



# Understanding Offshore Development

**OFFSHORING 101:**

**WHAT IS IT?**

**HOW DOES IT WORK?**

**WHO IS IT FOR?**



# Introduction

**Finding the right talent to innovate quickly, at a cost that's optimal, isn't getting any easier.**

And, with many different strategies to choose from — hiring at home, outsourcing, nearshoring, and offshoring to name a few — it can be difficult to find the right solution and even harder to find the right partner.

Offshore software development has risen in response to this crowded and expensive marketplace. But a lot of businesses still don't really know what it is or whether it's a solution for them. It's a grey-area topic, and the internet is full of confusing and conflicting information.

This ebook is our way of explaining offshoring simply and easily, covering all the basics to help you understand what it is, and what benefits it could bring to your business.

We trust you'll find this helpful.



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# 1. What Is Offshore Software Development?

**In the software world, offshoring is the relocation of a business process or department from one country to another.**

The team you build is made up of regular employees in every sense, except that instead of working locally they're based elsewhere.

1.1

# What's in It for Your Business?

## LOWER OPERATING COSTS

It's far less expensive to build teams in emerging tech nations like India than in metropolitan hotspots like Paris or London. Office space, equipment, administration and human resources — **the general lower cost of living makes everything more affordable.**

## ACCESS TO DEVELOPERS

There's a shortage of highly talented software developers in both Europe and the US. However, **India produces over a million new developers every single year, with fluent English and elite, world-renowned technical skills.**

## OPPORTUNITY TO SCALE

With a reliable offshoring partner, scaling is simple.

**You can expand premises and recruit any role without the usual financial risk or operational disruption.**

Acquiring new office space is time consuming and costly, and sometimes the space isn't adequate for the speed of growth — or ends up being too large for your requirements. Likewise, senior team members and decision makers taking time out of their day for extensive recruitment processes isn't an ideal situation when trying to deliver high-quality software at scale.

QUICK  
FACT

Demand for  
developers in the UK  
**rose by 15%**  
in 2020<sup>1</sup>





## 1.2 It's Not the Same as Outsourcing

Outsourcing means working with a third party on a temporary contract, to deliver a short-term goal. **It's project based as opposed to long term.** That's the main difference: outsourced developers are ad-hoc contractors, but your offshore team are full-time dedicated company employees — fully aligned with your vision and mission and enthusiastic about the business.

The developers working in an outsourced capacity are working simultaneously for a multitude of different clients, often leading to a lower priority on quality and more of a focus on speed — that's why it's usually a lower priced solution. It can of course be a good option

when you have a single project to kick off such as a website launch, but for long-term projects it doesn't equal the best value.

With offshoring, all your developers are hand-picked by your offshore partner in line with your specific requirements following an extensive sourcing and testing process — with the final hiring decision made by you. The developers get a good salary, integrated structure, and a respected brand to commit their work to. While still optimised for cost, offshoring is more sustainable, more reliable, and more effective than outsourcing.

## THE DIFFERENTIATORS: IN SUMMARY

### OFFSHORING:

- ★ **Fully dedicated employees** who think about your products and services with a long-term perspective, contributing ideas with an aim to add value to your business.
- ★ **It's a cross-continent extension of your existing team.** You work with them the same as you do with your developers at home — they're genuine colleagues, not outsourced help.
- ★ **A fiscally attractive solution to get the talent you need to scale quickly**, but that you can't easily find in your current location.

### OUTSOURCING:

- ★ **Can be the best solution for a one-time project** such as building an app or website development. It won't be a sufficient solution if you're looking at long-term value for your business.

	LOCAL TEAMS	vs.	GLOBAL TEAMS	vs.	OUTSOURCING
Quality Engineers	✓		✓		✓
Fast to Hire	✗		✓		✓
Your Company Culture	✓		✓		✗
Long-Term Solution	✓		✓		✗
Scalable at Speed	✗		✓		✗
Cost Optimal	✗		✓		✓
Value-Adding Mindset	✓		✓		✗

## SOLUTIONS COMPARISON

## 2. What Kind of Businesses Can Use Offshoring?

Offshoring is typically leveraged by technology product or service-based companies for whom delivering a value-adding digital product is a main priority, in addition to non-technology businesses who have begun their digital transformation journey. However, these companies use technology to improve the business — automating internal processes, transforming the website, or delivering a value-adding digital product to customers. **Development teams are used to maintain and upgrade these products**, but also to implement innovative new ideas further down the line.



