

Software Outsource Development Guide 2024



Contents

Introduction	2
Offshoring in software development	3
.....	3
What is offshoring?	4
Why do compa-	5
nies outsource IT services?	5
Global Offshoring landscape	6
Asian Offshoring Landscape	7
What makes Pakistan the leading Asian Country in offshoring?.....	9
3 Due Diligence	10
How to choose the right tech partner?.....	12
Check their previous work.....	12
4 Team Setups.....	13
Renting Developers	15
Independent Product Team.....	16
Conclusions	18

Introduction

This document should serve as a guidebook for businesses looking to find a software development partner. Offshoring has become an almost natural option to consider when planning software related projects. However, choosing an offshoring destination and finding the right development partner on the chosen market requires a deeper understanding of the global outsourcing landscape.

In the chapters of this overview, you will find a comparison of the most prominent markets, key factors to consider when looking for a development company, and case studies presenting different team setups for digital product collaboration.

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Offshoring in software development

What is offshoring?

Outsourcing is a phrase that everyone is acquainted with these days; it refers to the process of transferring elements of a company's operations to third-party suppliers. It's a catch-all word for numerous more specific options pertaining to the location of said third-party supplier.

Offshoring

Offshoring is simply the outsourcing of services to a firm located far away from the site of the business, sometimes on a different continent. Offshoring often provides reduced prices, a more advantageous economic climate, more compatible time zones, or access to a bigger talent pool. Offshoring usually entails at least 5 or 6 hours of time zone difference.

Nearshoring

Nearshoring is similar to offshoring, but not as far away. It's the outsourcing of services to a company not far from the location of the business but still abroad, 2-3 time zones away. The main advantages of nearshoring (depending on where you are and where you seek) may be smoother communication thanks to a more favorable time zone combination and a better cultural fit.

Onshoring

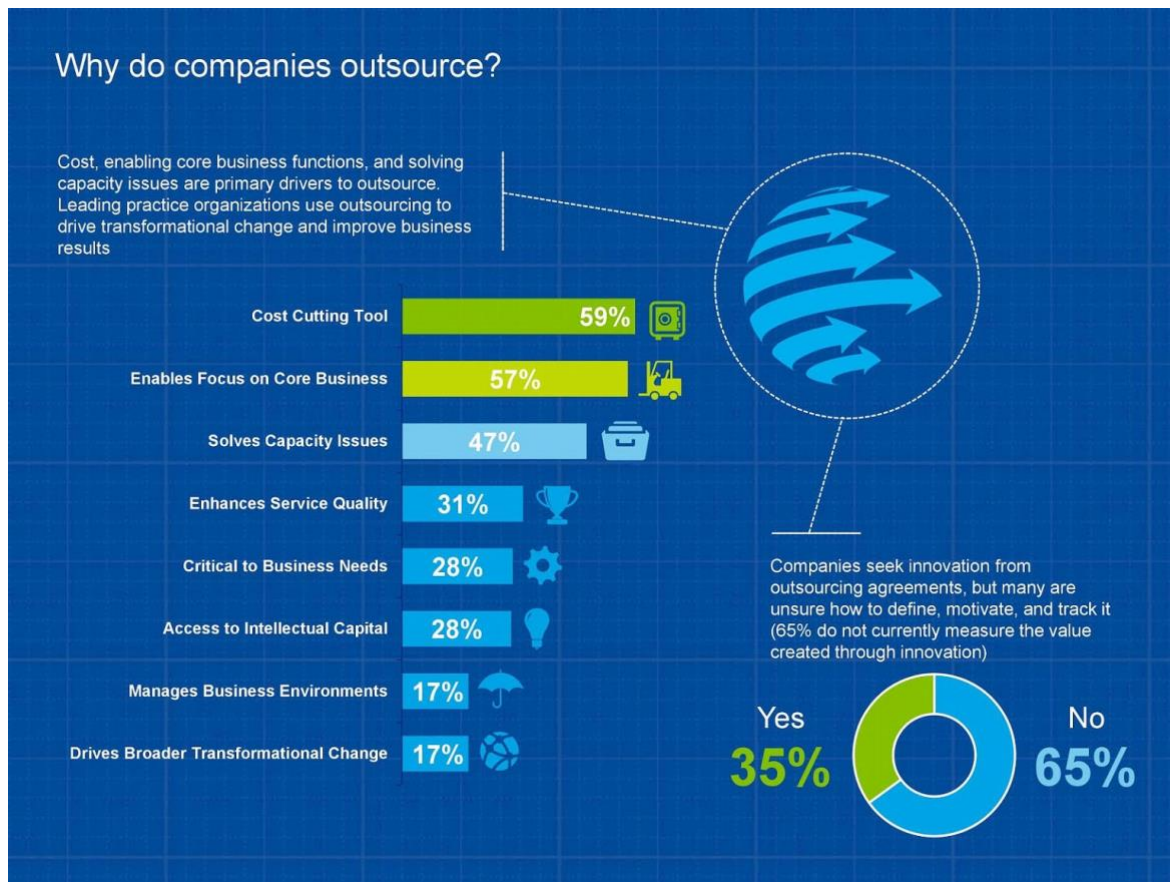
When a business uses outsourcing services to a domestic provider, that's on-shoring. It is typical for accounting or legal services. It may also include working with remote workers or freelancers from the same country.



