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June 10, 2005

\$2.00

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The Benefits of Outsourcing HUMAN RESOURCES

Jessica Ollenburg
Human Resource Services Inc.

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The complexities of employment laws and other personnel issues are fueling phenomenal growth for Human Resource Services Inc., a Milwaukee company that is expanding into other geographic markets. What are the telltale signs that a company should consider outsourcing its entire human resources department?

The Benefits of Outsourcing HUMAN RESOURCES

BY ERIC DECKER, of SBT

Geno Plitt, president of Bay View Industries Inc. in Oak Creek, says his company isn't "staffed up" to recruit, interview and screen prospective employees for his seasonal wood panel manufacturing business.

When Plitt needs to hire additional help quickly, he turns to Human Resource Services (HRS) Inc., a growing company that has moved its main office from Greenfield to Milwaukee and plans to open additional offices in Waukesha, Arizona and other markets.

"Last July, the (customer) demand was 70 percent above the previous months, and August was too," Plitt said. "We brought 35 more people into the workforce. They (HRS) can concentrate on doing that job. They're much more experts in that field than we are. Because we've been working with them so closely over the years, they know our company inside out and can explain what our company is all about to the prospective employees we're trying to hire."

Bay View Industries is one of a growing number of southeastern Wisconsin companies outsourcing some or all of their human resource functions.

That increased demand has resulted in significant growth for HRS, a company that markets itself as a "one-stop shop" for businesses that want to outsource all of their human resources functions.

HRS is moving to two new office locations and will hire an additional 25 workers in the near future.

The company recently closed its office in Greenfield, a 4,000-square-foot building near the intersection of South 76th Street and West Barnard Avenue, where the firm was located for 22 years.

HRS opened an office in the Airport Atrium, an office building at 5007 S. Howell Ave., Milwaukee, on June 3, and the company will open a new Waukesha office in the Westbrook Business Center, 2325 Parklawn Drive, on July 1.

The new offices were needed to accommodate the company's growth to more than 180 employees, said Jessica Ollenburg, president and chief executive officer of the firm.

Ollenburg said HRS generated about 38 percent revenue growth in 2004, and she is projecting significant growth again this year.

"Right now, we're about 75 percent ahead of where we were last year, year-to-date," she said.

The move from one administrative office to two will enable HRS to be more flexible for its clients, Ollenburg said. The company has clients throughout the nation, but about 90 percent are within 90 miles of Milwaukee.

The new facilities will give the company more room for training and evaluating, she said.

"We find that our clients are asking for more assessment and training facilities, and they deserve the most convenient locations," Ollenburg said. "They're taking people off the job and sending them to our site for training or assessment."

The company's former headquarters building in

Greenfield was sold recently to John's Chiropractic Clinic. Both of HRS' new offices are leased spaces, allowing for a greater degree of flexibility to accommodate future growth, Ollenburg said.

Within two years, HRS will open its first out-of-state office in the Scottsdale, Ariz., area, where Ollenburg plans to work. The company already has several clients in the Arizona market, and the office there will enable HRS to connect with other potential clients on the West Coast, she said.

HRS is also considering other markets to open offices, Ollenburg said, but none have been chosen yet.

Such growth was only a dream when Ollenburg started HRS with two partners in the emerging human resources market in 1983.

"We were way too early," she said. "Our marketing was educating the business community why they might need our services. HR was evolving. Most companies had personnel departments then, which handled hiring and payroll."

The difference between personnel departments and human resource departments, Ollenburg said, is that personnel departments think of themselves as "people" departments, while human resource departments take a more pragmatic view.

Human resource departments are able to look at personnel in terms of numbers, analyzing where needs are and where resources should be allocated, she said.

In the early stages of HRS, Ollenburg received one of the first degrees in human resources from Marquette University, allowing her to do case studies of companies with HR departments. She said those studies gave her insight of what worked for successful companies, and where her business could expand its offerings.

"Our very early approach was where some people were saying, 'I'm a people person,' we were saying, 'I'm a profit person,'" she said. "The difference was that we



ON THE CLOCK Companies increasingly are outsourcing their entire human resource departments to Jessica Ollenburg, president and chief executive officer of Human Resource Services Inc. The company has grown to more than 180 employees with two new offices in the Milwaukee area.

were going after an executive audience. The new HR people weren't getting an executive audience. We had to sell it as the business strategy it is."

The company's first three years were lean, Ollenburg said, with its three employees making financial sacrifices to help launch the firm.

Then the HR landscape changed.

"The temp companies started coming after us," Ollenburg said. "They came after our approach and

mimicked our marketing. We had to differentiate ourselves again. We had to redirect the way we represented ourselves. That's been our biggest struggle. Once you differentiate yourself, people copy what works. It's a standard business practice, it's what you're supposed to do. The more successful you become, the more people want to emulate that."

One of the company's keys to success, Ollenberg said, has been to reinvent itself through its marketing, while never changing its core services.

"We're always aesthetically changing, but the engine needs to stay the same," she said. "(As a business), you've got to be ready to redirect yourself, but you can't lose track of who you are."

