

BairesDev 2022 Guide to Global Software Outsourcing

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KEY TAKEAWAYS

- **Should you outsource?** Consider reasons such as lack of in-house engineering talent, complex projects, and tight deadlines.
- **How to outsource?** Define the model that better suits your project: delivery teams, staff augmentation, or project-based outsourcing.
- **Where to outsource?** Decide between onshore, offshore, and nearshore outsourcing, then choose the best region to outsource.



BairesDev 2022 Guide to Global Software Outsourcing

Hiring qualified software engineers has never been an easy task. Among the many challenges involved, there's the need for experienced professionals, the rather shallow pool of local talent, the high costs of hiring, and the desire to have elite engineers with knowledge in the latest technologies available.

Overcoming those and other challenges has been typically difficult, especially in a time when virtually every company is looking for software engineering talent to boost their digital acceleration processes. Fortunately, we're also living in a time in history where the software outsourcing industry is booming and businesses can hire senior talent from anywhere in the world.

Today, Latin America has joined ranks with the already established outsourcing markets of Asia and Eastern Europe, configuring a global talent network where you can certainly find high-performing teams to work on your tech solutions. Naturally, sourcing talent from that network comes with its own set of challenges.

You have to consider which is the best region for you to outsource. Then, you have to consider each individual country and their corresponding contexts to ensure the companies based there are aligned with your way of working. Finally, you have to take into account other factors such as rates, reputation, and type of services.

Thus, navigating the waters of global software outsourcing can be tricky. That's why we at BairesDev® have created this 2022 Guide to Global Outsourcing, which aims to provide you with insights gathered throughout more than a decade of serving this industry with the highest quality. We hope the data collected here will help you make an informed decision when outsourcing your software development.



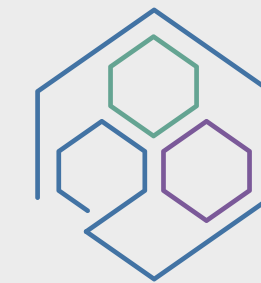
Should You Outsource Your Development Projects?

One of the first things you should do is identify if outsourcing is actually the best option for your development projects. There are obvious reasons to do so, such as lacking an in-house software engineering team or having one that's swamped with work. But there are other, far less evident moments when outsourcing is a great option.



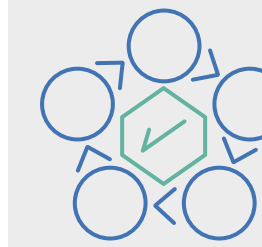
LACK OF IN-HOUSE ENGINEERING TALENT

If you don't have a software engineering team but you need custom digital solutions, then outsourcing is the best option.



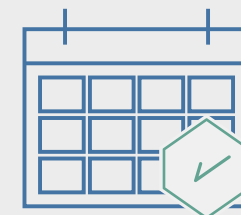
LACK OF SPECIFIC ROLES

You can resort to outsourcing when you need super-specialized roles or expertise in a highly specific technology or field.



COMPLEX PROJECTS

Even if you have an in-house team, there might be certain projects that are so big and complex that getting outside help might be the best way forward.



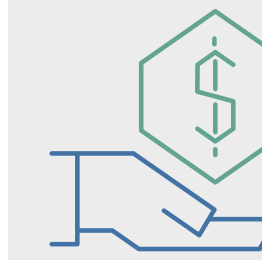
TIGHT DEADLINES

Some projects require super tight schedules to be successful. With outsourcing, you can meet those deadlines, be it by scaling your in-house team or outsourcing the whole project for a team to work exclusively on it.



PROJECTS THAT FELL OFF TRACK

If you are working on a project on your own but started to run into speed bumps, an outsourced team can help you put it back on track.



BUDGETS CONCERNS

Hiring an outsourced team can provide you with a balanced cost-efficiency ratio that allows you to get the digital solution you need without breaking the bank.

What Parts of the Project Should You Outsource?

