

Measuring The True Cost of Creativity

It is relatively easy for an organization to determine the true cost of manufactured goods—a combination of raw material, fabrication, marketing and distribution, labor, and overhead costs. Much more difficult to determine is the true cost of services. Services are labor-intensive, not capital-intensive; their value lies not so much in what they provide today as in what they contribute to the future; and comparison and evaluation are always qualitative, seldom quantitative.

Here are some things to consider when evaluating how to handle your organization's requirements for creative services.

The Need for Specialists

Being efficient and competitive in today's global economy not only requires an organization to utilize the most sophisticated of resources, but also to maintain a high degree of flexibility. The only way to accomplish both cost-effectively is to employ a core staff of managers, and to supplement them with trusted outside specialists when required. This way, it is possible to employ the best possible talent at competitive costs.

Specifically, when it comes to creative services, it is nearly impossible for any organization to employ enough talented individuals—writers, graphic designers, illustrators and photographers—to handle its many different communications needs internally.

Real Versus "Company" Money

On the surface, utilizing outside vendors often seems exorbitantly costly. In fact, however, they are usually very cost-competitive, and may even be less expensive than attempting to handle the same work internally.

The reason for the appearance of high cost is that traditional accounting practices and internal budget transfers seldom reflect the true cost of internal labor.

Most commonly, internal department cross-charges only accommodate actual payroll expenses with a small factor thrown in for overhead expenses. When all costs—salaries, benefits, and overhead—are included, studies have shown that charges for outside creative vendors actually average about 5% less than the same work done internally.

Also important to consider is that except for the smallest of jobs, creative fees are always a small fraction of total job costs. Even when apparent (as opposed to actual) costs are the basis for calculation, the incremental increase in creative costs attributable to going outside is seldom more 5% to 10% on a small brochure or ad, or less than 1% on a major corporate brochure.

Keeping creative work inside for budget reasons seldom stands up to scrutiny.

Efficiency Tests

Does the necessary talent exist internally? Some communications challenges take special talent, some don't. But when talent is truly required, it seldom pays to compromise. Using well-meaning but unqualified internal staff can be very expensive in the long run—in lost efficiency and in market impact. And computers with specialized software are never any better than the talent and experience of those operating them. When effectiveness is critically important, hiring an outside specialist is always the least expensive and most productive alternative.

Will handling it internally put a strain on resources? The disruptive cost of handling an unusual or special assignment internally can be enormous. Even small assignments can wreak havoc when staff is already overloaded. When faced with a special assignment, employees typically either give it low priority, in which case it is handled poorly, or they dedicate themselves to it, in which case their regular work suffers. Unless your staff is visibly under utilized, always handle special assignments outside.

Will there be more or less control? This question is not as simple to answer as it may appear. Despite appearances to the contrary, work handled inside is usually less controllable because it is difficult to assign tough deadlines, make unpopular changes and be honestly critical. In even the best-run organizations, office politics and turf battles are a plague to productivity. When you absolutely, positively have to have it done, your way and on schedule, hire an outside vendor.

Will the project benefit from objectivity? Some communications challenges absolutely require it. For others it is not crucial. You decide. If you are looking for a fresh viewpoint, however, keep in mind how difficult it is for anyone working close to the product, or within the sponsoring organization, to recognize distinctive, customer-appealing elements. If objectivity is important, hire an objective, outside source.