BUILD vs. PARTNER

When To Build An In-House Analytics Team vs. Hire An External Company

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Introduction

Setting up new capabilities for a business is no small feat. It requires vision, expertise, planning, and execution. Analytics capabilities are no different. Most businesses start with the basics. They typically use:

- Dashboards already built into the tools they use
- Spreadsheets for ad-hoc analyses
- Gut-instincts when they don't trust the data

Once those tactics reach their limit, an existing employee is usually handed the additional task of building analytics solutions on top of their existing duties. Many employees who take on this work are highly talented and driven individuals. They'll produce "something", and sometimes that "something" will work out for a little bit.

But what happens when your business needs to depend on data to grow and remain profitable? What if you're trying to sell an analytics product as an add-on to your existing business?

As an executive, you're probably trying to figure out how you can get a team of specialists put together to materialize your vision for a data-capable company. You might picture your organization running impactful meetings, where your team finally digs into hard data rather than battling over opinions. Where they huddle around a single dashboard of truth rather than open 30 spreadsheets and argue over formulas.

So how do you get to that point? Build from within, or look for an outside company who has done it before? Let's dive in!

1. Build an In-House Team

Building an in-house team is an excellent way to create a close bond between the business team members and the analytics team members. The analytics team members can get an intimate understanding of the business over a long period of time. To build this team, you can promote or move people within the company or hire external candidates for full-time roles.

Pros ⊕
- Long-term commitment
- Control over the specific people working on the project
- Closer relationship between business and analytics personnel
- Employees have long-term commitment to the products

Cons ⊖
- On-boarding and time to impact can be lengthy
- Long-term cost commitment
- Skill gaps aren't quickly or easily filled
- During employee time-off, their responsibilities are on hold
- Need management headcount to guide the team

2. Hire a Company That Specializes in Analytics

Bringing a competent external company onboard can be an efficient and impactful way to get analytics solutions out fast. You can get access to experts without the entire full-time overhead, and can scale up and scale down their efforts when needed. A well-run external company should have diverse skill sets they can throw at a project when needed, as well as have the headcount to support 365 days per year work.

Pros ⊕
- Instant impact and scalability
- You can focus on your core business
- Access to wide range of expert talent
- Flexibility in project direction since talent pool can adapt to needs
- Faster project delivery with a tested process
- Reduced in-house team's workload
- Possible to have 365 day/year work done

Cons ⊖
- Usually an external company is a shorter-term commitment, which might not match your company goals or vision
- Less control and insight over the project depending on the company you work with
- Still requires your executive or management's involvement

3. Keep Doing Things The Same Way

Sometimes your plans for analytics don't go too far beyond what you're doing today. And if that's where you're at, that's ok. If you don't have the cash flow or have 100% commitment to making analytics a critical part of your business, stay as you are! This might mean using your existing tools' dashboards or continuing to have a team member do part time analyses once per quarter.

Pros ⊕

- No additional overhead costs
- You continue to focus on what's made you successful so far
- Employees feel like you're investing in their skillset and long-term employment

Cons ⊖

- Industries and economies change fast, you might not be prepared
- Existing way of doing things might not be viable in a few months or years
- Analytics will get pushed aside when other things are happening in your business
- You won't be a data driven culture

Other "Things" to Consider

- **There's also the option of having an in-house team augmented with an external company. This costs more but can tap into the best of both worlds!**
- It can be difficult to evaluate talent when building a team on your own, especially when analytics isn't your speciality. In this situation it's not a bad idea to outsource the hiring process for these technical positions.
- You need to screen an outsourced company relentlessly. Below are some important questions, and we also have released [a set of questions on our website](#) that you can use to screen companies.
  - Do they have a standardized process?
  - What is the typical team structure they use for projects?
  - What technology do their team members specialize in?
- Before making a decision, make sure to have a list of analytics projects or products you want these teams to work on. The more clear the vision, the easier the decision will be to choose the right option for your business.

When and Why - In-House Team

When to Build an In-House Team

Your core business is growing. You've been collecting data along the way. You have more data points you want to collect. And now you need to formalize systems and processes that use that data so you can keep growing. Here are two main times to build an in-house analytics team.

