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SERVICES

WHITEPAPER

NEARSHORE SOFTWARE SOLUTIONS

*A high quality and cost-effective
outsourcing strategy*

ABSTRACT

Companies frequently face challenges to staff technical teams to achieve business objectives within timelines and budget. These difficulties vary from high salaries, time to fill positions to lack of skills of existing employees. This whitepaper discusses outsourcing strategy benefits and highlights Nearshore Outsourcing as the most cost-effective outsourcing strategy for technical staff augmentation, project-based solutions, and consulting.

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Introduction

Building a good team is not easy. It can be a lengthy process to recruit, interview, train, and implement ongoing retention measures. It is rare for managers to have to create a team from scratch. In most cases, they inherit a group previously formed based on someone else's vision.

It is critical to have the right combination of skills and experience on your team to successfully achieve business objectives. In technical teams, the fast evolution of technologies and trends requires professionals to be up to date. This article examines common staffing challenges in groups and organizations. It suggests how these challenges can be addressed and mitigated using staff augmentation and project outsourcing mechanisms. It also analyzes the proposed staffing mechanisms' economics and budget implications.

Common Staffing Challenges

Market Competition and High Salaries

Many organizations and teams are determined to add and retain the best talent. Sadly, extremely well-qualified professionals are rare, and it is expected that they will often be recruited for new job opportunities.

Highly skilled candidates tend to obtain several offers when they are actively looking for a new job. Hiring teams often find themselves in a bidding process that pushes them to go to their top limit or above their budgets. Similarly, organizations work on staff retention mechanisms like salary raises and promotions that usually increase payroll costs.

Startups and SMBs (small and medium businesses) use mechanisms like company shares and other incentives for hiring and retention. However, there is always a point where they cannot afford to continue with such practices.

Lengthy Hiring Process

Hiring the right candidate for the position may take several weeks, and in some cases, months. This process becomes more challenging when the role requires unique competencies. It is common for hiring managers to have high expectations at the beginning of the search and then lower them as time passes. In many situations, the hired candidate was not one of the top three choices.

This problem creates a hidden cost burden since the new hire may take more time to be efficient, or other team members will need to compensate for any gaps during the learning curve



Talent Turnover

An article from LinkedIn [1] showed that the Technology (Software) sector had the highest talent turnover percentage. Given the tech talent shortage, turnover is a challenge for even the most prominent companies. One point that the article deduces is that tech turnover is likely driven by increasing demand and compensation. Top talent is more eager to jump on new opportunities.

The departure of expert members brings adverse effects in the short term, not only a decrease in the team's performance but also other undesired challenges such as a lengthy hiring process, payroll cost increases, or a lesser talented employee.

Unfit or Outdated Skillset

This challenge is common in legacy teams where the hiring manager brought members on for specific skills no longer significant in the industry. Not all organizations offer continuous training for their employees, and development costs are usually high. Some professionals may keep their skills up to date by their own means, but this is the exception.

Teams and individuals must stay current with technology trends, especially in the software industry, where the life cycle of some tools and frameworks only lasts a few years.

Outsourcing Models

Businesses use the mechanism of outsourcing to address the previously mentioned challenges. Outsourcing is an agreement where one company hires another company to delegate activities for different reasons. Some of these reasons can be:

- 1)** The team does not have the expertise or capacity to execute the tasks
- 2)** The total cost of doing the work in-house exceeds the costs to hire an external provider
- 3)** It is not in the company's best interest to dedicate resources to such activities because they want to focus on more critical business areas.

Staff Augmentation

This outsourcing strategy consists of evaluating the existing resource capabilities and determining the gap in the skills that a project needs. With this practice, the companies extend their teams with the right skills by contracting staffing services from vendors who have the desired knowledge and experience. One common approach is to use staff augmentation for cross-training their teams with savvy contractors.



The client is still responsible for managing the contractors and the work they will be doing. In this model, the vendors allocate their employees to client accounts for a specific period with extensions or renewal options.

Project-based

In this model, the client delegates the entire, or in some circumstances, part of a project to a vendor. The objective is to offload a large bulk of work to the outsourcing company that will be entirely responsible for developing the project. This model is ideal if the client prefers a fixed price for the project's costs.

Historically, this type of engagement tends to be less flexible for changes in the requirements since these are defined in the contractual terms. Any modification is queued up to a later phase of the development, and it adds extra costs.

Consulting

In many cases, teams hire external consulting agencies or professionals as an expert voice to assess a specific area or a practice and advise on strategies to achieve business objectives. These types of engagements are focused more on strategy definitions than development. By contracting a consultant, clients have access to deeper levels of expertise that would be costly for them to retain as a full-time employee in the long term.

Nearshore Outsourcing

Nearshore is a derivative of the business term offshoring. In contrast to offshoring, where the relocation of a business process moves from one country to a distant one motivated by lower costs, the relocation in nearshoring is to a nearby country. In the U.S., nearshoring also applies to any country that shares at least one time zone.

