BLACKBELT

8 REASONS

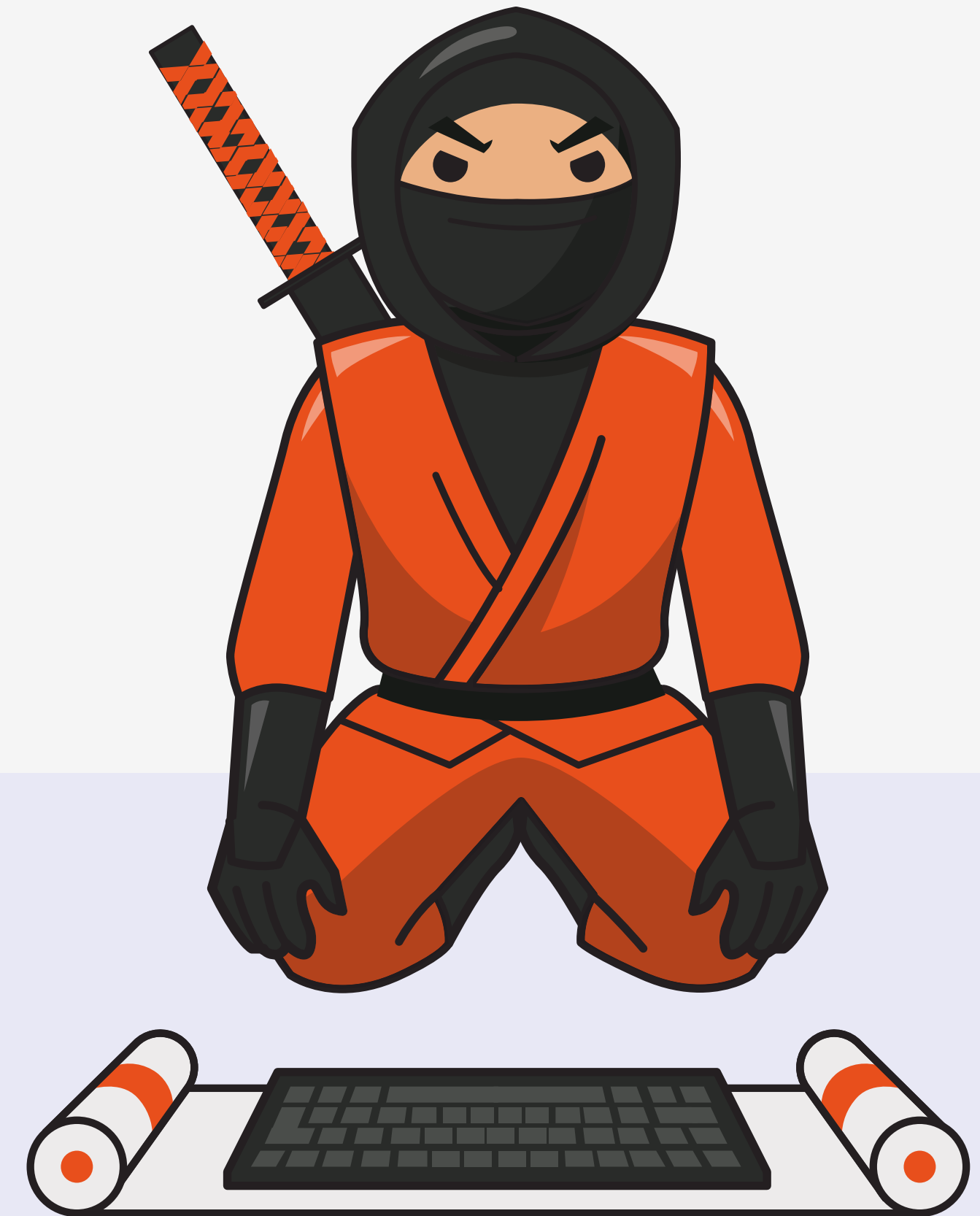## TO OUTSOURCE YOUR APPLICATION DEVELOPMENT TO HUNGARY

Advantages of offshore outsourcing are rapidly diminishing, due to the raising approval for remote work and the benefits of nearshoring. Budapest, the capital city of Hungary, has a vibrant business atmosphere, attracting companies of all sizes from all around the world to establish and expand their tech hub here. The economic, educational and financial factors in Hungary make the country the hotbed of successful ventures. Budapest's role as a tech hub is growing from year to year, as an increasing