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**Why do
companies
outsource IT
services?**

According to the survey by Deloitte, the top reasons why companies decide to outsource are:



Access to the global talent pool is a major reason why enterprises in developed economies choose to outsource software development. Finding IT experts with suitable experience may be a big difficulty for many businesses. Especially those in high-tech areas where demand for software development outnumbers supply. Not only the US and Canada but Asian countries such as Pakistan and India are examples of markets with a significant increase in demand for competence in complex technology.

According to the US Bureau of Job Statistics, software development is in great demand and pays some of the highest wages in the labor market. These markets have a major shortage of relevant workers, and it's not going to get any better. According to the BLS, demand for IT jobs will increase substantially quicker in the following year.

Global Offshoring landscape

Businesses are altering the way they run operations for a variety of reasons, including time savings and skill pool requirements. IT outsourcing practices are increasing on a regular basis, according to statistics. This is hardly unexpected in a global and linked society, where boundaries have been torn down to allow personnel and financial flows across borders. As a result, it is not surprising that the popularity of offshore will continue to rise in tandem with globalization. But, what are the best nations and regions to offshore to? And how have national tastes altered in recent years?

Latin America has been for years the preferred area to offshore the IT Services - Entrepreneurs and business owners from Silicon Valley and other tech sectors have recently shifted their attention to Latin America, notably Mexico. One of the main attractions of this country as a software development destination above is its closeness to the United States. Mexico was also one of the first countries in the region to govern the thriving FinTech Software Development industry. As a result, this adjacent country is one of the most important Latin American countries in the IT sector, with a significant IT outsourcing business. South America has been a focus for the US compared to China since synchronized working hours are one of the biggest corporate demands. Again, employment expenses for Latin American developers are less than half of what they are in the United States. However, education in most South American countries remains a difficulty, and the area is relatively new to programming outsourcing methods. It is much more competitive since particular technology expertise has reached European standards.

What's the second area to outsource on the list? Eastern Europe, on the other hand, has surpassed Mexico as one of the most appealing offshore destinations, having previously ranked first. The obvious explanation for this significant shift toward Eastern European countries is the high quality of work done. This is owing to the enormous talent pools provided by nations such as Poland and Ukraine. And, while wages are marginally higher in Latin America, they are still cheaper in the United States while keeping the same job quality.

The reason that make outsourcing in Eastern Europe difficult is most East European countries' IT markets are very competitive, which means that developers will not stay on a project with poor working conditions for long. This is the responsibility of the local vendor, which makes little attempt to retain developers because it is easier for them to just replace the personnel. However, such unanticipated and frequent replacements of a development team may cause project disruption. The time zone is another cause for this geographical area's growing appeal. Offshoring from the United States allows for daily schedule alignment.

