

# HIRING GUIDE

How to decide which IT resource is right for you.

## 2015 Trends

### This year's areas of increased demand:

Sr. Software Engineer • Java Developer • Product Manager • Web Developer • .NET developer<sup>1</sup>

### Average salary:

Sr. Software Engineer \$105k • Java Developer \$74k • Product Manager \$99k • Web developer \$73k<sup>2</sup>

### Hardest positions to fill:

Software Developer/Software Engineer • Java Developer • .NET Developer • Security • Sales<sup>3</sup>

### Hiring is Hard

In today's tech job market, hiring a software developer for your team is no easy task. I'm sorry to say it only gets harder from here. The software industry continues to grow, raising demand for qualified developers, consequently creating further competition to find and retain development talent.

In 2015, nearly three-quarters of all U.S. tech companies were looking to hire more IT employees. However, not only has hiring become more difficult, retaining employees is harder than ever. A booming 40% of tech companies reported that the number of their employees who left their company voluntarily increased in 2014.<sup>4</sup>

### Bad Hires Cost You

In a talent shortage like this, employers frequently make bad hires, which cause BIG money losses. The U.S. Department of Labor reported that a company's bad hire can cost 30% of that employee's first-year potential earnings.<sup>5</sup> When Career Builder surveyed employers in the beginning of

2014, 41% of the companies indicated that a bad hire cost them \$25,000, while 25% of the companies indicated that a bad hire cost them \$50,000.<sup>6</sup> If an employee performs poorly, then sales and productivity decrease. On top of direct costs lie indirect ones: the cost of making two hires, lost co-worker productivity, the expenses incurred by training two new employees, negative impacts on employee morale, and negative impacts on client solutions.

### Problems and Solutions

You have a hiring need, but which route should you take? In-house, contract, or remote? Full-time, part-time, project-based? Your timeline, development scope, and budget will determine which resource suits your needs.

This hiring guide will walk you through different options, the benefits and challenges of each, and help you consider important factors before making a hire that could cost you big time.

### What's Ahead:

- I. Clarifying Need:
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- II. Types of Resources:
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# Clarifying Need

We need to clarify your timeline, scope, and budget needs. By balancing these three elements, we will determine which hiring option fits your needs

## Timeline

Your timeline isn't just duration of employment, it's also how long you're willing to spend in recruiting and onboarding time. Hiring new IT developers takes an average of 56 days,<sup>7</sup> so unless you've planned for a long-term expansion, you might consider a contractor for a faster hiring period. Tech Republic says it best: "If [a] project is revived, one phone call brings in a new contractor. There is no lengthy (and costly) recruiting process. This flexibility can save the company a lot of money in personnel costs in the long run."<sup>8</sup> Local, remote, or offshore contractors make quick hires without being "too risky" as far as commitments are concerned, but if they don't do a good job for you, you've paid lots of time and money for bad code. If no deadline presses and you need a long-term hire, by all means take the 60 days to find the right employee—it could cost big time if you don't.

## Work Scope

In addition to timeline, you also have to know the skills required to handle the complications that your project might present. Project complexity, timeline, and anticipated complications all

affect scope. Because most software teams use the Agile Development Methodology, scope can change at any stage of the game. If you've got a project with anticipated scope fluidity down the road, you will want to think very carefully about which type of vendor will give you the control you'll need.

**“a company's bad hire can cost 30% of that employee's first-year potential earnings”**

In-house hires can function more flexibly than a contractor. Software developer Chris Samuelson points out that, “a lot of times in the new market, week to week you can have shifting goals, you can have shifting strategies...a lot of [contractors] are a little more rigid in scope, so if you want to change that, all of a sudden you're re-negotiating rates and the whole thing becomes kind of a mess.”

Although changing scope mid-project seems annoying, Agile allows faster response to customer needs and changing project priorities. Making a hire that will allow for your team to remain

agile may prove advantageous to your business.

## Budget

Do you know how you will pay for your development? If the project has a short timeline, then you probably won't have to worry about your anticipated budget flaking out on you...but what if your project or ongoing development have a long timeline? Are you sure that your funds will sustain you enough to make the kind of hire you want, or get the level of skill you need? Tech Republic says, "Expenses such as training, medical/dental/life insurance, paid vacation, sick time, profit sharing, 401K matching, worker's compensation, and several others depending on your company, all must be factored into the analysis. One of the best reasons for utilizing contract help is that your company holds no responsibility for these benefits."<sup>9</sup> However, you also must consider that scope changes and added hours can make prices skyrocket mid project.

