

In-house vs Outsourcing Software Development: Which Is Best For You?

What kind of team do I really need?



In some cases, it's worth investing in your own team, who will develop your project successively over time.

In others, you will benefit more from hiring a remote team, choosing either near-shoring or offshoring development. Let's talk about the latter, and its pros and cons, first.

You can also opt for a mix of both; hiring key roles in-house, and outsourcing work that will only need to be done during initial development, before moving the maintenance back to your team.

Let's now compare in-house and outsourced development.

In-house development: Investing in your own team

Retaining in-house staff is a sound long-term strategy. Long-term projects and developments would benefit from an in-house IT developer with intimate knowledge of company operations, the local language, as well as culture, particularly for already-established organisations.

This strategy would be otherwise ineffective for 'quick entry-to-market' product times, which would require only per-project staff. In such situations, only a 'seasonal' approach of hiring developers is necessary.

Of course, hiring In-house sometimes comes down to a simple sentiment. Some companies would rather have staff 'close-by and on-site'. This is understandable, as organisations seek a more hands-on approach to IT.

Larger enterprises would maximise full-time developers, as talents would always be put to effective use. In the case of smaller upstart organisations, the initial need for talent in-house may be less pressing on such grand a scale.



In-house development: Investing in your own team

The Fundamental Problem

The term 'permanent talent' is becoming an oxymoron.

Not all start-ups situate in population centres, either! Regional metropolitans seldom offer the calibre of talent and expertise that'd be

otherwise available in large cities.

Developers are a skilled class of people. And as universities offer increasingly niche IT degree varieties, even graduates are among the most competitively-paid entry-level employees. This situation paints a highly-lucrative job market for prospective IT developers.

On the one hand, companies look for on-site workers, providing consistent quality IT development. On the other hand, that worker may be highly-skilled, and thereby present a cost burden to the company, particularly in high-income countries.

Prevailing Challenges

Market forces are as strong as ever – and wages will continue to rise, particularly in this very competitive job market.

Tight HR budgets pressure the need to provide quality. Barriers to entry into the marketplace are tougher when adopting a traditional hiring model. In this case, smaller firms may experience competitive disadvantage, if playing by the same set of rules as larger firms. Should they choose to do so, their end-product will ultimately lag.

Respective of the cost vs product outcome, a cost-benefit analysis will likely rule contrary to the benefits. A smaller in-house team is unable to compete with seasoned teams inside larger firms, which exert scale economics on development tasks.

It's going to be expensive. That's unless you can leverage your workforce, as larger companies can. This leaves smaller companies exposed the stinging winds of change.



In all, when playing by numbers as a smaller company, the odds are stacked against you.

In-House: Out-Dated

Salaries for IT-centred jobs across Europe are rising considerably and with a remarkably simple formula. This supply-demand perfect storm is a lucrative career path for some and an expensive investment for others.

Of course, in-house IT development quality is not based upon in-house placement, as such an endeavour takes time to implement and verify. Smaller companies would need to invest more time in finding the exact persons to suit their needs.

Outsourcing is a valid solution to address IT voids and can be very cost-effective. This does not mean it is ideal for all involved. We recommend looking within to recognise the company's needs as well as the requirements of the customer.

In the short term, in-house is out of reach of smaller companies. As far as solutions go, the best bet would be to outsource in the immediate term.

Thankfully, this has never been easier. Tools are readily available, to help link SMEs with IT developers offering tailor-made solutions. Emerging companies would do well to examine regions boasting world-class IT infrastructure, with similar work cultures to their home countries.

Such is the winning formula helping to determine the premium quality of IT staff. In all, as Western Europe begins to lack the availability of IT staff, the dilemma will grow.



Following project management best practices brings control, flexibility, and transparency to IT projects. Adapting these processes to the client's needs, however, results in truly agile software development.

