Transparency—It's Just Not That Clear

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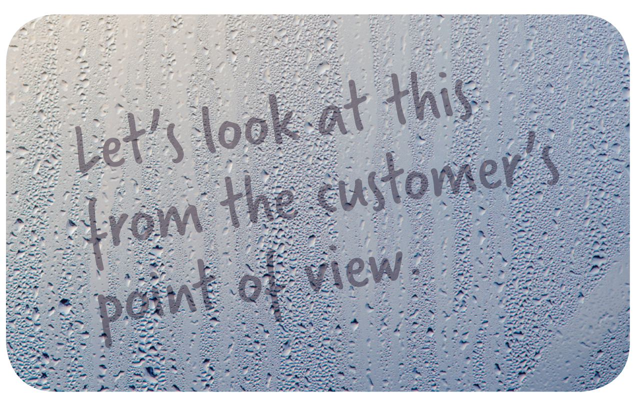
You've probably seen the action movie or cartoon where the hero attempts to thwart the villain by pushing him over the edge of the cliff, only to find out that the rope attached to the bad guy's belt is tangled around his own ankle. Before you know it, the well-intentioned hero, along with the bad guy, are both clinging for their lives onto the edge of the cliff.

Is this you when you are explaining to prospects why your company is the true hero in the market and your competitor is out to scorch the earth with their predatory business methods?

I recently attended NAPEO's Strategic Planning Retreat in Carefree, Arizona, where the topic of *transparency* found its way into our discussion. The initial use of the term had to do with NAPEO's mission to be transparent with our members and do everything in an open and public manner. I think everyone would agree that this is an appropriate and just operational goal for a membership organization. What also came from that discussion is that recently some PEOs have been using transparency, or the lack thereof, to describe the business practices of their PEOs versus those of their competitors.

Specifically, it seems that in most markets, certain PEOs are describing their unbundled business model as being *transparent* and more ethical than another PEO with their all-inclusive *bundled* approach.

My company has been practicing the PEO model for close to 40 years. In the beginning, we promoted the bundled business model, as it most closely resembled how most business owners talk about and perceive the employer burden on top of wages. In some cases, when dealing with "bean counter" types, we have been known to offer a financial explanation of what comprises our final computation. Most importantly, what the customer receives from us each pay period ties out exactly to the agreed-upon contracted rate, with no exceptions.



Recently, the market has been faced with new entrants who talk about how they are different—not in their value proposition, but how they are transparent and others are not, thus insinuating that the market is full of PEOs who are deceptive in their practices.

The Pot Calling the Kettle Black

The claim of the "transparent model" leads the prospect to believe that all components of the employer burden are a "pass-through" and the only compensation to the PEOs is what is listed as their service fee. From the customer's point of view, it is easy to understand how that claim can be perceived as true, but even in states where laws call for client-level reporting on SUTA,

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stand-alone workers' compensation, and individual health benefits policies, there are always going to be some areas of the PEO financial equation that are not truly pass-through. Presently, or in the future reconciliation process, a state agency or insurance vendor may grant a financial benefit to the PEO that will *not* find its way back into the pocket of the client. In other words, it's impossible to be completely pass-through or transparent regardless of the desire to be so.

I am calling this out in my column not to ask that all PEOs work to find congruent business models, but to call for a cease and desist to claim that one model is more ethical than another.

I personally know of PEOs whose sales force touts the transparency sales rhetoric against others and, currently, within their business model they not only have legacy clients for which they use the bundled approach, but, when convenient, they will enroll new customers using the bundled or flat fee method as well.

Unfortunately, it's one of those cases where they will do and say whatever they need to compete. It really becomes a question of PEO ethics (a topic for another column).

An Eye for an Eye

The preceding scenario causes the bundled PEO to simply fight back in retaliation.

Let's look at this from the customer's point of view. What they quickly learn about the PEO value proposition is that there is no standard offering and no standard way the industry charges. But what sticks out the most is that the two PEOs who are competing via the *transparency* argument are quick to point out how deceptive the other is.

As the client, what do you do? Sign up with the most honorable of the lot? Highly unlikely, as the safest course of action would be to run for the hills.

The PEO model, although somewhat mature, is new to most of your prospects. They are in a discovery process to find out everything they can about what we do, what the value proposition is, and who can serve them best.

As your Mother Preached, Those who Live in Glass Houses Should not Throw Stones

How many times has the prospect said to you, "I am not going with either one of you guys, we are going to keep it in-house," or "We have decided to go another route?" Usually you have five minutes of despair and then comfort yourself by saying, "Well, at least Acme PEO didn't get the business." Have you ever stopped to consider that both you and your rival are responsible for *not* making the sale? I can assure you that this happens more times than you think.

It's time to stop using transparency and all of the other rhetoric available to discredit your competition as, more times than you think, you and the "villain" in your story may both be hanging from the edge of the cliff. ●