

## A FIRM ADVANTAGE

**SHOULD WE OUTSOURCE OUR WEBSITE OR  
BUILD AN IN-HOUSE TEAM?**

## A FIRM ADVANTAGE - SHOULD WE OUTSOURCE OUR WEBSITE OR BUILD AN IN-HOUSE TEAM?

by Joshua J. Steimle

ORGANIZATIONS CAN SAVE MONEY AND TIME BY KNOWING WHETHER TO BUILD OR BUY WHEN IT COMES TO WEB PROJECTS.

This white paper addresses the pros and cons of outsourcing web projects to a firm rather than using an in-house team of designers and developers.

**A PERSONAL PERSPECTIVE** Since I run a web development firm, I occasionally come across companies that are debating the question of build vs. buy when it comes to web development projects. If one choice or the other were always right there would be no confusion. The fact is that sometimes a company should hire an in-house team, sometimes it should outsource to a firm, and sometimes a combination of both would be best. Clearly, it is a matter of return on investment, which involves both tangible and intangible benefits and costs.

Let's use company XYZ as an example. Company XYZ has \$60M in revenue and 20 software products, each with its own marketing team. The website has grown to over 1,000 pages and is an exercise in disorganization. Each marketing team has gone their own way with their section of the website, causing damage to the company's brand and producing confusion among potential customers visiting the site. There are three possible solutions.

**SOLUTION I.** The company creates an in-house "web team" responsible for the corporate website. This team ensures the site is consistent throughout all product groups by enforcing standards for all other departments to follow.

**SOLUTION II.** The company outsources the creation and maintenance of the corporate website to a web development firm. The firm builds a content management system that allows the company's employees to update the site at will, with standards for formatting and individual page design being enforced by the system itself. Maintenance and updates are provided as needed.

**SOLUTION III.** The company creates a small in-house team that manages outsourcing activities and forms a close relationship with a web development firm. The firm builds a content management system as in Solution II but all updates to content are approved by the in-house "web management" team.

Both Solution I and Solution III require hiring employees, allocating office space, purchasing equipment, and other related overhead costs. Solution II is no panacea, however. It still requires the time of employees at the company to meet with the firm and participate in planning and implementation activities.

**SOLUTION I DETAILS** The hiring needs for Solution I include, at a minimum, one project manager, one designer, and one programmer, with all these employees being multi-talented and highly skilled. In practice, most companies hire several more employees for their in-house team, such as a creative director, multiple designers, multiple programmers, and copywriters, content developers, and HTML developers.

### MINIMUM YEARLY COST OF IN-HOUSE TEAM

	Salary	Overhead (15%)	Sub-total
Manager	\$60,000	\$9,000	\$69,000
Designer	\$48,000	\$7,200	\$55,200
Programmer	\$52,000	\$7,800	\$59,800
		<b>Total:</b>	<b>\$184,000</b>

\* Salary estimates except for "Development Lead" taken from the median results of the AIGA|Aquent Survey of Design Salaries 2003 (see [http://www.aiga.org/content.cfm?contentalias=2003salarysurvey\\_member](http://www.aiga.org/content.cfm?contentalias=2003salarysurvey_member))

#### REALISTIC YEARLY COST OF IN-HOUSE TEAM

	Salary	Quantity	Overhead (15%)	Sub-total
Manager	\$60,000	1	\$9,000	\$69,000
Creative Director	\$80,000	1	\$12,000	\$92,001
Development Lead	\$80,000	1	\$12,000	\$92,001
Designer	\$48,000	2	\$14,400	\$62,402
Copywriter	\$54,000	1	\$8,100	\$62,101
Content Developer	\$46,500	1	\$6,975	\$53,476
Web Producer	\$60,000	2	\$18,000	\$78,002
Programmer	\$52,000	2	\$15,600	\$67,602
			<b>Total:</b>	<b>\$576,585</b>

One problem with having an in-house team is that it creates dependencies. If the marketing team for Product A wants to update the site, the request needs to go to the web team, be approved, and be implemented. There are real-world cases where a simple 15 minute change has taken 2-3 weeks to make it through the approvals process and get through the already extensive list of changes.

Solution I is not without its advantages. The in-house team is entirely dedicated to the company which means they are more accessible than a firm might be. In addition, the services they provide are flexible and may be customized easily. The end result can be quite effective.

