

Onshore vs. Nearshore vs. Offshore: What's Best for Your Dutch Business?

First and foremost, you should choose which type of outsourcing fits your needs best. Each outsourcing model has its perks and downsides, so your decision should depend on your business goals. Let's figure it out!



If you've glanced through the Dutch news over the past few years, you may have read that **38% of programmers** in the Netherlands were approached with a job offer more than once a week in 2016, which shows that competition for developers in the country is high. In 2017, a **quarter of firms** in the Netherlands had staff shortages. **The latest report** by the Amsterdam Economic Board shows that demand for junior tech talent doubled in 2017, reaching the ratio of 26 job vacancies per available junior tech worker. Given that the Netherlands has been called the new Silicon Valley, these numbers don't sound promising.

But there is a simple solution: if you can't find a good team in your home country, consider outsourcing as an option to extend your team and level up your business.

Why do companies outsource?

Skype, GitHub, Slack. These are just a few of the famous companies that have outsourced their development. Why would companies now worth several billion dollars outsource their development? There could be several reasons.

The first major reason is the one I mentioned above - a shortage of tech talent. Here are some of the other reasons.

Cost

The cost of software development is much lower in China or Ukraine than in the US or the Netherlands, and outsourcing might be a perfect idea if you're striving to save money to develop and improve your business.

Nearshoring and offshoring **saves on average 40%** for US IT firms:

Sample Cost Savings From Outsourcing

	In-house Development	Offshore/Nearshore Developer
Number of Developers	10	10
Man Hours Needed	20,000	20,000
Hourly Rate	\$60	\$35
Employee Benefits	✓	✗
Taxes	✓	✗
Training, Retention	✓	✗
Travel	✗	✓
Estimated Cost	\$1,6 Million Minimum	\$700k + Travel

Cost savings from outsourcing

As you see, the difference is significant. Having a local office is definitely the most convenient option, but outsourcing can give you a chance to invest in your business's future without compromising on quality.

Time

A local team requires an office, plus time and money spent on recruiting, training, and retention. In addition to the cost, it also takes a lot of time to build and support a local development team.

When you outsource development to the right company, you get a partner that starts delivering real business value within weeks, not months or years.

You also don't need to set up the workflow in your local team from scratch, but instead get an assembled team that's ready to start working right away.

Freedom

Here's what one of our partners says about outsourcing development:

“Doing a workshop via Skype gives me a lot of freedom. You can be anywhere in the world and still have a development team working with you.” – Niels Jansen, Chief Technology Officer at Swishfund

Indeed, you can work from any place and communicate with your team using Skype and project management tools. And with team leads and project managers on the outsourcing company's side, you don't have to worry if the work is happening let alone be there in the office to monitor the team's progress.

Focus on business tasks

With outsourcing, you can lift the burden of technical and administrative work from you and your team and focus on developing and improving your business. An experienced outsourcing company will take responsibility for everything related to development, freeing up your schedule and giving you a chance to solve your critical business tasks. As Peter Drucker says, “Do what you do best and outsource the rest.” Makes sense, doesn't it?

So you want to outsource your development

First and foremost, you should choose which type of outsourcing fits your needs best. Each outsourcing model has its perks and downsides, so your decision should depend on your business goals. Let's figure it out!

Onshore: convenient but expensive

Onshore software development means that you outsource your development to a company in your home country.

Obviously, this type of outsourcing is the most convenient as you have an opportunity to visit the office and meet in person anytime you want. You probably speak the same language as your team and there's no cultural barrier.

This is especially important at the very beginning of the partnership when you're trying to explain all business-critical tasks to your outsourcing partner or when you encounter a conflict situation. It's much easier to explain your point of view and understand the point of your colleague if you speak the same native language.

The main disadvantage of this type of outsourcing is its cost. Compared to offshore and nearshore development, onshore development is the most expensive.

According to PayScale, the average salary for a software developer in Amsterdam is \$56,490 per year, while in Ukraine it's \$24,652, which is quite a noticeable difference.

In the Netherlands, onshore development is the most expensive as well as the most challenging option because of the shortage of developers.

Offshore: costs less but difficult to maintain

Offshoring is outsourcing overseas or more than four time zones away.