HRS markets its services to potential clients by holding free seminars and workshops. The company also sends out free newsletters and gives potential clients free access to the desktop areas of its Web site (www.hrsteam.com).

"We did that to promote our competencies instead of selling ourselves right away," Ollenberg said.

Much of the company's competition was reduced or went away entirely during the recession of 2000, she said.

"It was the stalled (2000) election that killed business," Ollenberg said. "It put the brakes on business in a hurry. And we were hit hard. It wiped out a lot of our would-be competitors. A lot of them hit us up for jobs. And a lot of our clients were hitting us up for jobs too."

The early stages of the recession were tough for HRS too, Ollenberg said, because the company had relied heavily on executive contacts for new work.

"A lot of the senior executives were throwing the keys on the table and walking away," Ollenberg said. "More than 30 percent of our audience was lost. It took a lot of change."

Even though change was needed, the recession gave HRS a unique opportunity for expansion, as many

companies looked at their HR departments with costs in mind.

"We became a survival tool (for those companies)," Ollenberg said. "And those areas of our company grew."

Although many companies offer support services for human resource departments, HRS *becomes* a

Ollenberg also is planning to expand the company's services for third-person employee evaluations.

"It takes away any biases or even any concerns of biases," Ollenberg said. "And everybody saves face with the decision. Even the person or people that are rejected buy into the process and see that it works. And these are usually job-specific. We place the

employee in the future job description, and we're able to ask how they will handle certain situations."

Ollenberg believes her company's employee placement service, which has been quiet since

the recession, will make a big comeback soon because of continued economic recovery.

The service does not operate like a temp service, she said. Instead, it is designed to help employers and job candidates find the right fit. It operates in a "try it before you buy it" model, in which employees work temporarily for a company before they are hired on a full-time basis.

However, the goal of the program is full-time employment, instead of temporary or seasonal workers.

Ollenberg says her company's growth is directly tied to the growth of the overall economy.

"We're the anti-temp service," Ollenberg said. "We focus on retention. With the preview-permanent program, we have 85 percent retention. Staffing companies are talking about second-day retention. We're talking about permanent retention. Our growth is due to important changes in our business community at large."

Clients such as Bay View Industries find value in handing part or all of their human resource functions to HRS.

"Because Jessica is an expert in the field of HR, she's able to air out any difficulties in relating to employees," Plitt said.

"We're the anti-temp service."

— Jessica Ollenberg, Human Resource Services Inc.

client's human resource department.

Most HRS employees work in spaces provided by clients, where the outsourced HR departments come to work.

The demand for outsourced HR departments is increasing, Ollenberg said, but it is not the only area in which HRS is planning to grow.

One of the company's services is in wage opinions and competitive market analysis. HRS is uniquely positioned to offer its clients extensive current market data, Ollenberg said.

"By the time (they) collect and analyze the data, it's out of date," she said. "But we communicate with about 3,000 employers, and we have the ongoing visibility of what the other employers are doing."

Human Resource Services Inc.

EMPLOYEES: More than 180

CEO: Jessica Ollenberg

OFFICE LOCATIONS: 5007 S. Howell Ave., Milwaukee; 2325 Parklawn Drive, Waukesha

WEB SITE: www.hrsteam.com

PROJECTED 2005 REVENUE GROWTH: More than 50 percent

FIVE SIGNS your Company needs to Outsource its Human Resources Department

Jessica Ollenberg, president and chief executive officer of Human Resource Services Inc., says an employer should consider outsourcing its human resources department if it is experiencing any of the following situations:

The company grows more than 15 percent in one year.

"Outsourcing provides a fully trained HR team to call upon for bottleneck growth activity, heightened ability to recruit and expert external information and experience from other employers' successes or failures in potentially similar situations," Ollenberg said. "Growth also mandates new consideration to compliance with laws applying to companies of larger employee populations."

Business seasonality fluctuations reach at least 10 percent of the company's workforce.

"Seasonality calls for a fully trained auxiliary HR

department to be used as needed, returning every busy season, ready to go," Ollenberg said. "Intensive change management and external monitoring are important decision-making and adaptation tools best provided by external experts."

The company is navigating significant change.

Ollenberg said an HR outsourcing firm can bring understanding of constantly changing applicant markets and legal issues. An HR specialist can provide real-time knowledge of competitive employer branding/benefits/compensation programs, which are in perpetual change. "Change management design and implementation is most successful when internal and external experts partner together," she said.

The company intends to promote from within.

Outsourcing the assessment, candidate evaluation

and selection decision protects "rejection" from injuring the current relationship with an employee, Ollenberg said. The outsourced assessment also increases buy-in of the process validity and disallows personality biases from clouding judgment, she said. Ollenberg's company also can provide career development and training needs analysis plans to those not selected for promotion.

The company already is using part-time, high-level HR assistance.

An organization with fewer than 300 year-round employees can avoid the fiscal waste of idle time of key expensive talent, Ollenberg said. "Part-time HR managers might be appropriate here for smaller firms and can be expertly provided by the HR outsource firm," she said. "The danger with many part-time HR managers is that they often raise their hourly rate to compensate for a shortened work week or they may leave for a full-time job."