The C-Level Guide to Software Development Nearshoring

Minimize the risks and maximize the benefits by outsourcing your software development efforts close to home.

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Introduction

Software development companies are facing a growing number of challenges these days, including but not limited to:

- **talent shortage,**
- **product release deadlines,**
- **cost optimization pressures.**

In light of such roadblocks, more and more companies turn to nearshoring for support. But nearshoring isn't just growing in popularity; in many cases, it is the *only* option to meet your business goals and objectives.

We wrote this short guide to help IT executives understand the fundamentals of nearshoring. We'll provide a broad overview of key vendor selection criteria to help you find the right nearshoring partner for your business.

What Is Nearshoring?

First things first, let's start by defining what nearshoring is.

Nearshoring means handing over software development or business processes to a third party located in a nearby country within a similar time zone. A good rule of thumb is to stay within five hours of flight distance and avoid crossing the ocean.

What makes nearshoring more attractive than other forms of outsourcing, such as offshoring, is that nearshoring helps **minimize the risks associated with geographical distance and cultural differences.**

Nearshoring not only eliminates possible project holdups associated with time zone differences, but also ensures **synchronous daily communication.**

From a business standpoint, the nearshoring model is beneficial for a number of reasons, including but not limited to:

- **greater overall control,**
- **better project coordination,**
- **lack of cultural fit risk,**
- **improved team communication,**
- **cost savings.**

How is nearshoring different from outsourcing?

Traditional outsourcing is best suited for **volume-based and repetitive tasks.** Nearshoring, on the other hand, is used for projects that focus on **skill-intensive tasks.** The use cases stand in opposition to one another.

As a result, most nearshoring providers are highly specialized companies that work very closely with the client's in-house team. They are not hired for a single task or job, but to work on a project for a longer period of time.

So what is the ultimate purpose and benefit of nearshoring?

Nearshoring aims to make your distributed team as efficient as the local one, providing you with an extension of your in-house team.

Is Nearshoring Always a Good Choice?

The short answer is: no, it's not.

Nearshoring is mostly used for complex projects, where the software requires a team of developers working on it for an extended period of time. As such, nearshoring is not in any way a one-size-fits-all solution, and don't believe anyone who tells you otherwise.

Each software project is unique and has its own individual needs. It is entirely up to you to decide what works and what doesn't.

With that said, let's discuss in more detail when betting on nearshoring could be the smarter play for your business, and when you're better off on your own.

When should you choose nearshoring?

Here are the most common reasons why some companies choose to go with nearshoring.

1) Inability to find developers locally

Local talent shortage is the top pain point that pushes C-level executives to consider nearshoring.

This also applies to a situation where local specialists are available, but budget constraints prevent you from hiring them.

2) Introducing an entirely new product to the market

More often than not, companies developing an innovative product may not wish to make the long-term commitment of hiring an entire software development team.

In that case, nearshoring is a solution that quickly provides you with just the necessary manpower. It also saves you the trouble of laying your employees off in the unfortunate event of product market failure.

3) Time-to-market optimization

Specialized vendors are able to provide talented individuals much faster than any hiring process, no matter how perfected.

Also, professional vendors know how to launch projects efficiently, without wasting time on unnecessary overheads.

Last but not least, large enough vendors can assemble a full software development team for you—developers, testers, Product Owners, Scrum Masters, UI/UX designers—almost right away.

Thanks to this, the work proceeds as planned and your deadlines are met without a hitch.

4) Limited technical expertise

Software development is a layered and complex process. In many cases, companies without large enough IT departments don't have the right technical expertise on a particular subject.

Nearshoring is one of many ways of acquiring such skill and knowledge.

When shouldn't you choose nearshoring?

As we've already established, there are circumstances in which nearshoring **may not be the most optimal choice for you,** such as:

1) Relatively small size of your project

If your project requires no more than one developer working on it for a few weeks or less, then it's smarter to hire a freelancer or a local contractor.

2) Lack of commitment on the buyer's end

Nearshoring demands a high level of interaction on both sides of the deal.

If the buyer is unable to assign anybody with the time and skill required to communicate with the external nearshoring team on a regular basis, the cooperation may leave you dissatisfied and frustrated.

More so than that, it may result in wasting your precious resources, chief among them time and money.

