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HIRING IN-HOUSE VS. OUTSOURCING:

HOW TO CHOOSE THE RIGHT STAFFING SOLUTION

INTRODUCTION

Choosing whether to hire in-house or outsource to a professional service provider has a huge impact on your organization's expenses, performance, and culture.

Many business leaders struggle to decide when to use each hiring option since there are so many factors to consider. In this article, we've summarized the research on this subject into three topics that are key for your decision-making process:

1. Pros comparison of hiring in-house versus outsourcing
2. Cons comparison of hiring in-house versus outsourcing
3. How to decide if you should hire in-house or outsource

By the end of this white paper, you'll be able to make an informed decision about which solution is right for your hiring needs.
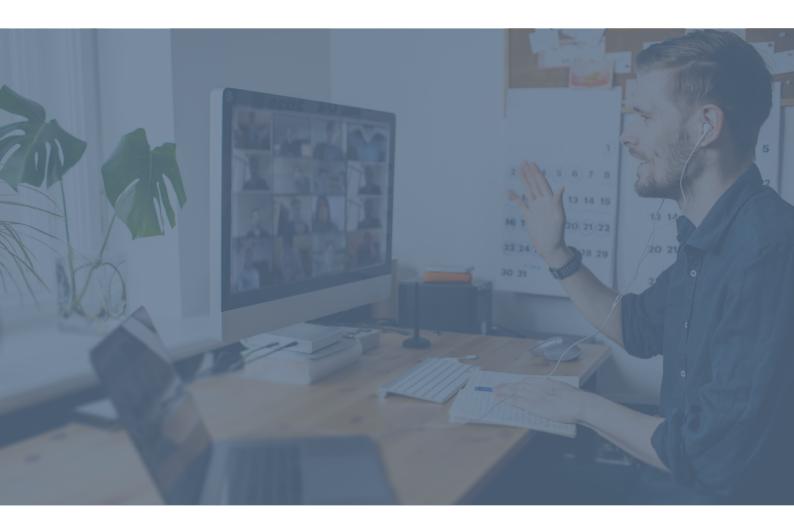
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PROS AND CONS OF HIRING IN-HOUSE VS. OUTSOURCING

Hiring in-house and outsourcing both have many benefits that support various business needs. However, there are significant downsides to each as well.

The charts on the following pages list some of the most important pros and cons of each hiring option.

Consider these factors when determining which options is right for you.

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PROS OF HIRING IN-HOUSE

Employees quickly learn your company's culture. This helps prevent miscommunications and understand the nuances of what you do. Your team may also be more accepting of other employees as opposed to contractors.

You have full control over who you work with. Hiring employees lets you find someone with all the technical skills you want plus a personality that easily works with your team. This also allows you to shift people into new roles as the need arises.

Salaried, in-house employees will typically work extra hours when needed. Most in-house employees accept that they'll occasionally need to work late. Contractors, however, are often paid for a fixed number of hours or deliverables and you need to make plans in advance to have them work extra.

It's easier for in-house employees to collaborate which makes them better-suited for strategic projects that require a lot of input from people within your organization.

PROS OF OUTSOURCING

It's cheaper than hiring in-house. According to a Deloitte survey, 62%of companies report 10% to 25%savings when they outsource and the remaining 38% of companies reported savings as high as 40+%.

It's easy to change the amount of support you're paying for as your needs ebb and flow. This provides cost savings during your slow periods and ensures quality during your busy periods since you're not overworking a fixed team of employees.

You have access to a huge wealth of knowledge. Contractors offer perspectives from a diverse range of professional experiences. This benefit is compounded when you outsource to a professional services company because of their repository of shared knowledge.

You save time because outsourcing companies require minimal management from your team. Reputable firms have systems in place to ensure you're given on-time, high-quality work without you having to constantly touch base with your outsourced team.

Outsourcing is a cost-effective solution for accessing talent on-demand while hiring in-house is the best way to retain collaborative talent.

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CONS OF HIRING IN-HOUSE

It's significantly more expensive than outsourcing. As an employer, you're responsible for employee benefits, tools (desks, computers, etc), recruiting and hiring, training, and other costs that make in-house employees more expensive even if the hourly wages are comparable to what an outsourcing company will charge you.

When employees quit, you're left struggling to find replacements. A two-weeks notice isn't nearly enough time to find and train a new hire so, in the interim, other members of your team have to take on the workload of the missing person.

You may not have enough work to justify the costs of a full-time employee. This is especially true for small businesses who need help with business processes such as admin support, marketing, and HR.

CONS OF OUTSOURCING

Outsourced employees are often excluded from your company's main communication channels which can occasionally lead to important information not being shared with them and a general disconnect between them and their counterparts in your company.

Culture and language differences can occasionally cause miscommunications if you outsource to other countries. This is more likely to occur if your in-house and/or outsourced team lacks a strong familiarity with the other's culture.