**SOLUTION II DETAILS** Solution II uses technology and automation of tasks to achieve almost identical results to Solution I. Where Solutions I and III involve ongoing yearly costs, most of the costs involved in Solution II occur within the first few months, and then the ongoing costs are fairly minimal. The useful life of Solution II would be at least three years, perhaps more. To illustrate the difference, three years worth of costs are shown here in comparison to just one year's worth of costs for Solution I.

#### THREE-YEAR COST OF OUTSOURCING LARGE WEBSITE AND CONTENT MANAGEMENT SYSTEM

Website Design	\$30,000
Content Management System	\$75,000
Training	\$12,000
Maintenance	\$30,000
<b>Total:</b>	<b>\$147,000</b>

These cost estimates are for building a large website with thousands of pages. Similar services for a website with approximately 100 pages would cost one-tenth as much.

Can you realistically expect a website built by a firm in a matter of months to be anywhere as good as a website built and maintained by a full-time team of 10 experts? In many cases, you can. It's content management that makes it possible.

A content management system (CMS) is a database-driven tool that allows people with no technical skill to update a website quickly and easily through a web-based interface. Common tasks are automated, design standards are enforced by the system, and the ability to update the site is given to those people who are "content experts." Approval hierarchies can be created to ensure that only approved content makes it to the live website. For example, someone on the marketing team for Product A could be assigned to create a new product description for the website. Once they've created it, they would login to the CMS and post their update. The update could be routed to a superior, and either sent back to the employee for revisions, or it could be approved to be published on the live site.

A CMS can negate the need for an in-house web team in some cases, or compliment an in-house team in others.

**SOLUTION III DETAILS** The exact details depend on the exact situation, but a typical scenario might include the results of Solution II combined with just one web manager, perhaps with a small team of assistants. Solution III is really just a combination of Solutions I and II that provides the best of both worlds-the close proximity, responsiveness, and control of an in-house team, combined with the ease of use, functionality, and affordability of an outsourced solution. It's more expensive than just an outsourced solution, but less expensive than going 100% in-house.

**DON'T FORGET THE INTANGIBLES** There are costs and benefits to in-house teams and outsourcing that are hard to trace. For example, there is the time required to set up an in-house team that may distract a large number of employees from other tasks. But there is also the benefit that employees within the company can simply walk over and talk with the web team face to face whenever they want to. A firm is not as immediately available in person unless they're physically located next door, and even with a firm someone at the client company needs to take time to manage that relationship, but of course with a firm you often get a level of quality and efficiency that doesn't show up on the balance sheet. The point is that either solution has intangible benefits and costs that should be taken into consideration when making a choice between the two.

**WHEN IS AN IN-HOUSE TEAM THE RIGHT MOVE?** An in-house team is the right move when the cost of outsourcing exceeds the cost of hiring an in-house team *and* the intangible benefits are greater than the intangible costs. This generally happens only in large enterprises where departments are almost individual companies themselves and having one of those departments be the web development department produces a cost savings and intangible conveniences over hiring an outside firm. There is virtually no case where a smaller company can save money or get a higher quality level of service by creating an in-house team to manage the corporate website unless that company's core business already involves hiring designers and developers, such as in the case of company that provides their core products or services through a website.

**CONCLUSION** The question of whether to outsource, build an in-house team, or attempt a combination of the two can be difficult to answer. Companies in the small to medium range will most likely save money and get better results by outsourcing. Large companies should take the time to do a thorough analysis of their particular situation. In all cases, the focus should be on return on investment, taking into account all costs and benefits, both tangible and intangible.

**ABOUT THE AUTHOR** Joshua J. Steimle is the chief executive officer of MWI. MWI is the second web development firm he has founded, and has been involved in consulting activities related to web development and brand management since 1999.

**ABOUT MWI** MWI provides web development and related marketing services to help client companies make more money and save money. MWI is headquartered in Salt Lake City, Utah, and has offices in the San Francisco Bay Area.

#### MWI HEADQUARTERS

**Mwi**

14183 S. MINUTEMAN DRIVE, SUITE 101 SALT LAKE CITY UT 84020  
T 801.495.4110 F 801.495.4190 E info@mwi.com www.mwi.com

We encourage your comments and questions.