Asian Offshoring Landscape

Asia is a global outsourcing powerhouse. Some of the best outsourcing nations in the area can give high-quality services for a fraction of the cost. It's undoubtedly why multinational corporations like Nike, Amazon, and Google prefer Asian outsourcing to other, closer locations like Latin America and Eastern Europe.

Asia has been the favored location for outsourcing IT services, with Pakistan, India and the Philippines being on the top, owing to cheap labor costs. Language is also a crucial consideration when determining where to offshore, therefore the history of British colonies in All-India and American presence in the India make these countries safe choices in terms of communication. Furthermore, based on the work cultures of such Asian nations (including China), the proclivity to work longer hours and get the task done fast is a benefit for organizations when it comes to saving time.

Asian nations appear to be an ideal IT offshore destination because to their relatively low living expenses and stably rising economies, as well as developers delivering services in any

time zone. So, which Asian countries stand out as go-to marketplaces for demanding IT clients?

China, providing great IT services

The nation claims to have the world's largest middle-income group (between 100 and 400 million people), prompting several foreign investors to enter the Chinese outsourcing sector. China ranks seventh in the world in terms of digital resonance. Companies respond to digital transformation via resonance, notably in cybersecurity and automation. Companies are increasingly reliant on outsourcing and automation, which makes them vulnerable to cyberattacks. In this situation, China has a high digital resonance score, indicating that outsourcing IT and software to this Asian country is a secure decision.

Outsourcing in China can provide you with cheap labor and products but it comes up with challenges where outsourcing becomes difficult. Outsourcing to such service providers may make it difficult for your staff to interact with the outsourced firm, causing work to be interrupted. Furthermore, if your customer care activities are outsourced, your consumers may be unable to communicate with your Chinese workers owing to language issues.

Another challenge that clients confront when outsourcing to China is time zone differences. Many developers are unavailable during strategy formulation and debate due to the absence of an outsourcing procedure. Clients are often perplexed about when to begin outsourcing and when to stop.

Pros & Cons of Outsourcing in India

India is one of the world's major outsourcing marketplaces. Cities such as Mumbai, Bangalore, and Hyderabad were frequently ranked among the world's top outsourcing destinations. The country was also regarded as the finest IT outsourcing center! Saving money is one of the key reasons why organizations outsource software development to India. Instead of hiring in-house engineers, you may save a lot of money by outsourcing software development duties to India.

However, as technology and internet services have advanced, India has fallen in the rankings of outsourcing choices. The turnover rate is also high, which makes work less steady and interest in specific tasks shifts to the desire to get promoted, resulting in worse code quality. Political and economic instability, as well as low education rates and the other factors indicated above, need the exploration of new options.

Major IT centers in India have grown overcrowded with software and BPO firms, making it difficult for younger companies to start. Due to high real estate prices, this inhibits competition in the IT business and eliminates cost-effectiveness. As a result, a small firm with a restricted budget may struggle to identify competent outsourcing providers at reasonable pricing.

Another reason that makes India not a suitable country for offshoring is time difference. India is nine hours and thirty minutes ahead of the East Coast and twelve hours and thirty minutes ahead of the West Coast. When you need to work directly with your developer, this presents major obstacles. While many outsourced engineers will work around American schedules, it is still not ideal. If nothing else, the time difference causes significant communication delays.

Pakistan, the largest IT talent Pool

Pakistan is no doubt the best country when it comes to offshoring. Leaving China and India, Pakistan has proved themselves to be the best offshore partners amongst all. Pakistan has larger population indicates a greater number of brilliant people. True, India is a heavily populated country, which leads it towards the large number of developers with zero skillset. But if we talk about Pakistan, the nation offers a large number of talented developers that creates a healthy competition.

Many people believed that Pakistan is endowed with incredible potential. Aside from the healthcare business, the IT sector has grown rapidly in the recent decade. Several multinational IT companies, like Microsoft, IBM, and others, have offices here as well! As a result, corporations have more options to find the proper personnel in Pakistan than in India or other Asian nations.

