



A CTO's guide **to sustainable offshore** **development in the** **Asia-Pacific region**

**Evaluating the suitability
of offshore engineering teams
to achieve long-term objectives**

Report by The Scalers

Executive summary

Customer-centric initiatives put pressure on development cycles, potentially affecting an organisation's ability to deliver services effectively and remain competitive. Slowdowns and disruptions in product development pose a significant challenge in stabilising workflows.

Tech leaders — such as CTOs, CIOs, Engineering Heads, and IT Project Managers — face many challenges when exploring offshore development to solve talent shortages in their regions. This paper discusses the best options for achieving sustainability, credibility, and global value.

The report reveals holistic frameworks for tech-driven companies building offshore teams in the Asia-Pacific region. Areas discussed include **how to achieve cultural alignment, speed of delivery, and long-term sustainability**. The service models explored here are examples of active business cases that are easy to adopt.

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A comprehensive view of the Asia-Pacific tech talent market

41% of global IT decision makers cited talent and skills gaps as their biggest challenge. As the challenges presented by the pandemic are addressed through further digitalisation, the need for highly-talented engineers has only grown. Australia and New Zealand are no exception, and each poses its own unique set of challenges.

QUICK FACT

The cost of hiring locally in Australia has risen 4% YoY

Source: Australian Financial Review




Because there's less engineering talent to choose from, local salaries have increased enormously, with major players pricing smaller and medium-sized companies out of the race. In addition, there's a struggle in retention as engineers are tempted away by larger enterprises.

Additionally, businesses typically have a large percentage of their IT and engineering workforce employed as short-term contractors. With an exacerbated shortage of available talent, companies have begun to hire these contractors on a permanent basis — further driving costs.

QUICK FACT

Hiring and retention are the biggest concerns for 69% of business leaders

Source: KPMG



With the technology sector having the highest attrition rate (13.2%) of any other sector at present — tech leaders need to ensure that they have attractive compensation and employee benefits, as well as enticing projects to attract the truly top-tier engineers and retain them.




Consequently, the C-suite is left at a crossroads when trying to bolster the brand's technical depth, cultural uniformity, and business diversity. Offshore development stands out as a primary option in which to leverage to navigate around all the hurdles. But while offshoring with a short-term vision can backfire, adapting it as a core model of team building can equip, network, and grow the outreach of the business and strength of the talent bench.

QUICK FACT

Talent gaps have left 20% of businesses unable to transform

Source: NZ Tech



KEY QUESTIONS FOR CONSIDERATION

- How to find a long term solution for local talent shortage?
- How to access a larger and reliable pool of talent?
- How to extend teams that pioneer global value?
- How to establish a sustainable and credible tech team?



Territorial opportunities for Australia and New Zealand

Software centricity in Australia is growing rapidly. However, businesses face many obstacles surrounding shortages of available skills. Forward-thinking CTOs will have to look to offshoring for more favourable conditions and a richer talent pool. In this section we will provide a comparison of different locations available in the surrounding region.

For technology leaders, offshoring used to be about finding a price they couldn't get at home; today it's about finding the skills and people they can't get at home

Emilien Coquard,
CEO & Co-Founder, The Scalpers




DEVELOPMENT RATES

Asia has considerable advantages, such as low offshore software development rates compared to Australia and New Zealand. In these two countries, the average development rates per hour range between AU\$89 to AU\$201.

In offshoring hubs like Japan, India, Vietnam, Malaysia, Indonesia, and the Philippines, however, these costs typically range from AU\$27 to AU\$133. India, in particular, offers the lowest rates at AU\$26 to AU\$54 without sacrificing quality.

