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CONTRACTORS OR EMPLOYEES? IT'S NOT THAT SIMPLE!

by Strata Rose Chalup

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The New Moving Target

The recent shakeout in parts of the high-tech sector has had some interesting effects on employment patterns, especially here in the Silicon Valley area. I've watched long-term employees become contractors, and folks who have been contracting decide to "hunker down" and become employees. I've also been watching the inflammation of the usual mythology about employees vs. contractors on projects and think it's time to share some observations in the hope of increasing the light-to-heat ratio.

I'll say up front that I've been primarily a contractor for many years, and am a "career" contractor with no desire to become an employee at a typical company. Project managers reading this will not be surprised to hear that I have found good project management to make more of a difference than the employee-contractor ratio on a project. This has been the case with every project in which I have ever participated, either as an individual contributor or as the project manager, in an employee role or as a contractor. For those who have been burned by excessive rote-oriented project management, I hasten to add that the quality of project management is often *inversely* proportional to the amount of paper (virtual or otherwise) generated by the approach. One consequence of the recent market roller coaster is that many companies are short-staffed, have scarce financial resources, or both. Yet, as always, the amount of work needing to be done hasn't decreased! New projects with short turnaround times are popping out of the woodwork at many firms as companies struggle to adjust to changing conditions and requirements. You probably just want to get things done, but you have to figure out the best way to do it. Traditional solutions tend to involve bringing in teams of contractors or scraping up a few die-hards on staff to overload. There are a lot more options out there, but to understand how to use them, it's useful to take a quick survey of some of the major types of contributors. Armed with this knowledge, we may be able to put together teams that will leverage dwindling financial and attention-span resources in a more effective way than usual.

Types and Tendencies: A Guideline, Not a Rule

For the past several years in particular I have been involved in team-oriented project work, to carry out specific large e-commerce or IT build-outs (30K IT user to 500K ISP user rollouts) from 3 to 14 months in duration. I've been a team member, team leader, have constructed teams, and have been handed already-formed teams. My observations are primarily in the area of project-oriented work, rather than long-term "virtual employee" work. I believe that the insights have validity in both situations. In my experience, I have found that significant, repeatable differences exist between various types of contributors. Obviously, individual dedication is a major factor – you will always meet people who are the exception to the general rule, either in a positive or negative direction. The last thing that I want to do is create a new set of knee-jerk mythologies! It is never good practice to rule out someone, or to guarantee their presence on a team, based solely on their work orientation. The primary goal of this article, in fact, is to encourage people to reconsider the idea that either contractors OR employees are always better.

Individuals reading this article may recognize themselves in one of the types described, and should take two specific messages away from this article. The first is that people generally move through various states in their careers, whether they are employees or contractors. These states are not necessarily progressions from one stage to another, but are more about the person's focus at that point in their career. The second message is that each state tends to have specific strengths and weaknesses associated with it. Persons concerned with improving their job skills can use these descriptions to celebrate and improve their strengths, and work on correcting their perceived weaknesses. Those who feel that their particular work style is in itself an exception to the rule will, I hope, come away with a better understanding of the prejudices that may work against their participation in various projects. They can also look at some of the positive aspects of other styles of contribution, and choose to develop some of those capabilities, regardless of their focus.

Here, But Not Here

The sloppiest work I routinely encountered was done by employees who were just biding their time to early retirement, in what is generally referred to as "rest and vest." Many were in their final year of a four-year vesting, or were coming up to a significant vesting shelf. These folks are often just concentrating on not getting fired, and it's like pulling teeth to do anything that will affect them. Now that the market has tanked, we may see less of this kind of attitude, and that's just fine with me. Of course, not everyone who is waiting to cash out has the "throw-away" attitude. Until recently, however, there were enough of these cases that you were almost certain to run into them in various industry sectors. Let me hasten to say that I don't want to tar with the same brush those folks who have decided that their current job and their future career are a bad match, and who have made up their mind to leave. These folks are usually trying very conscientiously to leave with a clean slate and a good impression. Ditto for the majority of older employees awaiting retirement, early or not, who generally have a lifetime of work habits that keep them following through.