number of companies are outsourcing their development needs to the country. Let's take a look at the reasons why foreign companies should consider outsourcing and more importantly, nearshoring their application and software development to Hungary in more detail.
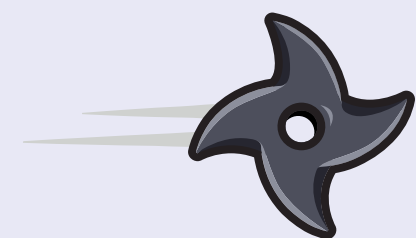
WHAT IS NEARSHORING IN THE FIRST PLACE?

Nearshoring is the practice of outsourcing a segment of production or development, or a department of a company to a foreign country, which is not so far from the business' headquarters.
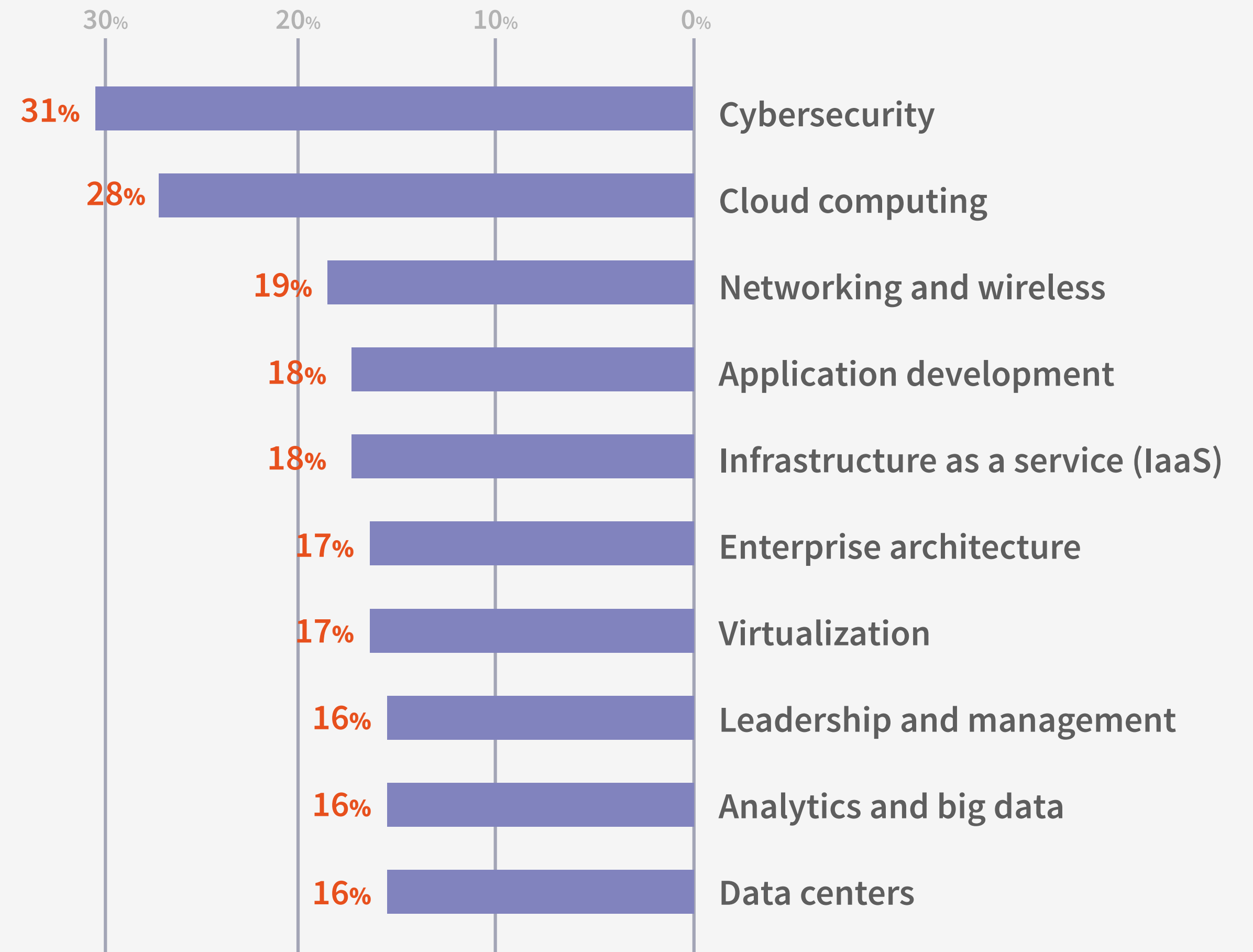
NEARSHORING TACKLES THE LABOR SHORTAGE

