ACCELERANCE

The Global Software Outsourcing Authority®

2023 Global Software Outsourcing Trends and Rates Guide

Click on the titles below to go to the topic.

2023 Global Software Outsourcing Trends and Rates

Topics

2023 Context: Global Insider Point of View

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Another year, another crisis. Last year, our focus was on pulling out of the pandemic. This year, it's the specter of a potential recession. In any case, Covid-19 isn't done with us yet.

Economists surveyed by the *Wall Street Journal* in June of 2022 put the probability of the US economy heading into recession in the next 12 months at 44%. Rising interest rates, inflation and ongoing supply chain disruption are hurting everyone, virtually everywhere.

While the outlook for the software sector remains relatively bullish – Forrester Research predicts 10.5% growth in technology investment globally this year – IT leaders need to prepare for challenging economic conditions ahead.

They were already grappling with talent shortages, ballooning developer costs and ongoing pandemic-related disruption. Now they are preparing to make budget cuts and adjust revenue projections.

We will all need to be adaptable to navigate what is ahead. Thankfully, software outsourcing helps us achieve that. If it plays an invaluable role in offering affordable access to talent and resources in boom times, it really comes into its own in tough times.

Outsourcing lets you adjust for economic uncertainty and keep operating and administrative costs low so you can pivot to meet the changing needs of your customers. Some of the biggest US companies weathered the 2008 global financial crisis by downsizing and outsourcing.

It's a proven method of maintaining productivity and taking pressure off your in-house development team. If you're apprehensive, we don't blame you. Ambitious plans that were hatched early in the year may now need to be shelved due to the changing economic climate.

On the other hand, we are still seeing a strong appetite for digital transformation and cloud migration projects that improve efficiency and the customer experience. While many tech companies are trimming headcount, the market for skilled tech workers remains incredibly tight. We see developer rates slowing in the next year following two years of striking increases.

The crippling war in Ukraine sadly challenges the country's ability to serve as a major outsourcing destination. We stand in solidarity with our partners there who have distributed their people across safer regional locations to keep their projects on track. Ukraine will come back stronger than ever, but rebounding will take time and uncertainty remains.

The only constant at the moment seems to be uncertainty. But our 2023 Global Software Outsourcing Trends and Rates Guide helps you cut through the chaos with expert facts and insights. Recessions have forged many a great company. This is your opportunity to thrive.

Andy Hilliard in
Accelerance CEO

About the 2023 Guide

For more than 20 years, Accelerance has had its finger on the pulse of the software development outsourcing sector. As the leading Global Software Outsourcing Authority®, we've helped thousands of clients use outsourcing to drive strategic change and navigate business cycles.

We bring that deep experience to our 2023 Global Software Outsourcing Trends and Rates Guide. Our insights are mined from our global network – the world's largest collection of certified software development firms across more than 30 countries and 60 industries. Now, more than ever, a global view is critical to understanding the challenges and opportunities created by the pandemic, geopolitics and the shifting economic climate.

We could all use a large dose of perspective to help us process the tumultuous last few years. Along with our proprietary insights, we've curated key trends and the latest data from industry thought leaders and certified outsourcing partners.

The detailed information in this guide is designed to support your software investment and decision-making in the coming year.

It's a go-to source for expert insights, benchmarking, proposals, skills gaps, tech priorities, professional development and predictions related to software development outsourcing.

Our advantage lies in the combination of our vast global network allied with our professional consulting skills, our proprietary partner-selection process and our unique software outsourcing lifecycle approach.

This guide reflects our unmatched assessment skills developed from personally scrutinizing more than 8,000 software development companies worldwide to certify the top 1% as premium enterprise-grade partners.

This guide reflects Accelerance's expert perspective along with insights from software outsourcing thought leaders including:

Association for Talent Development
Boston Consulting Group
CIO.com
CodinGame/CoderPad
Computer Economics
Consortium for Information and Software Quality
Cyberseek
Deloitte Consulting
DevSkiller
DOU software professionals community
Forbes
Forrester Research
Gartner
Global Knowledge
Harvey Nash Group
Hired State of Software Engineers
Infragistics/Reveal
IDC
ISACA
(ISC)²
IT Ukraine Association
KPMG
LinkedIn
McKinsey & Company
Microsoft
SoftwareAG
Statista
Syntax
The Hackett Group
The Standish Group Chaos Report
US Bureau of Labor Statistics
West Monroe Partners

2023 Macro
Software Outsourcing Perspective

Software Outsourcing Outlook 2023

In the coming year, outsourcing is predicted to be an antidote for economic woes.

Software application development will remain the most outsourced IT function, with the proportion of US businesses planning to outsource at least part of their development holding steady from last year at 60%.

Even as the economic outlook deteriorates, Forrester Research is still predicting software growth will outpace pre-pandemic levels this year. That speaks to the ongoing momentum of digital transformation projects. It also highlights the valuable role outsourcing can play in this new era of cost constraints, because of strong business fundamentals in four key areas:

Cost Savings

Application developers, especially those with the most prized skills, are extremely expensive. As IT executives look to reduce costs, outsourcing work to engineers in lower-cost locations really starts to make sense.

Demand Management

The need for software developers and specific technical skills will vary significantly as business conditions change in the year ahead. As IT initiatives scale up and down, outsourcing can help you manage fluctuating demand and deliver just-in-time adaptability and resilience.

Skills Sourcing

To keep pace with digital transformation, companies are bolstering in-house resources with uniquely skilled outsourced developers. They're able to bring in much-needed specialized expertise at a lower cost than the domestic market.

Investment

Despite cutbacks, application development, often IT's largest line item, will continue to command a bigger share of tech budgets as the innovation agenda remains a priority. Many IT organizations will enhance internal teams through selective investment in outside resources.

Technology initiatives have become critical to business growth and competitive advantage. That won't change in 2023. Software development will both support ongoing operations and drive new innovation with outsourcing partners sharing more of the load.

Global Software Application Outsourcing Market Projections
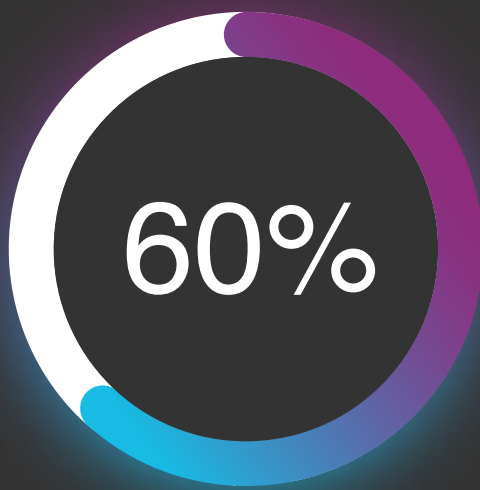
GLOBAL REVENUE IS PROJECTED AT

$116 billion in 2022
+6.3% YoY

AND EXPECTED TO REACH

$145.7 billion by 2027
+4.7% CAGR 2022-2027

WITH

60%

of companies outsourcing some software development this year

Geo-political Influence on Outsourcing Dynamics

We monitor the political stability of the countries in our global developer network. In 2022 the war in Eastern Europe reverberated across the global technology market.

The Russian invasion of Ukraine disturbed a large world center for tech outsourcing talent. Ukraine, known as Eastern Europe's Silicon Valley, supplies $6.8 billion of IT services to other countries annually, according to the IT Ukraine Association.

The disruption of a key source of IT world talent has had significant impact:

Exacerbation of the global software developer gap and rates increases

It is estimated that thousands of Ukrainian software developers were forced to flee their homes and even fight on the front lines. The record global talent pool shortage and high rates will take a hit from the loss of Ukraine's engineering talent supply. Replacing it will be difficult.

Continued turmoil in IT outsourcing worldwide

The war tempered demand for the hot Central and Eastern European software outsourcing hub. Other global outsourcing regions scrambled to meet the influx of inquiries from clients leaving their Ukrainian partners or taking Ukraine off their consideration list.

Loss of IT destinations in a tight market

Russia and Belarus were previously viable and significant providers of software development. Today, their appeal as outsourcing destinations is effectively null and void.

Our experience with our Ukrainian outsourcing partners reflects the macro trends. Our partners, located in Ukraine's Western region, were able to keep operating better than firms in the more affected Eastern region. Some US clients chose to move their software outsourcing from Ukraine, and we found backup or new partners for them - particularly in Latin America.

What's ahead? Continued uncertainty as the dynamics play out for at least the next few years. On a positive note, we do foresee affected Ukraine software development firms moving to resume operations within the next year.

"Digital geopolitics is now one of the most disruptive trends that CIOs must address."
- *Washington Post,* February 2022

The Big Picture: The Ukraine Global Outsourcing Disruption

141,000
IT outsourcing professionals in Ukraine
- DOU software professionals community, April 2022

98%
of Ukraine's 1,500 development firms provide services to companies outside the country
- IT Ukraine Association

1 in 5
Fortune 500 companies uses Ukrainian development firms
- *Washington Post,* February 2022

2023
Software Outsourcing Trends

What's Trending in 2023:
The Six Big Waves

With Accelerance's global network of hundreds of firms in 30+ countries, our trusted advisors have a direct line into software outsourcing business trends. Here are our experts' top picks of high-impact waves that will shape software development outsourcing in 2023.

It's never easy being an IT leader, but these last few years have been particularly brutal. Getting some proactive perspective helps as we look ahead. Some trends are continuing, some are intensifying and some are new. But all need to be taken into account for a future-proof strategy.

Cost and Right-Sizing Agility

Developer Shortage Paradox

Hyper Specialized Tech Skills

Hybrid Team Validation

Cybersecurity Sourcing Crisis

Multi-Partner Sourcing
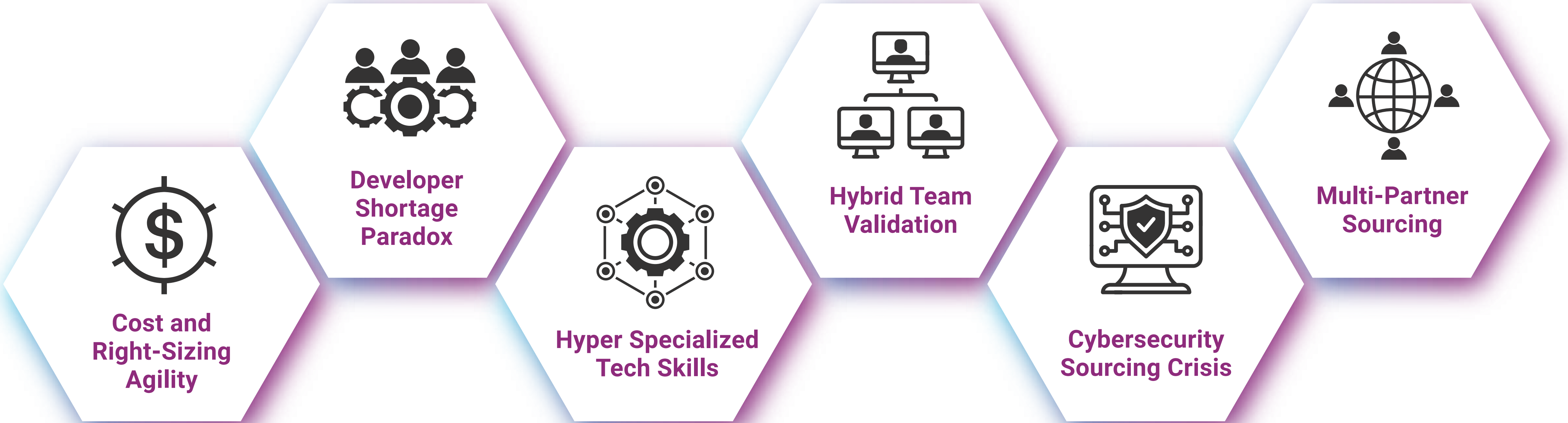
Looking for more?
A perspective on each trend follows.

Cost and Right-Sizing Agility

Before 2020, software development outsourcing was evolving from a simple efficiency play to a driver of innovation. But the pandemic, economic uncertainty and the recent tech industry cutbacks changed all that.

IT leaders now are focused on ways to reduce expenses and right-size. They're looking for agility in resourcing costs and levels. Outsourcing offers the control they need in the face of significant business uncertainty.

Outsourcing has returned to its roots as a cost savings and flexibility play. It's a trend that started about the time of the pandemic and has been holding strong, according to Deloitte consulting. It's why 89% of companies in a recent BCG study said they intend to strengthen existing relationships with their IT service providers.

Software outsourcing has proven its worth for managing with agility through economic cycles, corporate uncertainty and budget cutbacks.

Outsourcing helps by:

- **Realizing a 40% to 70% reduction in development costs. Businesses are better able to control expenses and budget.**

- **Gaining the specialist skills needed for technology projects along with the adaptability to quickly adjust headcount, through staff augmentation and managed project outsourcing.**

- **Finding affordable tech talent to drive ongoing digital transformation efforts.**

Our network of software outsourcing partners reports that their customers are scaling back some projects while accelerating others. Outsourcing allows that rebalancing of corporate priorities in line with prevailing economic conditions.

