THE SCALERS

4 Reasons Why Companies Use Offshoring

Introduction

Offshoring allows businesses to access **talented engineers at a lower cost** than at home.

While that is a definite advantage, what are the actual business benefits of building an offshore team, financially and operationally? **Why do companies use offshoring?**

Let's dive deeper…

What is offshoring?

Fundamentally, offshoring is a model that helps increase a business's output and improve its technical expertise **without undue stress, hassle, or cost**.

By going offshore, organisations can **scale their business with a new team** with new (or complementary) skills. Aside from being located in another country, it's no different from hiring locally.

Why are businesses using offshoring?

1. Higher profit margin
2. Access to niche talent
3. The opportunity to scale sustainably
4. The administrative burden is not increased

Why are these salaries so different?

There's no industry where skilled Indian workers cost more than in the West. And that's because of the **differences in the cost of living**.

Lower cost of living = lower salaries. Therefore, salaries will remain smaller in India, regardless of the quality of service.

It's everything else — offices, admin, etc., that are most important. Handled correctly by your dedicated offshore partner, **offshoring offers higher margins** and, therefore, higher profits.
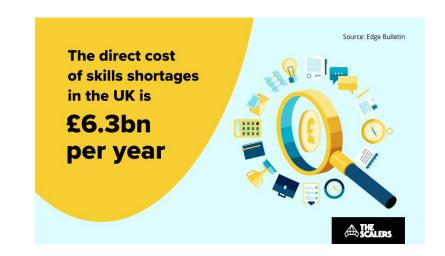
2. Access to niche talent

One of the primary reasons why hiring engineers in the West is expensive is because their **skills are incredibly in demand.**

In the USA alone, **250,000 software engineering jobs** are currently unfilled, and increasing. There simply aren't enough new developers to fill the gaps.

Today, the main reason companies are looking to build offshore teams **isn't cost, it's availability.**

Source: Edge Bulletin

The direct cost of skills shortages in the UK is **£6.3bn per year**

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India: An emerging IT hub

India produces **1.5 million engineering graduates every year**. Thanks to the high training pedigree and fluency in the English language, these engineers roll out of university ready to work.

Combined with the lower rates, the argument is a no-brainer.

Recruiting world-class engineers requires an experienced hand, but in India, there's an extremely accessible pool of talent to get you started.

3. The opportunity to scale sustainably

Taking on new employees and scaling the business presents a **significant financial risk.**

If those employees quit early, you could be **overburdened with work**. The quality drops, clients go elsewhere, and your business is in trouble.

On the flip side, if everyone stays but you can't drum up new clients, you're **left with spare resources**. Again an unsustainable situation.

With an offshore team, things are a little different.

Simplified scaling

First, the **cost of recruiting is lower**. Thanks to the reduced payroll, a business could shoulder down periods more easily with an offshore team.

At the same time, **expanding your offshore team** can be done much faster. We have brought multiple groups of engineers to our partners' teams in as little as 4 weeks. Vetted, tested, and ready for work.

And since the offshore team will have ample, inexpensive office space, there's no concern over moving to larger property. **You can scale at speed without any limits**.

4. The administrative burden is not increased

Expanding any team is usually a big logistical effort. With offshoring, all the administrative duties are taken care of by a **dedicated offshore partner**.

As an offshore partner, our role is to make this **transition as effective as possible** while also limiting stress and inconvenience for you.

At the end of the day, offshoring with the help of an experienced, versatile partner makes all the difference. It allows companies to leverage all the **benefits of offshoring without compromise.**

Thank you