New Kids on the Block

Next in quality were the junior contractors who hadn't learned the ropes yet, independent or not, and the junior or intermediate ones who came from a generic technical consulting shop. You know the type – on hourly at a good rate as W2 subcontractors via an agency, and generally "hire and forget" in terms of direct supervision once they pass the resume and phone screen. If you have high standards as a project manager, you will find that many (not all, but many) of these folks will take extra effort to handle. This subset is not used to being held to certain levels of documentation and accountability and may need substantial education on change control. If they are new to contracting, or new to the industry itself, their business skills will almost certainly need some attention, even on simple issues like communication and follow-through. The fact that they are usually dedicated to your project is a substantial asset that by itself can overcome some of the liabilities.

Many projects will bring in "generic" contractors as extra manpower to achieve specific ends, rather than as problem solvers. Junior contractors may not realize this. Many of them entered contracting as a way to keep troubleshooting or design skills prioritized in their careers. A distressing number of them have a bit of a chip on their shoulders, thinking of themselves "the smart guys/gals who were brought in because nobody here could do the job." As such, they often feel they have carte blanche to make or suggest changes that can be disruptive of project success and overall client relationships. The

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specific role of junior contractors should be made clear to both the agency and the contractor during the screening process.

Systems Ronin for Hire

These are new kids on the block after they've been around the block a few times. They come in, get the job done, and go home again. Occasionally, they are marking time while waiting for a better assignment to come along and have to be nudged a bit to make sure that t's are crossed and i's are dotted. Sometimes they are independent, but most often they are from contract agencies. They are not yet oriented as "career contractors" but are very definitely focused on contracting. They have usually picked up a good set of business skills and have a solid enough technical background that the agency always has a new gig for them. A significant minority have an entrepreneurial bent and may be in contracting while keeping an eye on start-up opportunities. A rare few may need to be explicitly reminded that their job is to do what they were hired for, under your direction, not to invent new work for their agency or go off on tangents. These can be both the best and the worst of the crop: the worst are the people who don't like what they are here to do and are looking for something more interesting; the best are the career-minded folks who are just starting out and are genuinely trying to build the business for themselves and for their agencies. If they actually discover serious infrastructure flaws at the site, encourage them to have their agency submit a proposal to deal with the situation. In any case, they should not consider themselves free to "fix" the site infrastructure beyond the scope of their job or project duties, even if the time spent would not negatively affect the project.

Joe or Jane Employee

Here we have our standard-bearers, the folks who make the wheels turn and the sun rise – regular employees who are *not* planning an imminent change in career or a cash-out on their options. They understand the need for quality, and are generally pro-active about things like documentation, change control, and good planning. They understand that they will be taking the reins once the project is in sustaining mode and the contractors leave. In addition, they usually bring in valuable experience of the organization itself – how to obtain resources, who to contact to resolve difficulties, and so on. They are generally integrated into the existing structure of the organization or business, and can apply leverage exactly where it's needed to get the job done and move things along.

This integration can be a double-edged sword. Employees on a team are likely to directly report elsewhere and have substantial other responsibilities, often to basic infrastructure commitments which supersede an individual project. The selective availability of employees as a project or team resource needs to be realistically balanced against the demands of the project. It is vital to come to an understanding with employees' management about their role in a project, and achieve consensus on the level of time and effort that will be committed by the employee. It is also an excellent idea to make sure that the employee does not feel "drafted" to participate in the exchange and that management's idea of the employee's time availability for a project is actually grounded in reality.

Wildcards/Moonlighters

Each individual of this type is a case unto him or her self. That is the "moonlighter" contractor, the guy or gal who is doing a contract for a few months while between jobs, or to pick up a little extra income, or to see if they want to get into contracting full-time. This is not uncommon in programming or IT work. These folks range all over the map in technical seniority – 2 years to 5 years to 10 years! If they are older, they are more

likely to be making a move into full-time contracting. If they are younger, well, that's less likely. They are often receptive to offers of an employee position, and may be using contracting as a way to "test-drive" your company before settling down. Perhaps they've had an unpleasant experience elsewhere.

So – what about moonlighters? These folks can be a godsend, turning into employees who will provide continuity and settle down, or they can be the "fast and loose" type who come in, razzle-dazzle the problem, but leave an undocumented and unmaintainable solution. In the worst case, they may get a job offer somewhere else and leave before the contract is up! When you evaluate contractors' resumes, make sure to get the skinny on which positions were contract and which were employee. Evaluate the person on their merits, consider their work history, and figure out if their involvement works for you.