Reasons for Outsourcing: Cost is Top Priority Among IT Leaders
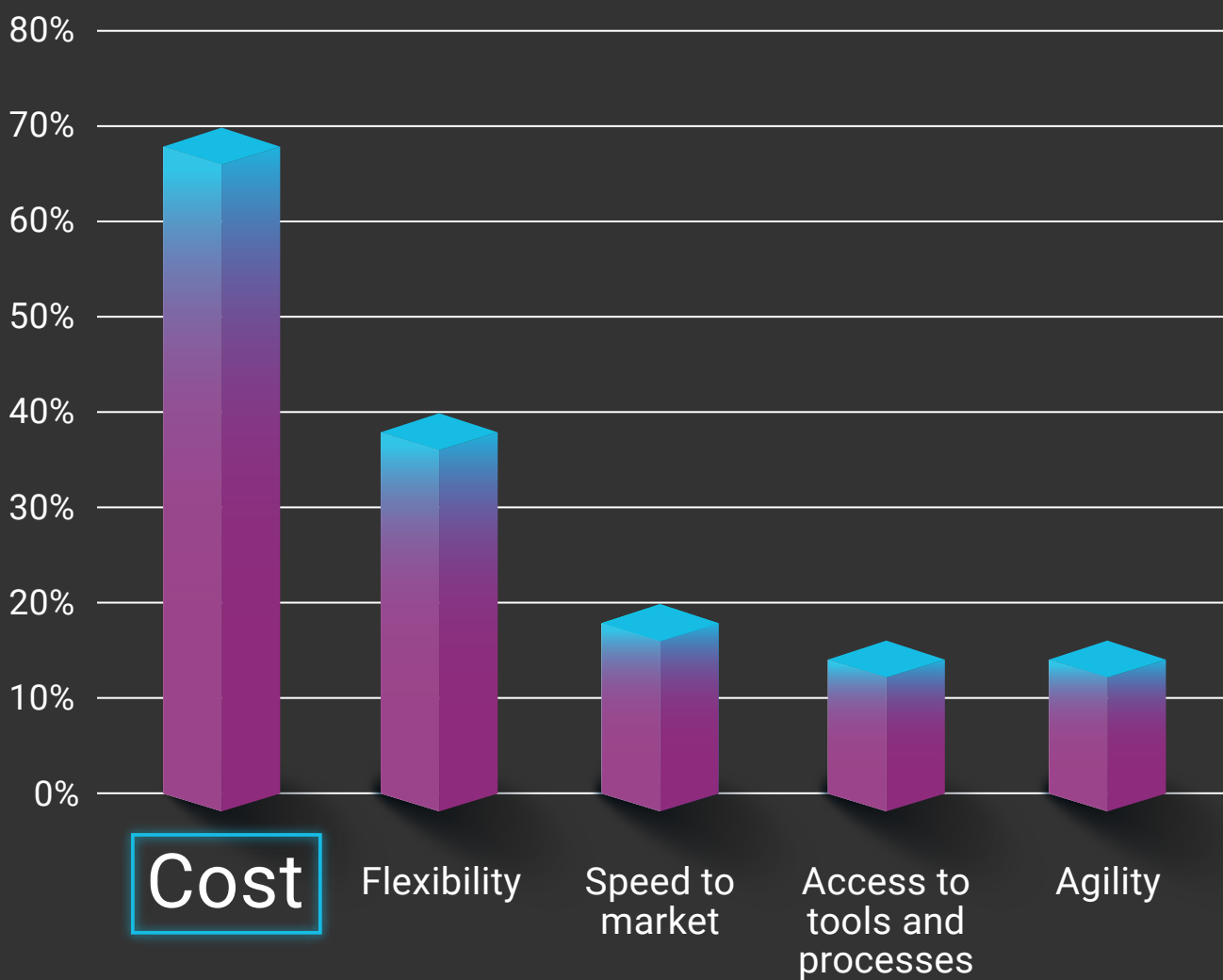
Source: Deloitte Global Outsourcing Survey 2020

"Outsourcing levels are growing as more organizations take advantage of the cost flexibility that service providers offer."
-Computer Economics IT Outsourcing Statistics 2022

Developer Shortage Paradox

High-profile tech company layoffs are making headlines. Even so, "software developer" continues to top the list of the world's most in-demand positions, with turnover among the highest of any job type.

Even as the tech industry cuts back, tech-led companies are still scrambling to find qualified software developers to build applications, undertake migrations and implement new technologies. At least one-half of CIOs report that the lack of skilled talent makes it difficult for their companies to grow and compete.

So it's no surprise that recruiting and retaining developers with the right skills are among IT leaders' top business challenges. The time-consuming, expensive recruiting process is taking a toll on the software development workforce. Poor retention isn't helping: Only 29% of IT workers have high intent to stay with their current employer.
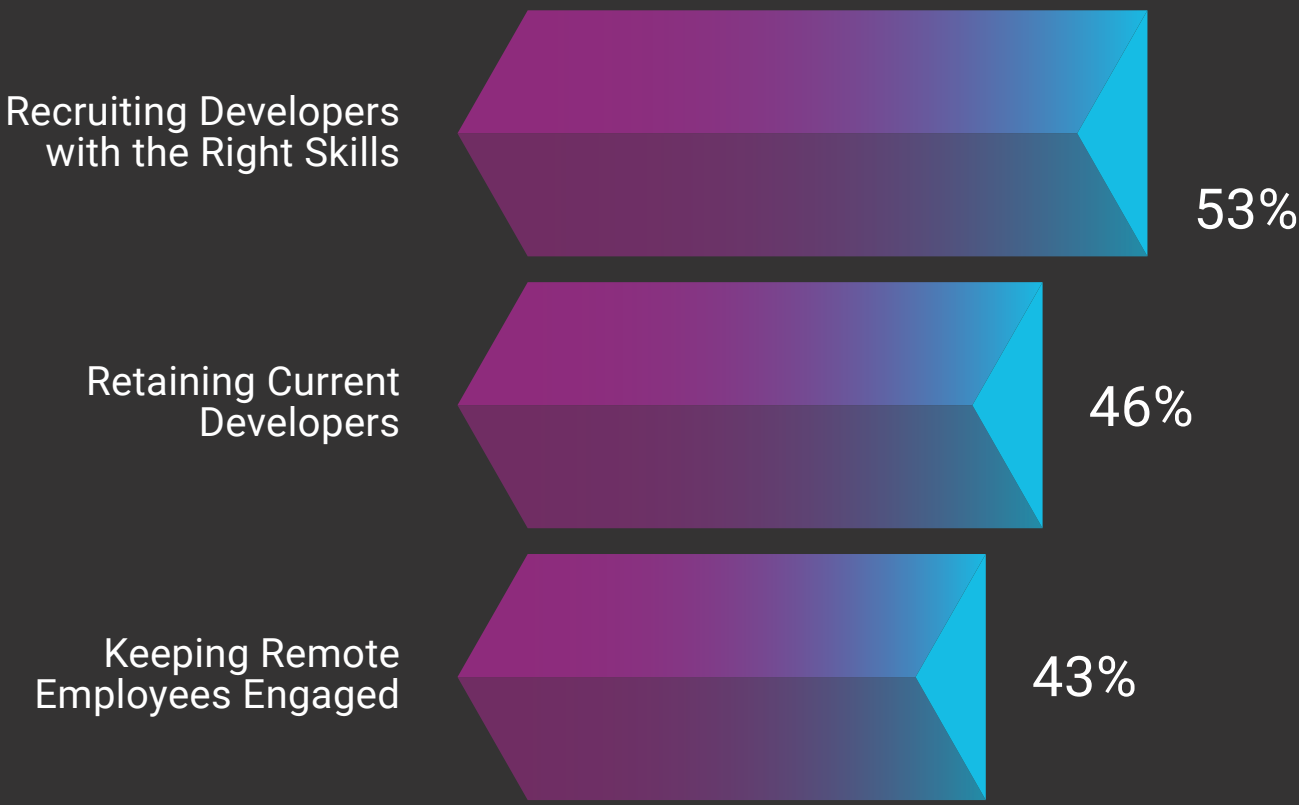
Software development outsourcing can directly address these problems by:

- **Halting the recruitment and retention downward spiral through access to highly skilled developers in locations where labor shortages are less acute.**

- **Mitigating developer turnover. If a team member leaves, your software outsourcing partner is responsible for replacing them – quickly and at no extra cost to you. You don't have to worry about devoting time to recruiting or paying costly IT recruiters.**

- **Accessing the specialist tech skills you need now so you can get underway faster.**

Outsourcing stands as a tested and proven answer to talent shortages. It lets you tap into the skills you urgently need on flexible terms with cost savings associated with working with partners based in the world's best outsourcing hotspots.

The Recruitment Challenge

Top Business Challenges for Software Development in 2022

Recruiting Developers with the Right Skills — 53%

Retaining Current Developers — 46%

Keeping Remote Employees Engaged — 43%

Source: Reveal Survey Report 2022

The Retention Challenge

Developers: Highest Turnover Rate in Tech Industry

57% turnover in software engineering positions

High Attrition Rate in IT

71% of IT workers have low intent to stay with their current employer
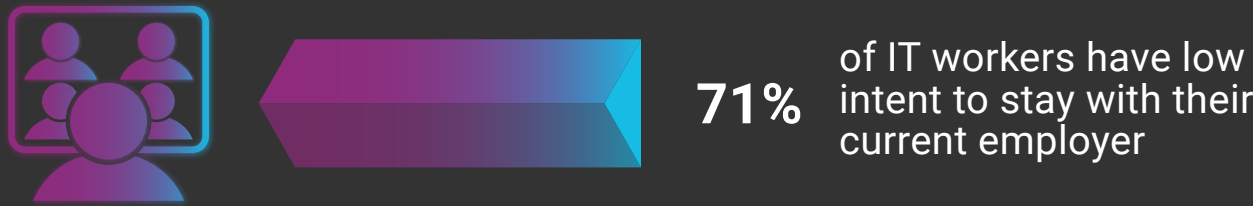
Sources: Bureau of Labor Statistics and Gartner Report 2022
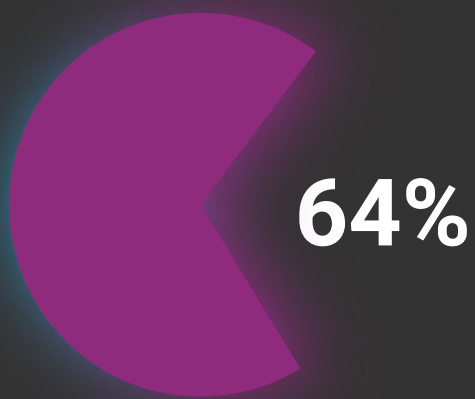
Hyper Specialized Tech Skills

The tech talent shortage is hitting hardest in highly specialized development roles. The most challenging roles to fill relate to dynamic, fast evolving technologies such as security, cloud computing and artificial intelligence.

In a rapidly proliferating tech market, IT leaders are struggling to keep all the skills they need on hand within budget. Since it's costly and time-consuming to build or upskill in-house, software development outsourcing to expert partners is becoming an increasingly popular solution for IT leaders to:

- **Add technology and function-specific domain expertise at the speed of the market, far quicker than hiring or upskilling in-house staff.**

- **Access best-in-class teams that are already trained with the most advanced specialty skills.**

- **Cut costs by bringing in specialist offshore development teams at a lower cost with the same quality as expensive US talent.**

One of the most successful solutions we've seen is having on-demand sources of software outsourcing partners that are hyper-specialized in critical skills to drive operational excellence and innovation. It's a growing trend with the acceptance of more flexible resourcing driven by the pandemic. Accelerance pioneered this concept. Our global software outsourcing network of partner firms, with 100+ technologies and platforms, is ready to tap in real time to fill specialty skills gaps.

The tech talent shortage is the most significant barrier to adoption for

64%

of emerging technologies*

Prevalence of Gaps in Specialty Technology Skills Cited by IT Leaders

Skill	%
Cybersecurity	43%
Big data / analytics	40%
Technical architecture	34%
DevOps	32%
Cloud	28%
Enterprise architecture	28%
Business analysis	28%
Artificial Intelligence	26%
Project management	26%
Automation / robotics	25%
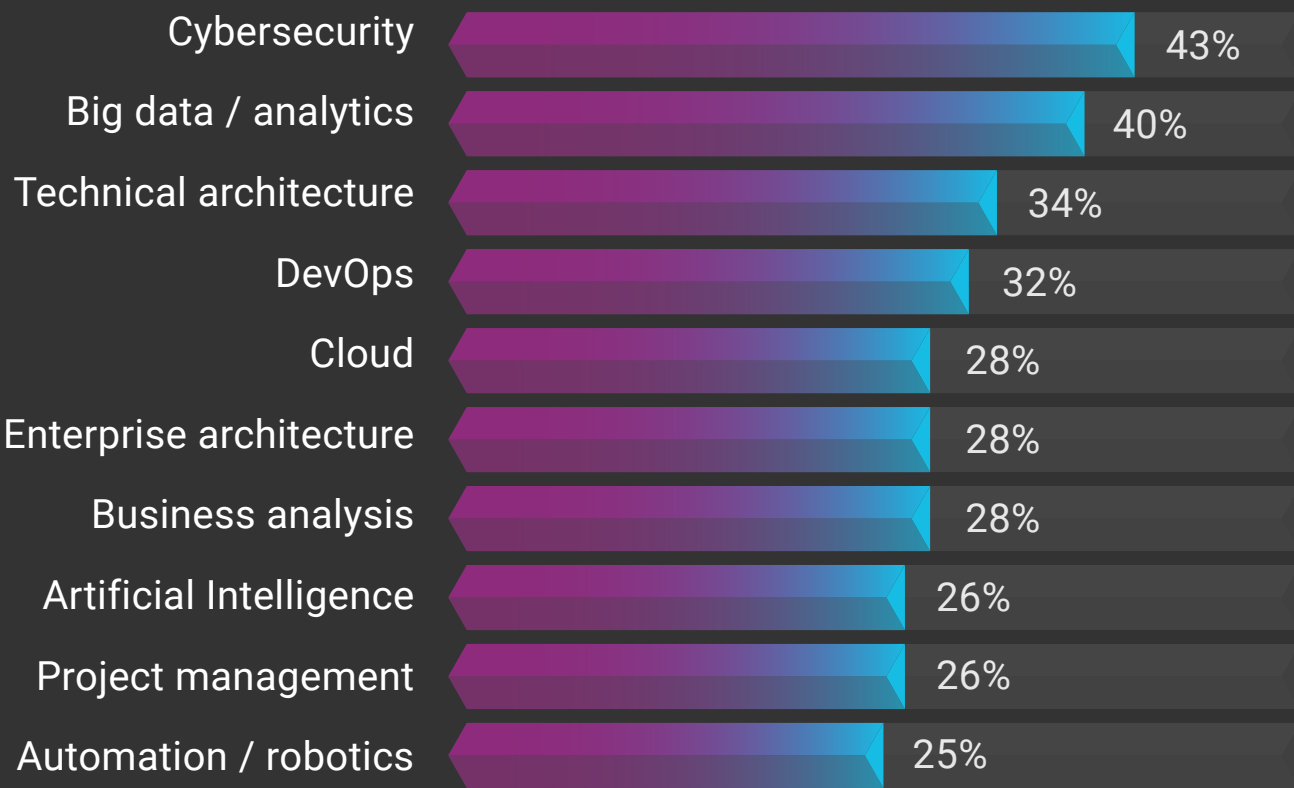
* Source: Gartner 2021 CIO Agenda
** Source: Harvey Nash Group Digital Leadership Report 2021

Hybrid Team Validation

With so many employees forced to suddenly work from home during the pandemic in recent years, companies had to adopt the business model of "hybrid" teams.