There is a growing labor shortage in most parts of Europe, as a result, it becomes more and more difficult to find a skilled and experienced workforce. According to the study of Statista, hiring talented IT professionals has been a challenge for most tech companies in recent years. They have demonstrated that 18% of the analyzed companies worldwide found it rather difficult to hire proper application developers.

With the help of nearshoring, finding the adequate candidates or team for a development project becomes a lot easier, as organizations can stretch their grasp across the boundaries of their own country.

TOP 10 IT AREA WITH BIGGEST DEMAND FOR TALENTS

Area	Percentage
Cybersecurity	31%
Cloud computing	28%
Networking and wireless	19%
Application development	18%
Infrastructure as a service (IaaS)	18%
Enterprise architecture	17%
Virtualization	17%
Leadership and management	16%
Analytics and big data	16%
Data centers	16%

PROBLEMS WITH OFFSHORING

Many companies still choose offshoring some tasks to increase their competitiveness on the market, however the huge distance, and other factors coming with it, many times outweigh the advantages.

If you choose to outsource to a distant country, monitoring the end result or the quality of work becomes complicated. Relocation and transfer costs could rise easily. Furthermore, in most of the countries to where it worth to outsource, living standards, education-, literacy level, and technological development are significantly lower. Thus, any company who is considering to choose a faraway country may lose their influence over the quality of the end result and will have a harder time finding employees with sufficient technological skills.

Moreover, there are other disadvantages, like cultural difference, differing working style, complicated communication, and difficult onboarding. These hardships may result in an insufficient end result or software that is not endowed with the features it was originally planned to have, or development time seriously exceeding the final deadline.

The setbacks of offshoring accumulate in the IT field. Development most of the time constitutes one of the most significant departments of any company. So all those businesses who are willing to outsource development, need to do a thorough background and quality check on the future partner because so much depends on the quality and capability of the software. It does not matter if it is going to be used for in-house processes, or it is going to be sold to the customers, a malfunctioning, complicated, slow application, or one which has never been able to obtain its planned functionality, can cause serious problems within the company. What is even worse, **it can remarkably decrease customer satisfaction. This is why you should always aim for the best-performing development partners.**

HUNGARY, AN EMERGING TECH HUB

The country is already favored by many entrepreneurs and companies, and soon, this number is expected to grow due to recent international events. According to the study of Startup.co.uk, Budapest ranks as the first city where people should launch their business after Brexit. It is also a perfect place for managers to relocate for a period of time when business calls. Furthermore, there are already many digital nomads who love working and living here, take this person as an example:

"Have spent over 4 years living in Budapest and also extended periods in many other places [...]. Nothing compares to Budapest. It is by far the best place in the world to live for people of all ages, but especially young people. It has everything and anything you could possibly want and it's centrally located in the best continent on the planet.