Evaluating Vendors

After conducting your research and building a shortlist of potential vendors, it's time to take a closer look at each service provider to see if they would make a good nearshoring partner.

In general, you should conduct the evaluation from four key perspectives: technical competence, experience working on a similar project, the vendor's ability to scale, and the quality of the vendor's internal processes.

1) Domain expertise and relevant experience

First and foremost, find a provider that has a proven track record of delivering projects in the same technology as your project requires. Make a list of three most important technologies for your project and ask about their experience in them.

Beware of vendors saying they have experience in almost every available technology and programming language. Most of nearshoring providers specialize in just a few selected technologies.

In terms of relevant experience, check if the vendor has experience working for companies from your home country. If that's somehow not possible, make sure the vendor has experience **within your field or has at least worked for companies from your industry.** It's important that they understand the challenges your industry is facing.

Another important thing is the **vendor's experience in projects of similar size to yours.** You don't want your project to be their biggest or smallest. What you want is a vendor that can handle your project at the right level of importance.

2) Quality of the vendor's current relationships

Having satisfied clients speaks volumes of the vendor. Consider references a **mandatory step in the evaluation process** and don't be afraid to demand them.

Ask the vendor to give you some names of their past and current clients. If they're honest, they shouldn't have a problem with providing that kind of list. There are also several third-party services that specialize in collecting and verifying customer references, such as clutch.co.

We strongly advise that you actually **call some of the vendor's clients.** Sometimes a quick 10-minute call could give you a pretty good sense of their opinion, better than hours of desk research.

Ask the vendor about the **average time-span of a client relationship** and if their clients return to them. It is important to know **if the vendor is able to build long-term relationships.** Being a trusted vendor means being able to serve clients for a long time.

3) Dedicated teams

Ask if they hire freelancers or part-time remote personnel. If yes, what's the ratio of full-time employees to remote part-time staff? Remember, what you want as a buyer is to have **full-time developers working exclusively on your project.**

Preferably, your project team/teams should consist of full-time personnel and be **located in one room** allowing you to communicate effectively with your team. Make sure that members of such a team are focused on your project only and won't be involved in any other parallel operation.

It is also important to make sure that the vendor **understands the importance of team stability.** Ask what the procedures are in case one of your team members is absent for a longer period.

Ask the vendor about their turnover rates and demand an assurance that those who started the project **won't be replaced at some point, unless you approve the replacement.** A high turnover rate slows the project down, which may lead to a significant cost increase.

4) Internal process

The right process can maximize team efficiency and an overall business value of a project. Choose a company with a well-established set of processes. Beware of vendors that want to keep you out of the process. The worst that can happen is signing the contract and reconnecting later when a significant project stage is complete.

In nearshoring, the traditional "waterfall" software development process can completely wipe out the benefits of nearshoring itself.

Select a vendor that relies on Agile methodology and uses the Scrum framework, and has established the roles of the Scrum Master and the (proxy) Product Owner to ensure a proper process and communication on a business level. In terms of modern software development Agile and Scrum methodologies are guardians of quality and team efficiency.

Ask how many employees are occupying Agile-related positions. What are their Scrum ceremonies and what do they look like? Try to get as much information about their process as possible.

Unlike the "waterfall" approach, where the software is delivered all at once, a vendor who adopted Agile principles will deliver visible software increment at the end of every sprint, which **significantly minimizes project risk.** Your software will grow progressively from an MVP to a fully featured product and you will only pay for work that is actually necessary and done.

This will also prepare you for the scenario in which due to budget or timeframe issues you'll be forced to hold development; you'll have a working product, just without less important features.

5) Level of transparency

Trust and communication are crucial factors for every nearshoring project to succeed. It is important that the selected vendor demonstrates a win-win mentality and works side by side with your in-house team, sharing their goals and vision. Require **full transparency of the project,** including the work schedule and the details of which developer is assigned to create which features.

As a client you should be provided with a **live access to the Scrum board and the time tracking application** having full control over the whole team and the project. It is crucial for both parties that the buyer communicates their objectives clearly and the provider is

fully transparent. On the other hand, the buyer should require the vendor to clearly and openly communicate any issues encountered in the cooperation process.

