What Is A Staff Augmentation Model?

Idea In Short

Staff augmentation is the most basic of all outsourcing models. Companies add contractors or consultants to increase their output as required to meet their business objectives. Staff augmentation is incredibly common. The global staffing industry, one of the primary suppliers of staff augmentation talent, netted $490 billion in 2019 in annual spend. Another source of staff augmentation talent is freelancing. Recently, freelancing has gained traction through the rise of global freelance platforms. It is estimated that in the US 34% percent of workers engage in freelancing today, and that number is expected to grow steadily over the next decade.

The staff augmentation model refers to the process of staffing or contracting of personnel by the outsourcing organization from the service provider. The driver for such a model is the lack of sufficient personnel or skills in-house that are required for a successful project completion Examples of common scenarios are IT support services for a major security incident, social media / content marketing services, website relaunch for a major marketing campaign, etc. In this model, the outsourcing organization leases or contracts a specific number of personnel for a specific period of time from a supplier i.e. the service provider. The service provider supplies the required personnel based on an agreed upon rate for the duration of the project or on an as-needed basis. In this model, the contracted personnel are usually located at the client site. Therefore, this model assumes that the client provides the necessary infrastructure for the personnel to work on site.

Flexibility

Under a staff augmentation model, the cost of hiring for temporary requirements and disengaging once those requirements have been met can more than offset the higher cost of engaging more permanent personnel. Moreover, staff augmentation requires minimal contracting effort, has a simple cost model (rate times hours worked), can scale up or down quickly and has minimal impact on the existing operating model of an organization. The

client still controls the personnel, but this setup allows add-on services that are presently in deficit.

Advantages

The advantage with this model is that the client always has control over the entire project. The client directly supervises and instructs the contracted personnel. Hence, the client can better monitor their productivity. This model allows for higher agility as the clients can progressively add or reduce personnel. This helps the client achieve absolute cost control. Though this model has several tactical advantages, it has strategic limitations. The contract personnel belong to the service provider. Therefore, the client cannot build long-term competencies and capabilities with external personnel.

Disadvantages

By its nature, staff augmentation represents higher labor costs. Usually, service providers add overhead and margin costs to their total labor costs. Clients can avoid some of these costs by directly contracting with individuals. However, this also entails additional internal administration costs and intrinsic, unavoidable risks. When used long-term, clients lose the savings (offset / labor cost arbitrage) they gained from external personnel through staff augmentation and avoiding hiring / re-hiring costs of internal employees. Furthermore, reliance on staff augmentation as a permanent model tends to foster a poor management style. Client managers do not plan for resource consumption and access personnel too easily. The consequences are gradual staff creep and unrecognized head counts that slip under client's governance. Contractors are added continually or become embedded in the organization as high-cost permanent staff. Staff augmentation has no associated service level commitments other than committed working hours. Often, clients are unclear about the linkage to value derived as they seldom measure it. They attribute any service issue to inadequate staffing, which further adds to staff creep. Perhaps most significant is the loss of knowledge control. As contractors become embedded in the organization, they accumulate information and capabilities upon which the client is functionally dependent. This model comes with no contracted service commitment or requirement to document knowledge in a transferable manner. Consequently, contractors can and do often hold organizations hostage. This further perpetuates the permanency of their engagement with a client.

Summary

Usually, executing projects with 3rd party contractors stems from the lack of or significant shortage of in-house personnel. Sometimes, the required expertise may not be the core of a client's business. Staff augmentation helps clients deal with talent shortage, so it is one of the most efficient and popular ways of handling very short, unexpected projects, when business needs ultra-fast results under limited budgets. However, the benefits of staff augmentation tend to fade away in direct proportion to the project's length. The longer and more complex a project is, the more efficient and beneficial partnering with a service provider will be. Nonetheless, reliable, robust and experienced companies that specialize in staff augmentation can help ride the complex macro tides that clients face.