Piotr Dobrowolski
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Outsourcing Software Development

Outsourcing is contracting services to an outside supplier. It is beneficial for many reasons, within telecommunications and manufacturing. Most recently, it is favoured by businesses in the IT industry.

As the IT costs for business are rising across the developed countries, the demand for IT jobs is growing, with increasing deficit of IT staff, IT

outsourcing has been a major boon for companies in Europe.

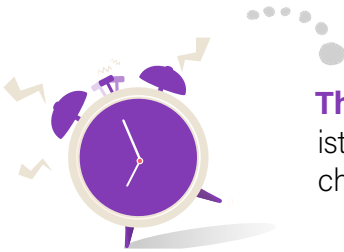
You may understand it within the prism of 'strategy', as a proactive mechanism for bottom-line growth. And in light of Europe's demographic timebomb, and the chasm of wage disparity, it's becoming elemental to companies' survival.



Outsourcing Pros and Cons

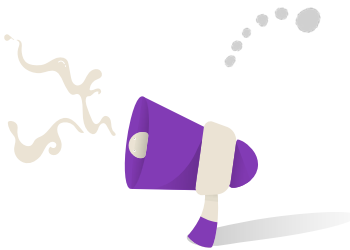
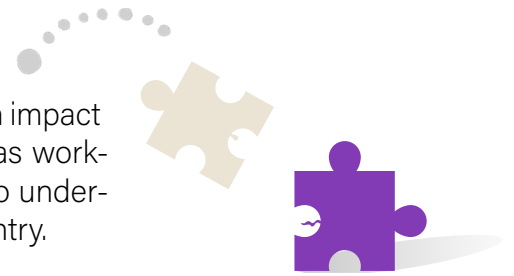
Manageable Challenges

Outsourcing has its pitfalls, though these can be kept shallow.



The time difference between Copenhagen and Warsaw is non-existent. For UK companies seeking to outsource to Europe, a one-hour change makes scheduling conference calls a minimal hassle.

Cultural differences persist between nations. This has an impact on working hours, break times, holiday periods, as well as workplace relations. Keep each one in mind, and make sure to understand the subtle disparities between each European country.



Language too is as important as ever. To prevent misunderstandings between the client and the software house, companies are requesting that developers speak the company's local language. In some cases, companies may find initial difficulties, particularly for less-spoken languages.

Political and economic instability is rife in the most unexpected places. Therefore, it's important to assess the hard facts. When choosing your next outsourcing destination, keep statistics and news headlines in mind.



Tougher- to-Manage Challenges

Trust is key. And maintaining that trust is central to a brand's integrity.

Look for highlights in major publications, like the Wall Street Journal, or the Financial Times. They feature lists of top companies, such as FT 1000, which can aid in a preliminary search for an Outsourcing partner.

Industry awards by the major consulting agencies can also help understand a brand's standing – think Deloitte, Ernst & Young, or PwC. The most promising companies are assessed and appraised in self-titled rankings, such as the Deloitte Fast 20.

So, while there is no set metric determining levels of integrity in a brand, it's important to look for the best association.

Respect for intellectual property is a sacred issue today.

Information spreads fast. However, the same principle applies – the enforcement of Non-Disclosure Agreements (NDAs), as well as legal mechanisms ensuring the protection of property.

Believe it or not, some countries fare much worse in this area than others. We recommend banking on a company with a good track record in respecting the rule of law, and intellectual property.

IT Outsourcing Merits in SMEs & MVPs

Start-ups benefit just as much, and for the same reason. From a cost perspective, outsourcing IT development is an ideal solution to adopting a Lean IT model. By enabling a cost-effective workforce, start-ups with limited seed funding can find early reliable pillars to their Minimum Viable Products.

In the short-term, outsourcing can be an incredible relief from busy work that happens 'in a flash'. Most importantly, this helps companies focus on the core aspects of their business.



The fact is, outsourcing helps carry some weight off your shoulders. It's akin to 'hold this box for a moment, while I flip this switch' – imagined on a grander scale.