



**What's the difference
between outsourcing,
offshoring, and
nearshoring?**





Introduction

When companies want to scale their development team, they often look for talent locally .However, it's easier said than done. Today, an acute shortage of developers has led to the **increasing popularity of models like 'offshoring', 'nearshoring', and 'outsourcing'**.

Most of the information available on the Internet is vague and limited. So, we'll talk through the definitions, pros, and cons of all four models.



1. Outsourcing

Outsourcing means engaging third-party vendors on a contract basis to deliver software. This either means working with freelancers, or vendors who work with freelancers and is **typically the cheapest way** of getting work done.

Defined by low cost, it's traditionally used by companies looking to make significant savings, particularly over the short term.

- Flexible and quick to implement
- No resources spent on idle engineers
- Great for short-term projects

But **the developers aren't your employees**, have no investment into your business and are working on multiple projects for multiple clients simultaneously. This is a quality risk.





2. Offshoring

An [offshore development](#) team is a handpicked team of engineers, based in another country, and **they are full-time employees of your business**. That's the core difference between outsourcing and offshoring.

- Genuine colleagues, not external support
- Aligned to your company, invested in the mission
- Great for long-term team augmentation

With the right offshoring partner **you can scale up quickly and sustainably**, which is a potent combination. For companies looking for growth or to engage engineers with rare or niche specialties, offshoring is a proven and powerful approach.





3. Nearshoring and onshoring

Onshoring and nearshoring are essentially **just offshoring in the same country**, or very close to home, respectively. Sharing a time zone is a nice benefit as it means any logistical obstacles are mostly averted. However, what businesses gain from proximity, they lose in talent scarcity.

- Little to no time difference
- No cultural gaps between employees
- Closer to visit in person

Onshoring is only leveraged in very expensive cities. A company in central London, for example, might situate their software team in a separate, less expensive city. But **this doesn't solve the problem of talent shortages** in Western Europe.





Wrap it up



Offshoring – A sustainable way to **build a permanent software development team**, or scale your existing one

Outsourcing – A low-cost way to deliver short-term or temporary projects

Onshoring – A rarely implemented model, similar to offshoring without the financial benefit or flexibility

Nearshoring – Offshoring, but much closer to home

Thank you

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