ASIA-PACIFIC AVERAGE DEVELOPMENT RATES PER HOUR

Indonesia AU\$33.6–AU\$65.6	
Malaysia AU\$33.6–AU\$79.3	
Philippines AU\$27–AU\$65.6	
Thailand AU\$33.6–AU\$134.2	
Vietnam AU\$45.8–AU\$134.2	
Japan AU\$27.5–AU\$40	
India AU\$26–AU\$55	
Aus + NZ AU\$88.5–AU\$201.4	



The right offshore solution places emphasis on the quality of the engineers in conjunction with a cost-effective alternative to local hiring

NUMBER OF AVAILABLE DEVELOPERS

In Asia, the average number of software developers is far greater, with around 6,540,000 workers. Its vast talent and low costs in comparison to Australia and New Zealand make it very inviting to companies wishing to move their development operations to the region.

The data suggests that Australia has 104,000 software developers, whereas New Zealand only has 15,200. Comparatively, Vietnam has 350,000 and the Philippines has 190,000. However, India is the clear winner with over 5,800,000.



NUMBER OF AVAILABLE DEVELOPERS			
Australia & New Zealand	Vietnam	Philippines	India
104,015	350,000	190,000	+ 5,800,000

NUMBER OF GRADUATES

Because of its significant number of IT graduates, Asia is the preferred destination for companies and individuals looking to offshore their operations. Nevertheless, **not all countries produce the same quality of graduates**. For instance, while Thailand offers low maintenance and operational costs on the one hand, it ranks extremely low on the EF English Proficiency Index.

On the other hand, **India ranks highly due to its emphasis on English education**. This focus has led it to become the world's second-largest English-speaking country. Indian developers are highly qualified and experienced with the requisite skills in the latest technologies and programming languages.

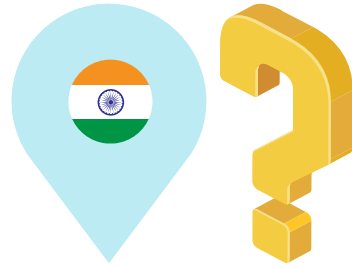


As of 2018, India had the largest total graduates of any country at 2.7 million in STEM fields

TIME ZONE DIFFERENCES

Diverse time zones divide Asia. India, located in South Asia, is 4.5 hours behind Sydney and 6.5 hours behind Auckland. Other Asian nations in the South East currently observe four different time zones. While Thailand, Indonesia, and Vietnam are three hours behind Australia, The Philippines is just two, and Japan is one. Fortunately, these time zones overlap with Australia and New Zealand. This reality makes it possible for companies to collaborate with their offshore teams efficiently. **A time zone gap can actually act as an advantage**, as managers can send requests in the evening and see the results the next day when they return to work.





WHY INDIA?

India is cost-friendly and has favourable policies, such as the Information Technology Act and other tax and financial benefits. The Indian government also has a very fast-developing infrastructure. It continues to set out reforms that support the tech industry, like recognising electronic contracts, keeping the e-filing of documents, and preventing cybercrime. When you combine that with movements like Digital India, offshoring to the country becomes even more desirable. But **its greatest strength is undoubtedly talent and a highly competent workforce.** 75% of global digital talent resides in India.

Bangalore is a prime city for offshore development as it is attractive to stakeholders worldwide. Each year, India adds another 1.5 million engineers to its talent pool, **and the top talent goes to Bangalore.** The city has over 90,000 engineers graduating from its universities every year, is known colloquially as ‘the Silicon Valley of Asia’, and has been named ‘the world’s fastest-growing tech hub.’⁵

Bangalore is home to over one million software engineers



It’s an R&D hub with over 400 centres, including those of major multinationals



90,000 engineers graduate from Bangalore’s universities every year



This is partly because it’s a key engineering destination with over 400 R&D centres, including those of major multinationals. **With an average economic growth rate of 6.5%, the city is a major player in the Asia-Pacific region.** There are a multitude of transformational technologies being built and developed in the city, including IoT, AI, and Machine Learning. A presence in Bangalore allows organisations to work with the best talent at a favourable cost.



Achieving: sustainability, credibility, and 360-degree alignment

Here we examine how offshoring can help achieve long-term strategic goals when implemented correctly.