I moved away for a few specific reasons but really hate that I had to. The only city I think is even close in comparison to how great Budapest is, is Barcelona."

Source: https://nomadlist.com

SSC CULTURE

Shared Service Centers have been flourishing in Hungary for more than ten years now, that established its own prosperous labor force, and introduced the multinational culture and jargon into the Hungarian business life. Higher education institutions are starting to adapt their courses to the likeness of the labor market. **This is totally in opposition with all the cultural, and language differences that most companies face when they decide to outsource a segment to India or Pakistan.** Moreover, the most famous SSCs are usually partnering with universities to refine the educational agenda, and many times they are joining these institutions on annual HR and recruitment expos to find skillful young talents for themselves.

Furthermore, the Hungarian startup culture is on the rise, as there is an increasing number of incubator programs and investor opportunities, which aims to elevate the SME layer to a new level.

Hungary has been the choice of many multinational companies as a base for their R&D and manufacturing departments. Here is a list of the world's biggest companies, without being exhaustive, who chose Hungary to outsource one of their major sectors:

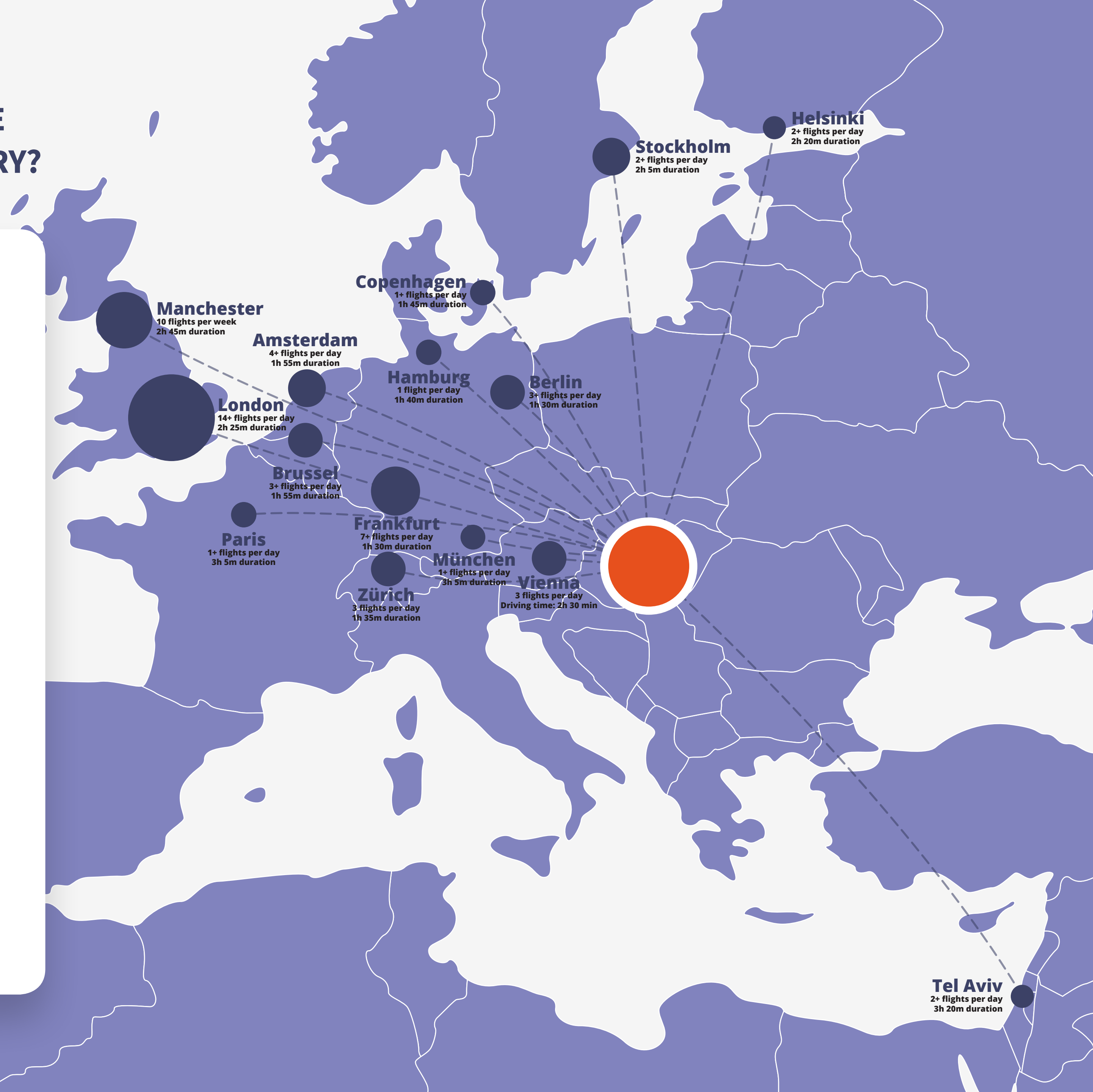|		
Ericsson	IBM	Bosch
Unicredit	SAP	Continental
Knorr-Bremse	Siemens	Nokia
GE	Lufthansa	Citi

