

The Six Secrets of Nearshore Development

By James Diorio

Over the past decade we have seen a roller coaster in the technology industry like few others ever in history. The advent of the internet created a new frontier, a panacea, a new wild wild west if you will, ready for use and, indeed, exploitation for those brave enough to venture into this world.

This expansion touched all industries and created new demands and (often unrealistic) expectations for Information Technology groups. Technology professionals, whether in-house or outsourced, were faced with new demands to build product faster, better and cheaper than ever before. Competition became so great that almost anyone who knew how to turn on a PC could bill themselves as a consultant and bill out at shockingly high rates.

Backlash

Of course, with the exception of some few notables (Amazon, eBay, etc) I will spare everyone a gory rehash of the bubble bursting. It's common knowledge that companies fail, close and consolidate in an instant. The impact was noticed everywhere, but one specific group had the distinct honor of not only walking away with nothing, but further earning a reputation not quite as good as used car salesman. I'm speaking, of course, about your friendly neighborhood consultant. Almost everyone who had the privilege of working as a true business or technology consultant during this global technology expansion also had the experience of being rich one day and, conversely, standing on the street with a "will code for food sign" the next.

Couple this with a dubious business environment fueled by Enron, credibility issues in the backbone of consulting ("The big 5") and a crawling economy and suddenly the technology sector became an ink blot on the finest of enterprises.

Of course, there's a fundamental dilemma that is now present. The internet was here to stay, PCs were on every desktop and the use of technology was no longer a business advantage for most, it was a competitive necessity and required serious work. In the face of this, budgets shrank, belts tightened and CIOs were told to deliver more with less. In the IT sector job competition became fierce, and trust of technologists seemingly shrank to an all time low.

The IT Solution

Reaching outside of the US to offshore development suddenly became a great Idea! No longer would companies and IT managers be faced with get-rich-quick twenty-

something's in the US, they could send work to nameless, faceless workers who had no real interest (or bias) other than delivering applications at a cost lower than imagined.

Of course, the idea of going offshore was not new. For years companies had reached across the ocean to supplement their workforce for large scale projects, however this was often only used as supplement to significant teams in the US and was used for risk appropriate cost savings. With the incredible bouncing bubble, however, this plan B strategy had suddenly achieved new awareness and was perceived by many as a panacea, a great way to deliver on projects with shoestring budgets.

Offshore Challenges

Now, let's get one thing straight. Building software is not the same as building a toy car or knitting a sweater. The US has always, over time, looked to move outside of its borders for cheap(er) labor as she forged ahead as global innovators. The challenges of IT development, however, make this generally well-regarded business approach dubious at best. Sending work to India (the long standing preferred vendor of choice), or China, or Russia is not a new idea and does have some immediately seen advantages, the main one being labor is cheap. While many embraced it however, some enterprises went the other direction, and with good reason. Going offshore is not without risk:

Time Zone: Offshore teams are in a different part of the world. This means a different time zone. So, while your US constituents are hard at work from 7am to 6pm (hey, it's the new technology frontier, where 11 hour days are not just required, they are expected), the offshore team is sleeping. And when your local technology manager is going to bed bleary eyed, the team is getting up fresh as a whistle. This is in addition to the fact that in person collaboration is made problematic at best. **Differing time zones present management challenges, increased cost of travel, and communication breakdowns.**

Language Barriers: English is the universal language and this is not a job at anyone for whom English is a second language. I have studied languages myself, and have just begun to learn Chinese, which is just boggling. I have the utmost respect for those who are working and using a non-native language as their communication means. It is important to realize that communication has long been a barrier to project success in the best of circumstances, when everyone on the team has the same native language and culture. When working with offshore teams it's amplified and is common that ideas are missed, issues are misinterpreted, and confusion is a way of life. At the very least, individuals often share a certain pain which comes from spending 60 minutes discussing a 15 minute (max) topic due to language challenges. (Of course, this is often not mentioned by the offshore team because then that may jeopardize the contract!)

Offshore teams add additional risk via Language Barriers

Cost Bloating: Offshore resources are very inexpensive on an hourly basis. No denying it. Why spend \$100 an hour for your well trained US consultant when you can send it to India for \$25? Seems logical... And sure looks great on paper! Of course, when calculating one's Total Engagement Cost there are a few things that are often overlooked, such as travel time and cost, rework required because of confusion, inefficiencies in the development team, team size required, and US team checks and balances to name a few. Of course all of the above are assuming the project is perfectly designed to begin with. Don't get me wrong. It is cheaper to go offshore. But it is generally NOT the discount that it seems once all is said and done. **Offshore projects include costs above and beyond the discounted hourly rate.**

Efficiency: Why have one person do the work, when two can do it just as inefficiently? In order to deliver on shrinking schedules, the obvious solution is to staff up a team. Sparing everyone the overused "can't make a baby in 1 month with 9 women" analogy, technology professionals have long known that more resources is simply not the answer. However, when resources are so inexpensive, it would seem a logical solution. The reality is, **offshore teams are simply not as efficient as local teams** who have direct access to the project stakeholders, managers, networking and infrastructure staff, clients, etc.