THE RIGHT PARTNER

Offshore development enables businesses to tap into global talent pools and access skills they can't find at home while reducing costs. While the partner **takes care of recruitment, setting up the team, the operational heavy lifting**, and day-to-day administration — organisational leaders can concentrate on creating new and innovative products and services for their partners.



THE RIGHT PARTNERSHIP

With an emphasis on quality over simple cost saving, the sustainability and success of offshoring is ensured. Developers are sourced fresh from market with an aim to achieve value-adding results that augment existing engineering capabilities within an organisation. The **strong focus on quality and cultural alignment** are highlighted by low attrition rates and result in a long-term solution not seen in project-based outsourcing.



THE RIGHT LOCATION

Bangalore is the most suitable engineering centre for long-term teams and complex technical requirements. Cross analysis in terms of feasibility, accountability, ease of access, and strength of resource segmentation highlights the city — **home to one million software developers** — as having skills and technology unmatched by other locations.



THE RIGHT RECRUITMENT

A thorough and meticulous recruitment process ensures the engineers presented for final hiring decisions are of the highest calibre — from both a **technical excellence and cultural fit** standpoint. The right partner will facilitate sourcing based on your unique requirements and then provide



ongoing support for recruitment and employee engagement via an account manager and Chief Happiness Officer, respectively.



THE RIGHT PEOPLE

Engineers are hired through branded employer portals and in fully branded workspaces — helping to ensure continual engagement with the business. A strong focus on cultural alignment helps to foster a culture of collaboration and a **seamless working relationship between local and offshore teams**. A strongly desired and achievable outcome is the offshore team as a wholly integrated component of the organisation's broader engineering operation.

Building: fully aligned, sustainable offshore engineering teams

In this section, we highlight three applicable solutions of offshore development that achieve both long-term goals sustainably, and promote alignment with other development units within the business.



BUILD A FULLY INTEGRATED DEDICATED TEAM

Want to scale your development capacity without spending time on hiring? Offshoring frees your company to focus more time on scaling core competencies and less on screening candidates. The developers hired will be **an integral part of your wider engineering operations**, and they'll be fully aligned and engaged.



EXTEND YOUR EXISTING ENGINEERING TEAM

Have an existing team of developers and need to scale sustainably? Add skills to your current setup **simply and seamlessly** without interrupting existing operations. A culture of collaboration will be fostered between both the local and offshore teams — delivering the increased capacity desired while also ensuring that CTOs maintain control over the product and intellectual property.





ESTABLISH AN OFFSHORE DEVELOPMENT CENTRE

Looking to grow your development operations to 50+ engineers? Welcome to rapid scalability in a custom-built ODC. It's where new ideas come to life, and a large development centre may also evolve naturally into the hub of research and development. Building an offshore development centre in a city such as Bangalore gives CTOs the ability to **leverage highly talented data scientists and business analysts** to innovate with exciting, pioneering new products and services, at scale.

Why The Scalers?

From 5 to 200+ engineers, we build world-class development teams in Bangalore. Beat the tech talent shortage at home and accelerate your innovation.

- ★ **Elite development talent** sourced from the top 1% in India
- ★ **Your offshore team is a fully aligned** and branded extension of your business
- ★ **Engineers are seamlessly integrated** into your existing engineering setup
- ★ **Augmenting your team with The Scalers** can remove reliance on third-party vendors
- ★ **Keep expertise, upskilling, and capability** within your organisation
- ★ **Continuous employee engagement** by the offshore partner's Chief Happiness Officer
- ★ **A dedicated account manager** ensures long-term feasibility, with teams scaled on-demand
- ★ **Local legalities and regulations** are taken care of, establishing a local presence in the market

Put simply, it's the smarter way to go offshore.

SOURCES

1. [How companies are reskilling to address talent gaps](#)
2. [Tech salaries surge as companies battle rigid visa laws](#)
3. [New Zealand facing a digital skills crisis](#)
4. [Talent and digital transformation: top two issues for business](#)
5. [Bengaluru world's fastest growing tech hub, Times of India, 2021](#)



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