That's code for teams with a mix of people working in-person at corporate offices, at partner locations as well as from home. This work model set off a flurry of speculation. Would productivity fall off under this looser work structure? Would organizations flock back to traditional models?

At Accelerance, we knew the answer to both questions was "no." From 20 years working with distributed outsourcing models, we know teams consisting of onshore client staff and offshore resources can perform just as well or better than traditional teams.

Now there's evidence to prove it. Numerous studies undertaken during the pandemic have shown that hybrid work leads to more productive teams.

There are a number of reasons identified for the increased productivity:

- **Workers managing their time more effectively because of the flexibility of being able to set their own hours.**

- **Increased employee satisfaction resulting from the lower stress, lower costs and increased autonomy of working from home.**

- **Recruiting employees from anywhere, allowing for the best, most productive talent to be hired for the position regardless of location.**

Those organizations who embraced remote work fared best in the abrupt, pandemic-driven shift. Most of our outsourcing partners in our global developer network have already mastered this proven model and are making it an even more integral part of their operations.

Since the pandemic, hybrid teams are rising in corporate America…

Percent of Managers Overseeing a Hybrid Team*

Before the pandemic **20%**

After the pandemic **69%**
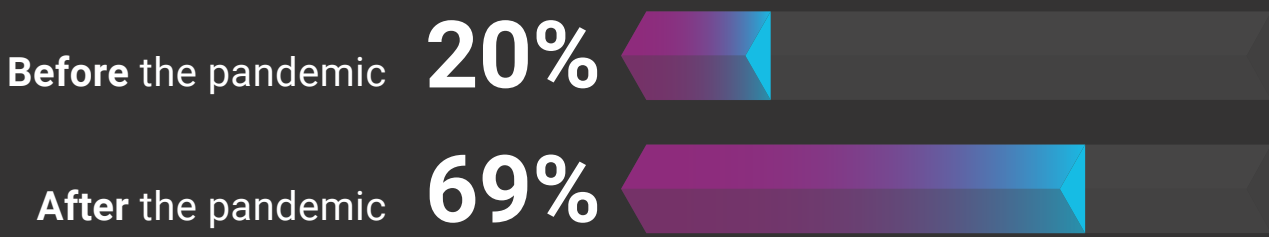
…are expected to keep growing…

34%

of organizations project an increase in use of hybrid teams*

…and are delivering higher productivity
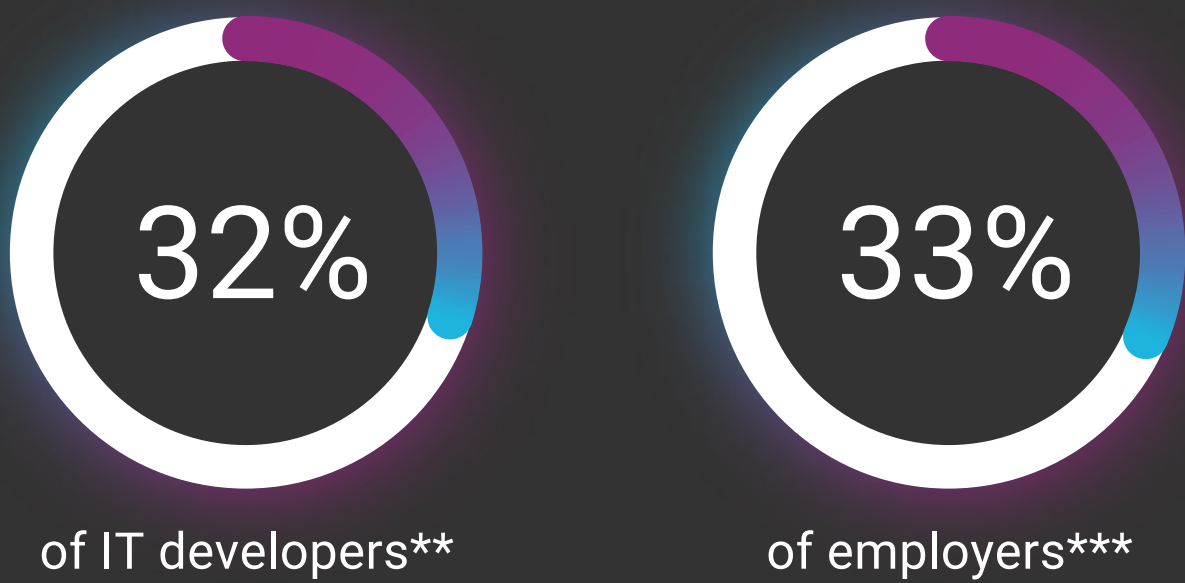
32%

of IT developers**

33%

of employers***

Cybersecurity Sourcing Crisis

Talk about a skills disaster waiting to happen: In 2022 unfilled cybersecurity jobs hit a record 465,000 (nearly half of total cyber positions) in the United States, according to Cyberseek. At the same time, cyberattacks spiked during the pandemic and are only intensifying.

In response, new security technologies have been developed to combat the increasing number and complexity of attacks. It heightens the need for cybersecurity expertise that is already in short supply.

With internal resources taxed, many organizations are challenged to build and scale security teams that fully protect their critical assets.

The global cybersecurity workforce needs to grow 65% to meet the growing cyber challenge, according to the 2021 (ISC)² Cybersecurity Workforce Study.

That's not happening any time soon. It's leaving organizations vulnerable to an avalanche of ransomware, phishing, cloud attacks and IoT breaches – among many other threats.

A growing number of IT leaders are turning to outsourced teams as a way to shore up defenses to:

- **Fill skills gaps in cyber-defense staffing quickly and flexibly.**

- **Add dedicated security specialists on demand, 24/7.**

- **Secure experienced, credentialed resources at affordable rates.**

- **Stay up-to-date with market-leading security practices as technologies and systems evolve.**

- **Ensure compliance with the latest security standards and controls.**

An experienced advisor can make all the difference in building a lock-tight security capability. Accelerance's security practice offers services starting with a comprehensive risk assessment to diagnose vulnerabilities, then a remediation plan to close any gaps proactively, and eventually transferring operational skills within the organization. For more insight, check out our perspective for creating a winning cyber defense.

Outsourcing as a Strategy for a Fully Equipped Cyber Defense

62%

of cyber leaders have understaffed teams*

60%

of companies face direct security risks due to understaffing**

83%

of IT leaders with in-house security teams are considering outsourcing***

Multi-Partner Sourcing

The last several years of crisis have taught IT leaders a lesson: It pays to have multiple partners in different countries to buffer against disruptions – from the pandemic to the Ukrainian war to economic uncertainty.

Gone are the days of favoring a single partner with development all under one roof in an offshore location. Savvy IT leaders are looking to spread the application portfolio globally, to mitigate against future risks that can upend businesses overnight.

"We are witnessing the rise of what we call multi-partner sourcing, where our clients are considering relationships with several software outsourcing partners simultaneously," says Andy Hilliard, CEO of Accelerance. "As cost pressures mount and US businesses cut budgets, multi-shoring is attractive as a way to get software development in the most cost effective or highly skilled location."

How do multi-partner relationships work in action?

- **They can take various forms, from outsourcing software development to partners in several countries or to several partners in one region.**

- **They provide the ability to shift skills sourcing among optimal locations through a mix of nearshoring, offshoring and onshoring as regional conditions change.**

- **They allow IT leaders to access bargain prices for run-of-the-mill development work while tapping more advanced partners for specialized programming projects.**

Multi-partner sourcing is an answer to a question our clients often ask: "How can I make outsourcing even better?" It's a compelling option for those who have already tested the waters with outsourcing and are looking to take it to the next level.

It can be daunting to find and manage multiple partnerships. Accelerance can help you with best practices to develop a tech value network of trusted partners to meet all of your needs.

Five Key Benefits of Multi-Partner Sourcing

Manage and Save Costs
Find best value providers and shift sourcing to more cost effective regions as pricing fluctuates.

Minimize Risk
Distribute the application portfolio to avoid dependency on any one source (in-house or outsourced).

Build Best-in-Class Sourcing
Select the top quality provider for each technology – no single provider excels in every platform or program.

Increase Productivity
Accelerate the development by dividing work among locations.

Improve Flexibility
Easily adjust location-based sourcing when there is a skill shortage in one region and availability in another.

Source: Accelerance Insights

The Dynamics of
Software Jobs and Skills

Record Software Developer Skills Shortage

Businesses may be cutting their headcount in the current bearish climate, but there's one type of worker they can't afford to sacrifice – software developers.

Why? They're the lifeblood of any business leveraging digital platforms and applications to serve its customers. So software development remains in high demand even as companies cut back other functions.

Signs indicate the record talent gap isn't getting better any time soon.

- **LinkedIn lists software engineer as having the most job postings across its network, and four other development or engineering roles are among the top 10 in demand.**

- **US companies will be most affected by the worsening talent gap.**

- **Forecasts show an alarming rise in the shortage up through 2030.**

So it's a great time to be a software developer, but frustrating for those trying to put a quality development team together.

Gartner this year identified "increased employee leverage" as one of its 20 top emerging risks. Acute demand for highly skilled tech talent puts software developers in a position of power to name their price and terms.

It will be an IT management challenge for the foreseeable future. Through the rest of this decade, there will be about 189,200 job openings for software engineers every year, according to the US Bureau of Labor Statistics. The current US gap of unfilled engineering positions is estimated at 918,000 and counting.

Software development outsourcing offers relief from the stranglehold of the lack of available talent. We're finding more US companies at the mercy of the market are reaching out to inquire about adding or increasing outsourcing in their resourcing mix.

Jobs with the Most Demand Overall

Roles with the greatest number of LinkedIn job posts, Q2 2022

1. Software Engineer
2. Registered Nurse
3. Javascript Developer
4. Salesperson
5. Java Software Engineer
6. Project Manager
7. Delivery Driver
8. DevOps Engineer
9. Full Stack Engineer
10. Customer Service Representative
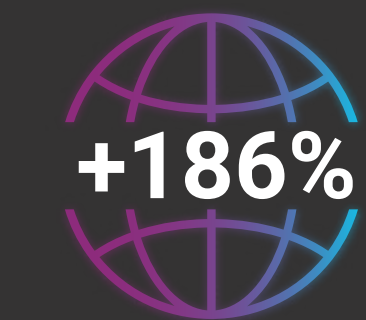
+186% rise in the global shortage of full-time developers from 1.4 million in 2021 to 4 million in 2025*
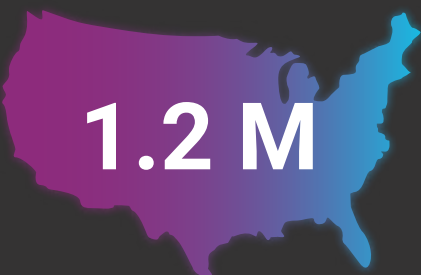
1.2 M shortage of software engineers in the US by 2026**
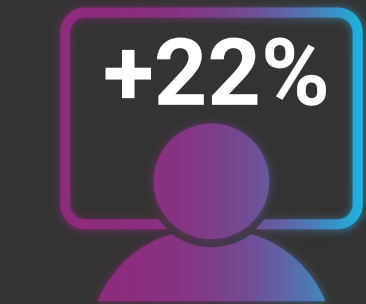
+22% increase in demand for software developers between 2022 and 2030**

*IDC Market Perspective
**U.S. Bureau of Labor Statistics

The Hottest Software Programming Skills

As digital innovation continues to accelerate, developers who are skilled in emerging technologies are the rising stars in today's job market.

Programming languages that support new technologies are gaining popularity. However those skills are scarce and expensive compared with more established languages such as Java or .Net.

IT skills gaps have increased by 155% in just three years, according to Global Knowledge. Businesses looking to fill in-house gaps are turning to software outsourcing, such as Accelerance's global network offering 100+ technologies.