6) Team scalability

The ability to scale in today's highly competitive business environment is very important. Make sure that your vendor has invested in proven methodologies and strategies to be able to quickly react to your needs.

Select a vendor that will allow you to quickly scale your team up or down in order to meet your requirements. Ask about team scaling and how fast they are able to set up an additional team.

7) Fixed price

It's natural for most IT executives to see the fixed-price model as the best possible option. It reduces the uncertainty by cost predictability.

Unfortunately, it's not uncommon for some vendors to suggest a low price just to start the cooperation, later adding additional fees as the project goes on. In many cases, these situations lead to the client being pushed to make a tough choice whether to pay more in order to finish a delayed project or to change the vendor and start all over again.

In the case of high-quality application development, the fixed-price model is impossible.

A good and honest vendor will be ready to invest a substantial amount of time to get a better understanding of how your application should work and as a result provide you with realistic cost estimation.

8) Paying a visit

As many of the evaluation tasks can be performed remotely via video conferences or phone calls, **there's nothing more insightful than an in-person visit to the vendor's establishment.**

An honest provider will have nothing against that; in fact, they should encourage you to visit. There's no substitute for this and, to be honest, isn't the ability to visit easily the foundation of the nearshoring concept after all?

A visit will not only help you to build a relationship with your potential team members but also give you a great insight into the vendor's operations. During the visit you should pay close attention and ask them questions like:

- **What do the daily Scrum ceremonies look like?**
- **How are the daily calls performed?**
- **What is the typical team setup?**
- **Does every team have their own room or do they sit in a call-center open space?**

Don't make the visit just about meeting with high-level executives—**get a tour to see how it is done in the trenches,** meet the people which are actually doing some work for the clients.

9) Test drive

The success of the project starts by selecting the right people. If there's a mismatch at the very beginning in terms of team members' skill level, team size and vendor scalability, the project is unlikely to achieve the expected results no matter what the communication process.

Also, communication problems may not be evident at first. So it's smart to **use a small trial project** to test how closely the deliverables match your requirements.

Signing The Contract

Once you've selected your nearshoring partner, the final step is to create and sign a contract. As in any business transaction there is a space for negotiations.

Apart from rates, project duration and people involved, there are some parts that **should not be subject to negotiation.** These include source code ownership and intellectual property rights, which should all be assigned to you and you only.

The most important items that should be included in your contract agreement include the following aspects:

1) Intellectual property rights ownership

Make sure that your company will be the sole owner of all intellectual property rights associated with your project.

2) Copyrights

This should be a separate part of the agreement that specifically assigns the copyrights of the software source code to your company.

3) Non-disclosure obligations

Define all proprietary and confidential information and specify the length of the NDA agreement.

Additionally, make sure that your contract includes a clause that restricts your provider to subcontract any work related to your project from further outsourcing without your explicit permission.

Ensuring A Successful Project Kickoff

After signing a contract the actual work begins. Initial team and environment setup time may depend on numerous agreed factors. Running the team remotely, however, requires a different approach than managing the team on-site.

Here are a few tips to help you start off on the right foot.

1) Regular and open communication

Communication between the buyer and the supplier is a critical success factor for every business arrangement and almost all issues come down to poor communication. Distributed teams are by definition more dependent on information and communication.

Investing in good communication tools and frequent travel to improve communication can have **a significant impact on team productivity.** Remember, working with vendors that rely on Scrum should eliminate most of the problems associated with communication.

Daily video conference calls should be the foundation of your communication; keep traditional email communication as a tool for formal communication.

We recommend that at the beginning of the project every member have a chance to spend a few days in your company (it can be also the other way around). You can send some members of your current team to meet the nearshoring team.

This will not only speed up the knowledge transfer but also help building mutual trust. A good practice would also be to conduct face-to-face meetings and some social events several times a year, e.g. once every three months.

2) Appoint a local Scrum Master

Apart from having a Product Owner as the single point of contact at the provider's end, it's important to have a team member with the Scrum Master role assigned.

The main responsibilities of the Scrum Master include managing and controlling the workload, as well as making sure Scrum ceremonies such as sprint planning, estimates, pair programming, or code reviews are conducted the right way.

Having a Scrum Master may have a great impact on the overall team performance.

