

# **Zenefits: Lessons Learned from Putting Growth above Integrity**

## **Who is Zenefits?**

Zenefits is a company that provides an employee benefits software program designed to manage onboarding, timecards, payroll, benefits and other administrative tasks. It interfaces with other Human Resource (HR) providers so employee changes can be updated in one system. The program is managed via the cloud through a dashboard and provides HR metrics for measuring employee performance.

Their software is provided for “free” in exchange for allowing Zenefits to become your “broker of record.” This allows Zenefits to be paid commissions and to compete directly with Insurance Brokers. The market is estimated to be worth about eighteen billion dollars annually.

Zenefits claims their mission is to disrupt and transform the Human Resources (HR) industry by promising to reduce the amount of administrative drudgery associated with Human Resource functions. Its goal is to bring the benefits of technology to a highly regulated and purportedly slow moving industry.

## **What Happened to Zenefits?**

Zenefit’s expansion plans came to a screeching stop in the wake of a rising number of complaints. The company spun out of control when it put growth above integrity. The following allegations and lawsuits are now public information:

- It has been alleged Zenefits was using unlicensed brokers to sell insurance in at least seven states.
- The organization was charged with developing software to make it appear that brokers had completed a fifty-two-hour online training course required to do business in California when they had not actually completed the work.
- ADP blocked Zenefits from its “RUN” payroll system due to security concerns regarding properly protecting personal identifying information such as social security numbers.
- The company admitted it could not keep track of the personal paid time off of its own workers. Many former employees filed claims for unpaid wages.
- It may have misclassified non-exempt employees as exempt employees to avoid paying overtime and providing required breaks. Zenefits began to reclassify its workforce and experienced high and costly turnover.
- Questions arose over the clarity, completeness and legality of its employee handbook.
- If found guilty of violating consumer protection laws, state regulators could revoke Zenefit’s insurance licenses.

Co-founder Parker Conrad stepped down as CEO and was removed from the Board of Directors. It was reported later that Sam Bond, VP of Sales, left the company shortly thereafter.

## **Legal Compliance is always Priority Number One!**

Human Resource services are more about the employer and employee experience than technology. Technology without a well-defined purpose increases the number and severity of system breakdowns.

Innovation and creativity are never substitutes for maintaining the trust of your employees and customers. Laws are in place to protect the consumer. Being an “industry disrupter” does not mean you can ignore complying with the law.

Zenefits discovered a real customer need. Business owners find insurance confusing. They want to spend their time building their business not completing HR administrative tasks. They want technology to help them save time and to operate more efficiently.

Pacific Crest Group’s (PCG) strength rests firmly in our commitment to the communities where we live and do business. Our [Human Resources and Employee Development Services](#) provide expertise in a multitude of areas that streamline payroll and benefit processes in a clear and measurable way. PCG’s services enhance compliance, performance management, employee development and succession planning systems.

Our innovative programs drive value by creating a purposeful and rewarding work culture for both employers and their employees. PCG does not require clients to purchase a specific system but rather helps clients find and implement systems and platforms that meet their unique, individual business needs.

## **How We Can Help You**

Pacific Crest Group provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward-looking perspective, we provide the outsourced solutions your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all your business opportunities.