Is Hiring an Outsourced Full-Time-Equivalent Developer Right for You?

A Look at the Pros and Cons of Outsourced FTE Software Development

Swan Software Solutions

Reliable. Scalable. Affordable.

What is an FTE Outsourced Developer?

Full-Time-Equivalent (FTE) Outsourced Employees are a model used across many industries. It is often used within the tech industry when a particular project might need input or knowledge outside of the organization's capabilities. This method has many benefits for companies, although there are other options.

The Three Main Types of Developers

- In-House Developer
- Outsourced Fixed Bid Developer
- Outsourced Full-Time-Equivalent Developer

Let's take an in-depth look...

IN–HOUSE DEVELOPER

An in-house developer is directly employed by the company. They will do the jobs set by the company and are able to switch to whatever project most needs their input.

PROS ✅	CONS ❌
Full Control over Projects	Must Provide Full Time Work
Complete Availability	Limited to In-House Knowledge
Long Term Relationship	Costly and time-consuming Onboarding
	Higher Overhead

IN-HOUSE DEVELOPER

A company with the time, needs, and capabilities should consider an in-house developer. The greater control over the employee's tasks makes it easy for the company to receive help when and where they need it. As a company employee, the developer can be pulled off a task--such as altering an in-house scheduling app--in order to fix more pressing issues--such as repairing a broken website.

An in-house developer is able to build long-term relationships with the employees and the technology. Since they know the software in use--and possibly even created it--they are able to troubleshoot and fix issues with great ease.

On the other hand, in-house developers can be costly to find, hire, and keep happy. With a great deal of time, effort, and money involved in finding and hiring a good developer, it can be a waste if the company only requires short-term help or doesn't have enough tasks to keep a developer busy long-term.

In addition, hiring the best candidate in the world for a pittance is not without its problems. Why? Most developers specialize in one or two programming languages. If the company is involved in a project best suited for Ruby, but their in-house developer is only skilled in .NET, they may be forced to use a programming language that is not the one best suited for the project.
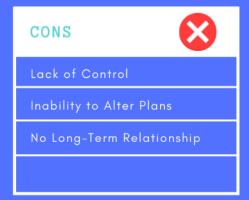
The completion of tasks, such as Project Architecture, might be well beyond the in-house developers' abilities. Many companies marry the best of two worlds by keeping a few developers in-house and then hiring FTE or Fixed-Bid Contractors to fill in the gaps in the knowledge or skills of their in-house developers.

OUTSOURCED FIXED BID DEVELOPER

An outsourced fixed bid developer is either an independent contractor or employed by a third party who is responsible for them. They are hired to do a particular task and asking them to alter or perform another task may be costly and, at times, impossible.

PROS ✅	CONS ❌
Short Term Employment is Expected	Lack of Control
Fast Completion of Tasks	Inability to Alter Plans
Easy Onboarding and Offboarding	No Long-Term Relationship
Lower Overhead	

OUTSOURCED FIXED BID DEVELOPER

An Outsourced Fixed Bid Developer is a good choice for short-term projects and specialized projects. Perhaps a company needs a new website, but their in-house developer is unskilled in WordPress. This is a perfect opportunity to hire an outsourced Fixed Bid Developer to design and deploy the website. Another circumstance might be a need for a Project Architect or UI/UX Designer. Many companies might not have these developers in-house, but by hiring a Fixed Bid Developer, they can get precisely the skills needed to fill the gap.

Fixed Bid Development is beneficial since the total cost of a project is known from the start. This allows a company to count the cost and ascertain that the

project is worth the price. With In-House developers often called to perform other tasks thereby delaying completion dates, Fixed Bid Developers will only work on the contracted project. This enables them to have a definitive completion date.

An additional benefit would be the ability to utilize developers capable of meeting the needs of a particular project without the time and expense involved in hiring. Even with many hours and often thousands of dollars involved in finding and hiring an employee, there is a risk they may not be a good fit for the team long-term.

