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FOUR PROBLEMS WITH OFFSHORE SOFTWARE DEVELOPMENT

Why onshore matters and how it can reduce total project costs, develop higher quality products and improve your life

OFFSHORE DEVELOPMENT DOESN'T WORK

For decades, with the internationalization of IT and the ability to push work to lower cost centers, the thought of six-to-one salary ratios have enticed finance departments. As they sought work to push offshore, software development was often one of the first pieces to go.

This experiment has gone on long enough. While offshore software development might make the bean counters happy, it hinders businesses from producing quality applications as rapidly as needed. And, the managerial and logistical nightmare of it all further erodes any potential financial gain.

This paper will examine the problems with offshore software development and:

+ **Present four common pain points of offshore software development and how they affect quality and speed of development.**

+ **Show how onshore development provides solutions to these issues.**

+ **Highlight the outcomes and overall value of onshore software development solutions.**
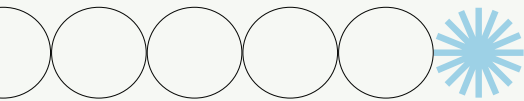
Catalyte delivers 100% onshore resources at the project, team and individual level. ——— **Hire the right talent**

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Four pain points of offshore software development

Many organizations that offshore software development experience pain points that rob them of the benefits of offshoring in the first place. These include:

+ *Communication issues*
+ *Difficulty in knowledge transfer*
+ *Lack of agility*
+ *General cultural disconnect*

1. Communication issues

Anything that expands the distance between people will make communication more difficult and end goals harder to achieve. **Offshore software development creates three main barriers to effective communication: time, location and culture**.

Time

Follow the sun. This was, for a while, the mantra in favor of offshoring software development. By following the sun, or having remote teams spread across the globe, you could effectively have a 24-hour, always-on workforce.

But, with that potential benefit came the real problem of time, particularly the time it takes to manage such a workforce.

Take the example we are all familiar with: the time difference between a New York and a San Francisco office. With just three hours of separation, workers in these locations are still frustrated with emails sitting for hours (or overnight) without a response, or having to completely change their usual schedule to accommodate a team on the opposite coast. This results in many very early mornings or late nights.

This problem is greatly exacerbated when the time difference between an onshore manager and offshore development team is 6, 10 or 12 hours. This easily leads to breakdowns in communication as the manager or workers are either left waiting for critical information or have to try and explain complex daily requirements at all hours of the day and night.

Location

Hand in hand with time is the issue of location. Not only do you have the pain of flipped schedules, but with **each new offshore location comes the headache of local laws, regulations and taxes**. The costs to understand and navigate a new country, or even state or province within a country, quickly add up. They eat into or erase any of the cost benefits offshoring offers. Your offshore developers might be a cost savings, but that expensive onshore lawyer certainly isn't.

Culture

When offshoring, you are most likely dealing with a provider that is rooted in different cultural traditions. Most American businesses value independence and an air of controlled chaos. "Just get it done!"

Many offshore software development providers have more rigid and controlled cultures that discourage autonomy. This clash of cultures can lead to missed opportunities or software issues not rising to the surface quickly enough. With the demands of innovation, the ability to pivot is a valuable commodity. Can an offshore provider do this with enough speed to meet customer demands? Is agility or innovation built into their company culture?

2. Difficulty in knowledge transfer

Knowledge transfer is the important first phase of any offshore development engagement. This is when moving a project or product from an in-house to a blended team or a fully independent team occurs. The external vendor must quickly ramp to take over all the work.

Offshoring gives you two, equally dubious options for knowledge transfer. You can:

+   **Transfer knowledge remotely.**

+   **Fly in and put up teams for a prolonged period of time.**

With remote knowledge transfer, you lose the impact of in-person communication. No matter what communications tools providers want you to think, no video stream or chat channel can match the nuance or effectiveness of putting a team in the same space for several weeks. It's the small things that you can only notice while in person, over lunch or whiteboarding that make the difference in long-term success.