*Offshoring used to be about finding a price you couldn't get at home; today it's about finding the skills and people you can't get at home*

Emilien Coquard, CEO, The Scalers



Typically, offshore developers are based in lower-cost destinations. Because of this, there remains some stigma and negative connotations within larger enterprises. However, in recent years many businesses have realised that **offshoring gives them access to untapped pools of highly skilled, dedicated developers** without the limiting premises costs.

In cities where elite skills are hard to find, and the premises space is high, going offshore is often seen as an optimal solution.

### ONE-OFF PROJECTS

Offshore teams are permanent employees, not hired help. If you have a one-off project, partnering with a development agency might be the better strategy.



**QUICK FACT**

A graphic featuring a map of the United Kingdom in a dark blue color. Several white icons of people holding briefcases are scattered across the map. A Union Jack flag is positioned on the right side of the map. The entire graphic is set against a light blue background.

**67% of UK businesses have unfilled IT roles in 2020<sup>2</sup>**

The background features a vibrant yellow color with white, wavy, organic shapes. Three light-colored wooden blocks, each with a black plus sign, are scattered across the scene. One block is tilted and positioned on the left side, while the other two are upright and positioned on the right side.

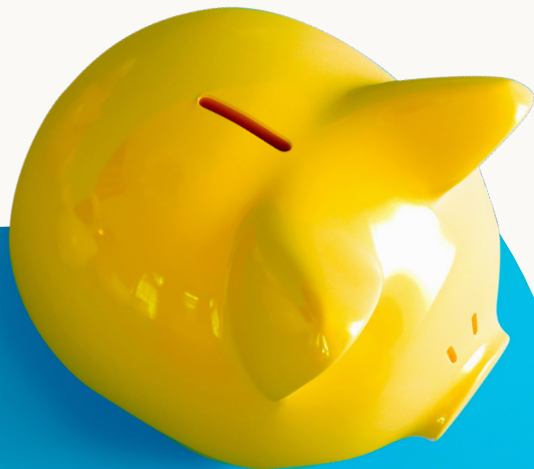
### 3. **Tangible Benefits to Offshoring**

Building an offshore development team isn't a minor decision. In order to take the step, the direct benefits need to be significant, tangible, and quantifiable from a business perspective.



## VALUE ON INVESTMENT

Setting up your development team offshore helps you acquire skills you can't find at home. Although it would be remiss not to also mention the lower financial outlay. Aside from the engineers themselves, **premises prices and setup costs in prime offshore locations are far lower** than in Western Europe and North America. The affordability factor decreases the financial risk a business takes on when looking to scale up.



## VALUE-ADDING MINDSET

One of the key differentiators between offshoring and other models is the long-term mindset of your developers. Your engineers are permanent employees, as opposed to hired assistance drafted in for single-time projects. They're fully integrated into your existing development operations, and as much a part of your company as the staff at home. They're in it for the long term and are **invested in the success of the business.**

## CUSTOM-BUILT TEAMS

Having an offshore team gives you total control over what kind of developers will be part of your team, what they're working on, and when.

World-class engineers can be hired affordably, giving you **the expertise and experience to create exactly what your business needs**. A professional offshore team gives you all the expertise, structure, and productivity — without any of the hassle, and is optimised for cost.



## SUSTAINABLE SCALING, AT YOUR OWN PACE

Imagine business is booming, and you're getting more enquiries than your capacity allows. That's a great position — but if you want to grow the business, it's also a frustrating one. **Recruiting new developers into your offshore team is both faster and easier than at home**. By building an offshore development team, your business can take on a larger volume of work with ease. The management, administration, and processes are already in place: increasing capacity is a simple matter to speaking to the recruiters. You're not only completing more work, but you're doing at much higher margins — and that means bigger profits.

The cost of living in India  
**is 68% lower**  
than the United Kingdom<sup>3</sup>

The average  
city centre rent in London  
**is 88% higher**  
than in Bangalore<sup>4</sup>

4.

## How Does Offshoring Work?

Establishing your new team starts with choosing the right offshore development partner. This is the company 'on the ground' that collaborates with you to create the most optimal solution for your business.

Through in-depth meetings and regular contact, your offshore partner will build a precise understanding of what you need regarding your team.