Another reason to outsourcing in Pakistan is that language is not a barrier for the people of Pakistan. Pakistan is the third most English-speaking country in the world, therefore language is not an impediment, nor is price. IT services are less expensive since Pakistan is a relatively unexplored market with less competition. A market with less competition allows clients to pay cheaper fees for a skilled workforce. The work hours are also flexible, which benefits remote teams or individuals.

Hiring a novice but talented worker is cost-effective since fresh graduates' salaries are cheaper in comparison to the west or nearby countries such as China and India. As a result of this, countless US-based businesses have emerged internationally, owing to offshore outsourcing with Pakistan-based software companies.

Pakistani nation has grown up watching Hollywood Cinema that makes the nation more relevant with the cultures and values of US as people of Pakistan can understand their strategies more clearly as compare to Indian Nation. The big reason is that India shows their culture in their cinema that do not them more relevant with the culture of US.

What makes Pakistan the leading Asian Country in offshoring?

- As talent lands in Pakistan, one can find all kind of developers in very reasonable rates. The markets are not very saturated in Pakistan that makes it the first choice for people to offshore in it.

- Time Zone is not a barrier as people stay online 24/7. They schedule their time according to the client's requirements that make them one of the easiest going and flexible nation.
- Language is not a barrier for Pakistanis as they are proficient in speaking English that increases the demands of clients to work with Pakistanis.



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Due Diligence

How to choose the right tech partner?

When looking for a software development business to work on your project, the tech stack selection is insufficient to make an informed decision. Of course, it might be a deal breaker if a firm does not code in your ideal technology, but there are a number of other elements that can make or break the entire relationship. So, what are the most important variables to consider before making a decision?

Check their previous work

When you come across a new firm during your investigation, one of the first things you should do is look at their portfolio. Examine the projects they've completed, as well as the design style and quality. Is there anything similar to your idea in terms of industry or product type? Are there any projects with a similar level of difficulty? Are you familiar with any of the brands or items mentioned?

Examine relevant case studies (if any are available) and seek for client testimonials. If there are no testimonials on the website, investigate third-party sites like Clutch to see if there are any reviews of the company's work available. Clutch reviews need a significant amount of work from the customer, so if there is one, the client must have truly want to leave it there. It says a lot!

Whether your online search fails, just ask the firm if they've completed any jobs comparable to yours or if they can provide references. Software businesses frequently focus on the core of their business and overlook portfolio updates - they're just too busy performing their work!

Ask about the team setup

First and foremost, inquire about who will be working on your team. There will, of course, be developers. Is there, however, a project manager? What exactly is a product manager? What are his responsibilities? Will the project include quality assurance specialists? How about the designers?

It's critical to understand what you're getting into in terms of monitoring, ownership, and the ability of the team to perform without continual supervision. A project manager will be your primary point of contact with the team, although each organization takes a somewhat different approach to the PM's pro activeness and scope of duty. Check that it corresponds to your expectations - the more autonomous the PM, the more time you will have to focus on the business.

Good communication is essential for keeping everyone in the loop. Is the Prime Minister's communication clear? Which channel do you use to communicate with others? Is the technical terminology a hindrance? Is all required information disseminated on time? Software development organizations typically use channels such as Slack to connect with their clients. The PM must maintain strong communication by explaining essential matters via email while staying in touch as much as possible via Slack or other comparable technologies.

And, remember, you're seeking the perfect match, so consider the corporate culture and principles.

Project Management

The company's culture and project organization may also have an impact on your selection. A specified structure and procedures will provide you with a starting point. SCRUM is one of the most prevalent approaches in such organizations. Because of the partial product launch after each stage, the partition of the product in backlogs results in a higher return on investment with quicker performance. At the same time, each backlog item is tested, reducing the number of problems when the final product enters the market. This methodology's strengths include clear communication, continual customer participation, and budget optimization.

Developer skills and QA practices

You know exactly what application you want to create and what language you want to use. Examine the firm portfolio to see whether they have previously utilized the chosen programming language, or if they have a staff capable of learning and utilizing it. Get a preliminary development estimate based on your requirements and make all essential parameters at the outset. Workshops are beneficial for obtaining a complete estimate of your project; developers estimate time and cost, and project managers approve it.

