

A Software Development Model for 2022

Improve efficiency with a remote in-sourcing model, instead of co-located development

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● I'm just going to come out and say it – the co-located development model is a waste of resources and offers negligible benefits. Is this statement controversial? Sure, but it's getting less so by the day. More and more organizations recognize that remote and outsourced development can cut costs, is highly scalable, and offers access to a wider talent pool. And talent is the key, what really matters in modern software development.

With COVID, distributed development makes even more sense, as 2020's economic disruption rocked the globe, and we still haven't fully recovered. Working hours and employment losses were [four times higher](#) than the crash of '09.

Paradoxically, while there was record unemployment, companies couldn't find the right people to fill positions – [a different kind of record high](#). On top of that, average salaries in the IT sector are rising, partially in an attempt to retain talent.

With the traditional co-located development model, we're seeing these key challenges:

- Sourcing and retaining talent
- Transitioning to remote work
- Staying competitive among rising salaries

And that's where distributed development and remote in-sourcing come in. Let's examine both models closely.

How remote in-sourcing and distributed software development work

At its core, a distributed team is a group of people that work together across geographic boundaries. They use various collaborative tools for real-time communication, but they can also work together asynchronously.

You can hire quality IT staff from countries with lower salaries, thereby cutting costs without compromising on quality. IT workers from Eastern Europe, especially Ukraine and Belarus, have rightfully earned reputation of highly skilled goal-oriented specialists. While Eastern European team members' salaries will be more expensive than, say, developers from South Asia, the quality of their work is more aligned with that of their U.S. counterparts.

[In 2021, "cost of ownership" \(salaries, bonuses, benefits, other expenses\) for North American developers](#) ranged from \$80,000 to \$300,000 per year; in Central and Eastern Europe, rates charged by service providers were significantly lower, from \$40,000 to \$140,000. And this is not only about savings but, more importantly, about time to market, success of your innovation and beating your competition.

If distributed development is starting to sound pretty good, just wait until you hear about remote in-sourcing. When you form a distributed development team, you still have to deal with sourcing, training, and retaining employees -- they're just located in more affordable geographical locations.

Traditionally, if organizations didn't want to deal with all of this, they would work with an outsourcing development team. But the outsourcing trade-off is that you have little to no control over the team's quality and training.

Remote in-sourcing is the best of both worlds – it gives you access to lower salaries and better scalability while also providing full control over productivity and quality. With this model, a remote, self-contained team of developers integrates with your own staff.

Unlike an outsourced team, a remote in-sourced team operates under your direction, and you'd work with them just like with your own employees. Yet, you would also get necessary help and service to scale the team up and down whenever necessary.

A remote in-sourcing case study: health portal

To illustrate the benefits of remote in-sourcing, I'd like to share a case study with you: a U.S.-based healthcare company wanted to develop a health portal that could help hospitals, practices, and practice groups develop its businesses. The company had previously worked with outsourcing vendors but due to skill shortages and organizational reasons their attempts failed.

After switching to the remote in-sourcing model, a team of five people integrated seamlessly with the organization's own staff. Because of the easy scalability of this model, the healthcare company could subsequently increase the in-sourced team to more than 50 people.

Over 10 years of continuous cooperation, the remote in-sourcing team designed and implemented 100 percent of company's healthcare products, including a health portal – which now serves five million people per year.

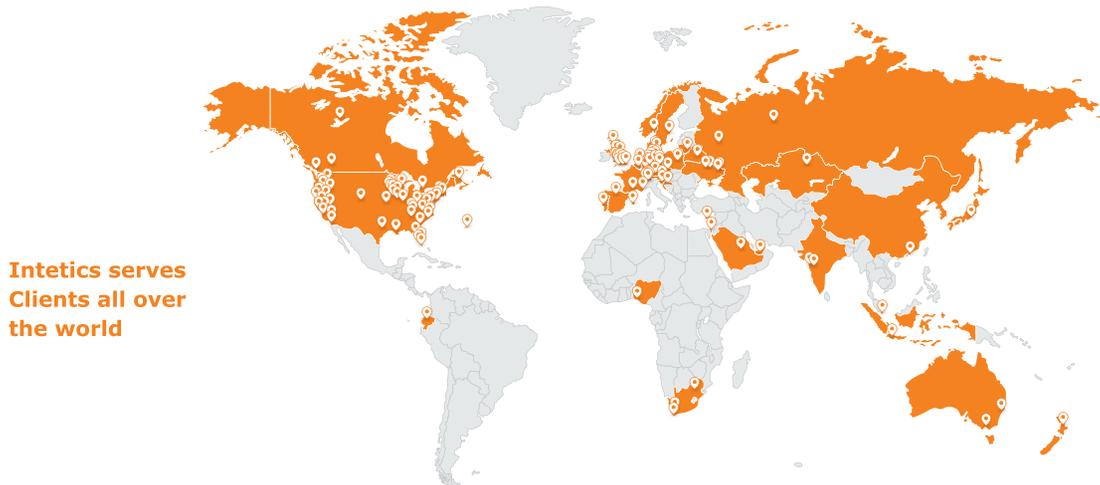
By following the remote in-sourcing model, the company was able to work with highly-skilled developers at a lower cost and retain full control over the team.

Are you ready to switch your model?

I want to leave you with a brief checklist on whether distributed development or remote in-sourcing is right for you. Of course, this won't give you a definitive answer for your situation, but it should serve as a launching point for further research.

Distributed Development	Remote In-Sourcing
<ul style="list-style-type: none">• You don't require a quick turnaround for team formation.• You want to leverage global markets to cut costs.• You want a team composed of your own employees.	<ul style="list-style-type: none">• You don't want to pay change management costs.• You require a quick turnaround for team formation.• You want to leverage global markets without having to spend resources scouring the globe for talent.• You want full control over the team without having to stress over logistics.• You want to work with an outsourced team as if they were your own employees.

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