One of the main problems with a Fixed-Bid Project is the inability to alter or pivot to meet a company's changing needs. A Fixed-Bid Contractor hired to perform a particular task will perform that task and that task alone. Trying to change the plan will often result in climbing costs and frustration.

Imagine it like a company hired to paint an office. They will paint--and only paint--the space. Perhaps you then want them to lay new carpet. Since they are working on Fixed Bid Projects, you will pay them again for certain aspects of the job, such as removing and replacing all the furniture. If you had been able to alter the plan before the first task was completed, you would have been able to save money by combining tasks. This is what can happen with Fixed Bid Projects. As the developers will only complete the task they were hired to do, additional jobs will be tacked on at the end resulting in higher costs.
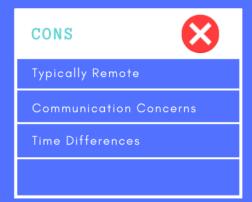
One additional issue is the lack of long-term relationships. Perhaps, the Fixed-Bid Developer is an amazing fit with your team, and you request they do another project with you. If they already have other jobs scheduled, they may or may not be able to accommodate your new request.

If a company knows for certain what project they need completed, hiring a Fixed Bid Developer can be a good choice. It will allow a company to accomplish goals with less time and headaches. It is especially beneficial when trying to fill a knowledge gap in their in-house developers.

OUTSOURCED FTE DEVELOPER

An outsourced FTE Developer allows a company to have full control over the tasks completed while not having to deal with many of the tasks associated with hiring and maintaining an employee

PROS ✅	CONS ❌
Fast Onboarding	Typically Remote
Full Control of Tasks	Communication Concerns
Ability to Pay Only When Needed	Time Differences
Ability to Hire Specialized Skills	

OUTSOURCED FTE DEVELOPER

An Outsourced Full-Time-Equivalent (FTE) Developer is a good choice for companies that need to expand or shrink their teams on a month-to-month basis. This capability empowers a company to meet deadlines since they are able to instantly have more developers when needed, and it also enables a company to save money since they only need to pay the developers on an as-needed basis.

Another benefit is the ability to have full control over the outsourced employee's tasks. Unlike a Fixed Bid Developer, the FTE Developer is essentially your company's employee in most ways. As long as their hourly rate is paid, the outsourced developer will shift to work on the tasks required by the company.

A company starting a project such as an innovative app might need skills such as a Project Architect or a Quality Assurance Engineer. Although they could hire a Fixed Bid

Outsourced FTE

Developer, the truth is that they cannot yet know for certain what difficulties they might run into or what unforeseen problems they might need to troubleshoot. An FTE Developer will be able to solve these issues without requiring a change in contract.

Meeting deadlines is also easier since expanding your team is easy, and the time, money, and stress involved in hiring and then firing an employee upon project completion isn't there.

Conversely, hiring an Outsourced FTE Developer can cause some apprehension. With most FTE Developers working remotely, it can create issues with a lack of in-office networking, concerns about communication, and questions about making things work when there might be a large time difference.

Even with these concerns, the benefits of hiring an Outsourced FTE Developer are many. We will look at some additional benefits in the following pages.

Benefit #1 Team Integration

With a large project looming and a short deadline approaching, many companies will realize they need to expand their team to meet a deadline. This may require more personnel, expertise, or both.

Hiring an in-house developer will take time and money that might not be readily available.

Securing a Fixed Bid Developer might be fast, but this individual will not really be a part of the team. Imagine a basketball team where one player says, "I'm only here to dribble, and I won't do anything else or help anyone else since it isn't my job."

