

RETURN ON INVESMENT OF NEAR-SHORING PROJECTS

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Abstract: The Information Technology sector has been using proximity offshoring (near-shoring) as common practice over the past 2 decades, mainly for software development projects. Using a large business transformation project from a global consumer goods company as a single case study, the present paper analyses the benefits and key challenges of incorporating such delivery models in these types of projects, focusing its attention mainly on the financial and quality aspects. The analysis suggests that, when compared to traditional services delivery (on-site consultants), near-shoring practices can have a very positive financial impact for the vendor and the customer, translating into an increase on the Return on Investment (ROI) without a significant increase of risks or losses in quality – The project’s cost can have a significant reduction on the vendor side, with a consequent reduction to the end client. Regardless these benefits, it is suggested that traditional consulting still plays an un-replaceable role in these types of projects. Furthermore, it is suggested that it is equally important the commitment from top management for such initiatives.

1. INTRODUCTION

Near-shoring practices are becoming increasingly common in the consultancy and outsourcing segment more specifically for the Information Technologies (IT) services, being on the agendas of top managers from global organizations. The adoption of the methodologies that employ advanced delivery models, namely near-shoring practices, is starting to be explored in the academic literature, being mentioned by several authors such as Kvedaravičienė, 2008; Ishizaka et al., 2019 and Koch et al., 2014. But although the general concept of near-shoring in the IT sector has developed greatly since its origins, when an “entrepreneurial software development venture called PRT, that was set up in the Caribbean island of Barbados in the years 1995-1998, (...) recruiting Indian software developers to staff the center so as to produce code of a standard similar to India but in a location nearer to the US” (Carmel et al., 2006), the research in the model itself, its advantages, risks and real value to companies is still on its early stage. Actually, the topic “appears to have been largely overlooked in the academic literature (...) - to date the rise of services near-shoring has been documented primarily by the non-academic press as opposed to the academic literature” (Hahn et al., 2011). Despite this gap, the IS offshoring trend appears to continue and influences practitioners and academics (Strasser and Westner, 2015) with increasing research on the topic being published, but there is still ground to cover until the topic can be considered mature. In fact, one can confirm that it is an even larger gap if we target other areas of activity from fully grown business transformation projects, such as organizational change management, communication management, or training, as opposed to traditional usage of near-shoring in generic software development functions. In these cases, the benefits and main challenges of a project are still not analyzed based on a nearshore strategy. The advantages of a nearshore strategy compared with the traditional consulting services are not clear in this field, thus, this paper aims to unveil some findings and advantages of a near-shoring strategy.

The present document will unveil some findings focusing on services delivered on a near-shore model for training activities focused on a recent large IT delivery project for a global consumer goods company, based in Geneva, Switzerland (the company name and project dates are not disclosed for confidentiality reasons). This model will then be compared with the traditional consulting services in order to perceive their gains and advantages. This paper is started by sharing some insights on the near-shoring concept, followed by a short presentation of the training project used as a case study. The authors then analyze the usage of near-shoring services on that same project, detailing its evolution, trends and forecasts, reasoning, benefits and major challenges, moving to a financial analysis of these types

of services as opposed to a more traditional service's delivery, reporting the findings. We also review the customer feedback and perception towards the services, comparing them with the feedback and perception of the customer towards local consultants. Finally, we review the findings and leave some recommendations for further research.

2. LITERATURE REVIEW

A clear goal of consulting managers across the globe has always been to reduce costs and risks, while adding value to their customers and, many times this has been achieved by outsourcing or off-shoring services. One of the techniques used to achieve this goal, while overcoming contractual and location implications is to relocate activities to distant countries or to “nearshore” (Slepnirov et al., 2013). Actually, “The off-shoring of information systems and services has been one of the most discussed phenomena in Information Systems (IS) in recent years; it has significantly influenced the thinking of both academics and practitioners. The extent of off-shoring of information technology-related services has been significant and the trend seems likely to continue in the foreseeable future” (King and Torkzadeh, 2008). This extensive research conducted on the subject, especially on the offshoring locations that capture most of the offshoring projects such as China, India and Russia commonly referred to as “the big 3” (Da Silva, 2019), led already to great achievements in the practice around the Globe, being this a more than common practice nowadays - It is now used by all the major players, in several continents, by several industries and in several sectors of activity.