The second option, to fly in and put up a remote team for several weeks, negates the cost-effectiveness of offshore software development.

CFOs will try to keep cost as the primary outcome of an offshore development engagement. But the company will **either have to pay more upfront to ramp an offshore development team or end up spending multiples on the back end cleaning up the mess of remote knowledge transfer**.

3. Lack of agility

The iterative nature of development is a huge benefit to any organization. The entire agile process of customer requirements, development, testing and customer review means IT organizations must be instantly responsive.

Agility at this level is hampered with offshore vendors. The **time difference and locations of offshore development teams makes it difficult to respond quickly**. It's hard to rapidly iterate when you have a 12-hour separation of teams and one team just throws its work over the wall to the next.

4. General cultural disconnect

It's very hard to conceptualize and then develop an application if you've never used that type of product or service before. While this issue is not as acute as it was a few years ago, given the rapid adoption of mobile technologies around the globe, not everyone is conversant with what you want to develop.

The cultural environments in which products come to market still matter. Take American health care, for example. It's difficult enough for developers to know the specific regulatory and plan intricacies from one state to the next. This problem is exponentially compounded by someone who has never had to experience the frustration of trying to figure out billing codes, in-network vs. out-of-network coverage or HIPAA regulations.

Intimate knowledge of your customers or end users is key. **Developers have to live and breathe your company culture, your product and the environment in which customers interact with and use that product**. This is very difficult to do when you have an offshore software development team.
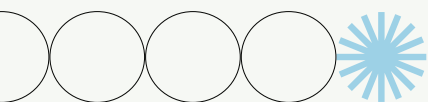
Onshore software development solutions

These four pain points can rob offshore software development of its cost benefits and create a chaotic web of middle managers that rob it of agility, innovation and effectiveness.

Onshore software development can restore these benefits and create circumstances where developers not only support, but also drive key business initiatives.

Improve communication with onshore software development

You can improve all three aspects of communication – time, location and culture – with onshore software development.

Having a development team in the same time zone means that communication plays out in real time. Issues can be resolved with an email or Slack message that is answered immediately, not left for someone on the next shift who has little-to-no knowledge of the problem.

Having an onshore development team as close as possible to the main development organization ensures the most accurate and effective level of communication. Innovative software that focuses on core business strategy is best developed, in terms of cost and outcomes, by an engineering team in one place, working on one thing.

Working with an onshore software development team also means that, most likely, you are working with vendors and people who are empowered to improve products and processes. They are built to get things done without much hand-holding or oversight.

This level of autonomy throughout a team, from top to bottom, cuts down on delays. QA tester finds a bug? They fix it. Developer figures out a way to decrease latency in an application? They implement it.

Thorough knowledge transfer to onshore development teams

As discussed, knowledge transfer with an offshore software development team has two equally poor outcomes:

+   **You either overpay to fly in the team and put them up in a hotel for an extended period.**

+   **Or, you do it remotely and risk the transfer being incomplete and face mounting costs to fix issues down the road.**

SOLUTIONS

1. Improve communication with onshore software development

2. Thorough knowledge transfer to onshore development teams

3. Onshore software development increases agility

4. Cultural alignment with onshore software development teams

With an onshore development team, knowledge transfer isn't limited by time or cost. Daily interactions between the core development team and the outsourced, onshore team means that know-how is constantly transferred. Something uncovered in the morning can be shared over lunch and implemented that afternoon.

The **ramp in specific domain expertise is also faster and more extensive with an onshore development team**. For an offshore team, to minimize time and cost, you create a list. Once that list is complete, so too is the knowledge transfer.

But that's not how the real world works. Just as there's no "done" with iterative software development, there should be no end state with knowledge transfer. Often, the most valuable bits to transfer won't be on a list, but overheard in the hallways or shared offhand over Slack.