### Your offshore partner will coordinate:



Recruitment



Administration



Premises



Setting up your local workspace



Equipment for your developers



Local registration, legalities, and regulations



Hiring HR staff



Payroll and tax



Company cultural alignment



Daily engagement of your developers

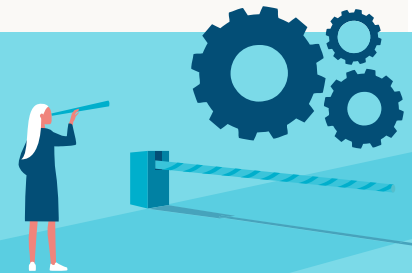


The recruitment of your team comes first, handpicked to your specific requirements. However, it doesn't end there. **Your offshore partner will take care of all the heavy lifting:** from administration to logistics to legal, freeing you to focus on delivering high-quality software at speed.

**You will have total control over the day-to-day structure and output of the team.** You're in charge of their workflow, have direct interaction with your engineers who're fully aligned with your organisation's values and mission — your new developers are genuine colleagues, not outsourced help. However, all those other tasks such as payroll, job advertisements, and HR are handled by your offshore partner.

QUICK  
FACT

74% of recruiters said  
**skills shortages**  
were their top hiring  
challenge in 2020<sup>5</sup>



# 4.1 The Key Stages of Building an Offshore Team

In the checklist below **we've detailed the typical journey** you'll go down when establishing your offshore development centre.

1	2	3	4	5	6	7	8
<b>Choose the right offshore partner</b>	<b>Get to know each other</b>	<b>Accept a proposal</b>	<b>Start building your team</b>	<b>Office and equipment setup</b>	<b>Onboarding of your new engineers</b>	<b>Getting down to work</b>	<b>Daily support and team engagement</b>
<p>Look at a company's case studies to see what type of partners they usually work with and the quality of results.</p> <p>Explore their solution and talk on the phone to get a feel for their ethos and attitude.</p>	<p>Your offshore partner will listen to your requirements, understand your approach, and offer guidance on the process.</p>	<p>You receive a tailored proposal, including all the financials, for building the global team that best fits your business.</p>	<p>From advertising the job to initial technical interviews, your partner should handle it all. You come in for final interviews and selection from the cream of the crop.</p>	<p>Your partner uses local contacts and their experience to secure a suitable office, high-end equipment, hire administrative staff, and prepare your team for launch.</p>	<p>Welcoming your new hires, acquainting them with their work, and instilling your cultural DNA to ensure genuine alignment.</p>	<p>Everything else is done, so it's time to get your new team into the office and onto the keyboards.</p> <p>Going forward, your offshore partner will provide weekly reports on the status of your team, and be available on demand for calls and questions throughout the week.</p>	<p>Your offshore partner plays a key role in the day-to-day operations of the team — including on-demand support, continual employee engagement and arrangement of team building activities, and helping you increase capacity as and when you need it.</p>
✓	✓	✓	✓	✓	✓	✓	✓

## 5. Why India?

Offshore development teams are built in Latin America, Eastern Europe, and all over Asia. But India is the offshoring capital of the world — for good reason.

Let's dive deeper.

### **ENGLISH-SPEAKING ENGINEERING TALENT**

India produces 1.5 million developers every year and counting, a number that is unrivalled anywhere in the world. Most of Europe and the US cannot produce enough developers to fill existing jobs — India is the opposite. This quantity is great, but it's the quality that makes India such a desirable location to extend your team in.



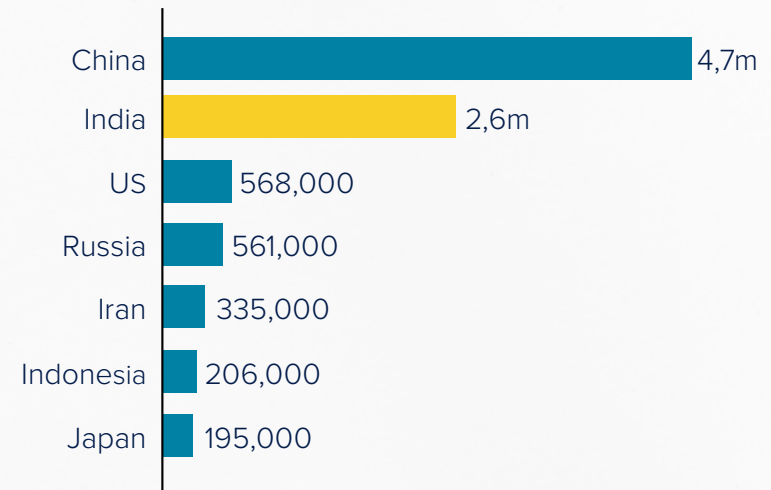


Most companies worry about language and cultural barriers when choosing an offshore solution. However, **the elite engineers that you find in India are completely fluent in English and able to communicate with you like your developers at home.** And, depending on seniority they're also experienced in managing and executing projects from conception to completion — navigating complex procedures and processes.