The IT consulting business is no exception, with extensive usage of this type of practice. This global usage obviously leads to a segmentation of the marketplace, with companies trying to position themselves even better for their demand, coming up with new differentiation factors. In this period “a range of “shoring” and “sourcing” terms have sprung up: “farm- shoring,” “two-shoring,” “best-shoring,” to list a few. At least one has even been trademarked: “Any-Shore” (Carmel and Abbott, 2006). All of them leveraged on new communication and collaboration tools that reduce issues associated with remoteness. But from all of the “new-shoring” that bloomed over the Globe, the one that is causing the most impact is near-shoring.

But after all, which is the main differentiation factor in “near-shoring” as opposed to “off-shoring”? The answer is simple: Distance. As pointed out by Westner, most authors differentiate between “near-shore” countries that are close and “off-shore” countries that are far away (Westner, 2007). To be noted that this distance dimension refers to inter-organizational distances, as opposed to intra-organizational distances as defined by Chen & Lin (2019). Additionally, we can also add that “nearshore emphasizes location and proximity as opposed to the prevailing off-shoring archetypes of

location transparency and irrelevance of distance and time” (Carmel and Abot, 2007). To be noted that the constructs that constitute near-shoring have already been analyzed by Carmel that “identify seven distance dimensions that claim advantages of near-shore destinations over far-shore1 destinations:(1) Geographical proximity;(2) Time difference; (3) Cultural similarity; (4) Historical linkage; (5) Linguistic similarity; (6) Political alignment; (7)Economic grouping” (Wiener et al., 2010). Currently, there are some differences between the concepts of Onshore, Offshore and Nearshore Outsourcing. These differences are mainly in the field of cost savings, time savings, convenience and collaboration, efficient communication and different time zones (Kvedaravičienė, 2008), but we could also consider others such as the ability to “backshore” which is to bring back outsourced initiatives inhouse (Leyh et al., 2018) - But this is mature trend of outsourcing, information systems back sourcing is still a relatively new trend (Bary and Westner, 2018) and will not be analyzed on this paper. Although these concepts have different methodologies, they also share similar problems according to several authors (Harland et al., 2005, Yang et al., 2007) or are attractive for similar reasons. As a quick introduction to these 3 concepts, the reader can consider:

ONSHORE

The current changes in business make the onshore outsourcing an emerging new trend in several markets. Onshore is emerging as a new trend in manufacturing industries. Among the most well-known benefit of onshoring, market proximity enables companies to quickly respond to market changes (Jung, 2019). The definition of the concept of Onshore is based on the company location. The service provider is located within the same country. The client requires a supplier to perform the outsourced task from both onshore (i.e., within the same country as the client) and from offshore locations (Chakravarty et al., 2014). Onshore experience helps companies learn cooperation and collaboration in a partnership setting (Whitaker et al., 2010).

OFFSHORE

Offshore outsourcing is related to companies that work in a completely different part of the world (some authors also refer to this as “far-shoring”, putting a clear emphasis on the distance dimension of this practice). It can be defined wherein a client outsources services to a supplier that performs the task only within the boundaries of the country in which the client operates (Chakravarty et al., 2014).

Working with a team that is on the other side of the globe in a completely different time zone makes communication a lot more difficult, and we all know that communication is key for high-quality, cost and time-efficient software. Although offshore companies have

the time management as one of the main gaps it also has advantages, namely the experience with the partnership and international dimensions necessary to establish further international operations (Whtaker et al., 2010) and is a key asset for companies that seek to become or remain competitive in the globalized economy (Williams et al., 2019).

In terms of competition between companies, the offshore outsourcing offers, normally, better rates although the final production can be easily less effective due to the geographical distance and time management. Differences and distance between countries pose also obstacles to the flow of information and transfer of knowledge between partner firms, which can impact the governance of interfirm relationships (Barkema et al., 1997).

NEARSHORE OUTSOURCING

Near shore outsourcing is a practice of getting work done or a service performed by people in neighboring countries rather than in your own countries (Malhotra, 2019). The concept of Nearshore Outsourcing is similar of the concept of offshore, mentioned previously, except that your business pairs with workers in similar time zones and geographic proximity. This makes communication much more of a breeze. Near-shoring is thus characterized by proximity, yet also by a cost gap where geographical proximity is accompanied by distance in wages and other labor costs (Gray, 2010).

The advantage of Nearshore compared with Onshore is cost savings and quality of the deliveries due to the location proximity. Companies adopting a neashore initiative often lead to competitive advantage, a combination of cost reduction and the opportunity of exploiting competent resources (Koch, 2014).