A new employee becomes a full investment, which your company should weigh and take time to consider before choosing to make that leap.

# Types of Resources

We're going to examine four types of hires: in-house, contract, offshore vendor, and (what we call) offshore long-term augmentation. Each makes a good or bad option depending on how your timeline, scope, and budget balance with one another.

## In-house

**Full-Time**—If your office wants to expand and have developers within a stone's throw, you may want to invest in hiring new, full-time employees. In-house employees will gain a level of domain expertise that contracted shops won't. A good fit will have skills that compliment and strengthen the rest of your team. However, onboarding takes a long time, and retaining employees remains an ongoing challenge.

**Part-Time**—A part time employee brings many of the same benefits as a full-time, but on a lesser scale. They will also cost your company less in terms of salaries and benefits. However, they may not be as committed to the company as a full-time employee.

### Benefits

- A direct, tangible member of your team
- Integrates into normal workflow and processes
- Will gain domain expertise
- A good hire strengthens the core team

### Challenges

- Hard to find/retain the right talent.
- Long onboarding process
- Doesn't always match up with project needs
- A bad hire costs a lot of money

**Average Costs:** \$60,000-\$90,000 (*full-time, annually*)<sup>10</sup>

## Contractors

If your company needs to complete a short-term project, an independent contractor with years of diverse experiences will suit your needs better than hiring new developers in-house. Cut down on costly recruiting time and long-term commitments. However, contractors cost a lot. If you rely on a contractor for too long, the expenses outgrow the benefits. Sometimes companies make a pattern of signing on with contractors for too long, and the bill racks up.

### Benefits:

- Quick onboarding
- Short-term relationship (if desired)
- Diverse skill set
- Hands-off (if desired)

### Challenges:

- Too expensive for long-term relationship
- Inflexible with changing timeline and scope
- Might not meet your expectations
- Lack of control of development
- Lack in-house knowledge of product

**Average Costs:** Company—\$75-\$800 (*hourly*), Independent—\$50-\$250 (*hourly*)<sup>11</sup>

## Offshore Project Shop

If your needs fit those of a contract agreement, but you don't have the budget for a domestic contractor, consider offshore project shops. Offshore project shops function much the same way as domestic contractors, but at a lower cost. However, many people feel they take a greater risk when engaging with an offshore vendor. For tips on how to choose the right offshore vendor for your needs, and how to avoid the unwanted risks that can arise, see the "Criteria for Evaluating an Offshore Vendor" section at the end of this document.

### Benefits:

- Quick onboarding
- Short-term relationship (if desired)
- Diverse skill set
- Hands off (if desired)
- Cost effective

### Challenges:

- Communication barriers
- Inflexible if project requires changing timeline and scope
- Lack of company transparency
- Lack of control

**Average Costs:** \$30-\$90 (hourly)<sup>12</sup>

## Offshore Long-Term Augmentation: EC Group

Offshore long-term augmentation is a term you've probably never heard of, but it's what our company specializes in. Our offshore model takes all the benefits of an in-house team, and combines them with the cost effectiveness of offshore. The key is that we're not a project shop. We hire specifically for our clients, and curate direct relationships between them and their developers. With us, it's not really outsourcing—it's an extension of their team.

### Benefits:

- Maintain control of development/team
- Hired specifically for you
- U.S support staff and HR services
- Cost effective
- Devoted teams and 95% retention

### Challenges:

- Onboarding takes commitment
- Time difference/remote communication
- Must take special care to train and engage remote employees
- Works best when company clearly defines/establishes processes

**Average Costs:** \$2,700-\$4,000 (monthly)



# What's Your Formula?

Use this chart to determine what options work for your timeline, scope, and budget.