Top in-demand skills for 2022 are:

- **Go** or **Golang** is a lightweight language that cross-compiles a variety of architectures and operating systems. Known for its efficiency, it's used for cloud-centric applications and distributed network services.

- **Ruby on Rails** and **Ruby** (the framework) use open-source software to build web applications at affordable rates, making them popular choices.

- For web and mobile development, **Java** and **JavaScript** still prevail, with **React** as the most popular technology within the JavaScript stack. **Scala** is a fast-growing general purpose programming language.

The Most In-Demand Coding Skills 2022

Relative Demand for Coding Skill vs. Marketplace Average

Skill	Demand
GO	1.8x
RAILS	1.78x
Scala	1.73x
Ruby	1.69x
React	1.63x
Kotlin	1.61x
TypeScript	1.59x
kafka	1.5x
React Native	1.45x
node	1.45x

.5x   1x   1.5x   2x

Demand Higher than Marketplace Average
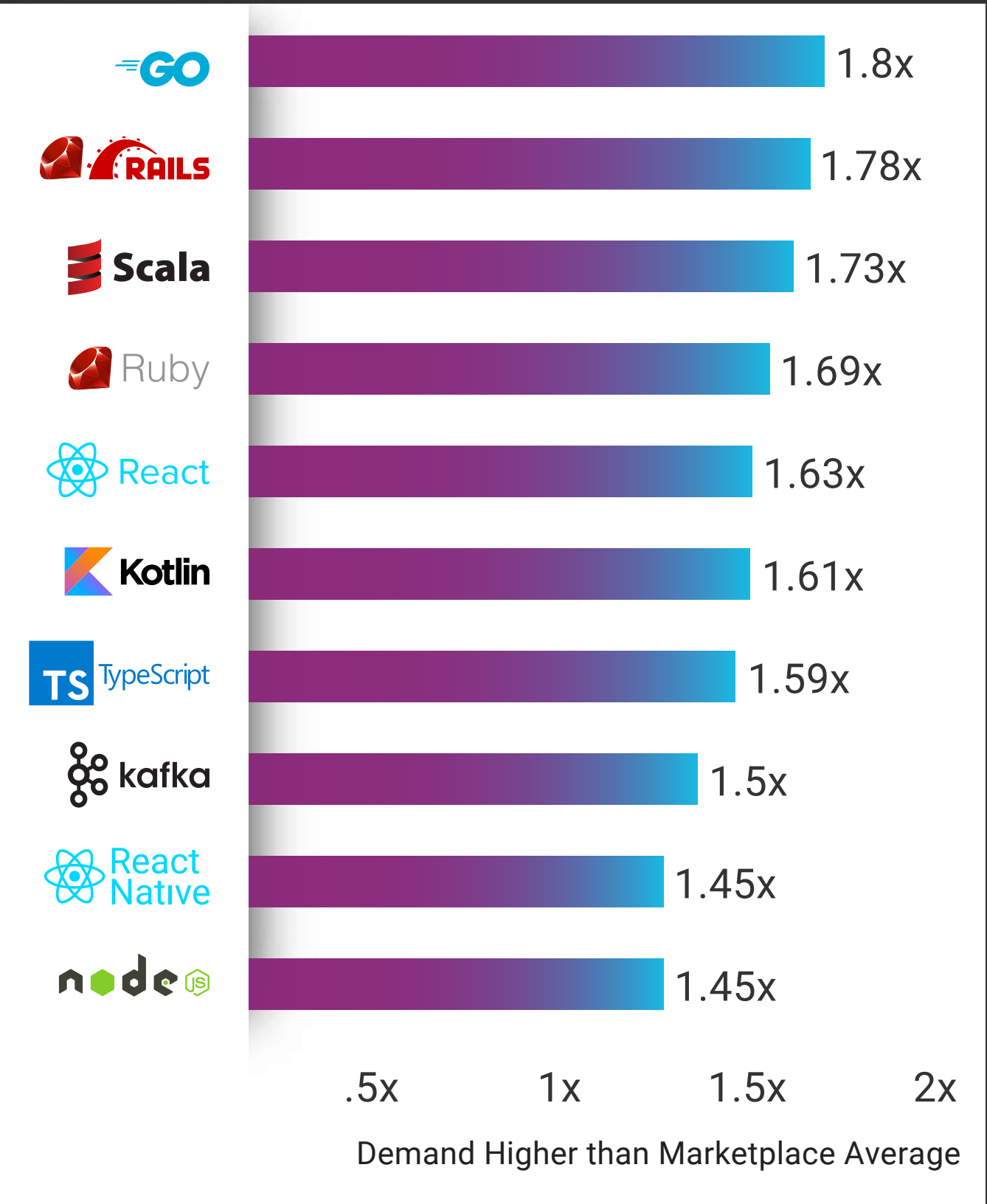
The Hottest Emerging Technologies

Emerging technologies are set to transform entire industries and are driving new imperatives for software development in the process.

This has created a competitive race toward digital transformation that companies are struggling to keep up with. The tech talent shortage is making it even harder.

Our partner assessment team is continuously benchmarking to ensure that our partner network has capabilities across the full range of established and emerging technologies for our clients.

Based on our market insights, we've identified nine technologies that will have the most powerful impact across business sectors in technology trends for 2023:

- **Cloud:** From hybrid cloud to multi-cloud architecture, virtually every business is embracing the cloud as part of their digital transformation.

- **Cybersecurity:** An onslaught of cyber attacks has made security a top priority.

- **AI and machine learning:** Powerful tools can generate data-driven insights and automate processes to make companies more efficient and competitive.

- **AR/VR:** The metaverse, gaming applications and hardware advances are opening up new possibilities for augmented and virtual reality products.

- **IoT and 5G:** The high data speeds and low latency of 5G enable new types of real-time applications on the phone and edge computing based on new IoT sensors.

- **Blockchain:** From decentralized finance to supply chain traceability, blockchain is creating more secure, transparent and efficient ways of doing business.

It's difficult and time prohibitive to build these capabilities in-house, especially with advanced skills in short supply. That's where Accelerance comes in. Our business proposition is to offer you a network with a pre-vetted pool of the most up-to-date skills in the world. We give you access to the emerging technologies driving digital transformation and the people who can help you make the most of them.

Top Trending Technologies

AI   AR/VR   Blockchain

Cloud   Cybersecurity   IoT

Machine learning   Robotics   5G

2018   **104%**   2023

growth rate in emerging technologies over last five years
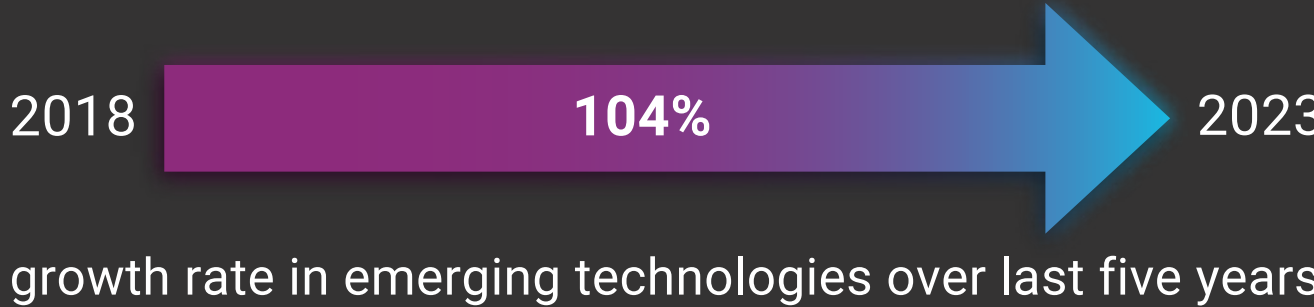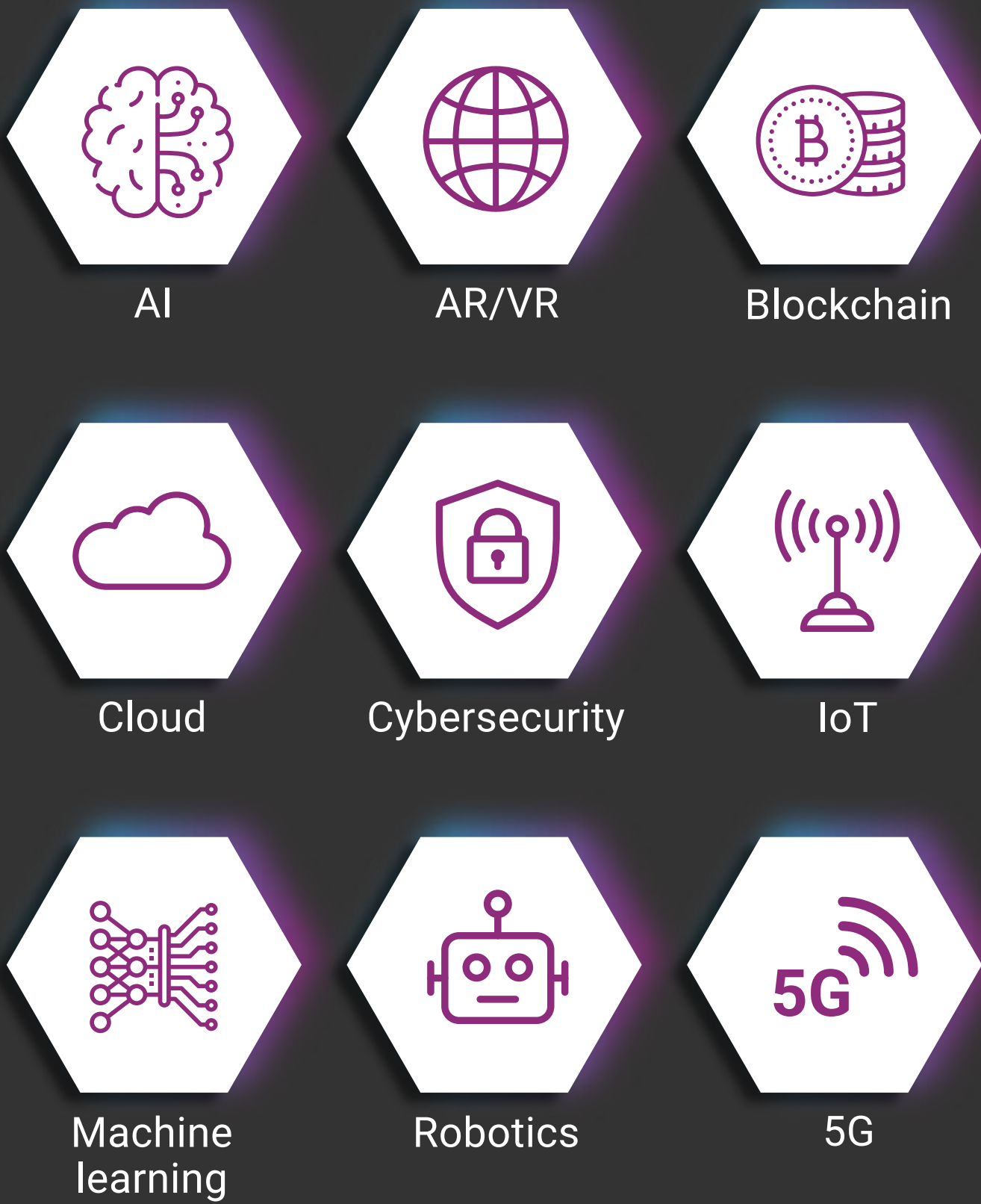
Software Outsourcing
Cost Considerations

Key Software Outsourcing Cost Factors

Five critical factors influence global software outsourcing rates and the corresponding level of value. They are:

In-Demand Skills

With hot tech skills in short supply, expect to pay a premium for cutting-edge or highly specialized skills. No matter where the location, skills such as architecture, DevOps, AI and data science will command higher rates than "core" development skills.

English Proficiency

Language difficulties increase the likelihood of error and confusion, resulting in project slowdowns, poorer outcomes and potentially the need for rework, incurring additional expense. Look for a good distribution of fluent English speakers, from management down to developer level.

Location

Certain regions develop a reputation for specific expertise, generating demand and driving up prices. In addition, nearshore regions with close workday overlaps will elevate rates. Rates also trend a little higher in countries located near a first-world economy.

Experience

The more seniority that a developer has, the more expensive they are likely to be. However, this comes with all the benefits of hiring seasoned professionals. Developer rates will be variable even within a specific region based on experience and skill levels.

Length of Engagement

Outsourcing firms take into account project timing when setting rates, with better pricing extended to longer projects compared to short-term ones. If you're planning to run your engagement for several years, disclose that upfront for potential rate concessions.

Cost Consideration: Pricing Models

Choosing the right pricing model for your outsourcing project is just as important as finding the right partner. Your pricing model should have the right balance between your expectations for budget, timeline and quality. An effective up front negotiating process will help set you up for success.

Pricing structure is one of the top three reasons (56%) that companies renegotiate their outsourcing contracts, according to a study by BCG.

The experts at Accelerance have gathered insights into four pricing models to consider when you're setting up your next outsourcing agreement.

1. Fixed Price Model: Standard fixed-price contracts are based on a clearly defined scope of work and requirements. These models are best suited for small-to-medium size projects that are well-defined in scope and timing. They incentivize the partner to complete the work more efficiently.

2. Time and Materials (T&M) Model: This model is based on the time it takes for your outsourcing partner to complete their project. It requires your partner to bid for the project based on your requirements, breadth of scope and the amount of work to be completed. It is popular for long-term projects because it allows for flexibility in scope change and avoids contingency fees of fixed price projects (up to 30% for custom development).