Still, one can confirm that most of the available literature on near-shoring focuses on traditional IT services, leaving a clear open question on its benefits and risks on the delivery of other types of professional services. The following case study will detail the activities of near-shoring usage in a large business transformation program, targeting the training activities of the program, focusing on financials and quality/satisfaction aspects from the customer and vendor side, aiming to add some managerial value to the community and to lay down the starting point for a comprehensive framework for usage of near-shoring services in professional services.

3. METHODOLOGY

Using a single case study that recently took place in a Global Consumer Goods Company (Client), the authors analyzed the methodology and delivery practices, based in the different project phases of the Training Project delivered by a 3rd party provider (Vendor), comparing traditional and near-shoring delivery models, focusing, mostly, on the financials of the project. Additionally, the authors focused on a timeline perspective, in which they

used forecast methods in order to predict potential future delivery shares, just considering the next 4 months after the project ended by applying a moving average analysis with 3 intervals

Furthermore, the authors performed a Real Options Valuation (ROV) to consider the option to undertake a delivery model with the incorporation of near-shoring services in this case study, opposed to purely traditional consulting or purely near-shoring delivery. Also, the authors analyzed customer satisfaction and quality indicators, with data gathered via surveys. Data gathered via the above will provide inputs for a Traditional ROI analysis, with a direct impact on the cost component. Finally, a deep collection of feedback, based on interviews, from some of the main stakeholders took place, focusing on risks, cultural aspects and governance model. Based on the findings and on an extensive lesson learned exercise, some considerations and recommendations are suggested as the starting point for a comprehensive framework for near-shore usage.

TRAINING PROJECT ON A CONSUMER GOODS COMPANY

Aligned with the project’s change management strategy, an in-depth assessment of stakeholders took place in order to properly understand how to address the different actions of the project, namely the communication, organizational change and training to the relevant audiences. Training is one of the key elements of this strategy, with a clear mission to provide qualification and enablement of selected key groups with respect to the competences required for business transformation and the strategic core competences vital for the company’s future success (Uhl, and Gollenia, 2012), building a solid and consistent set of skills and capabilities within the community, raising confidence and ensuring organizational readiness for the go-live of the solution. Although not directly applicable, several concepts of on the job coaching were also applied, in addition to the formal on the job training described on this paper – The objective was to incentivize the employees to apply what they have learned on their day to day tasks, blending their own thinking and experience (Fukuda, 2018).

With an identified community of more than 2500 impacted individuals, the chosen training strategy was a “train the trainer” approach, striving for fast adoption of the new business processes and ensuring learning sustainability. The universe was split into 3 major groups – Trainers, Power Users and End Users. In a simplified manner, the Trainers from the project team would train the Power users that would further assist on the training and support of the end-users. The roll-out on a global level of the solution was split in 5 different phases and, therefore, the training activities will also follow different phases based in different tasks such as plan a range of

activities, performance, production activities delivery stage and product returns which can be an added value to the 3rd party provider. The vendor responsibilities to the client were, as a starting point and as the basis for a sustainable education project, to train the trainers in the system that was being adopted focusing on all of the new processes and system capabilities from system architecture to every-day usage, (trainers from the client, that would further train others), support the first training sessions delivered by the newly trained trainers (Power Users sessions), and to develop and maintain the first versions of the tailor-made training materials (manuals & e-learning’s), always focused on the curriculum related to the technical solution. These responsibilities and layers are detailed in **Figure 1**.

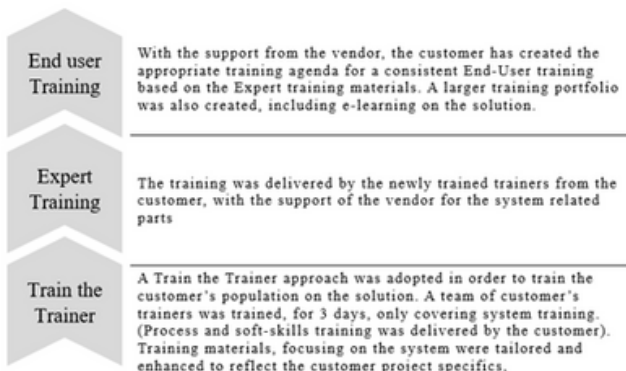


Figure 1. Responsibilities and layers of the training project.

To be noted that the different tasks associated with the different phases have been developed and fine-tuned on a constant basis in order to optimize the supply chain from the initial product development until the delivery to the customer, from the different delivery locations. The tasks, to which the full team has been trained, have been mentioned previously and have been applied during the same time of preparation as the sustainable training project.

