsdale firm that manufactures medical equipment used for telemedicine - the technology that allows physicians to diagnose distant patients via video links and special instruments.

Like HR Betty, new PEOs continue to open, but individual businesses are growing at a slower pace than they did before the recession, said Milan Yager, president and CEO of the National Association of Professional Employer Organizations.

Nationally, there are an estimated 700 PEOs, the group says. In the years leading up to the economic downturn, it was common for an average PEO to grow 25 percent a year; now that figure is in the teens, Yager said.

Companies have shrunk their staffs, which decreased revenue for human-resources firms.

Hiring and the need for PEOs will slowly pick up next year as people who held on to jobs during the downturn look for new opportunities, Yager said.