Once you decide to outsource your project, it'll be time to define whether you have to outsource it in its entirety or only in part. To do that, you'll have to take a deeper look into the project itself. Maybe you only need a software developer with specific knowledge in a specific technology to help you build a single feature. Perhaps you need an entire team to take care of the frontend. Or maybe you want a dedicated team that builds it all and relieves you from having to do it yourself.

There's no way to tell in advance which one of those options you'll need, as it all comes down to the specific project at hand. But you'll be glad to learn that outsourcing covers all of them through its common services you'll surely find in virtually all software outsourcing companies.

DELIVERY TEAMS

Delivery teams are likely the most common form of software outsourcing today. That's because a Delivery Team can work autonomously and in parallel with your in-house team to boost its development efforts. These teams are formed by several software developers with specific roles and are led by a project manager that helps them focus on the tasks at hand. That way, you can outsource any part of the project to a Delivery Team and rest assured that they'll get the job done.

A Delivery Team is your best option when you want to build high-quality software but don't have the necessary talent to do so or the one you have is already focused on other tasks. Thus, a Delivery Team can help you jumpstart a project you've been delaying or free up your resources by transferring your workload.

STAFF AUGMENTATION

Staff Augmentation services are also called Extended Teams because they provide you with software engineers that work alongside your in-house team to boost it. Through this service, you can hire a single engineer or an entire team to complement the talent you already have. Those hired developers will work exactly as if they were your employees: they'll attend your meetings, report to your managers, and do any other thing you need them to do.

Given its characteristics, Staff Augmentation is best when you need to quickly ramp up the talent you have available. You can use it to fill talent gaps in your development team or for temporary positions quickly and effortlessly, securing the scalability your team needs to be efficient.

PROJECT-BASED OUTSOURCING

When people talk about software outsourcing, they are likely referring to this alternative, which has become a synonym for outsourcing over the years. In Project-Based Outsourcing, the software development company takes care of the entire software development, from ideation and design to deployment and maintenance. You only take part as the project progresses to provide relevant feedback.

Project-Based Outsourcing is great if you need to build complex or time-sensitive solutions and don't have the in-house talent to do so. That's because you only need to define your idea and its scope and the outsourcing company will take care of the rest.



Find out what outsourcing can do for you

Give us 20 mins to show you how you can leverage nearshore outsourcing

Hire faster and better software teams

Where to Outsource Your Development?

Having so many options from around the world to outsource your development can quickly get overwhelming. How can you decide which region and country is the best for your interests? There are plenty of factors to consider, from the rates you'll find to the ease of communication you can enjoy. That's why it's important for you to understand some essential aspects of the outsourcing experience, which we explain below.

Depending on the geographical distance between you and your potential development partner, you can engage in an onshore, offshore, or nearshore outsourcing partnership.

ONSHORE OUTSOURCING

Onshore outsourcing takes place when you hire a company in your country to take care of your software development. For instance, if you're based in Chicago and hire a New York team for your development projects, that would be considered onshoring.

Onshore outsourcing ensures you have no language or cultural barriers with the vendor and that you work in the same time zone (or in very similar ones). However, it's also the priciest of these alternatives and can sometimes be severely impacted by local talent shortages.

OFFSHORE OUTSOURCING

When people think of outsourcing, they are likely to think of offshore outsourcing first. That's because it's the model that's been around the most. This model describes the hiring of a development company that's distant from yours. For example, you'd be offshoring development if you were in Chicago and you'd hire a development company from Ukraine or India.