BUT WHY EXACTLY DOES IT WORTH TO OUTSOURCE YOUR SOFTWARE ENGINEERING NEEDS TO HUNGARY?

1 LOCATION

Deriving from the central location of the country, as it is situated in Central Europe, Budapest is perfect to provide services in all directions. Due to the benefit of the limited time difference, your company won't find it difficult to talk to the local developers and project managers about the progress of the application. It is relatively easy to schedule meetings and business negotiations.
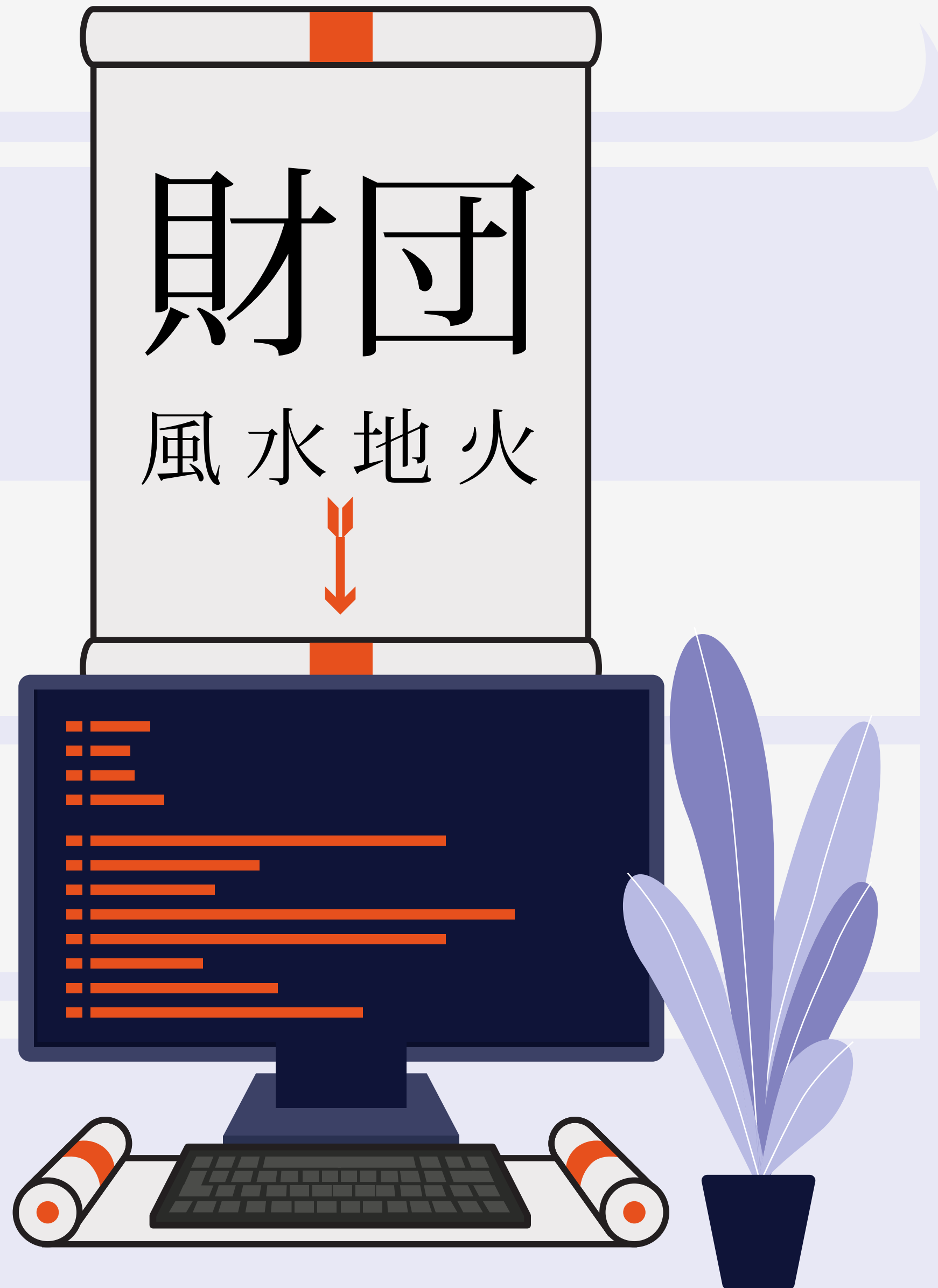
Not to mention the fact that **with a 2-3 hours flight any business manager can visit the developer team for a personal check-up**. The airport in Budapest welcomes more than 200 flights every day from various metropolises. From London, Basel, or Paris for example, there are more than 5 flights to Hungary on a daily basis. Budapest is also easy to reach by train from Germany or Austria. Furthermore managers from Vienna and other CEE cities can pay a visit by car whenever they need to meet the team personally.

