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Why
Outsource
Software
Development?

Your Complete Guide

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This guide explains everything you need to know about outsourcing software development to help you decide if it's the right solution to eliminate your business's pain points. Use the links below to jump ahead to different sections on the page.

Companies of every size and across all industries are under increased pressure to innovate technology continuously to remain competitive and meet customer expectations.

These companies also struggle to hire and retain staff with the required expertise to deliver this digital transformation. **A recent ManpowerGroup study reports that 77% of responding employers had difficulty finding the skilled talent they needed in 2023.**

Outsourcing provides the solution to this challenge, allowing organizations to retain outside experts faster and, often, more cost-effectively than hiring in-house. As a result, **the IT outsourcing market is growing rapidly, with revenue projected to reach $541.1 billion in 2024 and $812.7 billion by 2029.**

(That's an increase of 50.3%!)

77%
Employers had difficulty finding **skilled talent.**

50.3%
IT outsourcing **revenue increase**

$541.1 B
IT outsourcing **revenue projected** in 2024

$812.7 B
IT outsourcing **revenue projected** by 2029

What Challenges
Does Outsourcing Solve?

Software development outsourcing can help organizations overcome numerous challenges, including:

✳ Rapidly staffing or scaling a project.

Outsourcing is often a much faster solution than internal recruiting cycles can provide. Outside developers can hit the ground running without requiring as much onboarding support as new team members.

✳ Overwhelming compliance requirements.

Hiring an outside firm with expertise in applicable laws and regulations unburdens internal developers, allowing them to focus on building innovative products.

✳ Solving niche problems.

Outsourcing offers access to a wider talent pool with diverse experience, allowing companies to quickly source developers with the niche expertise required to solve a particular technological problem.

✳ Supporting complex infrastructure.

Outsourced engineers can help architect and maintain the complex infrastructure you need to support advanced software technologies like AI and machine learning.

✳ Optimizing IT budgets.

Outsourcing is often less expensive than hiring full-time developers, so companies can do more with less and continue delivering revenue-generating technology.

Can You Trust Outsourced Software Developers?

This question gets asked frequently because outsourced developers are viewed as having less at stake than internal employees and thus may not care about delivering quality work. In truth, external developers are no more or less trustworthy than internal developers, you just need to vet them thoroughly.

The best way to ensure quality and timeliness is to work with a trusted outsourcing firm, rather than hiring freelance developers independently. According to Deloitte, 78% of companies report having positive experiences with partner outsourcing firms.

The right outsourcing firm will be transparent about its hiring practices and have a proven track record of successful projects, so you won't have to worry about vetting developers yourself. You can request a list of past partners and ask them directly.

To learn more, read our blog,
**How to Outsource Software Development Effectively.**

What Kinds of Software Projects Can Be Outsourced?

Essentially any role, workflow, or project can be outsourced to another company. Outsourced developers can build an entire software application, or just work on a specific feature or release. An organization may augment internal teams by adding one or more experts in a niche technology that's required for a particular project. Outsourced teams can help with migrations or technology upgrades as well as security assessments and implementations.

Some outsourcing companies can also create **prototypes or minimum viable products (MVPs)** to help reduce development risks.

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Onshore

Nearshore
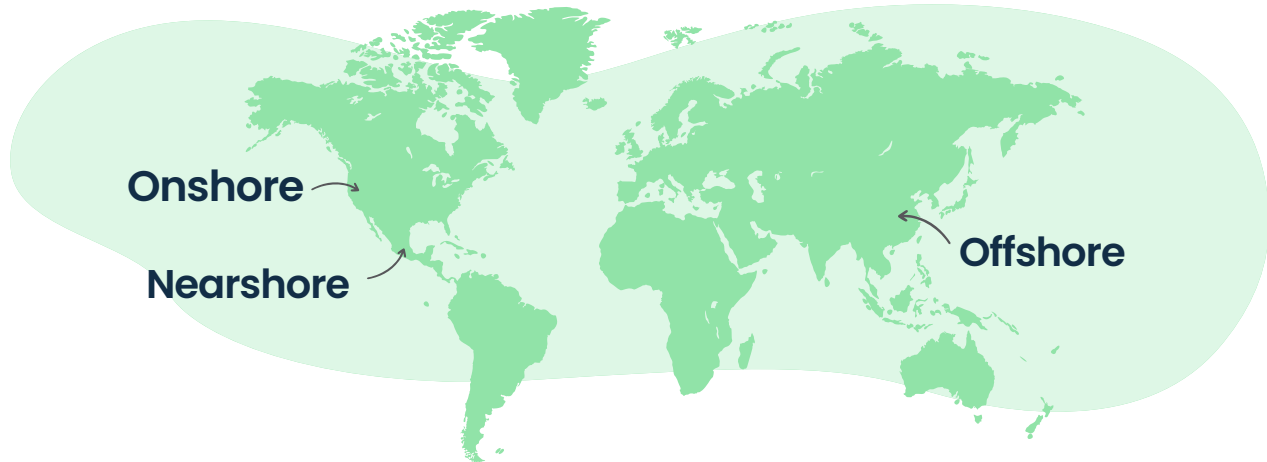
Offshore

What's the Difference Between Onshore, Offshore, and Nearshore Outsourcing?