Timeline	Scope	Budget	Vendors: Yes/No
<b>Long Timeline</b>	<b>Large Scope</b>	<b>Big Budget</b>	In-house full-time: Yes In-house part-time: No Contractor: No Offshore project shop: No EC Group: Yes
		<b>Small Budget</b>	In-house full-time: No In-house part-time: No Contractor: No Offshore project shop: Yes EC Group: Yes
	<b>Small Scope</b>	<b>Big Budget</b>	In-house full-time: Yes In-house part-time: Yes Contractor: No Offshore project shop: No EC Group: Yes
		<b>Small Budget</b>	In-house full-time: No In-house part-time: Yes Contractor: No Offshore project shop: No EC Group: Yes
<b>Short Timeline</b>	<b>Large Scope</b>	<b>Big Budget</b>	In-house full-time: No In-house part-time: No Contractor: Yes Offshore project shop: Yes EC Group: No
		<b>Small Budget</b>	In-house full-time: No In-house part-time: No Contractor: No Offshore project shop: Yes EC Group: No
	<b>Small Scope</b>	<b>Big Budget</b>	In-house full-time: No In-house part-time: No Contract: Yes Offshore contract: Yes EC Group: No
		<b>Small Budget</b>	In-house full-time: No In-house part-time: Yes Contract: No Offshore project shop: yes EC Group: No

# Other Variables

## Price

Many outsourcing vendors draw CFOs to the idea of offshore outsourcing by promising staggering cost savings. Unfortunately, unplanned inefficiencies and miscommunications can swallow up promised savings.

Don't choose a vendor based solely on price.<sup>13</sup> There's a reason some places are cheap and some places are expensive. If pricing falls too far one way or the other, be skeptical of the vendor, and ask questions. Choosing a vendor solely based on price will inevitably lead to a failed engagement.

## Team Dynamics

Even if you find workers that fit your technical requirements, if they don't fit in with your culture then you've still made a bad hire. Culture matters a great deal when hiring. Invite the manager and/or team lead to the interview, then dig deep and ask your candidates questions that have to do with their work ethic, their ability to work individually and as a member of a team, how they handle conflict, etc.

## Quality

- **Check their portfolio:** Review their portfolio, see what they have worked on before, and what contributions they have made to other businesses. As with any other position, a person's past work indicates how they will perform in the future.
- **View their Open Source Contributions:** Coders willingly contribute in a number of ways, such as testing a beta product, or fixing a bug in someone else's code. Has your candidate done this, and what problems did they help solve through this process? Allow them to show you what open source contributions they have made and what skills they learned from others as a result.
- **Review their Source Code:** Does your candidate's source code work smoothly, or does it glitch? If your candidate knows their stuff, they will have created something that works well and accounts for every situation.
- **Check the References:** A prospective employee's references have spent significant periods of time with your candidate. A prospective contractor's current or former clients can act as a reference. Not only can they back up the vendor's technical skills, but can also talk about how easy/difficult it was working with them.
- **Work with Recruiters:** Recruiters can help your organization. They work with a large number of prospective employees that come from many different fields and areas of expertise. Recruiters have connections that you might not have, and may attract candidates that would otherwise show no interest in your company.
- **Test your candidate:** Prepare a test for your potential employees to complete in their job interview. This will assure you of their abilities, and give you a good idea of their ability to problem solve and complete their tasks on time.

## Ask the Right Questions:

- Will you charge me overages other than the initial price?
- How much will onboarding time cost me?
- Will I have to license any software?
- Will I have to pay for any extra equipment?
- Is your team onboard regarding the type of hire you'd like to make?
- Have you asked your team what they'd like in a new hire?
- What does their portfolio work like?
- Do they have potential to grow and learn?
- Have they made Open Source Contributions? What problems did they help solve through this process?
- What do their references say?

# Criteria to Evaluate an Offshore Vendor

Here's ten tips to get you started on the right foot towards finding an offshore vendor that suits your needs.

## 1. Hiring Process

Hiring stakes its place at number one because it's where everything begins. The quality of your experience has almost everything to do with hiring. A lot of offshore vendors have something called "bench resources," where you come in and say you need someone, and they say, "Let's pull Johnny off the bench." If you've got unique criteria that you're wanting to hire for, then bench the bench resources and find someone that's right. Many vendors won't involve you in the process—you may be shocked to discover later on down the road that your developer isn't well suited for the job. Be careful of some vendors who start you off with an A-team, then after a few months move you to a B-team. Suddenly you're saying, "Where did Arun go?!"

