

The HR Shortcut That Saves Founders Early – But Can Cost Them Later



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Key Takeaways

- As companies grow, evolve, or prepare for major transitions, the HR structures that once made sense can begin to create unexpected constraints.
- Founders who periodically reassess their people, benefits and compliance strategies are better positioned to support long-term scale and flexibility.

As your company grows, the systems that once made life easier can quietly start holding you back – and HR is often one of

the first places this shows up.

Professional Employer Organizations (PEOs) are a popular solution for early-stage businesses. A PEO allows a company to outsource payroll, benefits, HR administration and certain compliance responsibilities in exchange for a per-employee monthly fee. For many founders, this setup delivers immediate relief: better benefits, fewer headaches and lower upfront costs than building HR in-house.

But growth changes everything.

What works beautifully at 20 or 30 employees doesn't always scale to 75, 100 or beyond – especially if you're hiring across state lines, planning an acquisition or competing for top talent. At that point, founders often realize they've outgrown their PEO – even if they didn't see it coming.

Related: Local Entity or PEO – What to Choose When Expanding Your Business Globally

Why founders choose PEOs in the first place

PEOs tend to deliver the most value to companies in the 10–50 employee range. At this stage, founders are focused on product, revenue and hiring – not HR infrastructure.

Because PEOs bundle services and operate on a per-employee-per-month model, they're often more cost-effective than hiring an internal HR professional early on. They also give small businesses access to larger-company benefits and retirement plans, which can help attract talent without overextending cash flow.

For many entrepreneurs, a PEO is the fastest way to “professionalize” HR while keeping the team lean.

When PEOs start to lose their advantage

As companies approach – or surpass – **100 employees**, the math and the flexibility begin to change.

At that size, per-employee fees often exceed the cost of building an internal HR function. More importantly, founders begin to feel the limitations of a one-size-fits-most model:

- Benefits that no longer reflect your company culture
- Limited customization as your workforce becomes more complex
- Less control over compliance as you expand across states
- Slower decision-making because HR lives outside your organization

There's also the issue of ownership. With a PEO, employee records, payroll data and benefits administration sit partially outside your company. For founders focused on scale, brand and autonomy, that can feel increasingly restrictive.

Growth is about control – and many entrepreneurs realize they want HR to grow *with* the business, not alongside it.

What founders in M&A need to consider

If you're preparing for a merger, acquisition or private equity transaction, HR structure matters more than ever.

Combining companies with different benefit plans, systems and employment structures can create friction – especially when one entity operates under a PEO and the other does not. These misalignments can slow deals, frustrate employees and introduce unnecessary risk.

In one case, my company helped unify two companies post-transaction – one operating under a PEO and the other working with a broker – by consolidating them into a single, modern benefits platform with minimal disruption and stronger offerings for employees.

For founders and investors, the right HR structure can be a competitive advantage during a transaction – or a hidden obstacle if left unexamined.

So, when is the right time to leave a PEO?

There's no universal trigger point.

For some companies, it's around 50 employees, when remote hiring introduces multi-state compliance challenges. For others, it's closer to 100 employees, when costs and inflexibility outweigh convenience. And for many founders, it's simply the moment when benefits and culture feel constrained by an external model.

The key is not timing – it's alignment.

At Bryson, we help founders step back and evaluate where their business is today, where it's headed next, and which HR structure best supports that trajectory. These aren't easy decisions, but with the right guidance, they become far more strategic – and far less stressful.

Related: Retention Isn't an HR or Employee Issue – It's the Leadership Test You Take Every Day

Why founders work with a broker

instead of going directly to a PEO

The PEO market isn't standardized. Pricing models, benefit quality, compliance support, technology and contract terms vary widely – often in ways that aren't obvious during a sales pitch.

Working with a broker gives founders an independent advocate. Instead of seeing one solution through a PEO's lens, you gain access to multiple options, objective comparisons, negotiated terms and clarity around what will – and won't – scale with your business.

For entrepreneurs who care about growth, flexibility, and long-term value, that perspective can make all the difference.

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