Finally, after extensive project preparation, the Training project kicked-off in June of the first year of the project finishing in October of the following year, with all of the above deliverables successfully accomplished by the vendor and 250 (ca.) consulting days delivered (participation of 5 consultants), with a very aggressive timeline.

4. RESULTS AND DISCUSSION

We can consider that the project preparation phase of the training project started in February of the first year of the project, with only the project manager on-boarded for strategy definition, planning, team set- up and budgeting purposes. The official kick-off of the training activities just took place in June of that same year, with the Training team from the customer joining the project (one training manager, two training team members) and the rest of the vendor’s team starting the activities (one

head trainer and some support from the solution architect, both consultants on a traditional consulting model, and two training team members, on a Near-shore delivery model).

From a timeline perspective, disregarding the methodology and considering only the main deliverables, we can consider the following participations of resources from the vendor working on the project: (1) Project Preparation and Strategy Definition (between February and June of the first year of the project): Only the Project Manager deployed; (2) Material Creation: Project Manager, Head Trainer, two training team members, support from the solution architect; (3) Train the Trainers: Project Manager, Head Trainer; (4) Support first Power User trainings: Project Manager, Head Trainer, one resource from the training team; (5) Project Closure and Lessons Learned: Project Manager;

With a clear governance model set-up, as well as clear roles and responsibilities defined, the delivery model started by forecasting 45% of services delivered via near-shoring and 55% delivered by traditional consulting practices. By the end of the project, near-shoring delivery had a larger share than initially estimated, especially due to the flexibility of resource deployment. We can consider that more than 56% of the overall activities delivered by the vendor were on a near-shoring basis, with 30% of these delivered on-site and 70% remote. On the other hand, traditional consulting had a share of less than 44% of the activities, with an average of 60% on-site and 40% remote. To be noted that most of the on-site activities delivered by near-shore resources were Project Management and coordination activities, keeping close contact with the customer. The implementation of the different tasks also boosts the near-shoring activities since the feasible capabilities on the delivered-on site increased around 50% due to the optimization of the processes, better performance, delivery stage and product returns. These tasks were a considerable asset in terms of increasing the near shore capabilities, thus, produced a better output.

By further analysis of the project delivery shares, we can also confirm that on a project early stage there were more services delivered on a traditional basis than on a near-shoring basis. This fact is particularly relevant during the beginning of the project, in which more effort was required by the head trainer and solution architect, especially for scope definition and strategy fine-tuning. On the other hand, after the first 3 months of the project near-shoring resources always had a larger share, which increased, definitely, the near shore capabilities at the expense of the traditional consulting model.

As stated before, there were efforts delivered before the project kick-off, especially by the near-shore project manager, supported by the local overall project manager, not being part of this study due to the large dispersion in time (a total of 10 days (ca.) from February to June of the first year of the project).

To provide a more accurate analysis of potential usage of near-shoring activities, regarding delivery shares on a timeline perspective, the authors used forecast methods in order to predict future delivery shares, in the next 4 months after the project terminated, for near shore and traditional consulting following the adopted methodology. The forecast technique used was the moving average which is a smoothing technique that looks at the underlying pattern of a set of the previous data input and estimates the future values. The moving average types used are presented in **Table I and II**. It has been added three intervals, 2-month, 3-month, and 6-month simple moving average.

Month	Days with Near Shore Delivery	Interval 2	Interval 3	Interval 6
1	6	N/A	N/A	N/A
2	5,8	5,9	N/A	N/A
3	16	10,9	9,27	N/A
4	28,5	22,25	16,77	N/A
5	29,5	29	24,67	N/A
6	19,5	24,5	25,83	17,55
7	18,5	19	22,5	19,63
8	11	14,75	16,33	20,5
9	N/A	18,04	19,23	19,23
10	N/A	19,78	20,89	19,79
11	N/A	21,05	21,57	19,84
12	N/A	20,87	21,06	19,62

TABLE I. Delivery Near-Shore Moving Average

In **table I**, the 2-month Moving Average (MA), varies in a greater degree with a significant increase or decrease in historic revenues compared to the 3-month MA and the 6-months. The larger the interval, the more the peaks and valleys are smoothed out. The smaller the interval, the closer the moving averages are to the actual data points. There is a considerable smooth growth followed by a decrease in the delivery near shore. The forecast prediction for the next 4 months doesn’t offer a significant variation between the three intervals and slightly increases compared with the observed value in the 8 months. The results presented in **table II** are related to the MA from the delivery of traditional consulting.