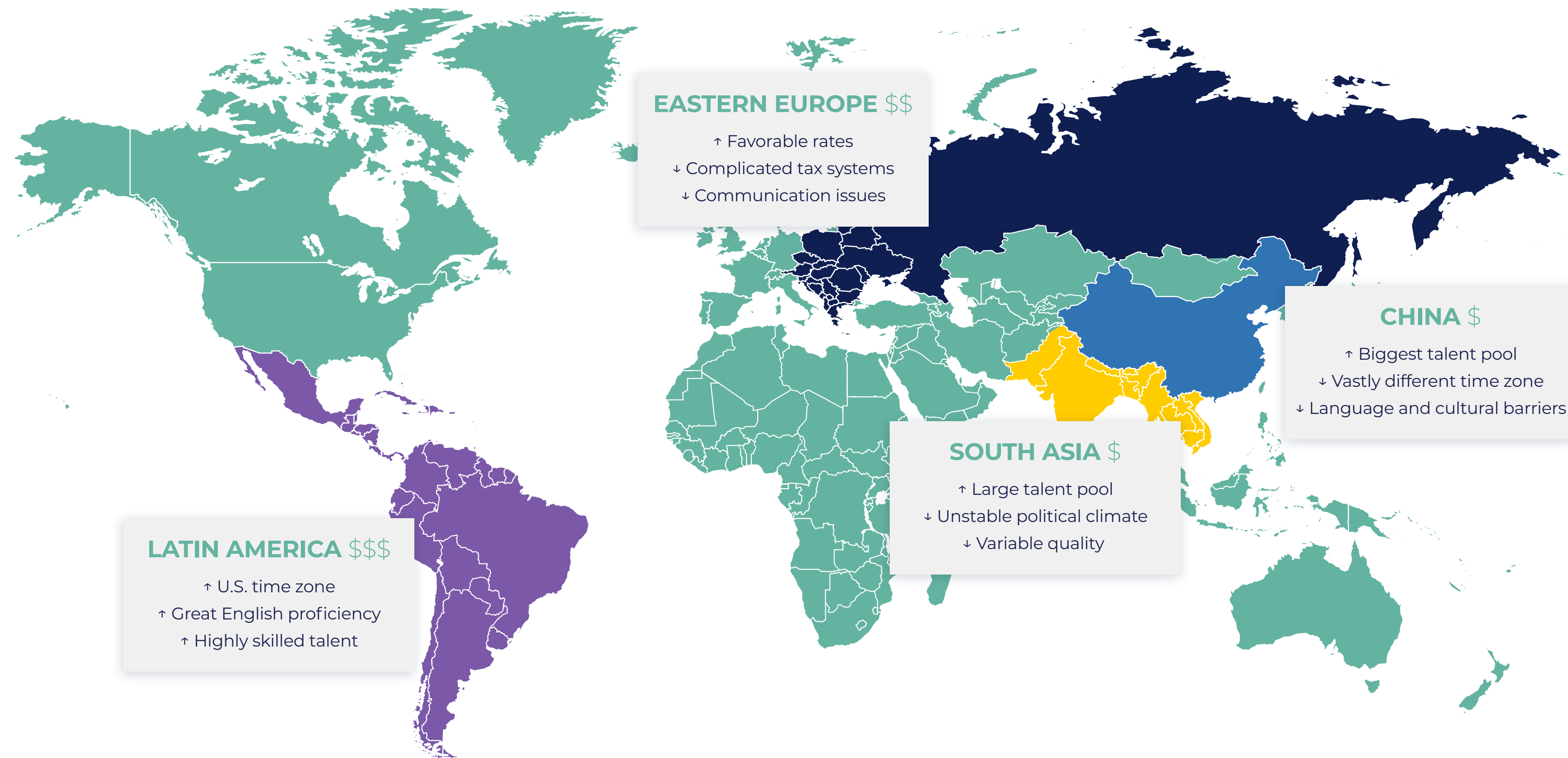
The pros of offshore outsourcing include the lowest development costs and a wider talent pool to hire professionals from. However, there are several disadvantages, including working in widely different time zones, having cultural and language barriers, and teams sacrificing quality over price.

NEARSHORE OUTSOURCING

Finally, there's nearshore outsourcing, a relatively new alternative where you hire an outsourcing company from a nearby country or region. Following the previous examples, you'd be nearshoring if your Chicago-based company hired a company from Argentina or Mexico.

