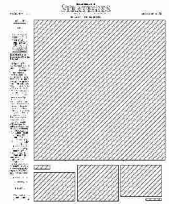


Staffing up on evolution.....

Employer Flexible founders used sweat equity as a springboard to success in relieving stress for clients

From left: Michael Greathouse, Michael Hopkins and Chris Dollins of Employer Flexible: Sweat the small stuff so clients can get back to business. CRAIG HARTLEY/HBJ



BY MARY ANN AZEVEDO

FOR HOUSTON BUSINESS JOURNAL

The three founding partners of Employer Flexible were prepared to make sacrifices in starting the company in late 2003.

Managing Partner Michael Hopkins sold rental-property holdings. CEO Chris Dollins sold another company he started. Michael Greathouse sold his car.

A silent partner — who divested his stake in May 2008 — helped fund the costs of goods sold, but not payrolls.

“It was touch and go the first few years,” recalls Hopkins. “We basically put a lot of blood, sweat and tears into the company.”

Hopkins and Dollins met while working at Sprint. Hopkins eventually left the telecommunications company to work for ProStaff, where he met Greathouse.

By 2003, the trio decided to start their own staffing firm.

Employer Flexible started out as a traditional staffing company that grew into a staffing and executive search firm. But the staffing business was slow and the executive search side wasn't growing much.

“We were completely lost as a company,” says Hopkins.

By the end of 2004, the firm underwent an evolutionary expansion as a professional employer organization, or PEO. PEO clients choose to outsource the management of human resources, employee benefits, payroll and workers' compensation.

Employer Flexible realized quickly that from a sales standpoint, it was easier to land the smaller companies as clients than the bigger ones.

“The sales cycle was a lot longer with the bigger companies, and they didn't put their neck out for us in the beginning,” notes Hopkins. “With a smaller firm, you can talk to the owner immediately.”

Soon, the Fortune 500s came around and started calling Employer Flexible and the staffing and executive search sides of the business began **SEE STAFFING, PAGE 14**

growing. But the PEO side, a fairly young field, became a passion for all three partners.

Hopkins says the company's PEO business has grown so much that by 2010, this segment will serve as the firm's lead line. Previously, staffing had been the biggest revenue-generator and funded Employer Flexible's entry into the PEO space.

As Employer Flexible's PEO division

grew, so did sales. Company revenue surged from \$3.9 million in 2005 to \$27 million in 2007. Last year, Employer Flexible generated a whopping \$54.8 million in revenue. The firm has been profitable since inception.

In 2009, Employer Flexible ranked No. 7 in the Houston Business Journal list of fastest-growing temporary placement firms.

SWEATING THE SMALL STUFF

Employer Flexible strives to relieve stress for clients over payroll, taxes, benefits, workers' compensation, unemployment insurance, and safety and risk management.

“We sweat the small stuff so they can get back to their business basics,” says Hopkins.

Nationwide, about 700 PEOs operate in 50 states, according to the National Association of Professional Employer Organizations. The group estimates that the PEO industry grew by \$5 billion in 2008, to \$68 billion in gross revenues.

Employer Flexible's PEO division has four departments: Human resources, employee benefits, payroll and risk management.

“We give Fortune 500 benefits to small to midsized companies,” says Dollins. “We provide them with the depth they need, more than they could get on their own.”

The workers Employer Flexible sends to other companies are its own, not contractors. They share their time among the firm's 200 clients.

“Since we started out recruiting, we're good at that,” says Hopkins. “It comes from using the tools we're offering our clients.”

But Hopkins admits the company didn't always take advantage of in-house resources.

“We were not using our own systems enough,” he says. “Once we started using our own tools and products in 2006, things started to evolve.”

He also acknowledges the company didn't invest as much as it should have in marketing or IT infrastructure at the beginning.

Earlier this year, Employer Flexible began its first true focus on marketing by bringing aboard Robert Castenada, a former regional marketing director at Sprint.

Before hiring Castenada, the company relied mainly on word-of-mouth, client referrals and joining different networking groups around town.

In general, Dollins says Employer Flexible has worked to empower its 60 employees to make decisions.

"We don't have a tangible product," says Dollins. "Our people are our product."

"We provide companies with a certified professional in every area of need they have," he adds. "That's something they would not be able to afford on their own."

Hopkins observes that Employer Flexible's success has also come from constant evolution.

"We've always looked at this from a long-term perspective," he says. "We've used consultants and each other to gain ideas off of. We've evolved our model and tried to make a clear picture of who we want to be and where we're trying to go."

Today, the firm has close to 250 customers spread throughout Houston, Dallas and San Antonio offices. Employer Flexible plans to open an office in Austin in the first part of next year.

Its work has been heavy in the IT, manufacturing and medical industries.

RECESSION-PROOF PEOS

Houston attorney Robert Rice, who works with Employer Flexible and other PEOs, notes that the PEO industry as a whole has been growing exponentially.

"There's a lot of issues involved in employment law," he says. "Compliance is hard for a lot of companies trying to do the right thing."

PEOs such as Employer Flexible help lighten such loads by bringing expertise in employment matters to the table.

"A large company has a significant built-in HR team," he says, "while a smaller company may be worried about setting up employee benefit plans."

And while the industry is comparatively small, Rice notes, it is proving to be recession-proof.

"Even in tough times, I have PEO clients expanding and growing," he says.

Milan Yeager, president and CEO of the National Association of Professional Employer Organizations, says Texas is usually one of the country's top three states for PEOs.

"Texas is a very big state for PEOs," he says.

Employer Flexible is different from most other PEOs in that it already had expertise and success in staffing and recruiting, notes Yeager.

"It gave them a leg up on starting a PEO business," he says. ■

EMPLOYER FLEXIBLE

BUSINESS: Professional employer organization, and staffing and recruiting firm.

HEADQUARTERS: Houston

NO. OF EMPLOYEES: 60

2006 REVENUE: \$7.6 million

2008 REVENUE: \$54.8 million

WEB SITE: www.employerflexible.com