The only way to guarantee you get the developer you're after is to be involved in the hiring process. Pick a partner who will allow you to play a vital role in who you chose to join your team.

## 2. Communication

Remember what I said about having your team swapped out from under you and not even realizing it? Well you'd probably

know if you have frequent communication with your developers. Many vendors have layers of middle management between you and your team, and all communication filters through them. Good communication is core to quality development—in terms of code, and in terms of relationships.

Your team is made up of real people in a real office, so pick a vendor that's going to let you talk to your developers. Also ask about staggered work schedules, where your developers will have a later working day to overlap with yours. If you get to know them on a personal level, they're more likely to bring their A-game. Moreover, if you can tell them exactly what you want, you're going to get more done faster.

## 3. Control

If you want direct control over your developers and development, don't compromise on this. Ask, ask, and ask again about maintaining control over your team and your intellectual property. Pore over your contract and make sure there are no loopholes. One of the biggest flaws with typical outsourcing is the lack of ownership when it comes to your team's work. If this is important to you, don't

compromise. Find a vendor that will guarantee control

## 4. Employee Retention

A negative perception of outsourcing is the high level of employee attrition. Ask what a vendor's retention rate is before signing on. Onboarding and training are expensive, and you're going to absorb that cost. A company's high retention rate is very valuable to you. When your team sticks around, they gain a higher level of domain expertise, which makes them more valuable to you daily.

## 5. Working Conditions

Want to know a good sign that a company doesn't have the best working conditions for their employees? A high attrition rate. The quality of a work place affects moral, emotional, and physical health. Seek a vendor with transparency about their office space, and what they do to make your people comfortable. Would you want any less for your offshore employees than your in-house employees? Hopefully not.

## 6. HR Support

Who's the one keeping your people comfortable while they're at work? Who's building a strong company culture that will lead to better retention? Who's addressing work-related issues like time off? The HR team. Ask your potential vendor about their HR staff, and what sort of company culture they're building. Is it a relaxed and fun space, or a rigid space focused on rules and regulations? What steps is HR taking to make sure your team is both happy and productive?

## 7. Ongoing Training

What is your potential vendor doing to invest in their employees working knowledge? If your people aren't being trained in the latest technology, then how are they supposed to contribute further down the road? Or, if they're the self-learning type, if they don't have the freedom to research relevant technologies, how will they continue to contribute?

Ask to see if a potential vendor has experts that come in. What sort of training are they doing? Is it just technology, or are there other classes too that might benefit your employees? For instance, leadership classes, family counseling, etc.

## 8. Measuring Productivity

Are you worried that if you go offshore you won't be able to monitor your team's productivity from a distance? Your offshore provider should be able to help you in this department. Ask if they have a process for doing this, and if so what it entails. Will they take the time to understand how your team functions and then make helpful suggestions based on your workflow, or will they prescribe a stock method they have for all of their clients? Remember how we talked about maintaining control? Don't give in to a plan that won't work for you. Make sure your offshore vendor wants to understand how you and your team works, and how to

best integrate your offshore team members into your plan.

## 9. Can I Visit?

Even if you don't want to visit your offshore team, you should seriously consider it. It's surprising how much meeting your team in person can help how you work together. Ask your vendor if they can arrange a trip for you to come and meet your team. You'll get to see the office, have lunch, learn about their life and their family, and connect with them in the way that you get to connect with your in-house team every day. Imagine how much your relationship, and your work, would improve.

## 10. Cost

Cost is self-explanatory. Be skeptical of places where the cost seems unbelievably low—they're probably cutting corners somewhere. If cost is higher, weigh it against what kinds of services your vendor offers, and evaluate if the services are worth it to you.

## So there you have it...

Don't let a bad hire cost you money—as you go through your hiring process, remember that balancing timeline, scope, and budget will set you up right to choose the right type of hire. By weighing each, you can better determine if an in-house, contract, offshore project shop, or something like EC Group fits your needs. Run it by your team, your CFO, and ask the right questions to evaluate quality of your potential hire or vendor.

We can even help you build your business case for adding offshore staff to your team.

**Now, go forth and hire!**

Any questions, comments, additions?  
Drop us a line at  
[office@ecgroup-intl.com](mailto:office@ecgroup-intl.com)

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