The advantages of doing so are very similar to the onshoring pros, including workday overlaps and close cultural ties, all at more affordable prices. The only noticeable downside of nearshore outsourcing is that it isn't as cheap as offshoring.

Which Region is the Best to Outsource Software Development



Though you can base your decision on the pros and cons of onshore, offshore, or nearshore development, a proper decision takes more than that. First and foremost, it depends on where you're located to understand what those relative terms mean for you. If you're

based in the U.S., the examples above will hold up, but if you're based in Europe, then the countries to which they apply will vary significantly.

Besides, different regions and their countries offer different advantages regardless of their proximity to you. That's why it's best if we take a look into the most popular regions in the outsourcing market, their pros and cons, and the most notorious countries in them.

Latin America

Over the last decade, Latin America has become one of the most thriving regions in the world when it comes to software development outsourcing. There are multiple reasons for that. First, there's a cultural proximity and time zone alignment with big markets like the U.S. and Canada that facilitate real-time collaboration between teams while also allowing for quick face-to-face visits when needed.

But also Latin American governments of different countries have invested heavily in robust IT programs and large tech hubs. This, combined with the fact that the cost of living is more affordable across the region, makes it easy to find highly skilled tech professionals at lower rates than in most developed countries.

PROS

- Small to no time zone differences for U.S. companies, which makes it possible to work in real-time
- Lower rates than most developed countries
- Small to no cultural gaps with North America and Europe
- High English proficiency
- Highly educated engineering talent

CONS

- No time zone alignment with Europe
- Not as affordable as other regions

South Asia

Asia has established itself as the synonym of outsourcing, thanks to decades and decades of relationships with companies from all over the world. Within this vast continent, the most important region for software development is definitely South Asia, home to more than one-fifth of the global population. With India leading the way as the go-to destination for software outsourcing, the region is booming, thanks to a combination of education, experience, low costs, and infrastructure.

One of the most distinctive advantages of this region has always been the lower costs of development, which are among the most affordable in the entire world. Combined with the fact that many South Asian countries enjoy a widespread use of English (a legacy of British influence during the colonial times), it's no wonder that this region is still one of the best for software development outsourcing.

PROS

- Lowest development rates in the world
- Largest talent pool available
- Favorable exchange rates for developed countries
- Widespread English use

CONS

- No time zone alignment with the U.S. or Europe
- Affordability sometimes comes at quality's expense
- Might be cultural differences with certain countries
- Unstable political climate

Eastern Europe

It's impossible to discuss software outsourcing without mentioning the Eastern European countries. That's because the region has been a reliable partner for businesses across industries, especially those in Western Europe, who benefit from the small time zone difference while enjoying the cultural similarities.

Eastern Europe is brimming with talent, a direct result of a high-quality technical education imparted in some

of the top educational institutions in all of Europe. In fact, 30 of the most prestigious European institutions are located in this region, with Ukraine, Belarus, Moldova, and other countries constantly leading the top performance in PISA Mathematics and the International Mathematical Olympiad. Furthermore, those countries also enjoy a sound command of the English language, with their engineers ranking from moderate to high English proficiency levels.

PROS

- Advanced skills at favorable rates (2 times lower than those in the U.S.)
- Great nearshoring destination for Western European countries
- Large talent pool
- No discernible cultural differences with the Western hemisphere

CONS

- Complicated taxation systems, especially for offshore clients
- Lack of flexibility in the team that prevents future ramp-ups
- Communication issues, mainly done through a project manager to protect companies from poaching practices
- Noticeable disparity in English proficiency between countries

China

Though not a region in itself, the Chinese IT market is so vast and thriving that it grants its own section here. In fact, it has one of the biggest software engineering talent pools in the world, which grows significantly year after year with an estimated 4.7 million tech graduates. That's because the Chinese education system is mainly focused on STEM careers, which powers the IT sector like virtually no other country in the world.