3. Incentive-based Model: Extra payments are added on top of the price estimated in the original contract when the development team exceeds goals. Incentives can make up for limitations in fixed-price or T&M models, ensuring your partner's motivations stay in line with your own.

4. Shared Risk-Reward Model: Similar to incentive-based pricing, this model is based on a flat-rate and holds additional payments until your partner achieves specific objectives. The key difference here is that the development of new products is jointly funded by both the client and the outsourcing partner, with the partner sharing in the rewards for a defined period of time.

Our team of dedicated advisors can help you choose the best model for your engagement, whether you're offshoring, nearshoring or onshoring your software development.

Top Reasons for Contract Renegotiations

Terms and conditions	59%
Pricing structure	56%
Delivery model	48%
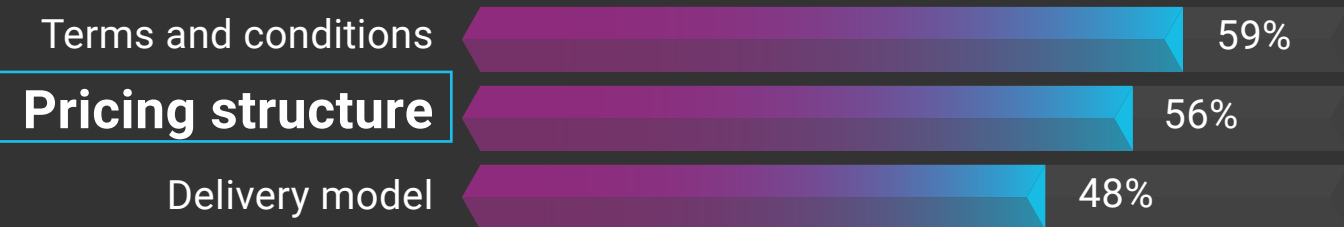
Source: BCG 2021   Companies (%)

Price Model Structures Defined

Fixed Price Model
Requirement + Estimate = Confirmed price

Time & Materials Model
Rates + Hours = Final price

Incentive-Based Model
Initial Price + Bonus = Total payment
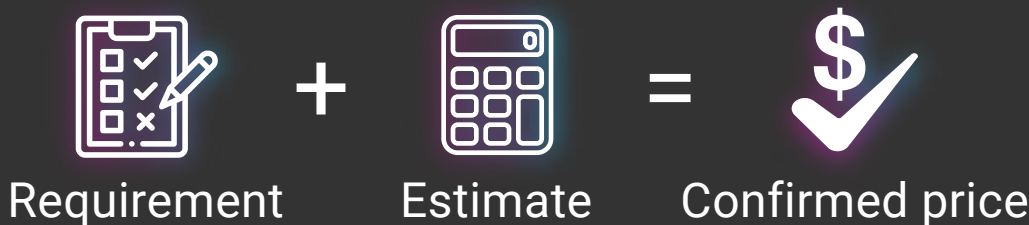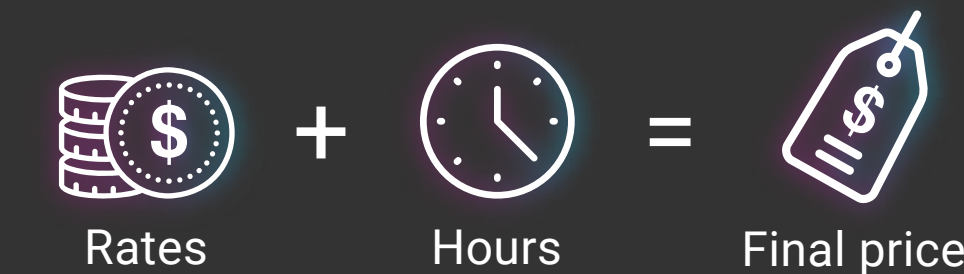
Shared Risk-Reward Model
Flat Rate + Performance % = Compensation
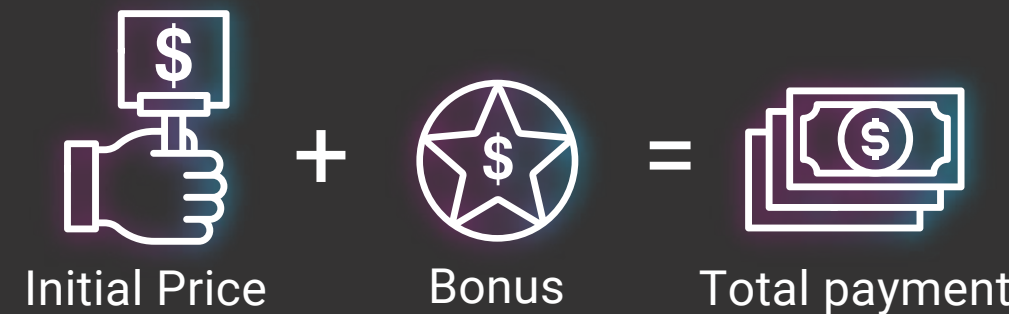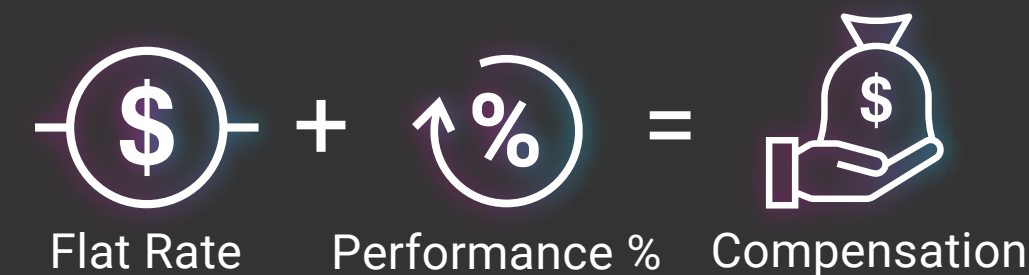
The Importance of Regular Rates Benchmarking

When is the last time you took a look at the software outsourcing agreement your company signed up for a year or two ago?

In today's market, regular benchmarking is an important part of your tech sourcing strategy. It provides insights into whether or not your service provider agreements are competitive with current rates, helping you manage your costs.

If you think you're paying too much for your software development – whether in-house or with a partner – you need to seek professional advice to find out whether you're getting the best service at the current market rates.

How do you benchmark?
Follow this three-step process.

1

AGREE on how to calculate a market rate. A common approach is the highest price within the lowest quartile (the cheapest 25%) of prices.

2

GROUP the results into three categories: favorable, competitive and unfavorable.

3

CONDUCT an evaluation based on a combination of rates and service levels – typically acceptable within a 5-10% deviation from your agreed-upon market benchmark.

If your software partner is on target with competitive or favorable rates, and is providing a high level of service, that's great news. But if the benchmarking report shows performance has slipped or you are paying above the market rate, you need to re-evaluate your contract terms. The options are:

- **Conduct interim price renegotiations**

- **Implement a new pricing structure**

- **Adjust the service delivery model**

- **Alter the scope or budget**

Benchmarking is a complex science. The objective is to obtain a neutral expert assessment of the market price for your outsourcing services. It's often beneficial to involve a well-established, professional outsourcing advisor that will help make valid comparisons based on key metrics.

ACCELERANCE

BENCHMARKING
How To Make Sure You're Right On The Money

Want to learn more about benchmarking? See our point of view for tips to make sure you're right on the money.

The "Sweet Spot": Quality Versus Cost Considerations

What tough calls are you willing to make when selecting an outsourcing partner? A focus on cost at the expense of quality comes with increased risks and the added stress of partnering with a less skilled, less stable or less efficient software partner.

Software development that costs $100 per hour in the US can be outsourced in most locations for just $55 per hour at an equivalent standard of quality. For companies on tighter budgets, there are even cheaper options available, but some compromises will inevitably need to be made.

Through our proprietary analysis of cost-versus-quality tradeoffs, Accelerance has identified a "sweet spot," a prime range of rates from $40 per hour to $90 per hour. At this level, your can have confidence that your outsourcing partner will deliver cost-effective, high performance solutions.

It's important to understand quality-cost trade-offs. As rates decline, quality can drop off exponentially. We've seen this dynamic play out to companies' detriment too many times. Undercutting the market rate by $10 per hour might win you short term kudos from the CFO but it often results in sacrificing a level of skills and experience you need so as not to jeopardize the quality and timeliness of product delivery.

Companies seeking to cut rates need to ask themselves what they are willing to give up in return, says Accelerance CEO Andy Hilliard. "Less English competency? Less expertise? Less seniority in development? Less QA? No one ever gets something without giving in return. If the primary goal of your offshore strategy is either cash conservation or price reduction, go for that model, but within that sub-continuum, pay the absolute most you can."

The following chart provides an example of the differences between a partner at the "sweet spot" range versus a lower-cost partner.

Global Rates		Domestic FTE	Domestic Outsourced
$20 $20-$40/hour $40	$40-$90/hour $90	$90-$150/hour $150	$150-$330/hour $330
Offshore Body Shops	**Enterprise-grade Offshore Partners**	**In-house Staff**	**Professional Contractors & Agencies**
Low Cost Lowest-caliber talent Low maturity environment High outcome failure rate	Cost savings High quality talent comparable to domestic outsourced time Professional services level maturity Lower risk	Higher rates (with employee benefits and other costs) Average talent quality Less mature development environment Mediocre outcomes	Highest rates Superior talent staffing and management Professional services level maturity Highest success outcomes
Danger Zone	**The Sweet Spot**		

Source: Accelerance Analysis 2022

Comparison of Low Cost vs. "Sweet Spot" Partners

This chart lists the criteria that Accelerance looks for in certified partners and rates them against a spectrum of software engineer hourly rates from $20 per hour to $90 per hour. It highlights the differences between the "sweet spot" rate software developer rate range of $40 to $90 per hour, versus the "danger zone" range of $20 to $40 per hour, which puts the quality of your coding and project at risk.

Partner Evaluation Criteria	Hourly Rate of Software Engineers	
	$20-$40/hour: "The Danger Zone"	$40-$90/hour: "The Sweet Spot"
English Proficiency and Fluency	Usually performs adequately in sales cycle: Project delivery team often does not speak or write fluent English with frequent communication issues.	Brings A+ English skills: Converses and communicates with confidence with all offshore team members collaboration is much smoother.
Cultural Understanding and Experience with Western Teams	Has minimal direct work experience with Western clients at the team level – may have exposure to smaller clients, often only one project.	Requires a solid understanding of Western culture and practical work experience with teams – 95% of work is for Western clients.
Certifications	Lacks track record and enterprise-grade attributes to gain certifications.	Possesses leading quality, industry and partner ecosystem certifications.
Quality	Follows instructions only as order takers with little collaboration or innovation; often unable to deliver to expected schedule, budget and scope.	Engages resources who understand client needs and produce to their desired business outcomes, seeking to exceed expected performance.
Recruiting and Retention	Invests little to no effort for hiring more experienced resources and toward reducing turnover; employees are treated as commodities.	Recruits top-tier professionals with exceptional work experience and references, and invests in programs to attract and retain the best talent.

Source: Accelerance Analysis

The Big Picture: Total Cost of Engagement Considerations

Along with outsourcing rates, the total cost of engagement will also need to be factored into the budgeting process. When hiring your own developers in-house, for instance, the total cost of engagement includes a base hourly rate, plus taxes, healthcare, retirement plans, vacation, etc. When you outsource, many of those in-house costs disappear.

However, it's important to be mindful of other expenses. You will have some additional costs to bear for communication, travel and management oversight of your new outsourcing partner. An offshore developer in a remote part of Southeast Asia might quote you an amazing rate, but management and travel costs will need to be taken into account. Most outsourcing experts suggest the total cost of engagement can be as much as 20% on top of the base rate.

In-House versus Outsourcing Cost Comparison

In-House		Outsourcing	
Salary	$60-84/hour	Salary	$20-45/hour
Benefits, Taxes, Overhead	$13-18/hour	Benefits, Taxes, Overhead	$10-21/hour
Operational Expenses	$10/hour	Operational Expenses & Profit (Including Communications, Travel and Overnight)	$10-24/hour
Total Cost of Engagement	$83-112/hour	Total Cost of Engagement	$40-90/hour

* The total cost of engagement is a compilation of blended rates from the Accelerance Global Network.

Source: Accelerance Analysis 2022

CASE IN POINT: Cost Savings and Flexibility with Software Development Outsourcing

Mike Williamson, Vice President of Research and Development at Softdocs, needed tech sourcing models that provided greater scalability and cost control throughout business cycles.

Leading a 50-person engineering team, Williamson was looking for nearshoring partners to build new product features and operational functions. His solution was to add outsourced teams into his tech sourcing. He turned to Accelerance for risk-free partner matching services.

Accelerance has assisted Softdocs with what Williamson calls "swallowing the watermelon." This outsourcing strategy allows him to add "burst capability" – just-in-time resources – to his organization quickly when he needs significant resources to take advantage of an opportunity or to solve a challenge. His outsourced teams allow him to adjust resourcing and budget up or down quickly as market conditions change. He plans to add more resources outside the US in the next year, citing the pandemic-driven trend of "borderless sourcing."

When he rewrote a contract with for one of his outsourcing teams, he was able to get even better pricing that shielded him from continual increases in developer rates. The terms specified a two-year period for the outsourcing team. With a longer-term contract, the Accelerance partner was able to give Softdocs only a minimal rate increase well below market trends.