Helsinki
2+ flights per day
2h 20m duration

Stockholm
2+ flights per day
2h 5m duration

Copenhagen
1+ flights per day
1h 45m duration

Manchester
10 flights per week
2h 45m duration

Amsterdam
4+ flights per day
1h 55m duration

Hamburg
1 flight per day
1h 40m duration

Berlin
3+ flights per day
1h 30m duration

London
14+ flights per day
2h 25m duration

Brussel
3+ flights per day
1h 55m duration

Paris
1+ flights per day
3h 5m duration

Frankfurt
7+ flights per day
1h 30m duration

München
1+ flights per day
3h 5m duration

Zürich
3 flights per day
1h 35m duration

Vienna
3 flights per day
Driving time: 2h 30 min

Tel Aviv
2+ flights per day
3h 20m duration

2 EU MEMBERSHIP AND PASSPORT-FREE TRAVELING

Other Central- and Eastern European (CEE) countries that usually crop up in the minds of companies when it comes to outsourcing are usually Serbia, Ukraine, or other Balkan states. However, these countries are not members of the European Union, even though they are geographically situated in Europe. As a result, Hungary becomes a more reasonable and affordable option for EU citizens and companies registered in the EU due to its membership since 2004. This enables companies to visit their nearshore partners more conveniently without passports. Moreover, it also results in a more favorable taxation between companies with EU headquarters.
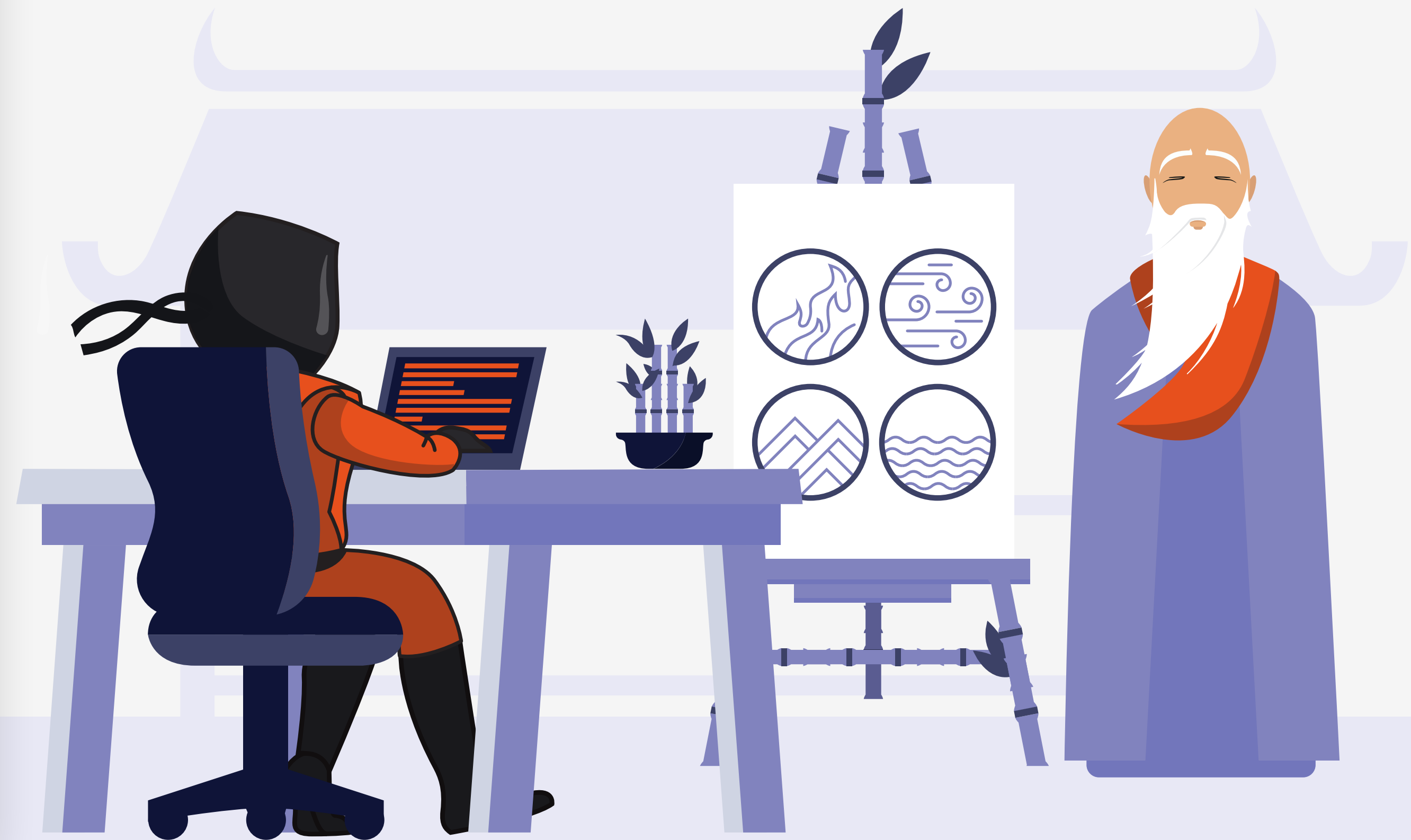
3 EXCELLENT LANGUAGE SKILLS

It is compulsory for every Hungarian student to learn at least one foreign language. The most popular ones are English and German, but many times students opt for French, Italian or Spanish. **Most Hungarians in the business world have a great command of English, especially if they are offering solutions to the international market and deal with foreign companies.** When it comes to negotiations and closing a deal, Hungarians are quite communicative and easy to deal with.

Language skills are inevitable if your company is outsourcing development to another country. Agreeing upon the specifications, functionalities, user interface or the development budget is crucial before the start of the actual coding. Broken English makes the process slower, and many times results in misunderstandings, and customer dissatisfaction. As a result, it is always advisable to choose a development company who excels in languages as well.