## Countries with the most STEM graduates

Recent graduates in Science, Technology, Engineering & Mathematics



Source: World Economic Forum 2016



## A COST-OPTIMAL SOLUTION

Offshore development teams are undoubtedly cost-effective. Even after factoring in administrative work, office space, payroll services, and developer salaries — offshoring can **cut IT spending by 30-50%** when compared to hiring at home.

These cost differentials have nothing to do with **the quality of talent available**. India simply has a much lower cost of living than Western Europe and the United States. For example, apartment rent in London is up to 88% more expensive than in Bangalore. There isn't quite the same disparity with wages, but it's still a big gap.

The result is that **you can hire top-tier developers, with fantastic facilities**, and still make large cost savings compared to a comparable setup in your home country.

## AN ATTITUDE GEARED FOR SUCCESS

India is an engineering hotbed with only China producing more graduates each year. To ensure your development team consists of only the cream of the crop, **the right offshore partner will not only perform technical tests but also stringent personality assessments.**

This ensures the right attitude is cultivated throughout your offshore team, enabling it to operate at the highest standard.

Using this approach, combined with cultural alignment, engineers often become personally invested in their projects and contribute ideas to drive innovation and ensure success — particularly in offshore teams **aligned with an organisation's vision and mission.**

Bringing this attitude into your business can be a cost-optimal driver of high performance.

With the right offshore partner, you have your pick from the top 1%. They'll ensure only the most motivated, hardest-working engineers are invited to interview with your hiring managers.





## A DYNAMIC TECHNOLOGICAL ENVIRONMENT

India is one of the fastest-growing economies in the world. Over the next 10-15 years, it is expected to be the world's 3rd economic power; right behind the US and China.<sup>8</sup>

**India's foremost prominence in the IT industry is a key driver of this economic success.** For anyone worried about their long-term investment, don't be: India's rise is forecasted to continue for many years to come.

## 5.1 Bangalore: The Silicon Valley of Asia

Commonly referred to as the **'Silicon Valley of Asia'**, Bangalore is one of the **world's fastest growing tech ecosystems**. The IT industry employs over four million people across India and accounts for nearly €120bn of exports every year — 40% of which is generated in the city.



92% of  
software built  
for foreign  
companies



1 million  
software  
developers in  
Bangalore



20,000  
tech  
startups  
by 2020



English is  
the language  
of the Indian  
IT industry



## **BANGALORE: A PLACE TO CALL HOME**

Why not leverage Bangalore's position as one of the world's prominent software-development centres? Many of the world's leading technology companies like Microsoft, IBM, Amazon, and Google call this innovative metropolis home too — it's India's truly global tech hub.



## 6. Why The Scalers?

From 5 to 100+ engineers, we build world-class development teams in Bangalore. Beat the tech talent shortage at home and accelerate your innovation.

- ★ **Elite development talent** sourced from the top 1% in Bangalore
- ★ **Fully managed operations** — we do your heavy lifting
- ★ **A focus on cultural alignment** and buy in to your vision and mission
- ★ **Your developers** are 100% dedicated to you
- ★ **On-demand scaling** as and when you want to increase capacity
- ★ **100% customer retention** since founded
- ★ **250%** average yearly teams' growth
- ★ **European organisation combined** with Indian engineering talent
- ★ **Proven model = Offshoring** that (finally) works!

**Put simply, it's the smarter way to go offshore.**

# Conclusion

Developers are the lifeblood of your tech team, so it's important to source and hire the right talent. Elite skills can level up your development operations, accelerate innovation, and enhance customer experience.

With the right development partner, **you can tap into global talent pools and access the skills that you can't always find at home while keeping costs optimal.** And, while they take care of the nuts and bolts of recruitment, setting up your team, the operational heavy lifting, and the day-to-day administration — you're able to keep your focus on creating innovative new customer offerings.

**If you want to learn more, you can explore our site or get in touch using the contact information below.** We are happy to answer all your questions.



## Sources

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[How Bangalore Became the Silicon Valley of Asia](#)

8

[India to become 3rd largest economy by 2030](#)



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