Month	Days with Traditional Delivery	Interval 2	Interval 3	Interval 6
1	3	N/A	N/A	N/A
2	20	11,5	N/A	N/A
3	17,3	18,65	13,43	N/A
4	20,2	18,75	19,17	N/A
5	10,3	15,25	15,93	N/A
6	18	14,15	16,17	14,8
7	14	16	14,1	16,63
8	0	7	10,67	13,3
9	N/A	14,47	14,91	14,91
10	N/A	14,90	15,16	14,95
11	N/A	14,36	14,49	14,39
12	N/A	13,73	14,25	14,75

TABLE II. Delivery Traditional Moving Average

In this table II, the results are less smooth. For instance, from the 8 months for the 9 month the change is considerable in terms of forecasting from the different intervals. There are several peaks and valleys that are less smooth than the previous analysis on Nearshore days. But to be noted that, despite this variation, during the final month the delivery results are almost the same. Considering the two forecasting predictions for booth methods, the delivery results provided by the delivery near shore still had a larger share comparing with the traditional consulting services. Thus, the scope definition and strategy fine-tuning, which have been defined and applied previously, led to better delivery service in terms of the near shore.

Leaving aside forecasts and focusing on purely financial analysis, one of the most impressive results is the confirmation that the near-shore share had a cost of 25% of the overall consulting budget within the project schedule, with the traditional consulting practices consuming 75% of it. Analyzing further on the financials, from a total cost perspective, we need to add travel expenses and costs that are higher with the near-shoring resources due to legal requirements – Considering the overall project budget, near-shoring consumed 30% of the budget, with traditional consulting taking the remaining 70%. These findings can be found in **Table. III**.

Services delivery model	Days Delivered	Consulting Costs	Total Project Costs
Near-shore delivery	56,60%	25,10%	29,70%
Traditional delivery	43,40%	74,90%	70,30%

TABLE III. DELIVERY MODELS AND COST

It is also important to add that this “blind” financial analysis hides an important truth – on this project, the average seniority level of the traditional resources is higher than the near-shore resources deployed. Higher seniority profiles obviously translate into higher daily rates. Still, if we compare the same seniority levels from this project (from within the same vendor, which translates into similar profiles) we can consider a 24% / 76% average (ca.). Having these figures in mind and having the current project as the main case study, we can consider three options of delivery set-ups – A project fully delivered by near-shoring resources (a), the case at study (b), and a project fully delivered by traditional practices (c). Simulating the options and comparing them to the case at study, not considering additional travel costs, we can estimate that a project fully delivered by near-shoring resources (a) would just consume 50% of the budget of the project delivered in this case study (b). On the other hand, a project delivered fully by traditional delivery practices (c) would consume

159% of the budget of the project delivered in this case study (b). As represented in Table. IV, these facts represent a very high delta between delivery set-ups, suggesting the possibility of considerable savings using a Near-shoring set-up, opposed to a traditional one.

Delivery Model	Budget
Full near-shore project	X
Current set-up	197% of X
Full traditional project	314% of X

TABLE IV. BUDGET ANALYSIS PER DELIVERY MODEL

From a satisfaction and quality perspective, considering just the bottom layer of trained customer employees (end-users), during the first wave of trainings delivered by 7 newly trained trainers, we can consider from the analysis of 28 surveys that 46% considered the overall training “Excellent”, 47% considered “Good”, only 7% considered it as “Sufficient” and 0% considered it “Poor”. Overall, 93% of the participants considered it as either “Good” or “Excellent”. From a deeper analysis on what could be improved on the trainings, most of the participants pointed out lack of time – this is due to the very aggressive timeline in which the project needed to take place, with little to no connection to the quality of the services delivered by the vendor or by the client’s training team. The surveys, performed by the customer, were based on a Likert- type scale of 4 points, developed and conducted by the customer, and aimed to understand how the trainees perceived the Training content, the trainers and the training organization.

Still on the same note, we can also consider the feedback gathered from the customer, regarding the consultants. On this, it is not easy to evaluate the feedback just from a training perspective, since most of the resources that played a role in the training project also delivered other activities on the overall project. From the feedback gathered throughout the project, we can confirm that the average of Project Management activities is 4,6, while the average of the near-shore resource is 4,7. On the other hand, the average of the overall team for other activities is 4,8 while the average of the near-shore resources is 4,7. When asked if the customer would engage with the same consultant again, the answer was always “yes”, for the consultants on a traditional and on a near-shore delivery mode. These findings are represented in Table V, suggesting a very similar customer satisfaction towards resources from a traditional or near-shoring delivery. The surveys, based on a Likert-type scale of 5 points, aimed to understand how the resources were perceived by the customer, being 1 the lowest grade and 5 the highest.