Flexible Team Setups

Make sure the organization you're talking to is willing to change the team structure to meet your requirements. Every project need a somewhat distinct set of talents. A competent development firm should be able to adapt to the scenario and collaborate with product owners from various backgrounds, as well as interface with other suppliers. If you have experience in project management and want more influence over the process, the team should be able to work with you directly. If you have a CTO or a full in-house team supplying your proprietary technology, the development firm you hire should be able to communicate and work on the project with them. The next chapter contains case studies from our organization that demonstrate various methods.





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Team Setups

Renting Developers

The first option you may be presented with is a team of tech professionals - developers, testers, and designers - at your disposal. In this situation, it is your responsibility to manage the entire team, handle communication, and ensure that everything is delivered on time. Your team will follow your lead.

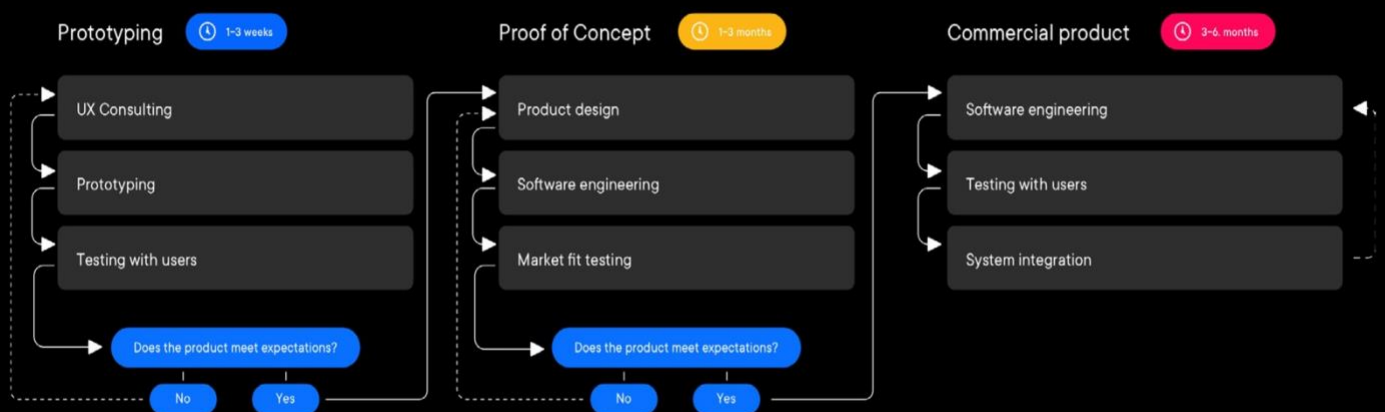
It might be a terrific alternative for product owners who like to be hands-on. If you have product or project management experience and want to create or improve your product without spending time hiring engineering people, this might be the road for you.



Independent Product Team

A specialized team arrangement is a more hands-off and popular method. In this case, all you have to supply is the first briefing and project and product ownership needs throughout subsequent Scrum development. Aside from that, the team is capable of working autonomously and delivering your product from conception through testing and launch.

Working with an independent team has the advantage of allowing you to focus on company operations while the team produces the product for you. They may make the greatest use of their time and work according to their own schedule. Having all the product competencies on one team ensures a better flow of information and a better ability to pivot between sprints.