Accelerance has helped many clients navigate challenges similar to the ones Williamson faced. Our trusted advisors are here to provide software solutions through market fluctuations and changing capacity needs.

"We can quickly supplement our team with outsourced partner resources or reduce the team size if needed. It helps because we can scale up or down as conditions change."

–Mike Williamson

Mike Williamson
VP of Research and Development

Enterprise content management provider focused on education

Accelerance worked with Williamson to find a nearshore outsourcing partner to help grow his software development team from 4 to 14 people.

He also valued Accelerance's post-selection management services:

- Contracting and negotiation services
- Onboarding support for fast ramp up
- Ongoing help with issues resolution

Global Analysis of Software Development Outsourcing Rates

Accelerance's Proprietary Rates Analysis

Using a detailed set of criteria, Accelerance has researched more than 8,000 software development companies to identify the top 1% worldwide to create a premium pool of certified outsourcing partners. The global software outsourcing rates outlined in this report represent benchmarks gathered from our unique, worldwide insight into hundreds of firms that meet the highest standards.

Software development outsourcing rates vary considerably by region, skill level, experience, the specific technology stack involved and the length of commitment required. The rates presented here are based on a six-to-eight person team working full time for 12 months or more.

Rates in the following charts have been assessed on the basis of building a blended team, not augmenting staff by engaging individual contractors. While this may involve more upfront costs, it usually works out at a lower overall rate per resource. It's also an approach that lays the foundation for a partnership that has a much greater chance of success.

Our analysis covers rates for nearshore and offshore partner locations:

Nearshore partners are defined as firms that are within three time zones from your location:

- **Pro**: More workday overlap of business hours and less travel time for on-site visits.

- **Con**: Often more costly than offshoring.

Offshore partners are defined as firms that are more than three time zones from your location:
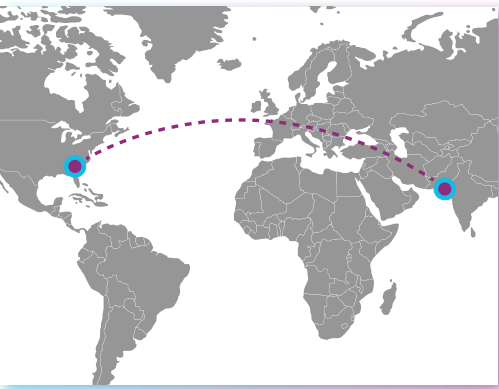
- **Pro**: Usually greatest cost savings.

- **Con**: Navigation of a greater discrepancy in work times and cultural differences.

How to Read Accelerance's Global Rates Table

$54	$64	$70
25th percentile	Median	75th percentile
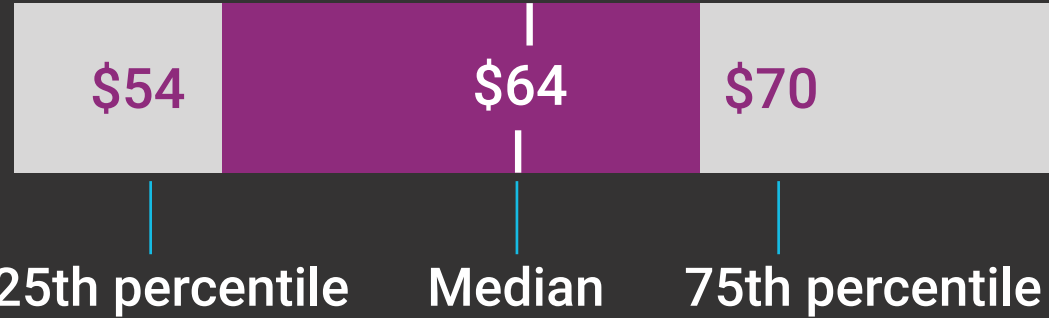
Hourly software engineering rates are shown in US dollars and presented as a range, broken down into these quartiles:

$54 — The **25th percentile** represents up to 25% below median.

$64 — The **median rate** represents the 50th percentile.

$82 — The **upper quartile** represents up to 25% above median.

These tables are based on data captured by the Accelerance research team from several hundred enterprise-grade software development firms in key outsourcing regions across the world. All of the companies surveyed deliver more than 50% of their work into the US, UK, Europe or Australia. Data was not gathered from IT staffing companies, where rates may be slightly lower.

2023 Global Software Outsourcing Rates Comparison

Partnering with nearshore or offshore software development firms can typically save a company from 40% to 70% of overall costs.

It's good timing for savings. In North America, a record talent gap for software engineers contributed to a 23% overall increase in onshore development rates in 2022. As rising interest rates, inflation, supply chain disruptions and the Ukrainian war put budgets under even more pressure, outsourcing remains the most cost-effective way to keep digital strategies on track.

Regional dynamics: Rates surged by 24% in Latin America, due to escalating labor costs and an influx of clients exiting partnerships in Ukraine. In contrast, rates edged up only slightly in Central and Eastern Europe given the turmoil in the region and held steady in both South and Southeast Asia, which remain the least-expensive outsourcing regions.

Outlook for 2023: High ongoing developer demand, a rising cost of living and global inflation continue to inflate prices. Senior engineers will command top rates, and specialized skills in key technologies will come at a premium.

Global insights: For Latin America nearshoring, pressure on resources will make it increasingly difficult not only to recruit development teams but to retain them. Consider offshoring to Asia as an alternative for faster hires at significantly lower prices.

2023 Global Software Outsourcing Rates

Central & Eastern Europe
$26 - $95

North America
$62 - $209

South Asia
$24 - $71

Latin America
$34 - $96

Southeast Asia
$18 - $70
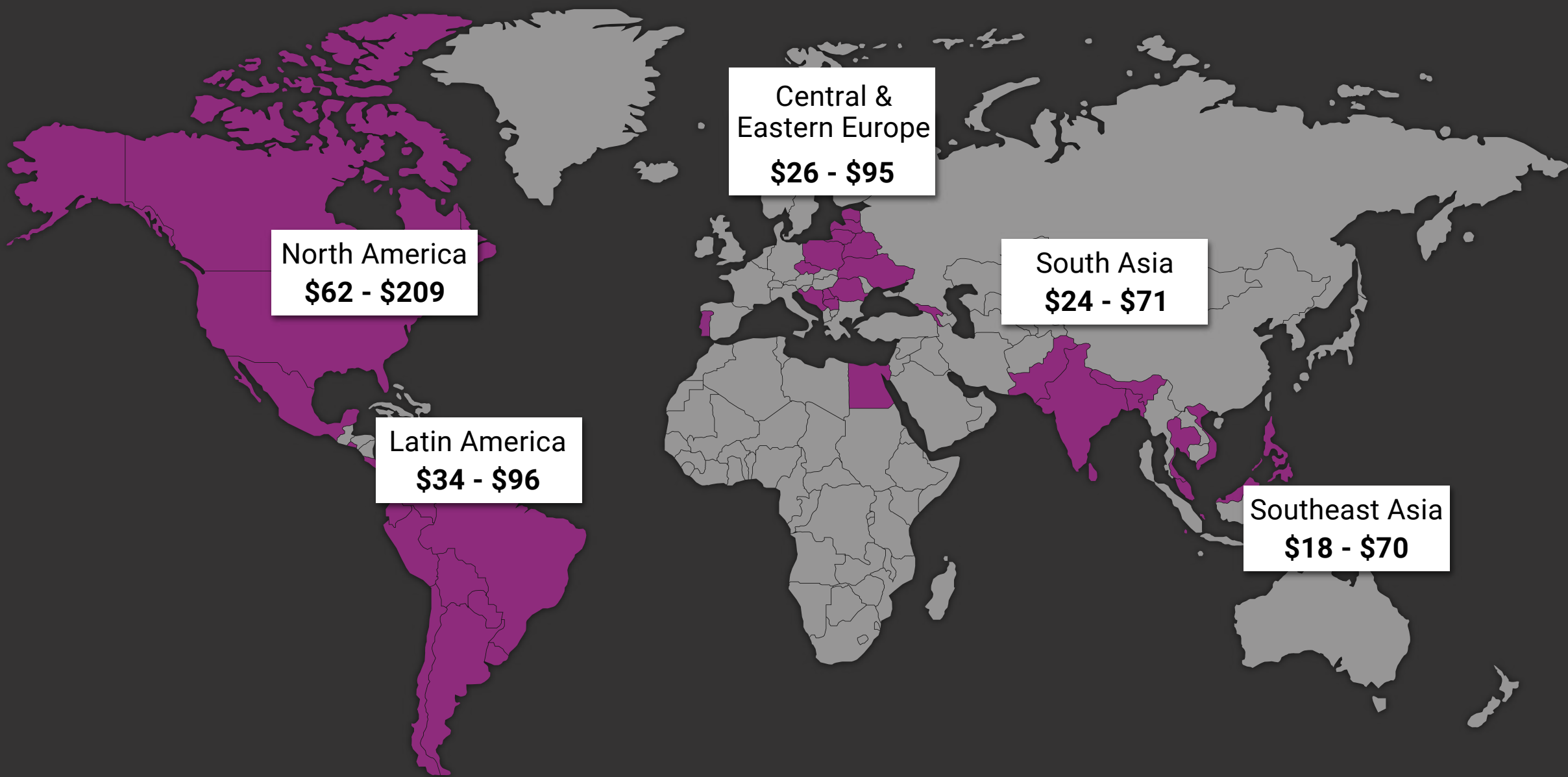
Regions are defined as:

- **Latin America:** Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, El Salvador, Honduras, Mexico, Panama, Peru, Puerto Rico, Uruguay

- **Central & Eastern Europe:** Armenia, Hungary, Poland, Romania, Ukraine

- **The Balkans:** Bosnia, Bulgaria, Croatia, Montenegro, Serbia, Slovenia

- **South Asia:** Bangladesh, India, Pakistan, Sri Lanka

- **Southeast Asia:** Philippines, Vietnam

- **Africa:** Egypt

Source: Accelerance Analysis 2022

Hourly Rates in Latin America

ROLE (USD)	Low	Median	High
Architect	$72	$85	$96
Business Analyst	$56	$64	$68
Project Manager	$59	$65	$82
Scrum Master	$54	$62	$79
Graphic Designer	$48	$61	$75
DevOps	$59	$73	$82
Lead Developer	$66	$74	$82
Junior Developer	$41	$47	$53
Intermediate Developer	$53	$59	$66
Senior Developer	$65	$71	$82
Junior QA Engineer (Manual)	$34	$41	$52
Intermediate QA Engineer (Manual)	$42	$52	$59
Senior QA Engineer (Manual)	$53	$61	$66
Junior QA Engineer (Automated)	$35	$45	$53
Intermediate QA Engineer (Automated)	$48	$59	$62
Senior QA Engineer (Automated)	$59	$68	$72

Scale: $0 $10 $20 $30 $40 $50 $60 $70 $80 $90 $100 $110 $120

Insights

Surging global demand saw a 24% spike in hourly rates across Latin America in 2022, reflecting an influx from Eastern Europe as a result of the turmoil in Ukraine. Less aggressive increases, more closely aligned with inflation, are expected in 2023.

With the domestic market in North America experiencing a parallel rise in rates, the margin for cost savings remains attractive. A predicted devaluation of the Argentine peso against the USD is set to make prices even more competitive.

For US-based companies, the benefits of nearshore outsourcing to Latin America include a close workday overlap, strong cultural fit and ease of communication given high English language proficiency.

Key Trends for 2023

- Increased focus on company culture to counter high turnover and attrition rates as developers remain in high demand.

- Region-wide recruitment of engineering talent accelerating borderless outsourcing, with development teams operating remotely across multiple countries.

- Rapid expansion of the outsourcing sector in Central America, where Honduras, El Salvador and Panama are emerging as top contenders.

Hourly Rates in Central & Eastern Europe

ROLE (USD)												
	$0	$10	$20	$30	$40	$50	$60	$70	$80	$90	$100	$110	$120

Role	Low	Mid	High
Architect	$71	$82	$95
Business Analyst	$57	$74	$81
Project Manager	$53	$68	$78
Scrum Master	$61	$65	$74
Graphic Designer	$53	$65	$71
DevOps	$62	$71	$79
Lead Developer	$68	$78	$82
Junior Developer	$35	$41	$53
Intermediate Developer	$47	$53	$65
Senior Developer	$68	$71	$76
Junior QA Engineer (Manual)	$26	$34	$44
Intermediate QA Engineer (Manual)	$41	$44	$59
Senior QA Engineer (Manual)	$47	$48	$61
Junior QA Engineer (Automated)	$32	$39	$51
Intermediate QA Engineer (Automated)	$43	$47	$63
Senior QA Engineer (Automated)	$54	$61	$74

Source: Accelerance Analysis 2022

Insights

The crisis in Ukraine continues to deter outsourcing to a tumultuous Eastern European region. Prior to the war, the region and Ukraine in particular were emerging as powerhouse global locations.

However, the exodus of many Western companies from Ukrainian outsourcing partnerships tempered rate increases in 2022. Rates in Central and Eastern Europe rose only slightly, with the geopolitical crisis fueling a shift of outsourcing business to Latin America in particular. However, there were pockets of outsourcing growth in some countries — namely, Romania, Bulgaria and Montenegro.

On the global stage, losses in the Ukrainian developer pool exacerbated the worldwide talent shortage.

Key Trends for 2023

- Continued cutbacks in software outsourcing business to Ukraine from Western companies seeking more stable locations.

- Modest price increases due to salary growth driven by growing demand for specialized skills.

- A rise in key technologies, especially data analytics, IoT and cloud services.