Outsourcing key functions of your business can be risky because, if a provider you're dependent on is no longer willing or able to provide the same output, you're put in a very challenging situation. To limit this risk, work with established companies as opposed to independent contractors.

Hiring in-house is an expensive option that may not be worth it for many hiring needs. However, you need to weigh the costs against the communication challenges that may come with outsourcing.

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HOW TO DECIDE IF YOU SHOULD OUTSOURCE OR HIRE IN-HOUSE

Since hiring in-house and outsourcing have comparable pros and cons, most smart business owners don't favor one over the other.

Instead, they strategically choose which business functions are best completed via each hiring option.

Ask yourself the following three questions when you're trying to decide whether or not you should outsource a business function.

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1. DOES THE ROLE DIRECTLY RELATE TO YOUR BUSINESS'S CORE VALUE PROPOSITION?

Deloitte's <u>Global Outsourcing Survey</u> found that 57% of companies outsource so that they can better focus on their core business.

Focusing on your core business activities and outsourcing the rest many benefits including:

- It reduces the amount you spend on business functions that don't directly contribute to revenue growth.
- It's a cost-effective way to improve your in-house team's efficiency by allowing them to focus on strategic objectives.
- It gives you the flexibility to scale the headcount of supporting roles up or down in response to business changes.

To keep your organization lean and agile, consider outsourcing business functions such as:

- Admin support
- <u>Sales support</u>
- Website development and maintenance
- Workflow management

Plus other roles that don't differentiate your business from the competition. Outsourcing these kinds of functions allows your organization to allocate more time and resources to employees who have a direct impact on company performance.

Outsourcing supporting roles is one of the most effective ways to reduce costs and support your organization's success.

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2. DO YOU HAVE THE TIME TO RECRUIT, TRAIN AND MANAGE ADDITIONAL EMPLOYEES?

Hiring and managing in-house employees requires a significant time investment. Before you do, consider whether your leadership team has the time to effectively manage additional employees and if it's worth their time to do so.

Management capacity is a critical factor going into 2021 due to the immense health, economic, and political pressures that leaders have to respond to. Our May 2020 Executive Productivity Survey found that 49% of executives say they need more administrative support to keep up with their workload, so they definitely don't have time to manage extra employees.

Here are some signs that your business doesn't have the capacity for additional employees in non-core roles:

- You don't have a manager who has time to take responsibility for the new hires and continue to effectively support their current team.
- It's challenging for you to find affordable talent to serve in non-core areas of your business.
- Assigning a manager to monitor utilization and other performance metrics for supporting roles would pull their attention away from more strategic activities.

If any of those points apply to your business, outsourcing non-core functions may be the best option for you. One of the biggest benefits of hiring a professional services firm is that they'll take full responsibility for finding, training, and managing the people who will work on your account. This lets your managers focus on empowering your core employees.

If your management doesn't have the time or strategic incentive to manage new hires, outsource the role to a professional services firm.

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3. WHAT ARE THE COMPLETE COSTS OF HIRING IN-HOUSE VS. OUTSOURCING?

When you're comparing the cost of outsourcing vs hiring in-house, hourly wages are often deceptive because they're only one piece of the total costs. **You need to consider additional expenses including:**

- Benefits
- Taxes
- Management time
- Perks
  - Such as events and subsidized wellness offerings

- Management time
- Training
- Recruitment
- Materials
  - Computer, desk, software, etc

Outsourcing is typically cheaper since you're not responsible for most of those costs. However, there are some cases when the reverse is true.
Here are some examples:

You need on-going support in a specialized and expensive business function.
Marketing is a great example of this. Often, it's more affordable to hire a generalist in-house than outsource everything to an agency.

You have a large, growing need for a business function that, though not part of your core value proposition, is critical to your business's success.
For example, if your team is growing rapidly it may be time to hire a couple of full-time HR professionals.

You need access to immediate support for a critical business function.
For example, if your team is growing rapidly it may be time to hire a couple of full-time HR professionals.

When hiring, consider whether the output of the role is worth the cost of a full-time, in-house employee.

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FIND A SOLUTION THAT FITS YOUR NEEDS

Hiring in-house and outsourcing each serve specific business needs. If you're looking for employees to tackle projects that differentiate your business from the competition, hiring in-house gives you access to dedicated talent that will rise to solve new business challenges. However, if your top performers and managers extra bandwidth or your company needs help with specialized, part-time projects then outsourcing is a cost-effective option.

If you're interested in learning more about the process of outsourcing administrative, operations, and business development support, our consultants are happy to answer any questions you have and create a free, no-strings-attached implementation plan to help you understand costs and rollout logistics for your specific scenario.

GET IN TOUCH

If you have any questions or are interested in learning more about our services, contact us at:

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