PROS

- Biggest talent pool in the world
- Highly competitive rates
- Instant access to expertise and latest technologies

As if that wasn't enough, China also offers development services at highly competitive rates, in line with the rest of Asia. That puts the country at an advantage because it can offer superior talent at unbeatable prices. Unfortunately, the country has its downsides. The most noticeable are low to moderate English proficiency and the vastly different time zone that turns it into an off-shoring destination for virtually the entire world.

CONS

- Low costs sometimes come at the expense of quality in the final product
- Big language and cultural barriers
- Finding the right partner can take a long time



Choosing the Right Outsourcing Partner

You might feel like you're done after picking the outsourcing model, the region, and the country you want to outsource, but there's still one important task ahead: choosing the right software outsourcing company. This is trickier than it seems, as there are many aspects to consider. Sure, you might be after outsourcing mainly because of budget concerns but you'd be wrong to pick a partner based solely on their price tag - that's how you end up with a low-quality product!

While important for the final choice, the cost is only 1 out of 6 essential factors that should influence your decision. Balancing them all is critical for the success of your software development, so you need to take the time to assess them all.

1. EXPERIENCE AND REPUTATION

The first factor is a compound of your potential partner's experience and expertise. It's useless to consider companies that fall out of the scope of your project, lack the experience in your area of expertise, or are simply too new in the outsourcing field. You need a reputable partner with a proven track record in your industry that can bring value to your projects from the start.

To be sure of that, you need to identify the following:

- **Years of industry experience required**
- **Number of software engineers needed**
- **Vision and goals of your project**

Be as thorough as possible when describing all of those items, as they'll be your guides when shortlisting candidates. When considering outsourcing companies, be brutal in your selection. If a particular vendor doesn't meet one of these criteria, then be confident and move along. You'll surely find a company that meets them all.

PRO TIP

Trust companies that have sophisticated recruitment and team-building processes. Since they'll be the ones selecting the professionals that will be working on your project, you need to be sure that outsourcing companies can bring the very best to the table. Look for AI-powered processes as a signal of cutting-edge recruitment.



2. TECHNICAL EXPERTISE

One of the main reasons to outsource software development is to enjoy immediate access to the latest technologies, development methodologies, and best practices in the field. That's why you need to be sure that your potential partners can offer the level of technical expertise your project calls for.

For assessing that, you'll need to do the following:

- **Determine the tech skills that matter the most for your project (languages, frameworks, technologies, and so on)**
- **Look for outsourcing companies with niche expertise in those tech skills**
- **Review references and search for companies with successful case studies in your industry and country**

PRO TIP

Always aim for teams with engineers with varying levels of experience and expertise. Balanced teams (those that combine junior, semi-senior, and senior developers) always perform best and have the best cost-efficiency ratio.

3. TOTAL COST

Costs will always be a defining factor when outsourcing software development, which is why you need to look for a cost-effective alternative. While outsourcing is generally more affordable than in-house development, costs aren't just about the money. Rates can be a good starting point but there are other aspects to factor in that can provide value even if you end up paying a slightly higher rate.

Some of the things you have to take into account when calculating total cost include:

- **Specific rates when compared with the average rate in the regio**
- **Level of skills and experience per rate**
- **Potential taxes**
- **Communication and travel costs**
- **Management costs**

PRO TIP

Some companies can include a Risk Factor Charge to cover potential losses and disruptions. Those can add up to your total cost and increase it up to 50%. Be sure to learn everything you need to pay before committing to an outsourcing company.



4. CULTURAL ASPECTS

Since you'll be working with a company from another country, there might be cultural differences you need to consider before starting the project. The cultural values of the country will surely influence the team and the company, to the point where there might be different expectations and approaches to the development itself.

Among the cultural factors you need to take into consideration there are the following:

- **Check the business culture regarding talent hiring, training, and retention**
- **Analyze the company's approach to innovation and how they foster it in their process**
- **Be aware of the national culture, how it affects work and the impact on your work**

PRO TIP

Don't expect a company based in another country to completely align with your own culture. There might be differences and they can be ok, as long as they aren't disruptive to the process. Embracing them can create a stronger nexus between both companies and lead to a more robust partnership later on.