SYSTEMS-TEAM CONTRACTORS

Here you often find the employees of project-oriented contracting firms, who are on salary rather than on hourly pass-through. They are contracting on behalf of their parent organization and make up part of a virtual team of sysadmins working together. These folks usually combine the best qualities of regular employees and career contractors. They are conscious of the need to maintain the brand image of their employer, and they work with a higher degree of professionalism than most agency contractors. One advantage of using a "systems team" contracting firm is that, unlike "body shop" contract firms, the team-oriented sysadmins are often explicitly encouraged to call upon each other as backup on contracts. The best firms employ a substantial amount of group infrastructure to encourage this behavior, including mailing lists for hot issues, databases of past problem solutions, and the like.

A successful systems-team shop probably has several employees of nationwide professional stature whose expertise in total spans several important categories in system administration, such as backups, storage area networks, or high-performance servers. These employees serve as architectural and design resources for the whole group, and can represent a great leveraged resource for your project.

CAREER CONTRACTORS

Career contractors have a long-term reputation to protect and are accustomed to being, if not more careful, then perhaps more thorough than the regular employees. Documentation gets finished at the end of the project, changes are checked against the design or the management, specifications get written before implementation starts. A good contractor realizes that he or she has all the responsibility, but none of the decision-making ability, of the organization employee, unless such ability has been explicitly delegated. The best contractors are aware of how much the worst ones poison the well for all contractors, and will work extra hard to combat that image and build confidence in the contractor community. Career contractors, incorporated or not, are committed to what some call "the brand of Me" and see each project as a chance to build that brand image by delivering high-quality work. Most of their jobs come from word-of-mouth referrals and repeat business, so they have strong motivation to do well.

Independent career contractors are likely to be senior in technical skills, with 10 to 15+ years of industry experience, and also to possess commensurate business skills from having to interface with many companies and teams over their career. They generally have very focused work habits, and are producing real work for you throughout most of the eight hours billed, unlike most employees. They aren't cheap, but they do provide

amazing value. The primary caveat with career contractors, particularly independents, is that they may have substantial responsibilities to other clients. It is highly desirable to get a specific commitment of time and resources for the projected period of the project.

RISING STARS

At the very top of the quality scale we have the career-track employee who is planning his or her rise within the company. This person is usually a superstar. A super-duper star most times! This is the person whose reputation is responsible for the myth that employees are always better than contractors. He or she is motivated, has the same quality agenda as a senior independent contractor (the brand of Me), and is willing to burn the candle at both ends and in the middle to deliver as platinum-plated a result as possible. If you find one of these folks in your organization, you had better have an escalating series of responsibilities to hand out. He or she is focused on the climb to the top, either at your company or somewhere else. You have a motivated resource without the usual time or budget constraints, since this person will give up their personal time to succeed and they are on salary. Do the rest of us a favor: please don't take too much advantage of this and burn the poor guy or gal out!

Match the Person to the Project

So – what's the best ratio of employees to contractors on a project? It really depends on how you classify the folks you have to work with, and what you can get. Trying to identify a standard figure like 20/80 or 30/70 or 40/60 can produce a great project or a disastrous project, depending on who participates. I'd say that the key would be to figure out what resources you have within the company and carefully build the ones you don't have, being careful to match types and individuals with the roles you have to carry out the project. For instance, if you have a superstar employee who can provide careful mentoring and management, or you are managing just the one project and can do it yourself, you could fill in more with "Joe BodyShop" type contractors. On the other hand, suppose you have mostly junior employees, or a substantial percentage who are getting itchy feet for whatever reason. In that situation, you'd be better off making sure you have at least one highly senior contractor, because he or she will help keep the project on track and actually provide more continuity than employees who are on their way out the door. For many projects, a bit of digging in your own organization may preclude the need to hire contractors at all – approach management with a strong plan, and you can often pick up a portion of people's time, especially if your department or group is willing to kick in what would have been contractor money toward overhead on the "loaner" project members from other departments.

More than One Right Answer

As you can tell by now, there is definitely more than one right answer to the question of employees vs. contractors. Successfully staffing any project requires an understanding of "people issues" as well as of the technical specifications of the project. By paying attention to both of these factors, it is possible to create a team mix more closely tailored to the project requirements. Examining some of the work styles and motivations of both employees and contractors in different stages of their careers shows us that there is considerably more flexibility possible in staffing most projects than we might have previously believed.