TABLE V. CUSTOMER FEEDBACK AS AN INDICATOR OF SATISFACTION

Customer Feedback	Near-shore delivery	Average delivery
Project Management activities	4,7	4,6
Overall Team	4,7	4,8
Would you engage again with this consultant	“Yes” to All	“Yes” to All

MAIN CHALLENGES AND LESSONS LEARNED

By the end of the project, it was clear that the very audacious goals had several challenges, mainly: (1) Late start and very aggressive timeline for the training project, with most of the activities during the solution build phase; (2) Very high expectations on materials quality and details, due to the clear goal to set the project as a best practice benchmark for the community; (3) Constant struggle with training resources availability – Available resources with the right skill-set for training activities were not abundant (on the vendor side, on the customer side and on the market);

On this regard, it is first important to highlight that none of the major challenges faced on the project were related to near-shoring practices. Actually, near-shoring played an important role in giving a response to some of them, especially by providing a critical mass of skills aligned at a regional level, with the ability to perform fast ramp-ups for resources in several solutions and activities. This factor was of major importance with regards to the very aggressive timeline, in a project in which resource availability was a major constrain. Additionally, the flexibility shown by a large organization that provides near-shoring services on a regional level was also very important to address demands on high work volume periods.

Additionally, based on the case study above, after collecting feedback from some of the main stakeholders of the project by casual conversations (total of 5, from the vendor and customer side) and after an extensive lessons learned exercise, some considerations regarding the incorporation of near-shoring practices can be drafted. From a Financial point of view, depending on the activities to be delivered, the markets and the project type/organization, the data collected suggest that deploying resources on a near-shore model can have a very high financial benefit, highly increasing the ROI from a customer perspective. The positive impact can be quantified on a Traditional ROI analysis, having a direct impact on the cost side since “all numbers are taken from the accounting (...)”. In this case dollars are real, hard, or capturable” (Botchkarev et al., 2011). It also suggests that the financial benefits we can find in traditional IT services delivered on a near-shore model, can be equally obtained in other types of projects, such as Training projects.

From a Customer satisfaction angle, the study shows that there were no significant losses in quality – on the contrary. From an ROI angle, moving forward from a Traditional model and using the widespread ROI pyramid, the study suggests a very high impact on the first two levels: (1) Satisfaction and (2) Knowledge. It also shows that, from a customer perspective, the resources on a near-shoring basis delivered the same way as resources on a traditional consulting model, consistently exceeding expectations. These facts suggest that, depending on the activities, scope of the project and

markets, the deployment of near-shore resources can be done with no significant losses on quality or customer satisfaction if a good integration and management is assured.

From a project management perspective, the management and orchestration of the project by a near-shore resource, having in mind the large share of near-shore participation on the project, was very valuable for the success of the project, printing faster changes agility and close coordination of on-site and remote activities. The analysis of the results, combined with the experience from the project suggests that on a project with near-shoring practices, the main facilitator to manage the activities and integration of traditional consulting resources, near-shore resources and customer resources is highly important for the success of the project.

The participation of traditional consulting on the training project was also of high importance, providing expert insights on the industry/solution and specifics of the local market and culture. Additionally, the commitment and support from a local senior project manager, advising and supervising the overall activities from the vendor on the customer was, without any doubt, an indispensable factor for success. This case study suggests that on projects with near-shoring practices, traditional local resources are indispensable to bring industry and market expertise, as well as to shorten even more any eventual cultural gap.

From a holistic project perspective, the combined training team (vendor and client) also played an important role in the success of the project - Very healthy flexibility during the project shown by the customer and the vendor, and very good collaboration between the teams, as well as an outstanding commitment from Training team members were crucial, suggesting that there was a small cultural gap, without any negative impact on activities. Finally, it is also important to mention the outstanding commitment from the Executive and Operational Committees to the overall project (from client and vendor side), keeping a close eye to every activity of the transformation, as well as the diligent management from PMO level, assuring proper communication and integration between work-streams and delivery modes. This commitment clearly set the transformation project, as well as the training project, as benchmarks in the industry, being this one of the major success factors and going against the suggestions that in large transformation projects “there is still a strong tendency for separation and a lack of integration between different departments” (Uhl et al., 2013). This type of commitment was also a key success factor on a project with near-shoring delivery, being also able to facilitate the integration of near- shore resources. To be considered for future initiatives, the presence of a near-shore resource on higher levels of the governance structure.

