



Outsourcing vs. Insourcing: A Critical Decision for Your Company

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SHAW SYSTEMS WHITE PAPER

Outsourcing versus insourcing is a decision faced by financial institutions, both small and large. Some companies rely heavily on consultants to staff IT projects, while others prefer full-time employees (FTEs). In today's economy, strategic staffing direction is designed to keep payroll and overhead to a minimum, but there is market share to grow and critical projects to deliver, leaving you stuck between the proverbial rock and a hard place. There is only so much you can do. Additional support is necessary, but do you grow your staff or engage contract resources? The decision between investing in new employees or consultants is a critical one - affecting corporate culture, expectations, results, and the bottom line.

To meet your deadlines you need targeted expertise, not headcount. Additional staff does not guarantee more productivity and better results. At the same time, you dislike investing your budget and time engaging short-term resources who learn your specialized systems and processes with no promise of leveraging that expertise in the future. You're also not sure which choice is more cost effective for your business both short- and long-term. There seems to be evidence for both sides. So, what is the best direction for you?

Consultants:

1. Typically, senior-level subject matter experts are more productive. They provide the expertise you need more quickly and for less money. Why? They already have experience in your applications and industry. They're familiar with best practices and can get up to speed quickly.
2. Consultants only bill for hours worked. They do not bill you for unproductive time, such as holidays, sick days, vacations, doctors' visits, etc. When the project is delivered, they're no longer on the payroll.

3. Subject matter experts often have unique skill sets that your organization may lack, so they add significant project, business, and IT value. The learning curve is minimized as their skill set on the project is fully matured.
4. Reduced Overhead. There is no additional cost for benefits, payroll processing, and similar expenses.
5. If the consultant isn't performing to your expectations, you seek a replacement. There are no HR difficulties. They are making their living one successful engagement at a time, so they are highly motivated to perform well.
6. Software vendors support their consultants, so a knowledge base of your business applications, processes, and IT environment already exists within the vendor's product staff. They typically only need to be introduced to your business process and project environment.
7. By utilizing subject matter experts, management time can be focused in areas of greater potential value to the business.
8. Work on demand. Utilizing consultants offers flexibility to the changing work demands and priorities of your company and department.

Full-Time Employees:

1. Loyalty - making the commitment to an employee can result in having an individual with stronger loyalty than a consultant (although good contractors never want to sacrifice potential future business and relationships).
2. Dedicated Staff - you know who you've got and what they can do. There is no performance risk. You know exactly what to expect in terms of productivity, work quality, and timeliness.

3. Payroll Costs – typically, payroll expenses for salaried employees are more stable than those of hourly contractors. If projects don't go as planned, the additional hourly expenses can become a burden.
4. Institutional knowledge – expertise is retained in-house. You don't have to worry about resources leaving the project without sufficient knowledge transfer.

Which method is more cost effective – consultants or FTEs? The reality is that it depends on your goals and priorities. If the endgame is to execute a shorter-term project without incurring the long-term costs of expanding full-time staff, then consultants are the right choice.

There is, however, a cost associated with an outsourced knowledge base. Employees with intimate knowledge of your processes and systems are invaluable. At a minimum, if you engage consultants to supplement your project or IT staff, make sure you plan for an appropriate amount of knowledge transfer, including documentation, training, and a post-turnover support period.

While using a consultant is definitely not appropriate for every situation, it can pay off for your company if you base your decision on business strategy, not hourly pay rates.

About **SHAW RESOURCE SOLUTIONS**

Raleigh deShazo manages **SHAW RESOURCE SOLUTIONS**, Shaw Systems' consulting division. The group has successfully delivered hundreds of projects for companies across the country, including some of the nation's largest banks and finance companies.

From Project Managers to Developers to Subject Matter Experts and everything in between, **SHAW RESOURCE SOLUTIONS** has the critical resources your project needs. Proficient in your industry and systems, these consultants will address your business and technical challenges and deliver the results you expect. The group's services span the complete solution lifecycle, including project management, strategic planning, integration strategy, operational assessments, reporting, conversions, upgrades, training, systems enhancements, and more.