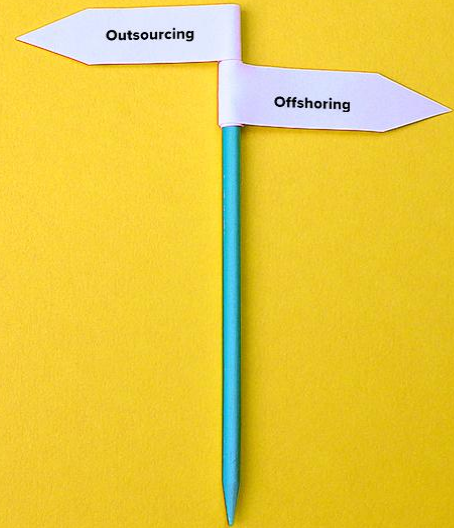




Outsourcing vs Offshoring: Is There a Clear Winner?





Introduction

The growing demand for IT engineers in the West and the eruption of talent in Asia has led to the popularity of models like outsourcing and offshoring.

However, [outsourcing and offshoring](#) represent two utterly contrasting business models. Let's discuss the two models, their **benefits and drawbacks within specific business types**, and which model is the best fit for your company.





The Evolution

Outsourcing

The Industrial Revolution radically changed how businesses operated.

The technology was now so powerful that by **scaling operations, companies could leverage massive economies of scale and increase profit margins.**

Unfortunately, this led to a bloated and complex management structure.

Thus, companies decided to focus on their core business and 'outsource' their support functions.

Offshoring

While the outsourcing model of the 90's worked amazingly well, the expectations of businesses began to rise, and they wanted more.

They began searching for a business model that was cost-efficient, scalable and gave business owners complete control and ownership.

And at the turn of the 20th century, offshoring came into play.



The Pros – Outsourcing

Flexibility

Outsourcing contracts can be managed as little as a few hours or days at a time — **the engineers you hire only work when you actually need them.** This level of flexibility is particularly important for companies whose work is more sporadic.

Cost-effectiveness

Outsourcing is a business model that usually comes with low cost and, therefore, significant savings. According to a study conducted by Deloitte, **outsourcing functions to an external party reduce the total cost by almost 45%.**

Resources

Outsourcing to a third party means you can focus completely on the core competencies of your business.



The Pros – Offshoring

Ownership

In the offshore business model, unlike with outsourcing, the company keeps **full control** over their core business.

Talent

Countries like India and the Philippines emphasize educating and training their people; the result is a massive number of **skilled, well-educated, and English-speaking talents** just waiting to be hired. That's the quality offshoring gives you.

Cost-effectiveness

Offshore teams in countries like India are incredibly talented and passionate about what they do. Because of the lower cost of living than in the West, **offshoring allows companies to access this exceptional talent** without the same huge costs as at home.



The Cons – Outsourcing

Loss of control

When a company outsources to an external team, it inevitably loses control over how the work is being conducted. This could lead to **poor communication and visibility** between the company and the team, potentially undermining the project's success.

Hidden costs

Companies must always be prepared for any hidden costs which the vendor might bill them for at a later date. By focusing too heavily on the costs, businesses may also end up hire people without the **necessary skills for the job.**

Lack of customer focus

Your outsourcing partner may be catering to several other businesses at once. This makes it impossible to **expect 100% focus** and attention from them.



The Cons – Offshoring

Geographical distance

Sometimes, collaborating with a **team in a different time zone** can be challenging. When the necessary procedures are implemented poorly, it can lead to delivery lags. This is offset by an experienced offshore partner who'll ensure the means of **collaboration are properly implemented**.





Outsourcing vs. Offshoring: The Better Model?

For short-term projects that don't last for more than a couple of months, high-quality outsourcing is usually the strongest option.

However, if you're a company looking to enhance your operations by building a team hand-picked from a deep pool of talent — while still retaining complete control of the process, then **offshoring is the way to go**.

There are a few challenges that you may need to overcome, but the result is that you get to work with a team that you can call your own.

| | Outsourcing | Traditional offshoring | Offshore 2.0 |
|-------------------|-------------|------------------------|--------------|
| Quality engineers | ✗ | ✗ | ✓ |
| Your own team | ✗ | ✓ | ✓ |
| Fast to hire | ✓ | ✗ | ✓ |
| Scalability | ✗ | ✓ | ✓ |
| Value for money | ✗ | ✓ | ✓ |



Offshoring 2.0

We, at The Scalars offer **Offshoring 2.0** — the new generation of offshoring.

This model focuses on building a **fully-integrated development team** by hiring the very best talents for businesses across the globe. The team you build becomes a **value-adding extension of your local team**, contributing to projects and helping you scale.

Thank you



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