Quality: Call almost any PC Vendor help desk these days and you will be connected with a very polite agent committed to solving your problem. They will be very happy to take all of your information and spend as much time on the phone with you as desire all while walking through the script-du-jour to coddle you, the frustrated client, with the hopes that the issue falls inside of one of the "50 most common" concerns for that make, model or product. Did I mention they were polite? The same is true for development as it is for a help desk. The culture is different, the training is different and the knowledge base is different. **Offshore quality is an issue**

Manageability: I managed properly all of the above should be a non-issue. In theory. But the factors above yield a real management test. Project management is challenging enough with the team in the next room... never mind halfway across the planet. Offshore managers are finding themselves working swing shifts, handing off plans with other managers, wrestling with achieving results over the phone, wasting hours trying to find information, etc. The list goes on and on. **Offshore teams are hard to manage.**

Indeed, even those companies who went full bore across the water to find a better, cheaper, faster technology team soon found out that it was more risk prone than ever, and

the challenges identified above provided a whole new way for project managers to augment their already amplified stress levels.

I probably sound like a pessimist, and it is true that there have been offshore success stories... these are the exception, not the rule, however, and I prefer to see myself as a realist. Why? Because I'm one of those lucky few who has, throughout his career, been directly responsible for delivering results, and I have logged my share of sleepless nights "managing" projects.

The Nearshore Hybrid Model -- a real solution.

Now that I have painted a beautifully bleak picture, let's pause for a moment and take a look at the sunrise. As our economy spins the truth is we will always look for better, cheaper ways to do business. Technology development has gone, in many cases, from innovation to a commodity. Having said that, the risks outlined about moving Offshore above are very real. To that end, I propose a real solution, the Nearshore Hybrid Model.

First, what is Nearshore? Near shore is an "across border" team that is in the same continent, and when I say cross border, I am quite literal as the premier near shore vendors for the US are currently in Mexico. What's that? Mexican Developers? Yes. Far be it from our brazen American stereotypes of a backwards western culture of poverty, Mexico is an up and coming country with incredible resources, and a strong will and drive of the people. VCG has had tremendous success working with Nearshore Partners in Mexico. Nearshore partners provide dramatic costs savings for commoditized development while at the same time mitigating many of the challenges of going offshore.

Timezone: Nearshore partners are in the continental US and work in the Central time zone. This means that not only is the whole team working together geocentrically, but that if desired team members are only a few hours away from each other if need be. Nearshore resources often enjoin the US teams as needed, but may return to their home development center when their presence is not required, further reducing travel costs while at the same time promoting high bandwidth communication.

Language Barriers: Yes, there are still language issues, but culturally our north American neighbors share commonalities with us and, as the US has been seen as a business Mecca, Mexico has grown and stepped up to provide a unified voice. It has been our experience that the language gap is greatly reduced and in many cases is all but unnoticeable.

Cost Bloating: Ironically, given the proximity, cost bloating is greatly reduced. Cost overruns due to design challenges can be caught early. Resources can

collaborate via phone, video or live much more effectively and team sizes can be optimized instead of maximized, as is necessary when trying to account for error.

Efficiency: We've already discussed the time zone benefits, which result in much more efficient development, however the efficiency of work is also an excellent metric. In general, fewer resources are required to accomplish the same task, as there are reduced management costs and less need for "overflow" developers who are on deck specifically to address some of the risk points identified in this discussion. And fewer developers means REAL cost savings.

Quality: While culture, training and knowledge base is not identical to the United States, it is very similar and quality of Nearshore teams is exceptional. Consider that these are competing inside the stereotypical standard offshore model while, at the same time, fighting the stereotype that many Americans have. The net/net of this is that there is a tremendous push on quality from the firms we have worked with, and a diligence and attention to detail that is really exceptional. Knowledge and abilities rivals that of the US, and Nearshore Vendors also strive for and have achieved standards qualifications such as CMM level 5.

Manageability: All of the above factors, mitigating the traditional offshore risks, yields a much more manageable team and a much more manageable project. The ability to pick up the phone at 11:42 AM and speak to a project manager, VP or development lead is essential. The ability to have real business day exchanges between technical counterparts is tremendous. There is no substitute for real time communication, and when considering soft factors such as this combined with a highly focused, optimized team, a good portion of project risk is reduced.

Of course, there is still risk. It's not quite as easy as sending a project south of the border and getting a working application 8 weeks later. This leads to the final topic of this brief.

The Hybrid Model, putting it all together

One of the biggest ways to mitigate risk is to have a local team. A better way is to have a team of experienced, seasoned, senior professionals who facilitate all of the application design and management, and then ensure that any work done Nearshore is done properly.

This is the heart of the VCG Hybrid Model. Our local, US-Based, senior consultants directly interface with the client and address all requirement gathering, analysis, design and project management. VCG will then manage a Nearshore team at substantial cost savings to our clients. The result for our clients is the benefit of going Nearshore without *any* of the headaches – it is completely transparent.

VCG consultants have been successfully delivering based on this model for many years and have a proven track record of satisfied clients.

For further information on the VCG Hybrid Model and the benefits of our Nearshore approach please contact Eric Weiss at 310.450.7937 x11 or eric@veniceconsulting.com.