Onshoring, offshoring, and nearshoring are three basic approaches to outsourcing that are based on the location of the external developers.

✳ Onshore Outsourcing

Onshore outsourcing involves hiring third-party developers who operate from within **the same country as your organization.** Onshore developers are typically native speakers (or extremely fluent) and have the same cultural context and workplace norms as internal hires. Their geographic proximity enables close collaboration and easy communication. Keeping all key roles within the same jurisdiction can also simplify compliance.

The downside of onshoring, especially for U.S.-based companies, is that developers are in high demand and charge accordingly. It could also take a little longer (and cost even more) to find onshore developers with niche expertise.

✳ Offshore Outsourcing

When most people hear the word outsourcing, they think of offshoring. This model involves **hiring developers from overseas,** often (but

not exclusively) in South Asia. Due to the low cost of living in many of these countries, offshoring is typically the least expensive way to outsource.

However, time zone differences, a lack of English fluency, and conflicting cultural expectations often limit collaboration. Offshoring can also create security and compliance challenges, and in general, make it harder to control timelines and quality.

✳ Nearshore Outsourcing

Nearshore outsourcing involves **hiring developers from a neighboring country, which in the U.S. often means Mexico or another Latin American nation.** Nearshoring essentially combines the best parts of onshoring and offshoring. Latin American developers are typically English-fluent and highly educated, with very similar workplace and cultural norms. The cost of living is lower than in the U.S., and the talent pool is large, so nearshoring is usually a little less expensive than onshore outsourcing. Plus, Latin American time zones overlap with ours, enabling real-time communication and collaboration.

What Are the Outsourcing Engagement Models?

Your company can engage with an outsourcing firm in numerous ways.

Staff augmentation

Hiring outside developers to work with in-house staff on a project. Staff augmentation is ideal when you need more hands on a project as quickly as possible to meet tight deadlines, or if you need someone with niche expertise for a particular role on an in-house team.

Consulting

Hiring outside experts to advise on how to build, migrate, or improve a software application. This engagement model is designed to help companies that have a specific technological problem or lack the internal expertise to plan a complex project.

Managed services

Hiring outside experts to continuously monitor and maintain an application and its underlying infrastructure. This engagement model allows companies with limited internal IT resources to focus on core business activities or revenue-driving initiatives without worrying about ongoing operational support.
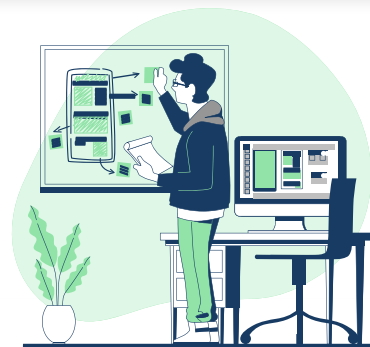
Dedicated team

Hiring a team of developers to focus on one particular aspect of the project, such as UI/UX (user interface/user experience) design, or quality assurance (QA) testing. This team is usually managed by an in-house project manager who acts as the go-between for collaboration with internal developers.

How Much Money Does Outsourcing Really Save?

The cost of **outsourcing software development** can vary significantly depending on the project and the experience required, and the same is true for hiring an internal developer. Both have hidden costs, as well. To illustrate, let's say you need to hire a **senior developer** to help build an enterprise application.

According to Glassdoor.com, the median total pay for a senior developer in the U.S. is $170K per year. Additional costs include recruiting and training for internal hires, and employment benefits like medical insurance. You must also pay for their computer, software licenses, and other miscellaneous overhead expenses.

The biggest hidden cost, though, is time – internal hiring cycles can take months, which pushes back development timelines. And all of this assumes that the particular developer you hire will be a good fit for your existing team. If not, the recruiting cycle starts over from the beginning.

For the purposes of this example, let's say you pay

$170K *annual salary*

+ $50K *additional expense*

= $220K per year

for a single, senior-level developer to work on your application.

An outsourcing firm like Divelement might charge a **total of $140K to provide the same level of expertise for a year-long project, saving you around $80k.** Plus, you avoid the hassles of recruiting, training, and managing benefits for a full-time hire.

There can be some unexpected costs, however, related to onboarding a new vendor, aligning internal teams with the provider's development tools and practices, or dealing with scope creep and unforeseen changes. Choosing the right outsourcing partner can help mitigate these concerns, for example, like having a large and diverse workforce that allows them to adapt to your project's requirements, and not the other way around.

Why Choose **Divelement** as Your Outsourcing Partner

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Divelement is a nearshore software development company that helps businesses **solve problems through technology and accelerate their digital transformation.** We have a proven track record of successful projects and happy clients, and we're transparent about our staffing and development practices to help ensure your high-quality results.

Divelement's Track Record:

96%
Referral Rate

60+
Happy Clients

1M+
Monthly Users

135k+
Hours Worked

150+
Projects Completed

60+
Team Members

We have the expertise to handle any project and the agility to adapt to changing requirements. **We offer the full range of outsourcing engagement models to suit your business needs, including long-term consulting and development support.** We help our clients meet their goals faster without the expense or difficulties of hiring in-house.

Schedule a call

to discuss your **software development outsourcing** needs with a Divelement expert.