4 HIGH LEVEL OF LITERACY AND GREAT IT EDUCATION

There are many universities in Budapest and in other major cities around the country, where tech research and tech education is strong. Apart from this, thanks to the central location of the country, all graduates are exposed to Western and Easter technologies, and online courses as well. **This high level of accessibility of further self-development possibilities empowers the Hungarian developer milieu to improve their knowledge even more and to get to know the most recent tools and trends.**

5 STRONG WORK ETHIC, DILIGENCE

Hungarians are known all over the world as one of the most diligent and hard-working nationalities. It is not an exaggeration that **companies from any country, who experienced the strong work ethic of Hungarians, wholeheartedly welcome new employees from the country**. Many Hungarians are working overtime to finish a project by the deadline. This attitude most of the time makes them the favorites of clients, due to the fact that they never cease to complete the task at hand in time.

It is not customary to the Hungarian nation to keep long breaks. Usually, the maximum allowed lunch time is 1 hour long, but employees also need to work it off. Most of the time the working hours last from 9 AM to 5 PM, that the majority of employers take very seriously. As a result, you don't have to worry about whether your future developers are slacking off.

6 COMMON CULTURE AND VALUES

As your new development team is **not situated too far away from your company's headquarters, you do not have to cope with cultural indifference.** When dealing with people from far away cultures, or from other continents, it may happen that incompatible values or social behavior hinder the progress of the business discussion. These, most of the time unbridgeable differences, make negotiations difficult or make it harder to close the deal. Not to mention the fact that the development practices or available technologies can differ as well, which again increases the probability of an unsatisfied client.

We bet you wouldn't be happy if your developers took a long lunch break during a working day. If the deadline of the software development is flexible it might not be a problem, but in case of serious expectations and a tight schedule, loose work ethic can call forth an undelivered assignment.

7 KNOWLEDGE OF THE NEWEST TECHNOLOGIES

Hungarian business professionals are always looking for personal-development opportunities. Especially in the IT field, where there are so many new challenges, changes and new possibilities every year, it is almost impossible not to search for alternative or better development solutions.

The Hungarian developer sector is opening more and more towards machine learning, AI and Augmented Reality. **With so many new technologies coming up like IoT and low-coding, which are the flagships of current high-tech development, Hungarians are also aiming for their technological advancement over competitors.** This healthy competition within the market empowers developer companies, like BlackBelt, to cater to the varied software engineering needs of foreign clients.

8 FINANCIAL REASONS

As there is no business in the world who doesn't care about finances, we cannot ignore this argument. Most companies choose to outsource their app development not only because of their lack of capacity but usually due to financial reasons. **While the Hungarian middle and working-class has a relatively high living standard, the average monthly salary still doesn't get close to the ones in other Western countries of the European Union**. Companies choose nearshoring their app development to Hungary, because it could cost a lot more if they would pay for their own employees, or if they would nearshore somewhere else.

This aspect makes software development more affordable for companies in foreign countries, while at the same time, they do not have to take away from the expectations about the high-quality of the new application. Even though your company will need to face other expenses, like different taxation, or outsourcing company fees, it still will be a better investment, than developing software in your home country.

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BLACKBELT is one of Hungary's most dynamically growing software engineering companies. We are a consulting and outsource software development organization with the mission to guide companies through their entire innovation lifecycle. We support you during the ideation and help create a prototype in a ridiculously short time. Our top-notch agile technology enables us to work on numerous international and domestic projects alike. BlackBelt is a smart choice for all Western and Eastern European companies that are looking to nearshore their software engineering needs to increase the effectiveness of their business or their sales.

Our senior core team is capable of launching a sustainable development selecting the appropriate architecture, roadmap, and agile tools. You can easily continue the development with a brand new out-staffed team we build up for you in Budapest. Need more control? No problem. We transform this out-staffed organization into your own R&D center.

If you are looking for a highly competent and professional company to nearshore your software development, get in touch with us now.