



## TenStep Supplemental Paper

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### **Make Team Staffing Decisions Within the Context of an Overall Staffing Strategy**

You probably already know that staffing is an area that is outside of your direct control. Typically you are told how many people your group can have and whether they will be contractors or employees. Even if you are the manager of the team, you typically only have input into the staffing process. It is normally not within your direct control.

You might wonder how your company makes decisions on staffing. For instance, how do they know how many people your team should have and how many of them should be consultants and employees? There are actually two questions there that are related. The answers to the questions are contained within a Staffing Strategy.

#### **Setting a formal or informal staffing strategy**

A Staffing Strategy is established at a company level or an organizational level. If you asked to see one, you might actually find that your company has a formal document that they could show you. However, as likely as not, you will find that this information is not in a standalone document, but is part of the Business Plan. The Business Plan (or its equivalent) is used by an organization to map out the next year's priorities, objectives, budgets, etc. Normally you will find something in there that speaks to the size and makeup of the staff.

#### **Staffing levels are built bottom-up, then allocated top-down**

Let's look specifically at an IT organization. The total size of the organization is based on a number of factors, but it starts with the business needs of all of the clients. The IT organization works with its client organizations to determine what their business priorities will be for the coming year and how the IT organization can help. These priorities, as well as the support needs of all legacy systems, result in a set of projects. The IT organization then adds resources for infrastructure support and enhancements, as well as all of the other needs that benefit all of the business units but are not tied directly to them. The formal budget proposal then is taken forward for funding. When the IT budget request is taken forward, along with all of the other business unit budgets, it usually turns out that there are many more requests than there are resources at the company level. A dance of sorts then ensues with each business unit pitching for its priorities. Ultimately, however, total available budgets and resources are allocated among all business units.

Generally speaking, this is how the company determines how many people the IT organization can have on staff during the year. If the company is doing well and the business demand is there, the IT organization may grow. If revenue is tight, the IT organization might be reduced during the year.

Once the total IT organization staffing level is set, a sub-allocation process occurs with all the departments and project teams. This is a similar process to what was done on a



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company-wide level. If the IT organization needs to cut 10% of its positions, for instance, then each department may need to be cut at that same level. On the other hand, it is possible that one department might be spared, while another takes a 20% cut. All of this prioritization process gets rolled down until the staffing level of each team is set.

### **How about the staff makeup?**

The discussion so far has only answered half of the initial question. Generally speaking, the total staff size of your department or team is determined by a bottom-up budgeting process, followed by a top-down allocation process. However, a second set of decisions regarding the staff makeup needs to be thought through – specifically the number of contractors versus employees.

This is an area that the IT organization typically has more control over. The company may give overall guidance on the use of contractors, but in many cases, the actual implementation decisions are made at the organization or department level. Sometimes this is even within the control of individual teams. Some companies utilize contract people for 60% of their staffing needs; others rarely, if ever, hire contract people. There is no right or wrong. Each company makes staffing decisions based on a number of factors. This includes:

**Length of the need.** Typically the place to start is with an understanding of how long the need will be. For instance, if you have an opening in the Help Desk area, and the need is long-term, you might hire an employee. On the other hand, if you think you need to hire a person to assist on the Help Desk for three months while some major changes are taking place, then you might hire a contractor instead. The short-term nature of the work will tend to point to the use of a contract person.

**Building a core staff of employees.** Some companies designate a core amount of staff that they feel should be employees and hire contract people for any additional work over that. Their thinking is that even though business may be good, they do not want to hire employees for every position since they do not want to lay off people when business results are not as good. The contract staff is seen as a buffer. If business takes a downturn, the organization can eliminate contract positions without touching the core employee staff.

**Importance and confidentiality of the work.** Many types of work within an organization are more important and sensitive than others. For instance, if e-business is important to your company, you might want to have employees working in that area. You might have other areas, such as desktop administration, that are not seen as strategic. This might be an area where you would use more contract people.

**Skills required.** If your company is moving into new areas, you might want to hire some experienced contract people to assist while your employees are getting up to speed. This will help speed up your learning curve. When the employee skill base is high enough, the contract people could go away.

**Costs.** There are usually cost differences between employees and contractors. Typically a contractor costs more than a fully burdened employee. However, the cost is incurred over



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a shorter timeframe, since contractors are normally utilized over the short-term. Employees may cost a company less money, but there is an implication that an employee represents a more long-term cost. Although many employees question the use (or non-use) of contractors based on the cost factor, this is not typically a major driver in the decision-making process.

### **Summary**

All companies have a process to determine the level of staffing they are targeting for a given year. This number can be adjusted, of course, based on the business realities. Once the overall staffing levels are set, organizations typically make decisions on staffing based on a number of additional factors such as the length of the work, the criticality, the skills needed and the costs. One company may look at these factors and decide that they want to hire a substantial number of contract people. Another company may look at similar factors and determine that they want to hire mostly employees. Each organization looks at the factors and makes staffing decisions based on their own goals, strategies, preferences and the organization culture. Once the overall staffing strategy is defined, each team will receive guidance on their overall staffing level and the mix of contractors and employees. Each team member may not agree with the decisions made for any individual team, but the results are based on decisions that seemed to make sense to the senior managers in the organization.