In this table II, the results are less smooth. For instance, from the 8 months for the 9 month the change is considerable in terms of forecasting from the different intervals. There are several peaks and valleys that are less smooth than the previous analysis on Nearshore days. But to be noted that, despite this variation, during the final month the delivery results are almost the same. Considering the two forecasting predictions for booth methods, the delivery results provided by the delivery near shore still had a larger share comparing with the traditional consulting services. Thus, the scope definition and strategy fine-tuning, which have been defined and applied previously, led to better delivery service in terms of the near shore.

Leaving aside forecasts and focusing on purely financial analysis, one of the most impressive results is the confirmation that the near-shore share had a cost of 25% of the overall consulting budget within the project schedule, with the traditional consulting practices consuming 75% of it. Analyzing further on the financials, from a total cost perspective, we need to add travel expenses and costs that are higher with the near-shoring resources due to legal requirements – Considering the overall project budget, near-shoring consumed 30% of the budget, with traditional consulting taking the remaining 70%. These findings can be found in **Table. III**.

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Full traditional project	314% of X

TABLE IV. BUDGET ANALYSIS PER DELIVERY MODEL

From a satisfaction and quality perspective, considering just the bottom layer of trained customer employees (end-users), during the first wave of trainings delivered by 7 newly trained trainers, we can consider from the analysis of 28 surveys that 46% considered the overall training “Excellent”, 47% considered “Good”, only 7% considered it as “Sufficient” and 0% considered it “Poor”. Overall, 93% of the participants considered it as either “Good” or “Excellent”. From a deeper analysis on what could be improved on the trainings, most of the participants pointed out lack of time – this is due to the very aggressive timeline in which the project needed to take place, with little to no connection to the quality of the services delivered by the vendor or by the client’s training team. The surveys, performed by the customer, were based on a Likert- type scale of 4 points, developed and conducted by the customer, and aimed to understand how the trainees perceived the Training content, the trainers and the training organization. Still on the same note, we can also consider the feedback gathered from the customer, regarding the consultants. On this, it is not easy to evaluate the feedback just from a training perspective, since most of the resources that played a role in the training project also delivered other activities on the overall project. From the feedback gathered throughout the project, we can confirm that the average of Project Management activities is 4,6, while the average of the near-shore resource is 4,7. On the other hand, the average of the overall team for other activities is 4,8 while the average of the near-shore resources is 4,7. When asked if the customer would engage with the same consultant again, the answer was always “yes”, for the consultants on a traditional and on a near-shore delivery mode. These findings are represented in Table V, suggesting a very similar customer satisfaction towards resources from a traditional or near-shoring delivery. The surveys, based on a Likert-type scale of 5 points, aimed to understand how the resources were perceived by the customer, being 1 the lowest grade and 5 the highest.

TABLE V. CUSTOMER FEEDBACK AS AN INDICATOR OF SATISFACTION

Customer Feedback	Near-shore delivery	Average delivery
Project Management activities	4,7	4,6
Overall Team	4,7	4,8
Would you engage again with this consultant	“Yes” to All	“Yes” to All

MAIN CHALLENGES AND LESSONS LEARNED

By the end of the project, it was clear that the very audacious goals had several challenges, mainly: (1) Late start and very aggressive timeline for the training project, with most of the activities during the solution build phase; (2) Very high expectations on materials quality and details, due to the clear goal to set the project as a best practice benchmark for the community; (3) Constant struggle with training resources availability – Available resources with the right skill-set for training activities were not abundant (on the vendor side, on the customer side and on the market);

On this regard, it is first important to highlight that none of the major challenges faced on the project were related to near-shoring practices. Actually, near-shoring played an important role in giving a response to some of them, especially by providing a critical mass of skills aligned at a regional level, with the ability to perform fast ramp-ups for resources in several solutions and activities. This factor was of major importance with regards to the very aggressive timeline, in a project in which resource availability was a major constrain. Additionally, the flexibility shown by a large organization that provides near-shoring services on a regional level was also very important to address demands on high work volume periods.

Additionally, based on the case study above, after collecting feedback from some of the main stakeholders of the project by casual conversations (total of 5, from the vendor and customer side) and after an extensive lessons learned exercise, some considerations regarding the incorporation of near-shoring practices can be drafted. From a Financial point of view, depending on the activities to be delivered, the markets and the project type/organization, the data collected suggest that deploying resources on a near-shore model can have a very high financial benefit, highly increasing the ROI from a customer perspective. The positive impact can be quantified on a Traditional ROI analysis, having a direct impact on the cost side since “all numbers are taken from the accounting (...)”. In this case dollars are real, hard, or capturable” (Botchkarev et al., 2011). It also suggests that the financial benefits we can find in traditional IT services delivered on a near-shore model, can be equally obtained in other types of projects, such as Training projects.

