Vasquez & Company LLP
Certified Public Accountants and Business Consultants

The overlooked scope of HR in growing businesses

Every business with employees, no matter the size, has human resources needs. HR touches nearly every stage of the employee lifecycle: attracting and recruiting talent, interviewing and hiring, onboarding new team members, developing policies, keeping employees engaged, and, when necessary, navigating terminations.

Larger companies typically have entire departments dedicated to managing this cycle. But in smaller organizations, HR tends to be handled reactively, often on the fly. And while "winging it" may work for a time, it carries risks that go beyond compliance. A rushed hire can lead to a poor fit and high turnover. A mismanaged termination can expose the company to liability. Weak onboarding leaves employees unclear about expectations, which slows productivity and reduces engagement.

But HR isn't just about avoiding problems. Done well, it's also about accelerating growth. Effective HR practices help new hires ramp up more quickly, keep employees engaged and motivated, and contribute directly to retention, productivity, and even customer satisfaction.

In this article, we'll explore why HR challenges often go unaddressed in growing businesses and introduce a practical, cost-conscious solution that may help bridge the gap when hiring a full-time HR professional just isn't feasible.

The owner's dilemma: too many hats, too little time

For many small and midsize businesses, HR dysfunction isn't about negligence. It's about capacity.

Most founders don't build their companies with an HR strategy in mind. The focus in early growth stages is usually on customers, cash flow, and product or service delivery. But as teams expand, people-related responsibilities multiply. Without a dedicated plan, those responsibilities fall to whoever has the bandwidth.

You might find yourself relying on the internet for free employee handbook templates or googling your way through an FMLA question. These stopgap solutions are understandable. But over time, they can create gaps in hiring, compliance, and employee engagement that become more difficult to fix the longer they go unaddressed.

At a certain point, good intentions aren't enough. You need consistent policies, experienced judgment, and scalable systems.

Why not just hire a full-time HR leader?

Hiring a full-time HR executive might seem like the obvious solution. But it's often financially out of reach for small or growing organizations. The average compensation for a senior HR leader can exceed $160,000 annually when you include salary, benefits, and overhead. And that assumes you know what to look for in an HR leader and can dedicate time to onboarding and managing them.

There's also the question of utilization. In many early-stage or mid-sized companies, there's not 40 hours of strategic HR work per week. You may only need 10-15 hours of high-level support each week, especially if you have other staff or outside services handling payroll and benefits.

When to re-evaluate your HR approach

You may not need a full-time HR executive, but you do need a plan. If you're unsure whether you're ready for HR assistance, consider the effectiveness of your current setup.

Is your hiring and onboarding process working for you, or are you frequently hiring employees who aren't a good fit?

Are your workplace policies inconsistent or outdated? Do you feel confident they'd hold up in a dispute? Are compliance questions piling up?

Do your managers know how to handle performance or disciplinary issues effectively? Is turnover increasing or creating problems?

If one or more of these scenarios feels familiar, it doesn't mean you're failing. You're simply reaching the point where HR needs to evolve from a reactive function into a strategic one.

Fractional HR: a practical bridge

One way businesses are bridging this gap is through fractional HR support.

This model provides access to experienced HR professionals on a part-time or project basis, tailored to your business's stage and needs. It's a deliberate structure that gives you expertise without overcommitting financially.

Fractional HR professionals often customize their services to your needs, but generally they help you develop or clean up your HR infrastructure with handbooks, job descriptions, policy frameworks, and documentation practices. They can navigate risks, ensure compliance with labor laws, support your hiring and retention strategies, and address personnel issues before they escalate.

This is not about offloading paperwork; it's about getting the right judgment and systems in place so HR becomes a value-driver, not a distraction.

What's the ROI?

For most businesses, the ROI of fractional HR doesn't come from cost savings in the traditional sense. It comes from avoiding costs altogether. Costs like:

- A wrongful termination dispute that could have been avoided with better documentation.
- High turnover in key roles due to a poor onboarding experience.
- Inefficient processes that frustrate staff and slow productivity.
- Leadership burnout from dealing with constant HR issues without support.

One legal misstep or bad hire can cost more than a year's worth of fractional HR support. So while it may feel like a discretionary investment, HR structure is more like business insurance - it protects your operations, culture, and future scalability.

Why this model is gaining momentum

Fractional HR isn't a new concept, but it's gaining steady traction as small and mid-sized businesses face growing complexity, particularly in industries where workforce dynamics and regulatory scrutiny intersect.

In fields like healthcare, HR missteps can have legal, ethical, and reputational consequences. Smaller practices, in particular, operate under intense compliance pressure but often lack the resources for a full-time HR team. Managing licensure requirements, wage and hour laws, and patient-facing staffing demands leaves little room for error.

Professional services firms are also leaning into fractional HR as they scale. When your business depends on the expertise and performance of your employees, poor hiring or weak retention strategies don't just slow productivity; they directly threaten profitability.

For nonprofits, tighter budgets often mean lean operational teams, yet these organizations face the same employment laws and public scrutiny as their for-profit counterparts. Whether it's grant-funded roles or evolving board expectations, HR support must be both efficient and precise.

Even in sectors like manufacturing, construction, and logistics, where operations might appear less “HR-centric,” the risks are high. Businesses in these industries must navigate employee classifications, enforce safety protocols, and manage high-turnover shift work - all of which require clear policies and trained leadership.

In each of these environments, fractional HR provides targeted expertise without committing to permanent overhead. According to Deloitte’s 2025 Strategy Outlook, more than 55% of small and midsize firms are now using fractional executives in HR, finance, or operations - a sharp increase from just a few years ago. It reflects a broader shift: leaders want strategic capability, not just headcount, and they want it sized to their actual needs.

The bottom line: HR is not optional - but it can be flexible

At some point in every growing business, HR becomes too complex to manage informally. But that doesn’t mean you need to build a full in-house department right away.

What you need is a structure that reflects your size, risk profile, and growth trajectory. Fractional HR is just one way to achieve that balance - bringing in the right level of expertise, for the right issues, at the right time.

Next Step

If you're starting to feel that HR is falling through the cracks, it may be time to explore your options. There's no one-size-fits-all answer, but there is a better way to manage the people side of your business with confidence.

If we can be of any assistance to you or your company, please don't hesitate to contact our firm to speak with one of our expert advisors.

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