5. COMMUNICATION PROCESS

Since you'll be working with a remote team, communication becomes a fundamental pillar for the development process. By agreeing on expectations, channels, and timelines, you'll be setting up your project for success. That predefined agreement keeps the whole team aligned behind the same goals.

To ensure that your potential partner has a solid communication process, look for the following:

- **Ask for the communication process on a normal project to check whether the company has one in place**
- **Take a look at the company's average English proficiency and aim for moderate to high levels (depending on the complexity of the project)**
- **Make sure your potential partners are comfortable with using your preferred communication channels**

PRO TIP

Don't force your own communication model into the outsourcing company. Outsourced development teams work remotely for a living and they have enough experience to make suggestions to improve your communication. Be sure to pay attention to them.



6. RISK PROTECTION

Any time you hire a third party to collaborate with you on a project, you expose yourself to all kinds of risks. You might suffer data loss, breach of confidentiality, intellectual property theft, and other disruptive events. That's why you need to analyze your potential partner's capabilities to protect your project and everything related to it.

To do so, you need to be sure that the outsourcing company has the following:

- **Ask for cybersecurity protections against digital threats**
- **Be sure that the outsourcing company has secure offices that are safe from physical attacks or potential disruptions (such as natural disasters)**
- **Work with a company that has all the necessary paperwork regarding NDAs and regulatory compliance with laws in your industry**

PRO TIP

If you're outsourcing a project that has a unique algorithm or requires developing a very different concept, it's best if you outsource parts of the project to different teams. **That way, you can be sure your intellectual property is protected while still getting the benefits of outsourcing.**



7 Best Practices for Software Outsourcing

Outsourcing software development is a challenging endeavor that's filled with pitfalls. While it's impossible to anticipate them all, you can lessen the risk of falling into one of them by following best practices achieved through years of experience. At BairesDev, we know that a project's chances of success are greatly increased if you follow these 7 best practices:

1. Clearly define your goals. Knowing the results you are expecting to achieve and having a desired timeline from the get-go are essential to organize the development process.

2. Learn to prioritize. You surely want a comprehensive solution that covers all your needs but it's important to separate the must-haves from the nice-to-haves so the team can work on the former first.

3. Paint the clearest possible picture. A half-baked idea won't get you anywhere with an outsourcing team. For it to truly be a cost-efficient solution, you need to be clear about what you have in mind, including the main purpose, features, and scope.

4. Communicate constantly. Once you've picked your outsourcing partner, be sure to follow up on the project's progress constantly. For that, use all your available communication channels frequently and provide as much feedback as you can.

5. Ask questions. Since the outsourcing company will lead the development process, you need to understand the whats, the hows, and the whens. For that, ask as many questions as you need to free yourself from doubts and concerns.

6. Be open-minded. Reputable outsourcing companies can quickly spot improvement opportunities in your project. Be sure to stay flexible and remain open to their suggestions that can add further value to your idea.

7. Put everything on paper. Since you'll want the outsourcing company to be accountable for what they do, you'll need a Service Level Agreement to govern the process. That document outlines everything related to the development and can aid you when challenges or difficulties arise.



About BairesDev

BairesDev is a leading Nearshore Technology Solutions company that architects and engineers scalable and high-performing software solutions to meet all kinds of business challenges.

Using its deep tech expertise and cross-industry experience, BairesDev evolves digital transformation into digital acceleration. The ultimate goal is to create lasting value throughout the entire digital transformation journey.

With 4,000+ employees in 40+ countries, BairesDev provides time zone-aligned services to empower Fortune 500 companies and leading brands. Working for clients like Google, Rolls-Royce, Johnson & Johnson, Pinterest, and ViacomCBS, the company has been reimagining the tech landscape for over a decade.

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software teams now**