Where Do You Find Your Next Talent?

I was talking to a local CEO who has an expansion project coming up and needs to find someone to lead this effort. She asked me “should I hire someone from within my company (she has 15 employees) or should I bring someone in from the outside to hire or outsource the expansion”.

This is a great question for many small companies. I suggested that she weigh the alternatives very carefully because hiring in-house talent or outsourcing both have advantages and disadvantages. My experience and observations of many companies tells me that the decision comes down to the scope of the project. Is this a short-term project, where the talent is needed only for a few months? Is there a long-term need for the type of work? Is there a willingness on your part to pay medical benefits or match a percentage of a 401(k) plan? Also, cost-cutting solutions can be another top consideration of small-business owners, weighed against the hire's expertise and your timeline.

Let me suggest some of the pros and cons of in-house hiring and outsourcing to help you make the decision that's right for your business.

**First, I can think of several advantages of in-house hiring:**

- Being able to offer a salary and room for growth can make in-house hires less of a flight risk. These employees may also be more vested in the long-term voice of the company.

- Face-to-face conversations can offer more engagement between employees on the same project, which may help propel progress. These in-person discussions can help create new energy, which sometimes leads to bigger ideas.

- Intellectual property may be more likely to remain confidential. You can also have employees sign a non-compete contract, which can prevent them from taking ideas if they leave the company.

- Technical solutions may be resolved quicker. In-house talent can direct all attention to a problem that must be fixed quickly, whereas a freelancer may finish a task based on prior commitments using a first come, first served system.

- In some instances, outside investors tend to show more interest and provide higher valuations to in-house technology and marketing teams. This can be great for companies looking to ramp up growth and that need some additional funding for goals like hiring more talent.
The disadvantages of in-house hiring:

- Finding quality talent can be tough, especially in smaller companies.
- Top employees may expect medical and dental benefits, and most likely a 401(k) plan match. Remember these costs can get quite high, whereas you just pay a flat rate to a freelancer.
- How do you fill the duties that this person had before going to the new assignment? Finding, interviewing and negotiating can take time, and if an employee departs, the process begins again. Onboarding new employees, including training, can be expensive.

The Advantages of Outsourcing:

- Most freelancers are pros at a very targeted discipline, such as Web design, content creation or paid search media.
- It can take much less time to find talent, especially through talent search companies. This means projects may get completed quicker, and the product can possibly reach the market faster.
- Outsourcing can be ideal for short-term projects, in which talent is only needed for the completion of a one-off project.
- Finding talent from anywhere in the world can allow you to use dollar arbitrage to take advantage of different prices across different markets.

The disadvantages of Outsourcing:

- Communication gaps can be likely. Freelancers work in different time zones and have different types of schedules. Be wary of some of the more creative talent, like writers or developers. The best usually take the most time.
- Intellectual property may have the risk of being exposed. Try to garner some insights on the talent you freelance.
- Fake freelance profiles can exaggerate talent. Again, check into freelancers through social media channels and review/rating systems. Don't work with someone who doesn’t have ratings or can’t be found online.
- Different physical locations can have different styles regarding design, engineering and content creation. Try to choose talent with experience in your country and area.
- Freelancers can get quite expensive. Some of the highest rated software engineers, for instance, can cost up to $300 per hour based on the scope of the product.
Some freelancers can increase the length of a project depending on other higher paying projects. The bigger paying jobs will most likely be the ones that are completed first.

Regardless of which option you choose, keep these advantages and disadvantages in mind when seeking talent.

Remember, there are three vital factors to in-house hiring and outsourcing: cost, expertise and flexibility. These three factors may play the largest role in how you choose between in-house hiring and outsourcing.

Dean L. Swanson
Southeast Minnesota SCORE
c/o Rochester Area Chamber of Commerce
220 South Broadway, Suite 100
Rochester, MN 55904
www.seminnesota.score.org/

*Dean is a volunteer SCORE Mentor and Regional Vice President for the North West Region