From a Customer satisfaction angle, the study shows that there were no significant losses in quality – on the contrary. From an ROI angle, moving forward from a Traditional model and using the widespread ROI pyramid, the study suggests a very high impact on the first two levels: (1) Satisfaction and (2) Knowledge. It also shows that, from a customer perspective, the resources on a near-shoring basis delivered the same way as resources on a traditional consulting model, consistently exceeding expectations. These facts suggest that, depending on the activities, scope of the project and

markets, the deployment of near-shore resources can be done with no significant losses on quality or customer satisfaction if a good integration and management is assured.

From a project management perspective, the management and orchestration of the project by a near-shore resource, having in mind the large share of near-shore participation on the project, was very valuable for the success of the project, printing faster changes agility and close coordination of on-site and remote activities. The analysis of the results, combined with the experience from the project suggests that on a project with near-shoring practices, the main facilitator to manage the activities and integration of traditional consulting resources, near-shore resources and customer resources is highly important for the success of the project.

The participation of traditional consulting on the training project was also of high importance, providing expert insights on the industry/solution and specifics of the local market and culture. Additionally, the commitment and support from a local senior project manager, advising and supervising the overall activities from the vendor on the customer was, without any doubt, an indispensable factor for success. This case study suggests that on projects with near-shoring practices, traditional local resources are indispensable to bring industry and market expertise, as well as to shorten even more any eventual cultural gap.

From a holistic project perspective, the combined training team (vendor and client) also played an important role in the success of the project - Very healthy flexibility during the project shown by the customer and the vendor, and very good collaboration between the teams, as well as an outstanding commitment from Training team members were crucial, suggesting that there was a small cultural gap, without any negative impact on activities. Finally, it is also important to mention the outstanding commitment from the Executive and Operational Committees to the overall project (from client and vendor side), keeping a close eye to every activity of the transformation, as well as the diligent management from PMO level, assuring proper communication and integration between work-streams and delivery modes. This commitment clearly set the transformation project, as well as the training project, as benchmarks in the industry, being this one of the major success factors and going against the suggestions that in large transformation projects “there is still a strong tendency for separation and a lack of integration between different departments” (Uhl et al., 2013). This type of commitment was also a key success factor on a project with near-shoring delivery, being also able to facilitate the integration of near- shore resources. To be considered for future initiatives, the presence of a near-shore resource on higher levels of the governance structure.

5. CONCLUSION

With very good results and high customer satisfaction, the training project of this large business transformation project can be considered a success story. On the same note, the integration of services delivered on a near-shore model, on a business transformation initiative, highly business-driven can also be seen as a success case. By close analysis of the results one can confirm that near-shoring services if planned, well-deployed, closely managed and properly backed-up by the commitment of high-level management, can add significant competitive advantage to transformation projects, from a client and vendor perspective It can bring considerable savings to the projects, increasing the ROI without the increase of project risks or decrease on quality. These results are not limited to coding activities, as this case study suggests – Value can be added by using proximity off-shoring practices in competence and training management activities, value engineering initiatives, change management projects, etc. Unfortunately, from a literature analysis, there are still limited publications on the subject. It is also important to mention that these ROI benefits are closely related to the configuration and scope of the pilot project – with changes on the delivery set-up and context the benefits may vary with different impacts on the vendor and client-side. Cultural aspects should also be analyzed further, with a special interest in the maturity of the vendor and client for such initiatives. On the other hand, most publications focus on traditional off-shoring practices, disregarding distance as an important dimension of analysis. Additionally, most research focuses on a client perspective - By contrast, few studies have examined supply-side aspects, especially between European clients and suppliers. This lack of published literature suggests significant opportunities for further research (Wiener et al., 2010). Finally, there is not much literature on the subject that does not focus on IT services – to broaden the scope of the research focusing on near-shoring can be an interesting path.

6. LIMITATIONS

Despite its important theoretical and practical contributions, this research suffers from some methodological limitations. The sample is limited, for instance, larger data sets and more case studies would for sure be beneficial for the community – to be noted that the current study is based on a pilot project, it would be beneficial to have similar studies on a larger set of projects / projects. To complement the study and partially address this limitation, the forecasting method used, MA, is simple and effective and reflects changes in the main parameters of the previous period - But it is impossible to go beyond the limits of known data.

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