If a developer is working on a Fixed Bid Project, they will not be available to help the rest of the team complete pressing tasks.
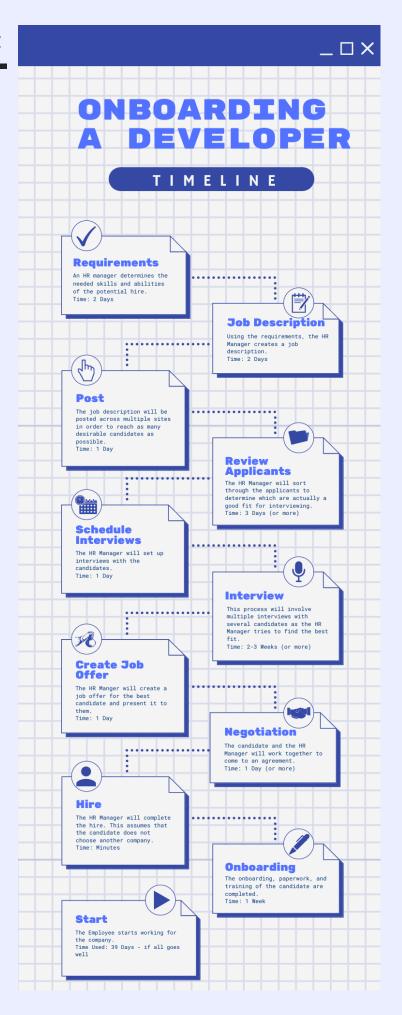
Hiring an FTE developer or team of developers allows them to fully integrate with an existing team. As they are essentially company employees, they will be able to shift focus, assist in problem-solving, and maintain open communication.

Modern communication programs such as Slack, Teams, Zoom, and GoToMeeting, make integrating with existing teams frictionless.

Many clients create long-term relationships with FTE teams, which allows them to develop trust in their abilities, without the necessity of employing them first-hand.

Benefit #2 Quick Start

Finding, interviewing, and selecting the right candidates to complete a project can be time-consuming and cost a company thousands of dollars. Even after those individuals are identified, hired, and onboarded, a company may need to define the project and establish a direction for the development. The new employee must also be trained to eliminate gaps in their areas of expertise as it relates to the custom solution being developed. At the end of the project, if there is no additional work for the employee, the company will be forced to have a tough conversation about their position being eliminated. This might cause bad feelings with the employee, damage a company's reputation, and the time and money involved in onboarding the employee is wasted.

With an FTE team, the selection of developers, onboarding, and management is outsourced, which translates to saved time and money. Additionally, an FTE team often will have worked together on other projects, so a solid team dynamic is in place from the beginning.

ONBOARDING A DEVELOPER

TIMELINE

Requirements
An HR manager determines the needed skills and abilities of the potential hire.
Time: 2 Days

Job Description
Using the requirements, the HR Manager creates a job description.
Time: 2 Days

Post
The job description will be posted across multiple sites in order to reach as many desirable candidates as possible.
Time: 1 Day

Review Applicants
The HR Manager will sort through the applicants to determine which are actually a good fit for interviewing.
Time: 3 Days (or more)

Schedule Interviews
The HR Manager will set up interviews with the candidates.
Time: 1 Day

Interview
This process will involve multiple interviews with several candidates as the HR Manager tries to find the best fit.
Time: 2-3 Weeks (or more)

Create Job Offer
The HR Manger will create a job offer for the best candidate and present it to them.
Time: 1 Day

Negotiation
The candidate and the HR Manager will work together to come to an agreement.
Time: 1 Day (or more)

Hire
The HR Manager will complete the hire. This assumes that the candidate does not choose another company.
Time: Minutes

Onboarding
The onboarding, paperwork, and training of the candidate are completed.
Time: 1 Week

Start
The Employee starts working for the company.
Time Used: 39 Days - if all goes well

Benefit #3 Cost Effective

Hiring a candidate takes time and money, but another factor to be considered is the loss of productivity while going through the hiring process. With weeks passing, it is estimated that the "Time to Hire" process can cost a company thousands of dollars in profits.

One must also count the cost of advertising for a developer and paying an HR Manager or other HR Personnel to complete the searching, interviewing, and onboarding process.

With the developer ready to begin work, they must now be equipped with a high-quality computer - perhaps $1,200 on the low end of the spectrum. Additionally, the cost of overhead must be determined, with everything from office space to a desk and chair being added into the cost of hiring and keeping the employee happy.