3) Distribute work wisely

Make sure your team is working **on a user story basis** and not just the features of a particular system component. By distributing tasks based on features of individual system components instead of user stories, you may end up with a situation that some tasks can be done only by a few team members.

4) Don't neglect the role of documentation

Keeping the essential documentation up to date and available for all team members can help you to avoid many unnecessary and costly misunderstandings. Make sure that user stories, case diagrams, task boards, charts and backlogs are **available for all team members** and shared across every location.

5) Establish a common toolset

Let everybody know which tools will be used for each aspect of the project's work. With so many different tools available nowadays, establishing a common toolset will help you to avoid informational chaos, which can save you a lot of trouble.

The essential list of tools should include at least:

- **main project management tools,**
- **communication tools (IMs, chats, etc.),**
- **bug tracking and issue tracking software,**
- **document collaboration software,**
- **code review system,**
- **version control system and release management.**

Poland As A Nearshoring Destination

There are many factors to consider when choosing a nearshoring destination to nearshore from. We believe Poland is the go-to place for software development, and that naturally involves nearshoring, as well.

Here are six main reasons why Poland is an increasingly popular nearshoring destination:

1) Cultural fit

This factor eliminates many problems associated with long-distance cooperation, such as cultural misunderstandings, different perceptions of time or even misread body language and implicit assumptions.

2) Ease of communication

There is little doubt the cooperation runs much smoother when the partner organization displays proficiency in a mutually agreed lingua franca—or better yet, your native language.

The combination of historical, political, geographical and economic factors results in Polish professionals being ready to communicate on your terms.

3) Reduced risk

Poland remains safe from the main types of risks prominent elsewhere, including:

- **political risks** (the unstable situation in the Middle East has spurred investors' retreat),
- **natural risks** (unlike East Asia, the region is free from seismic activity, typhoons, or tsunamis),

- **technical risks** (the infrastructure is well-developed and outages uncommon, a fact crucial in case of all IT projects).

4) Talent supply

As talent shortages and IT wages continue to soar, Poland's talent pool is steadily supplied with highly skilled professionals educated at acclaimed academies, a fact increasingly appreciated by global companies.

5) Communication

With similar time zones, overlapping work schedules, and no travel restrictions, it's entirely feasible to visit your partner's office on a regular basis. Small time differences translate into short reaction times and a level of control unattainable in case of other locations.

6) Common laws and regulations

As a member of the European Union, Poland follows the Data Protection Act and is obliged to adjust to any new regulations. Since data has become the most valuable of modern resources, you want to protect yourself from the nightmare of an uncontrolled data leak somewhere far outside your reach.

Final Thoughts

Finding the right vendor for your project is not a trivial task. However, a clearly established vision of the future partnership and a well-defined evaluation process may help you approach this issue with confidence.

The process of hiring a nearshoring partner should resemble the process of hiring your own employees. You need to clearly define your goals and requirements for a potential cooperation.

And just like with hiring an in-house team, remember that you don't want to end up with someone who is passive and needs to be told what to do.

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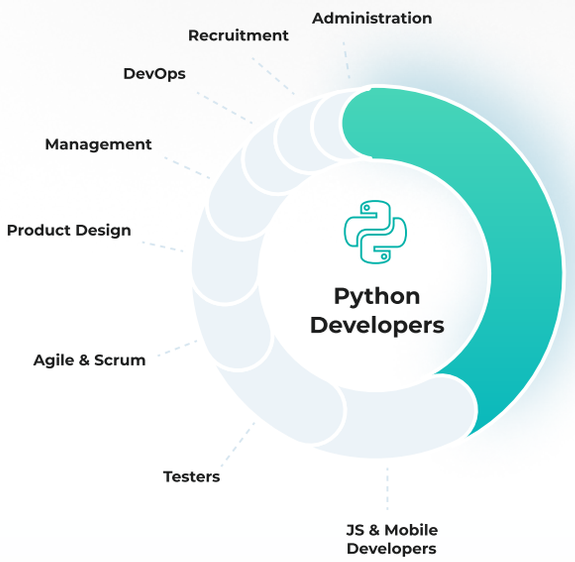