Hourly Rates in South Asia

ROLE (USD)	$0	$10	$20	$30	$40	$50	$60	$70	$80	$90	$100	$110	$120
Architect						$58	$60	$71					
Business Analyst					$40	$46	$61						
Project Manager					$44	$47	$55						
Scrum Master					$44	$45	$50						
Graphic Designer				$38	$42	$43							
DevOps			$29	$35	$44								
Lead Developer					$44	$51	$53						
Junior Developer			$25	$30	$36								
Intermediate Developer				$35	$36	$41							
Senior Developer					$41	$46	$49						
Junior QA Engineer (Manual)			$24	$24	$29								
Intermediate QA Engineer (Manual)			$29	$29	$32								
Senior QA Engineer (Manual)			$34	$35	$37								
Junior QA Engineer (Automated)			$25	$29	$32								
Intermediate QA Engineer (Automated)			$29	$33	$39								
Senior QA Engineer (Automated)				$35	$39	$46							

Source: Accelerance Analysis 2022

Insights

In 2022, rates remained flat across South Asia, a highly cost-effective region that offers opportunities for Western companies seeking the advantages of a less-crowded offshore market with lower rates.

Nowhere in the world has a more mature IT outsourcing sector or a deeper talent pool: India alone produces more than 20 million new STEM graduates each year (and the highest percentage of female developers). Asia is rapidly closing the innovation gap with North America and Europe, and development teams can be pulled together or scaled up at speed, avoiding costly delays.

Key Trends for 2023

- A steady uptick in rates due to strong demand for senior engineers who speak good English.

- Cross-region expansion and acquisitions as software development companies in India and Pakistan look to acquire firms in Latin America, which would offer opportunities to pair nearshore/offshore outsourcing resources for lower blended rates.

- Increased interest in outsourcing to a region having long experience with Western companies and comparatively lower rates than other global destinations.

Hourly Rates in Southeast Asia

ROLE (USD)	$0	$10	$20	$30	$40	$50	$60	$70	$80	$90	$100	$110	$120
Architect						$47 / $53		$70					
Business Analyst				$31 / $35 / $47									
Project Manager					$37 / $44	$60							
Scrum Master						$48 / $54 / $59							
Graphic Designer				$29 / $29 / $37									
DevOps				$35	$42	$62							
Lead Developer					$41 / $41 / $45								
Junior Developer			$21 / $24	$35									
Intermediate Developer			$27 / $29 / $34										
Senior Developer				$34 / $38 / $41									
Junior QA Engineer (Manual)		$18	$24 / $28										
Intermediate QA Engineer (Manual)			$22 / $28 / $32										
Senior QA Engineer (Manual)			$25	$31 / $38									
Junior QA Engineer (Automated)			$22 / $26 / $29										
Intermediate QA Engineer (Automated)			$25 / $30 / $35										
Senior QA Engineer (Automated)			$29 / $32	$40									

Source: Accelerance Analysis 2022

Insights

Southeast Asia is entering a new era of digital innovation, with a rapidly expanding business and technology sector. It's proved remarkably resilient, despite the global economic upheaval of the past two years. However, the impact of inflation is being felt across the region, even as overall post-pandemic economic growth rates remain high.

A stagnant outsourcing market saw a slight overall rate increase of 3% in 2022 as many software development companies scaled back. Now, the brakes are off. Both the Philippines and Vietnam — singled out as leaders in the latest Global Innovation Index — are in hyper-growth mode. Partnering with Western clients is high on their agenda.

Key Trends for 2023

- Inflationary pressures and escalating demand for resources will drive up rates as engineering teams become harder to recruit.

- The Philippines and Vietnam will become even more desirable destinations.

- Companies in the UK, Australia and New Zealand will increasingly look to Southeast Asia as a competitive outsourcing option.

Hourly Rates in North America

ROLE	Low	Median	High
Architect	$139	$159	$182
Business Analyst	$109	$128	$154
Project Manager	$96	$109	$123
Scrum Master	$121	$136	$153
Graphic Designer	$79	$89	$100
DevOps	$114	$130	$148
Lead Developer	$169	$187	$209
Junior Developer	$75	$82	$91
Intermediate Developer	$119	$131	$144
Senior Developer	$147	$157	$172
Junior QA Engineer (Manual)	$62	$69	$78
Intermediate QA Engineer (Manual)	$104	$114	$126
Senior QA Engineer (Manual)	$117	$128	$139
Junior QA Engineer (Automated)	$74	$83	$94
Intermediate QA Engineer (Automated)	$125	$137	$151
Senior QA Engineer (Automated)	$140	$154	$167

Source: Accelerance Analysis 2022

Insights

There's no way to sugarcoat it: US and Canadian firms faced an average increase of 23% in hourly rates across software development roles in 2022.

An incredibly tight labor market was already pushing up rates before a series of economic issues added yet more inflationary pressure. The need to sustain digital transformation projects saw businesses paying a premium for tech talent.

Key Trends for 2023

- Transformation progresses, but IT leaders will carefully choose priorities as economic uncertainty drives cost management measures.

- The mix of onshore versus offshore software development is unlikely to change substantially, but many businesses will seek to renegotiate rates with their outsourcing partners to help relieve domestic cost pressures.

- Businesses will attempt to deepen relationships with trusted partners while being more strategic about how they invest in in-house development.

Accelerance tip: Look for leading software development firms offshore with high-caliber resources that are often sought after by US companies to recruit as employees. These foreign companies meet the highest US standards at a fraction of the US cost.

Summary View:
2023 Global Software Outsourcing Rates Per Region

	Latin America	Central & Eastern Europe	South Asia	Southeast Asia	North America
Architect	$72 - $96	$71 - $95	$58 - $71	$47 - $70	$139 - $182
Lead Developer	$66 - $82	$68 - $82	$44 - $53	$41 - $45	$169 - $209
Senior Developer	$65 - $82	$68 - $76	$41 - $49	$34 - $41	$143 - $172
Intermediate Developer	$53 - $66	$47 - $65	$35 - $41	$27 - $34	$119 - $144
Junior Developer	$41 - $53	$35 - $53	$25 - $36	$21 - $35	$75 - $91
Business Analyst	$56 - $68	$57 - $81	$40 - $61	$31 - $47	$109 - $154
DevOps	$59 - $82	$62 - $79	$29 - $44	$35 - $62	$114 - $148
Graphic Designer	$48 - $75	$53 - $71	$38 - $43	$29 - $37	$79 - $100
Project Manager	$59 - $82	$53 - $78	$44 - $55	$37 - $60	$96 - $123
Scrum Master	$54 - $79	$61 - $74	$44 - $50	$48 - $59	$121 - $153
Junior QA (Manual)	$34 - $52	$26 - $44	$24 - $29	$18 - $28	$62 - $78
Intermediate QA (Manual)	$42 - $59	$41 - $59	$29 - $32	$22 - $32	$104 - $126
Senior QA (Manual)	$53 - $66	$47 - $61	$34 - $37	$25 - $38	$117 - $139
Junior QA (Automated)	$35 - $53	$32 - $51	$25 - $32	$22 - $29	$74 - $94
Intermediate QA (Automated)	$48 - $62	$43 - $63	$29 - $39	$25 - $35	$125 - $151
Senior QA (Automated)	$59 - $72	$54 - $74	$35 - $46	$29 - $40	$140 - $167

Source: Accelerance Analysis 2022

Putting Outsourcing Expertise
to Work for You

Enterprise-grade Partners:
Your Best Bet

Software outsourcing, done right, requires hiring highly professional development companies. We call these "enterprise-grade" partners, certified global software development firms that can easily integrate into an existing team with minimum disruption while providing the highest level of technical performance.

These partners command a slight premium because of the consistently high quality level of work they deliver. They provide software development better, faster, and more expertly than you could do on your own.

Our checklist shares the business and technical criteria we use to identify top-quality partners. It provides a guide to conducting meaningful assessments that align businesses with the most proficient and compatible outsourcing partners.

Modern software outsourcing is a collaborative endeavor between you and your outsourced team. Instead of settling for a group of low-performing, order-taking developers, do the due diligence to find an enterprise-grade partner with proactive problem-solvers who will deliver results beyond expectations.

[Accelerance can take off the pressure](#) by finding a high-performance software outsourcing partner that's the best fit for your next engagement.

CRITERIA INCLUDE

☐ Size of company (including ability to complete projects effectively and forced on schedule)	☐ Longevity (well-established companies that have been operating for at least five years)
☐ Technical competencies	☐ English skills
☐ Multiple technical certifications	☐ Time-zone flexibility
☐ Industry/vertical experience	☐ Cultural fit
☐ Project structure	☐ Pricing structure
☐ Viability of the region (solid infrastructure, political/social stability and relationship with the US)	☐ Insurance (professional indemnity and public liability insurances at a level adequate for Western customers)
☐ Human Resources processes (such as recruiting, vetting, and retention of talent)	☐ Business continuity plans (ability to handle economic fluctuations or an unexpected crisis)
☐ Prior experience working with Western partners, and education or prior work positions in Western countries	☐ Compliance with legislation related to the Office of Foreign Assets Control (OFAC), anti-corruption and money-laundering, human trafficking and other legal requirements for onshore operations

Source: Accelerance Insights 2022

A World of Enterprise-grade Partner Choices

Software development outsourcing can be a dream come true, or a nightmare. It all depends on the quality of the partner you select.

In a global market awash with great – and not-so-great – software development firms, there are thousands of confusing options, risky unknowns and tepid qualifications to sort through. Due diligence can take hundreds of hours of evaluation to find a top-quality partner.

Only pre-vetted, enterprise-grade software firms qualify for Accelerance's certified global network. Our deep industry insights come from managing the world's broadest portfolio of nearshoring and offshoring outsourcing partners.

Accelerance has enterprise-grade partners in these locations:

Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, El Salvador, Honduras, Mexico, Panama, Peru, Puerto Rico, Uruguay