This option is the cheapest. Accelerance, a company that assesses outsourcing companies, has created a global software outsourcing rates report:

2018 GLOBAL SOFTWARE OUTSOURCING RATES

Title of Full Time Employee (FTE)	United States	Latin America	Eastern Europe	Asia
Business Analyst	\$110 - \$205	\$45 - \$55	\$40 - \$63	\$30 - \$42
Architect	\$198 - \$292	\$60 - \$72	\$50 - \$77	\$35 - \$48
Project Manager	\$133 - \$233	\$55 - \$66	\$45 - \$70	\$35 - \$48
Jr. Developer	\$105 - \$111	\$35 - \$44	\$25 - \$42	\$18 - \$24
Mid - level Developer	\$132 - \$140	\$30 - \$52	\$35 - \$56	\$24 - \$35
Lead Developer	\$176 - \$187	\$50 - \$61	\$45 - \$70	\$30 - \$42
Sr. Developer	\$154 - \$163	\$45 - \$55	\$45 - \$70	\$30 - \$42
Junior QA	\$77 - \$81	\$30 - \$39	\$25 - \$42	\$15 - \$24
Mid - Level QA	\$99 - \$105	\$35 - \$44	\$30 - \$49	\$20 - \$30
Senior QA	\$143 - \$169	\$40 - \$50	\$40 - \$63	\$25 - \$36
Graphic Designer	\$79 - \$163	\$40 - \$50	\$35 - \$56	\$25 - \$36

Latin America includes Mexico and Central and South America.

Eastern Europe includes Armenia, Belarus, the Czech Republic, Poland, Romania, Russia, and Ukraine.

Asia includes Pakistan, Sri Lanka, India, Bangladesh, Vietnam, and the Philippines.

The prices may look incredibly attractive, but when you choose offshore development, you have to be ready for communication issues like delays due to time zones, cultural barriers, or lack of understanding because of the impossibility to meet in person. In the worst-case scenario, you may get a result that's totally different from your expectations. And unfortunately, sometimes it's easier to develop software from scratch rather than try to fix an existing app full of mistakes because of misunderstandings between a business owner and an outsourcing company.

Offshoring is the best option for those who want to cut down on development costs as much as possible, but you should put maximum effort into choosing your offshore partners, as fallout from poor communication can be fatal for your business.

Nearshore: the optimal choice

Nearshoring means outsourcing your development to countries in nearby time zones and that you can easily travel to. Nearshoring companies offer affordable prices compared to running your own development house or choosing onshore development.

At the same time, nearshore teams are easy to maintain, as on-site visits can happen more frequently and it's easy to collaborate when you're in the same or a nearby time zone. These benefits make nearshore development the optimal choice.

When choosing a nearshore company, you should check:

- Where the management of the company is situated and registered. Of course, it's better if the company has an office in your country that uses the same document system and processes. This is especially important if you have a conflict with your development company. If the company has an office and is registered in your home country, at least you know who to go to and where to send your inquiries if something goes sideways.
- If the management speaks your language, that's also a big plus.
- The level of English among developers. Good English is crucial if you want to get your project done right and on time.

HYS Enterprise is a nearshore development company for the Netherlands market. We have an office in Amsterdam, where our Dutch-speaking management is always available for consultations. Our development facilities are in Ukraine, which is only six hours from the Netherlands by plane. All HYS developers have an upper intermediate (or higher) level of English. This helps us start easily and work with our partners as one team.

Summary

So what's best: onshore, nearshore, offshore? This is the wrong question, as your choice should depend only on your business needs. The right question is: What's best for my particular business?

Onshoring is a great option for businesses that simply don't want to have their own offices (or don't want to extend their offices). This path is perfect for those who want to save a little money and avoid unnecessary problems with office management and recruiting but still want to constantly be in touch with the development team and meet in person anytime they want. In the Netherlands, however, onshoring is the most expensive and challenging option.

Offshore development is a good idea for small companies that need to save as much money as possible with outsourcing and use this money saved to grow their businesses. But this type of outsourcing is the riskiest. To make it work, you should establish a connection with your remote team at the very beginning of collaboration and stay on the same page until the end.

Nearshoring is for those who want to balance price and convenience. This option costs less than onshore or local development while being almost as convenient. The choice is up to you!