1. Analytics is going to become a core part of how your business operates or will be a majority category of your revenue
2. You can't support more incoming requests from clients because you can't scale internally

Journey-cues to recognize that it's time to build an in-house team

- You've finalized a strategy on how analytics is going to become a core part of how your business operates or will be a majority category of your revenue
- Clients are requesting enough analytics-specific work to fund a profitable in-house analytics team
- You're using an outsourced company, but now you're utilizing all their team members full-time

Why to Build an In-House Team

When you have a long-term plan to make analytics an integral part of your business, it could be a good idea to invest in a long-term team to make that happen. A team of employees can help you closely integrate analytics into the day-to-day operations of different departments in the business. Since they develop personal relationships over a period of time with other co-workers, they're more intimately knowledgeable about the operations of your business in the long-term.

Plus, you can always build your initial team at the same time as hiring an outside company. The main benefit of this would be to absorb the external knowledge of strategy and experience into your own team so that they can have impact faster and more effectively.

When and Why - External Company

When to Hire an External Company

Timing is critical in business. Hiring an external company at the wrong time can be a waste of money and negatively impact company morale. There are also two main times to hire an external company.

1. When you're still growing your core business, but need more data behind the activities and operations that are helping you grow.
2. When you're trying to launch a new analytics or data product to your customers. To build an MVP (minimum viable product) and start selling the product, it's more time and cost efficient to hire out. Once a product is established and viable, that's when you transition to an in-house team.

Journey-cues to recognize that it's time to hire an external company

- You need an analytics project completed in less than 6 months
- There is an analytics project where you need additional skillsets but don't need them permanently
- The economic outlook is changing and you need flexibility in your spending, but still need analytics projects to get done

Why to Hire an External Company

Bringing a competent external company onboard can be an efficient and impactful way to get analytics solutions out fast. You can get access to experts without the entire full-time overhead, and can scale up and scale down their efforts when needed. Measurement of these activities actually become easier as well. It's as simple as the dollars spent versus the return on the project worked on by the company. With full-time employees working on various initiatives, that can be more difficult to measure.

A well-run external company will have diverse skill sets they can throw at a project when needed, as well as have the headcount to support 365 days per year work. They'll have a system and processes already setup that can deliver high-quality projects in record time. They'll also have a fresh "outsider's" perspective to your business, which can lead to fresh and unique insights if paired correctly with your company's industry knowledge.

Taking all of the project management, planning, and execution responsibilities off your company's shoulders can be a huge relief while also having terrific ROI.
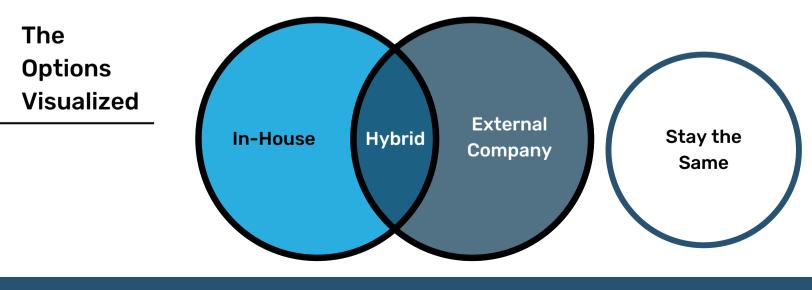
Wrapping It Up

What will you choose?

Each business has a unique culture and driving force behind their "why". While all businesses need to make money, the way they operate and communicate are unique. Depending on your culture, an outside team might be viewed as a violation of trust with existing employees. In other situations, an outside team can be viewed as a much-welcomed helping hand to make the rest of your teams' jobs easier.

Sometimes, we forget that a business is ultimately made up of individual people. That's why knowing the individual people in your business is so important. Choosing between an in-house team and an external company is no exception to this point. By understanding your team and getting their buy-in, for whatever decision you make is, critical for success.

Remembering it's not a permanent decision

Your business will change over time. As you grow, the processes, personnel, and needs will evolve. That's why it's important to remember that you can change your analytics approach if the situation changes.

It's not unusual for someone to hire an external company until they reach a certain size. That size depends on your business and industry, but will always be at a point where the financials make sense to commit $600k - $750k towards a full-time team. Less than that amount usually results in sub-par ROI.

The Options Visualized

In-House   Hybrid   External Company   Stay the Same