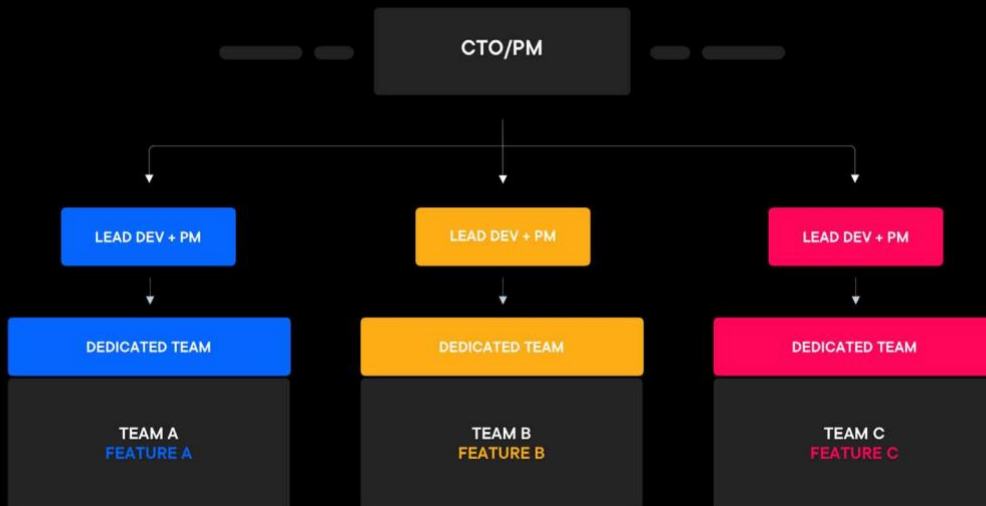
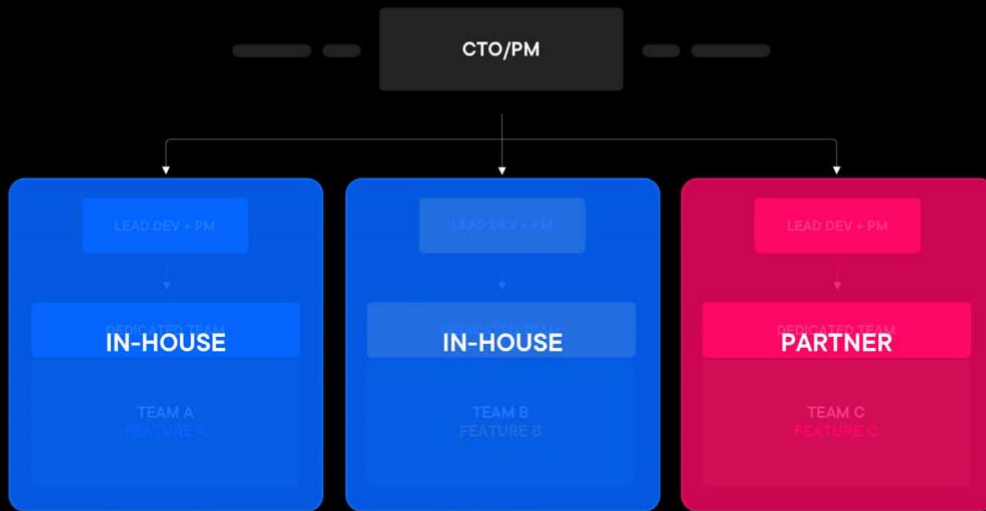


Team Augmentation

The most uncommon method of outsourcing software development and/or design is team augmentation. It might, however, come in helpful in some situations. The notion of augmentation is straightforward. You already have an in-house product team, but you need to swiftly add more staff to a project. Whether it's a fast redesign of a tiny feature or catching up on your product backlog shortly before a big meal or milestone. These are time-sensitive jobs when you don't have time to perform the recruitment procedure and only require short-term assistance.

You may go on the market in search of freelancers to boost your team's velocity but hiring a company instead may bring a lot more to the table. If you're not satisfied with the work or your requirements change with time, it is much easier to replace a team member when you have the company's whole headcount at hand. There's no need to look for another freelancer, you just ask the company to find the right expertise among their employees and you're all set.

Dedicated product teams



Conclusions

Software development outsourcing has become an integral aspect of the modern corporate landscape. It is a fast expanding industry, with new markets emerging every year. Right present, Pakistan appears to be the finest offshore destination from the standpoint of the United States.

It is a melting pot of numerous digital service providers operating with multinational clients all over the world, thanks to its big pool of highly trained individuals, good time-zone position, and comparable culture. It is the preferred R&D location for the world's top technology corporations, but businesses of all sizes may find a supplier to meet their needs and expectations.

A large number of providers makes selection difficult. To be able to swiftly filter down the list to a reasonable size and then go into a more extensive due diligence process to discover the ideal firm, it is critical to have defined needs and decision criteria.



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