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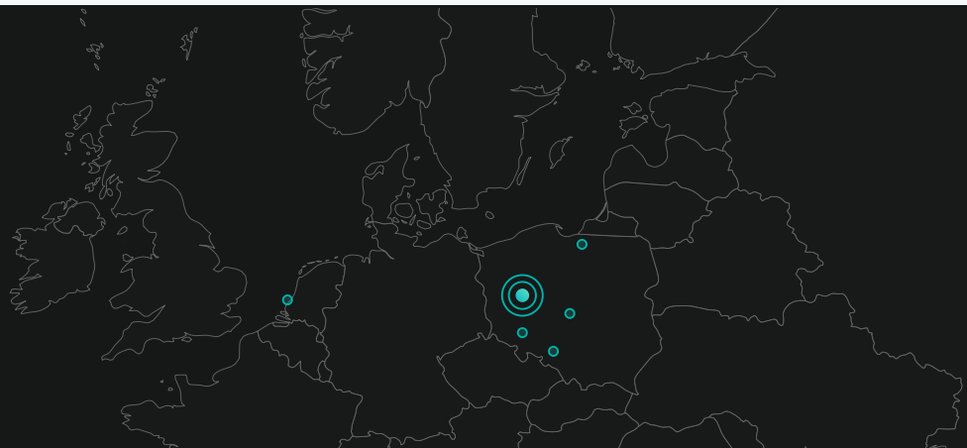

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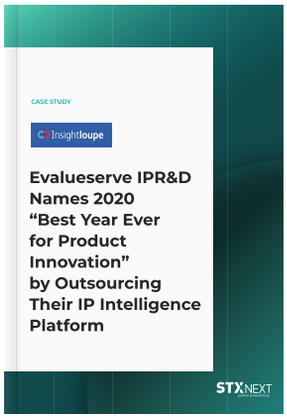

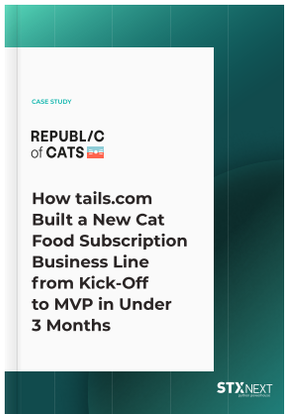

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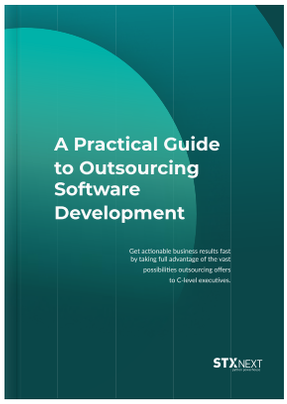

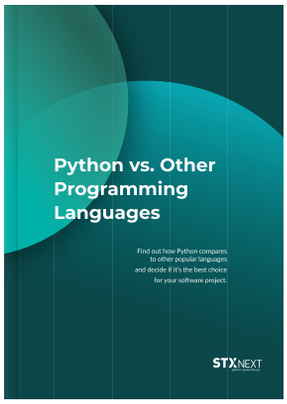

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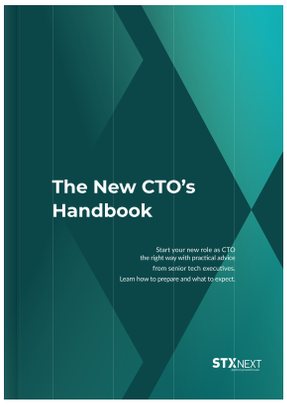

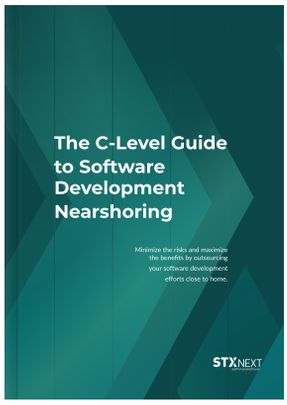

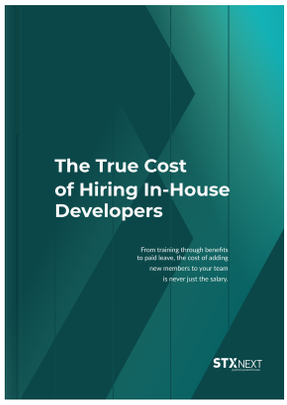

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