

Types of Outsourcing: Local, Nearshore and Offshore

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So you have passed the point of understanding that you need to outsource your software development project. This is undoubtedly an important decision, but another stage is ahead of you. With so many types of outsourcing companies, this stage can be even more confusing.

The market now offers such a great variety of outsourcing options and types of software companies, that you really need to do a lot of research before choosing. We decided to do the research job for you, keeping in mind that the type of outsourcing company for your project is the case where every detail matters.

Why do people outsource software development?

In order to find a perfect outsourcing company which is right for you, we need to concentrate on the main reasons for outsourcing. *So why do people outsource software development?* Of course, the list can easily be prolonged, but the following are the most probable answers you will get if you ask anyone with outsourcing experience:

- They need a highly skilled staff, but cannot afford to have one;
- They are in need of a temporary help;
- Their budget is not sufficient for the office team maintenance;
- They want to create something high tech, but lack the expertise.

Types of outsourcing

The most logical classification of outsourcing companies is according to their location. Why is that so? You will find out in a minute. First you want to know that there are three main types of outsourcing:

- Local outsourcing (which is choosing a company in your own country, the USA, or in Western Europe, wherever you are);
- Offshore outsourcing (finding a team somewhere in Asia, for example, in India);

- Nearshore outsourcing (a company in a country that is not far from yours, like in Eastern Europe, if you are from Western Europe).

	Local Your country	Nearshore Eastern Europe	Offshore Asia
Cost efficiency	-	+	+
Easy access	+	+	-
Small time difference	+	+	-
Creativity	+	+	-
Cultural closeness	+	+	-
Benign environment	+	+	-
Sufficient labor market	-	+	+
Broad specialization	-	+	-
Wide range of services	+	+	-

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Local outsourcing

Domestic software outsourcing has many advantages over other types of outsourcing. Local teams are easily accessible, they speak the same language, they live in the same time zone, they have the same mentality as you do, you can control what they are doing and how, and you will always be there should any problems arise. This is all so promising and reassuring, you rush to the list of local outsourcing companies that can help, you immediately check their prices and... suddenly this is when the disappointment comes.

In countries like the USA or any country in Western Europe, the cost of living is quite high, which results in correspondingly high hourly rates for developers (100-250\$ is an average range). If you decide to take the risk and still invest in the case, remember that high rate cannot serve as a guarantee of a high quality. The chance that something may go wrong is the same as anywhere else.

Offshore outsourcing: outsourcing to Asia

India is the country that immediately comes to mind in terms of offshore outsourcing, but some offshore outsourcing pros and cons have to be taken into consideration. What catches your eye at once is the low prices. Hourly rate for software development in India is 10-20\$, which sounds unbelievable. The cost of living is low, so this is no wonder. Nevertheless, there are many hidden underwater rocks in outsourcing to India, much more than other types of outsourcing have. So what are they?

This is a well-known sad story: you get trapped by low costs, you entrust the company with your project. When the release deadline comes, they still need more time to work on it. It's OK, you think, they can take their time, this is still very cheap. Then the situation repeats and you start hesitating and for a reason, as when you get your project you might end up with something totally different from what you had expected.

There are explanations for this. Some of them are so simple, you will be shocked you haven't thought about them yourself. The first is the lack of communication. What does it mean? Your team is located far from you, when you want to reach them – the prices for plane tickets are exorbitant. Keep in mind you have to make all the necessary vaccinations to be allowed to enter the country and leave it safely. And talking about the cooperation, what about language barrier? Any cultural barriers?

Another factor is that the work standard in India is very poor. It will be very expensive to maintain the product in the future, hard-code programming will require redoing of the most part of code. In case you will decide to move to another company to continue the development, most probably they will need to start everything from scratch due to the poor architecture.

Nearshore outsourcing: outsourcing to Eastern Europe

Outsourcing to Eastern Europe for a long time was not taken into account at all, with outsourcing being called literally „an Indian business“. However, in recent years, its popularity has miraculously grown and the growth still continues. The explanation for that is that Eastern Europe in terms of software development outsourcing is a „golden middle“.

With hourly rates around 25-50\$, suitably close location, a minor difference in time zones, similar culture and mentality, Eastern Europe presents an attractive software destination. Due to the Soviet engineering-based education system, Eastern European countries are oversaturated with high-tech specialists. In addition, they offer versatile skills, both in software and hardware, and they speak the languages.

This is a perfect outsourcing choice for the projects requiring creative thinking and experimental tasks. One more advantage is that usually software companies in countries like Poland, Estonia or Ukraine offer a full range of services, unlike offshore Indian companies. Your product most likely will not only be developed, but fully supported.

You still have to be attentive and pay attention to many other details. Just to be on the safe side, you'd better get acquainted with our [list](#) of signs that you have made the wrong choice. We hope our research helped you to find the type of outsourcing company you were looking for and saved your time and money.