Onshore software development increases agility

The closer the outsourced development team is to the client development team, the easier it is to incorporate agile methodologies. Daily stand-ups and other rituals were developed to happen in person, if possible. If not in person, onshore software development allows these rituals to happen during the flow of a standard business day without after-hours interruptions.

A way to think about this level of agility is with the culinary analogy of "farm-to-table." Most restaurants don't grow their own food, because that's not their expertise. They outsource that "service" to a farmer.

But, the closer that farmer is to the restaurant, the better the product is. And, the closer the two are, the quicker they can both respond to changing customer tastes or seasonal ingredients.

The exact same is true for development work. **The closer the business and onshore team are, the better the product is** and the quicker both can implement new strategies to meet evolving customer demands or changes in technology.

Cultural alignment with onshore software development teams

If you are outsourcing software development, your vendor needs to have a tight cultural alignment and understanding of the development environment. Without this, you risk creating off-brand products or software that will lead to customer frustration.

This alignment is best made with onshore software development teams. For all the reasons mentioned, they are best equipped to understand user needs and concerns, match the culture and pace of your organization and be able to implement the agile methodologies that result in faster, more productive software outcomes.

Outcomes and overall value of onshore software development

Onshore software development solves more than these four pain points. It offers holistic value that makes the switch in strategy from offshoring to onshoring really worth it.

Reduced total cost of ownership

Taken holistically, **onshore software development can reduce total cost of ownership as compared to offshore**. Costs for knowledge transfer, ramp, increased overhead of management of offshore team, remediation of subpar work and prolonged time to market all add up to make onshore options more cost effective. You can read more **about these hidden costs of offshoring here**.

Renewed focus on "bread and butter" work and revenue streams

The reason you outsourced at least a part of software development is so you can devote more time, budget, resources and energy to what you do best. In some circumstances, that may mean that you've only outsourced QA or UI while focusing on development. For businesses in non-technical industries, that might mean outsourcing full projects or products.

The less you have to manage, the more you can focus on your core business and what makes you money. **Onshore software development comes with reduced oversight and management needs**, allowing you to get maximum output with minimum effort.

Corporate social responsibility and diversity, equity and inclusion benefits

Many enterprises have extensive corporate and social responsibility or diversity, equity and inclusion obligations. You will not meet these goals by offshoring software development work.

However, you can be on a path to **increase both the quality and diversity of your technical workforce if you work with the right onshore development provider**. That provider should have a pipeline of talent available, fully vetted and ready to work now. They will have talent across broad demographics, including many resources from historically excluded groups in tech.

Improved work-life balance and employee satisfaction

In a workers' market, it's hard for companies to attract and retain top talent.

Onshore software development can help by showcasing that your enterprise is serious about work-life balance. Which do you think is more attractive to a potential project manager: overseeing a team one time zone away, or managing one that's 10 hours away? Which will get her home to her daughter on a regular basis? Which will keep her up at 2:00 a.m. on the phone fixing critical issues?

It might seem like a small thing, but it shows you care about your employees' whole person and are willing to invest in giving them the best chance to succeed and create fantastic, innovative products.

Reduce your total cost of ownership, develop higher quality products and improve your life.

Hire the right talent

Catalyte has redefined hiring. Its proprietary AI uses 500+ data points to unbiasedly discover and develop high-potential talent. By elevating aptitude over pedigree, Catalyte deploys a workforce that looks like America and that helps its clients boost productivity, quality and diversity metrics. By giving high-grit, high-aptitude talent the opportunity to launch new careers, Catalyte transforms individuals, companies and communities. For more information, visit **www.catalyte.io**.

MAKE THE RIGHT HIRE EVERY TIME

Get started

CATALYTE'S ON-DEMAND TECH TALENT

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Tech resources
100% vetted tech talent ready to deploy when you need it.

100%
Onshore
Best onshore resource pool available to fill your needs fast.

20+
Year history
Trusted resource for forward thinking companies.

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