

As Seen in February 2007

TwinCities
BUSINESS

IN DEMAND: IT CONSULTANTS

LOOKING TO HIRE A CONSULTANT TO LINK YOUR DATABASES OR WRITE YOUR SOFTWARE?

PREPARE TO **PAY MORE**—SOMETIMES **A LOT MORE**—THAN YOU WOULD HAVE FIVE YEARS AGO.

IT

By
INGRID CASE

irby Payne, president of HVS/ American Hospitality Management Company in Tiverton, Rhode Island, a hotel management and consulting firm, went looking for a new host company for its servers and intranet in 2005. After two to three months of searching, his firm signed a deal.

“Our price on that doubled,” Payne says, over the “super deal” the firm had negotiated with a different host company three to four years earlier.

Payne’s firm isn’t alone. Around the country, companies are paying significantly more for information technology (IT) consulting than they were five years ago. Jaime Engel, president of JDB Associates in Maple Grove, a company that provides some of the IT support for HVS/American Hospitality, says that in 2001, a programmer doing technical work might have been paid between \$60 and \$70 an hour, with project managers getting more—perhaps between \$90 and \$115 an hour. Now, he says, technical work pays between \$100 and \$105, with project managers getting between \$125 and \$150.

Price increases are generally smaller for basic services, such as reconfiguring a system or performing standard maintenance. Increases are bigger for consultants with high-end expertise who have a great deal of experience in specific industries, or who specialize in newer technology or services that are in-demand. For instance, consultants with experience in system security are getting 30 percent more in hourly wages than they did five years ago, says Keith Norbie, director of the storage division at Plymouth-based Nexus Information Systems, a supplier of IT services for business infrastructure.

Businesses with a large number of regulatory concerns are paying more for IT consultants, too. Medical companies are spending more money to ensure patient privacy, and accounting firms are paying more to comply with new laws. “With the regulatory concerns comes a lot of specialization costs,” Norbie says. “Securities Exchange Commission rules specifically require seven years of e-mail retention. That automatically creates a cost.”

Fewer Consultants, More Demand

➔ Recent economic history is largely to blame for the price hike. In the late 1990s, there was a strong demand for IT consultants. But after the economic downturn that followed September 11, 2001, companies started to postpone IT projects in an effort to save money. “Companies spent a lot on Y2K, and then the economy had a dip and companies stopped doing projects they didn’t actually have to do to keep the company running,” says Molly Kridel, president of Ambient Consulting, LLC, an IT development and management consulting firm in Minneapolis.

That weakened the demand for IT consultants and as a result many of them left the profession. Now that economic times are better, companies are again pursuing IT projects—but there are fewer IT consultants available to help them, and even fewer highly skilled, experienced consultants. “Stars can pretty much go wherever they want in a market like this,” says Rick Kuula, president of Stillwater-based Solutia Consulting, Inc., a business and information systems consulting firm. “It’s too many jobs chasing too few resources.”

To get those stars, companies that place IT consultants are paying hourly workers 25 to 30 percent more than they commanded five years ago. Salaried workers might get 15 to 20 percent more than in 2001, Kuula says, with wages going from about \$75,000 to \$90,000 a year in 2001 to about \$90,000 to \$110,000 a year currently for a knowledgeable software developer with ten to fifteen years of experience.

“To have really great technology and really great people costs money,” Norbie says. Consultants who specialize in new technologies and high-demand areas are worth more, in part because training is expensive. One vendor charges Norbie’s company annual program fees of around \$10,000 to teach consultants new skills.

Consultant placement companies find themselves repeatedly recruiting and training people in the same technology when client companies permanently hire their consultants. That hiring also decreases the overall pool of available consultants.

There’s probably not another big price increase right around the corner, but today’s higher rates are likely here to stay. To reverse the trend, more people would need to be educated as IT consultants, and that’s not happening, Kuula says. “I’m concerned about the lack of people joining the profession,” he says. “We could use a lot more staff.”

And unfortunately, new IT program graduates won’t immediately fill the gap. Many area consulting companies focus on hiring experienced consultants, so they’re not typically interested in recent graduates. “People coming out of school don’t really help us. We need people who hit the ground running,” Engel says.

Kridel agrees: “Our people typically have seven to ten years of business experience in their field.” Even so, she does sometimes recruit at area colleges and universities—and finds a lot of competition there, too. “When we go in to make offers to these college kids, the good ones will have three or four offers before school is out,” she says.

It’s tough to cut wages, Norbie says, but consulting companies may increasingly be able to save money on training by using video-on-demand and Web-based programs for continuing employee education. Such services might cost “a couple of grand,” he says, or could even be free. “We can pass along those savings,” Norbie notes.

Nornie is also seeing increased interest in managed IT services. Under that model, a third-party vendor contracts to handle a company’s routine IT needs, such as repairs and system maintenance. Managed services, Norbie says, makes fixes and maintenance faster and cheaper, because lower-level technicians perform routine tasks and become very familiar with a particular system’s needs and quirks.

At the same time, managed services increases the number of highly skilled consultants available for more creative work.

Saving Money Now

➔ There are moves firms can make to help keep IT costs down. Outsourcing IT work outside the United States is a possibility, albeit one that doesn’t always work smoothly. “It helps a little bit, but communications become an issue,” Norbie says, citing language and cultural differences between American companies and overseas IT staff. It’s also difficult, Norbie says, to find overseas programmers for certain in-demand specialties, such as credit-card company Visa’s security certification, which ensures that businesses act in accordance with its standard for data security.

For some companies, outsourcing is a good solution, at least for some of their needs. Some of the IT work at HVS/American Hospitality is outsourced to an employee of its parent company who lives in India. “We haven’t had a single problem,” Payne says. The Indian employee, who has experience working for Microsoft Corporation and a master’s degree, manages updates and virus control; he also polls users to uncover and solve any computer problems they’re having. He makes about \$20 an hour—one sixth of the fee that Payne’s company would pay to an American doing the same work.

Companies that want to work with U.S. vendors have options for lowering costs, too. Engel suggests spending money on small, well-defined projects that solve clearly identified business problems. “People aren’t going for the perfect solution—they’re going for smaller tweaks,



Molly Kridel, president of Ambient Consulting, LLC



Rick Kuula, president of Solutia Consulting, Inc.

and being a lot smarter with their money,” Engel says. “Sometimes it’s better to install a whole new system, but address problems one by one when you can.”

When you find the right person to manage your project, don’t hesitate to hire the consultant swiftly. “In a hot market like this, be willing to make a decision quickly if you interview a candidate you really like, because they usually have multiple options,” Kuula says. “Wait a week, and they’ll have taken another assignment.”

Don’t assume that you need a specialist; a good generalist may be able to do an excellent job, at a lower price. “Your quality assurance person may not need to have specialist expertise,” Kuula says. “Instead of paying \$125 an hour, you might be able to bring someone in for \$85 an hour.”

At the same time, make sure you are getting someone who can accomplish the level of work your company requires. “Nobody’s going to pat you on the back for how much money you saved if your project isn’t successful,” Kuula says, “The success of the project is more important than getting resources at \$65 an hour.”

Build relationships with your key suppliers. Your loyalty and willingness to work with them throughout economic cycles will help get you the best people at the best prices.

And don’t turn your nose up at the best price of all: free. A piece of shareware or other publicly available solution may substitute nicely for a piece of custom software—and cost a lot less than even the least expensive consultant. **TCB**

Ingrid Case is a freelance writer and regular contributor to Twin Cities Business.