Even if the employee will work from home, many developers will expect the computer and perhaps even a "home office outfitting budget."

With the developer now working, they will expect other items to keep them happy. With everything from team-building events to stocking the kitchen with enough coffee, the cost of keeping an employee happy might lie in dozens of small expenses that add up to a large one.

Hardware in place, a developer might now need access to software resources or additional hardware to perform necessary development. Individual companies might have additional costs that should be added to these figures.

Choosing to hire an outsourced FTE developer eliminates many of these costs. The purchase of a computer and overhead costs are covered by the developer if he is a freelancer or by the company that employs them if he is not.

The outsourced partner company will take care of onboarding, payroll, and other issues, which frees up HR personnel to work on other things.

One of the most cost-effective measures in hiring an outsourced developer is the ability to start work immediately. With the price of lost productivity at $10,000 or more, hiring an outsourced FTE developer capable of starting within days rather than weeks saves a company large sums of money--especially if the company is looking for a team of developers rather than one individual.

Benefit #4 Institutional Knowledge

Software Development requires skill and expertise to be done correctly. With the constant changes and improvements happening within the technology world, a developer is constantly learning and evolving to keep pace.

Most developers will specialize in one coding language, although some developers are considered Full-Stack.

Each piece of software to be developed will have specific goals laid down by either a company or an individual. Taking the software from an idea to reality will often require more than one type of developer. A company might have one or several skilled developers in-house, but they might not have a CTO or senior level architect with the required experience to oversee the proposed project. If the project is the idea of one individual with a Startup, this problem might be exacerbated if they don't have the experience needed to oversee the project. Perhaps a project has a skilled Architect but lacks a UI/UX Designer or QA Engineer. Hiring an FTE Developer will allow these positions to be easily filled.

Programming languages available to the project are also limited to the ones known by the in-house developers or startup founder. Perhaps most company projects work well written in Ruby, but a particular solution would be better if coded in .NET. Handcuffed by needing to use the language known by in-house developers, the result may be a custom solution that doesn't work as well as it should.

Outsourcing these issues can relieve this pressure. With the ability to select a Quality Assurance Engineer, Project Manager, or another specific skill set, the gaps in the skills of those working on the project can be filled by outsourced FTE employees.

The ability to grow or shrink the team as needed also allows for the company to only pay for the skillset when they need it.

An FTE Development team will be assembled by an outsourcing partner company to fill needs. In addition, the Developers will bring a large amount of knowledge shared within their parent company that will enable them to work on and complete your project.

Benefit #5 Agility

Agile Methodology allows for the ability to change and alter a plan throughout the development process.

A Fixed Bid project is locked within the parameters laid forth in the contract created at the beginning of the job. Although this is fine if the job requirements are definitive at the beginning, software often involves changes no one saw coming. For large-scale projects and innovating startups, unexpected problems are the rule rather than the exception. This is especially true when developing a startup product that will scale and grow as the business grows. In the beginning, the founder or team lead may be able to see the desired destination on top of the mountain, but not all the twists and turns of the road that will get them there. If the application is like nothing created before, the problems that arise might also be like nothing seen before.

Any new product on the market will need to expand as the customer base grows and new customers are onboarded. The customer base is not the only thing growing. Adding features and functions to better serve customers is a necessity.

In a fixed-bid contract, each new feature or function will require a reevaluation from a technical, time, and cost perspective. Only after decisions are reached and costs are agreed to can the development proceed.

An FTE employee doesn't require a new contract or evaluation every time a change is made to the project. They can immediately begin working on a new task without losing time to a reassessment to determine changes in the time or cost of the project. Technical adjustments can be made and integrated into the development without a change order, new discovery process, or additional contracts.

Three companies make different decisions about development.

COMPANY A

Company A has a large development project they wish to complete in a short amount of time. They make the decision to hire three new developers to work on the project. The delay in the hiring process puts them behind, but with the help of the new developers, they are able to complete the project on budget but with a slight delay.