Central & Eastern Europe: Armenia, Hungary, Poland, Romania, Ukraine

The Balkans: Bosnia, Bulgaria, Croatia, Montenegro, Serbia, Slovenia

South Asia: Bangladesh, India, Pakistan, Sri Lanka

Southeast Asia: Philippines, Vietnam

Africa: Egypt

Locations of Accelerance Enterprise-grade Partners
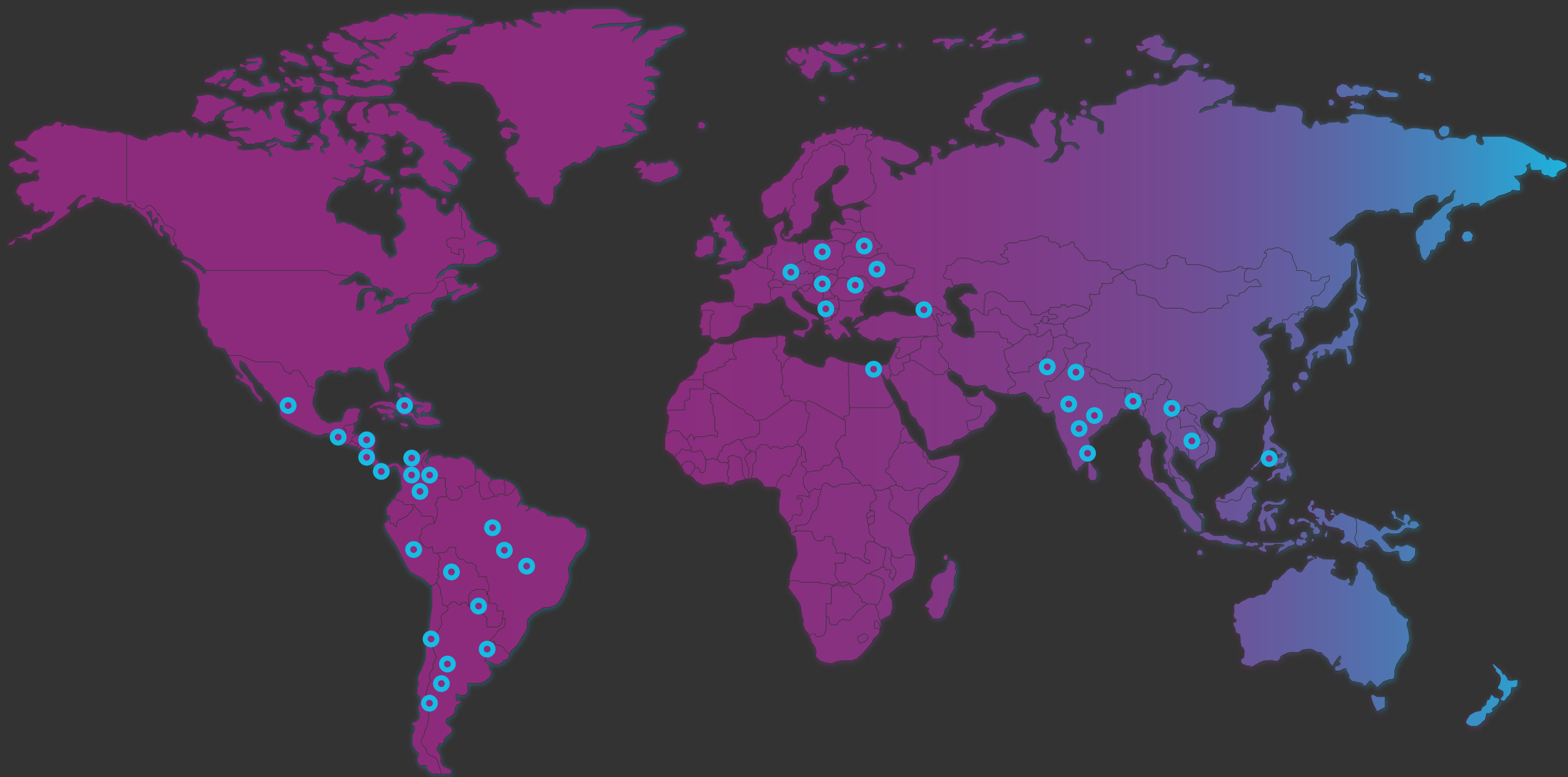
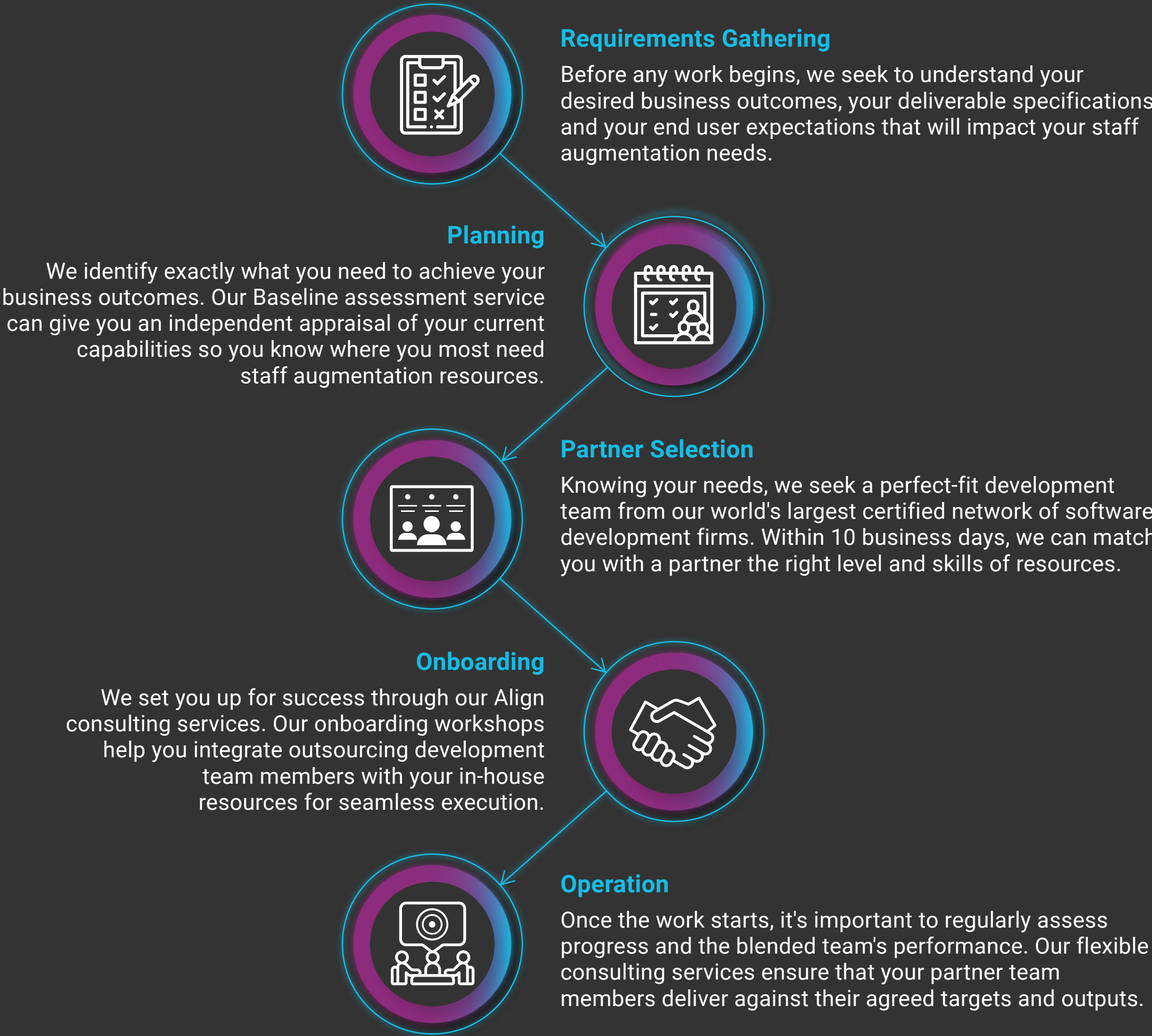| **8,000+**	**3%**	**1%**	**30+**	**30,000+**
Firms Evaluated	Qualified Partners	Certified Partners	Countries	Developers

Source: Accelerance Analysis 2022

Getting Outsourcing Partnerships Right from the Start

"The traditional outsourced software development model – simply standing up projects in an offshore location – leads to flawed outcomes or outright failures. Work practices, communication and collaboration between your onshore team and offshore partner are often out of sync.

There's a better way. After thousands of software outsourcing engagements, we've found that clear direction and team building at the onset of the outsourcing partnership provide the foundation for flawless execution by the blended team. Expert consulting advice in partner matching, team alignment and performance management can make all the difference to your engagement's success and pays for itself."

-Andy Hilliard, CEO of Accelerance

Accelerance's Proven Partnership Process

Requirements Gathering
Before any work begins, we seek to understand your desired business outcomes, your deliverable specifications and your end user expectations that will impact your staff augmentation needs.

Planning
We identify exactly what you need to achieve your business outcomes. Our Baseline assessment service can give you an independent appraisal of your current capabilities so you know where you most need staff augmentation resources.

Partner Selection
Knowing your needs, we seek a perfect-fit development team from our world's largest certified network of software development firms. Within 10 business days, we can match you with a partner the right level and skills of resources.

Onboarding
We set you up for success through our Align consulting services. Our onboarding workshops help you integrate outsourcing development team members with your in-house resources for seamless execution.

Operation
Once the work starts, it's important to regularly assess progress and the blended team's performance. Our flexible consulting services ensure that your partner team members deliver against their agreed targets and outputs.

CASE IN POINT: Solving a Team Selection-to-Stand-Up SOS in Record Time

Mark Stewart was facing a CTO's nightmare: War broke out when a Ukrainian software development team was his sole support for a critical product. He needed backup resources ASAP for the product, a leading back-office software platform for real estate professionals. On top of that, Stewart was looking for highly specialized skills during a record developer shortage. And any new team had to hit the ground running. The odds for a timely solution didn't seem in his favor.

Part One: A Successful Search

Stewart decided to bet on Accelerance. He had previously used our Rapid Referral® partner matching services to find perfect-fit engineering teams quickly. After a consultative discussion about his needs for a software development partner, Accelerance delivered spot-on recommendations.

"Within a couple days, we had three strong contenders, and we were interviewing them within a week. It was all very easy for us, even though we were searching for a needle in a haystack," he recalls. An Accelerance partner in Brazil produced a team of six developers skilled in the Ruby programming language and on the Flutter framework.

Part Two: Fast Traction

With the escalating conflict in Ukraine, Stewart's new team needed to start performing immediately with their US colleagues. So he used Accelerance's Align team building service to help with the team transition and integration. This three-day intensive workshop, facilitated by an Accelerance expert, brought together the partner and client teams to agree on operating approaches and practice working together. "It was definitely valuable to get the teams up and running quickly and to establish their working norms," Stewart says. "They got off on the right foot."

Within a month, Accelerance helped Stewart to stand up a new team, with an indefinite payoff: Stewart now has a stable long-term resource to ensure the core product's continuity. Risk resolved.

Mark Stewart
Chief Technology Officer

Experienced senior IT executive with multiple high-tech companies offering software products and solutions.

Accelerance worked with Stewart to quickly find and launch a nearshore outsourcing team to provide key application support from a more stable world region.

The combination of our partner matching and team alignment services turned a CTO's nightmare into a future-proof capability by:

- Finding options to source scarce skills for a new outsourced development team.

- Preparing the new partner and client teams to work seamlessly together from the start.

- Facilitating a smooth transition of work to the new nearshore team.

Perspectives:
Outsourcing Partnerships in Uncertain Times

OUTSOURCING

"Those providers that can deliver demonstrated, quantifiable, financial value can and should continue to be rewarded by their clients... as this is key to successful growth in a recessionary environment."

—Marc Tanowitz,
Managing Partner at West Monroe

"Lean in with your partners. They can figure out ways to streamline their delivery, migrate more work to lower cost locations."

—Michael Fuller,
Principal at The Hackett Group

"Software outsourcing relationships are an accepted practice in today's borderless, fast-evolving reality. In the face of business volatility, the right partners will help IT leaders with agile, future-proof strategies."

—Ryan Schauer,
Partner Success Manager at Accelerance

Never a Better Time
for Software Development Outsourcing

Heading into 2023, we face continuing economic headwinds. However, there also is an ongoing requirement to innovate and capitalize on the gains in digital progress during the pandemic.

The new financial reality sees every organization tasked with having a laser focus on cutting costs, managing demand and securing the right skills.
The global geopolitical situation is only likely to get even more complicated, which will require that we build resilience and flexibility into our business plans.

The good news is that when it comes to software development outsourcing, the experience of the pandemic has led to new ways of working in sync with the distributed virtual outsourcing model. We are seeing the proliferation of hybrid teams made up of in-house staff and outsourcing partners. Hyperspecialization is causing many outsourcing partners to assist with in-demand and emerging technologies where the domestic skills shortage has stalled progress.

Multi-partner outsourcing will become the new norm as businesses deepen and expand their offshore relationships. Developer recruitment and retention will remain the key pain point in 2023, leading more organizations to look offshore to beat the scarcity at home. Now is the time to get the fundamentals of outsourcing right, to fine-tune your pricing models and to undertake regular developer rates benchmarking.

2023 promises to be as challenging and as unpredictable as anything we've encountered so far in this decade. If you are in the software development game, Accelerance is here to help you take advantage of outsourcing to not only survive through uncertainty, but to thrive.
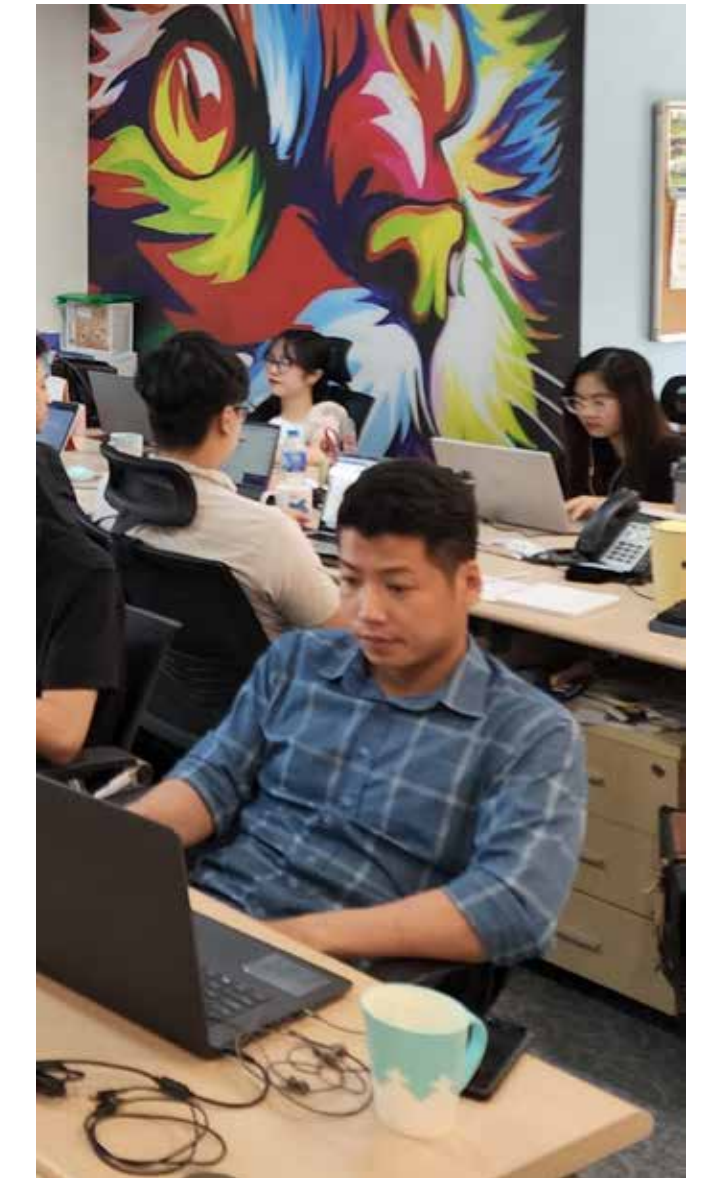
ACCELERANCE

The Global Software Outsourcing Authority®

As the premier Global Software Outsourcing Authority®, Accelerance helps technology leaders to build and scale software development capabilities through top-tier engineering teams and expert consulting services. Accelerance clients gain access to:

- **The world's largest network of premium partners: We've personally vetted more than 8,000 software development firms against 500+ criteria and certified only the top 1% across 30+ countries.**

- **Our proven partner matching expertise: For more than two decades, we've helped thousands of clients by identifying perfect-fit partners for outsourcing success.**

- **Our experienced consulting and advisory services: We provide the right level of professional guidance that you need throughout your engagement.**

Our precision approach sets us apart from do-it-yourself outsourcing or brokerage services which can be a hit-or-miss proposition. With our global network and most knowledgeable client advisors, we're big enough to scale but small enough to care.

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The Global Software Outsourcing Authority®

Thank you for your interest in our 2023 trends and rates guide.

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See our 5-star client reviews

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