The client is happy. All seems well, but the following month, business goes down. With no projects in process, the company cannot afford to continue to pay the new developers and lays off two of them.

Result: Client -happy; one developer-happy; two developers out of work and upset who may now badmouth the company.

COMPANY B

Company B is a startup looking to create a custom application to launch its business. With cost a concern, they hire a Fixed Bid Developer. They write up the contract for an amount of work and money that seems reasonable.

However, unforeseen issues arise, and they are forced to renegotiate with the Fixed Bid Developer. After three such reevaluations, money is dwindling and frustration is climbing.

Result: Company delays launch due to cost overages. They eventually deploy their app, but the delay has cost them.

COMPANY C

Company C needs a large application developed to expand their business. They consider a Fixed Bid Project but then opt for an FTE Development team. This turns out to be a good decision when one part of their application becomes more popular than anticipated.

They immediately move the FTE team to work on the part of the application that needs bolstering. With their ability to quickly change gears, the application manages to weather the unexpected development while keeping clients satisfied.

Result: The project comes in on time and on budget. Everyone is happy.

Choosing the Right Outsourced FTE Development Partner

With the myriad of benefits from hiring an Outsourced FTE Developer or Development team, the most important question then becomes, "How do I find a good one?"

Here are four questions to ask yourself.

- **What is the company's reputation?**

Although it's tempting to consider price alone when choosing an outsourced FTE Developer, ignoring reviews or a poor reputation can cost you in the long run. Many companies will promise cheap software, but in many cases, the cheap price comes with baggage. Some companies never deliver the contracted software while others deliver unusable and buggy code that ends up being scrapped when a more reputable company is hired.

- **What are the hidden fees?**

Not all outsourced partners are equal. Generally, a fully functional software team includes multiple Software Developers, a Project Manager, a Business Analyst, UI/UX Designer, and Quality Assurance Engineers. Many development firms only provide these services at an additional cost, which can increase the cost of FTE development by 2-3 times in extreme scenarios. Some companies will include these additional services at no additional cost.

- **What does the Discovery Process cost?**

Any software project will include some form of the discovery process. This is when a client will meet with the development company to determine or fully understand the project requirements in order to provide an accurate assessment. Many companies will charge an hourly rate to go through this process with an average cost of $5,000 to $10,000. This cost is not applied to the application itself, and if a person chooses to shop around, the cost of multiple discoveries through several different companies can erode the money that should be devoted to the software development price. Some companies will include a free discovery process where the right number of developers, QA Engineers, and other personnel are determined. In addition, programming languages and required technological expertise will be selected.

- **Do the company's values and methodology align with mine?**

If your company employs Agile methodology, so should the company with which you are working. Make certain that outsourcing doesn't instigate a clash of ideals, methods, and systems.

Why Swan Software Solutions

Swan Software Solutions was founded in 2005 and prides itself on delivering reliable, scalable, and affordable solutions that exceed our clients' expectations.

With over 130 developers, we have many skilled team members. From QA Engineers to Project Managers, we can provide the skill set you need for your project. Our team also specializes in a variety of programming languages, and we provide a free discovery process.

Clients only pay for the developer's time, but we also provide the Project Manager, QA Engineer, Business Analyst, and other roles necessary to keep your project running smoothly.

Swan believes in Agile Methodology, which enables us to pivot to meet a client's needs. We believe in communication and encourage the input of our clients with real-time communication. We hold daily, weekly, or bi-weekly team meetings based on the project and client's needs.

We provide both Fixed Bid contracts and FTE Developers in order to best meet the needs of our clients. Some of our FTE Developers have outsourced to the same company for over twelve years, but other companies have found that a Fixed Bid project --such as a new design for their website-- has been the best choice for them.

No matter what sort of development help your company might need, Swan is committed to helping you succeed.

Because when you succeed, we succeed.

To find out more or set up a free assessment, contact us at swansoftwaresolutions.com

Swan Software Solutions

RELIABLE. SCALABLE. AFFORDABLE.

Free Discovery Process