Many articles describe the advantages of outsourcing to a nearshore company over an offshore one [2] [3][4]. Unlike nearshoring to Canada, where one of the official languages is English, most Latin American countries have Spanish, Portuguese, and French as the official languages. Language difference usually is an initial deterrent for an organization to move from an offshore outsourcing strategy to a nearshore one. Common offshore destinations where English is a primary language are India, the Philippines, and Singapore.

Younger generations in LATAM are very fluent in English and are mostly professionals in the Tech (Software) industry. Teams that interact with nearshore companies are generally pleasantly surprised by the remote contractors' excellent communication skills.



Why Nearshore to Mexico

Culture: Cultural alignment with the business is readily achieved because there are similarities between cultures due to their proximity.

Communication: English language skills and time collaboration are the bases of Nearshore and Tech services. Proximity also facilitates in-person interaction when required and available.

Travel distances: The geographical proximity of Mexico to the U.S. and Canada makes it possible to travel to the clients' location within the same day if needed. You can fly from Guadalajara to Dallas in 2 hours.

Same workdays and time zones: Mexico's labor culture is virtually the same as the U.S. and Canada, having the same workdays, and Mexico shares three out of the four U.S. time zones.

Intellectual property laws: Mexican laws protect I.P. Mexico is part of the USMCA (United States-Mexico-Canada Agreement). The Intellectual Property Rights chapter in this agreement establishes a legal framework of minimum standards in North America. It aims to support tech innovation, promoting a healthy balance of rights and obligations.

High technical talent: Mexico has the most extensive and highest-ranked university in LATAM: the Universidad Nacional Autonoma de Mexico (UNAM), the first university founded in North America. Mexico has 1,250 institutions of higher education [5] and a population of 120 million people.

Cost-effective: Similarly to offshoring, lower costs of living and lower wages in Mexico, as a developing country, make it possible for companies to accomplish technical goals at a lower price than their U.S. counterparts. On average, Nearshore rates may not be lower outsourcing cost options than offshore rates, but companies benefit from a higher ROI.

Cost Analysis

New Hire Cost

The cost of labor is the most significant business cost in the U.S. [6][7][8][9][10]. Workforce can account for as much as 70% of total business costs [6]. Other significant considerations when building and maintaining a team lie in the cost of hiring a new employee. Many organizations tend to overlook these expenses. The breakdown of hiring prices can be considered as follows [8]:

- Advertising agency fees
- Employee referral bonuses
- Recruiter salary and benefits
- Sign-on bonuses
- Third-party recruiter fees
- Travel expenses for applicants and staff



The average cost of recruiting a new hire is \$5,000, and the average time-to-fill is two months [8][9][10]. In the Tech (Software) industry, these costs are usually even higher.

The following example is a common scenario of a Sr. Cloud Architect's cost breakdown with one AWS certification in the Northeast (the base salary could be around \$200K for more seasoned professionals):

- Base salary: \$150,000
- Benefits and other compensation factors: 1.3
- Sign-on bonus: \$10,000
- Referral bonus: \$5,000
- Hiring cost: \$5,000

Total costs for the first year: \$215,000

Hourly rate (48 business weeks): \$112/hr

	New hire employee	IO Connect Services - Nearshore
Hourly rate	\$112/hr.	\$75

The cost-saving opportunities of contracting a nearshore resource from IO Connect Services can be between 35% and 50% without compromising quality and, in many cases, even improving it. Our AWS experts have more than 3 AWS Certifications and at least one at Specialty or Professional levels.

Onboarding and Training

A research article from MIT Sloan Business School [11] maintains that it takes 8 to 26 weeks for a new employee to achieve full productivity. In other words, a company is losing money for 2 to 6 months until it reaches the break-even point. More senior and skillful candidates may be capable of break-even in the first two weeks. However, these are the exception, and commonly this is reflected in a higher compensation package.

Any business needs to stay up-to-date and modernize its products, services, and processes. In many of the modernization strategies, introduction of new technologies is required. It is essential for existing teams or new employees who are unfamiliar with the selected new technologies, to receive training and gain experience to be fully competent. These learning curves represent a significant investment for companies.

For many technologies, like Cloud platforms, training sessions are costly, and often they are just a mere introduction to such technology. AWS recommends having real hands-on experience building and deploying distributed systems at scale using AWS cloud services: one year for Associate level certifications, two to five years for Professional certifications, and two to five years for Specialty certifications. Not all organizations can afford such lengthy investments.

One common strategy to save training costs is to hire external service providers to work on new and modernization initiatives rapidly. Contracting a vendor with the right credentials takes up to one month, and this vendor can deploy resources that deliver immediate value. For an experienced contractor, the learning curve of a complex project takes from one to four weeks.



This advantage represents a one-month investment compared to the 12–24-month period for someone new to AWS. In other words, a company can save hundreds of thousands of dollars for each resource.

The following example compares two AWS experts—one U.S. based and one nearshore—with a similar background, certifications, and experience on AWS:

- Years of experience: 10 years
- Years of experience in AWS: 3+ years
- Associate Certifications: 3
- Professional Certifications: 2
- Specialty Certifications: 2

	U.S. based AWS expert	IO Connect Services - Nearshore
Hourly rate	\$170-\$250	\$85-\$100

Hiring a trusted nearshore vendor like IO Connect Services may represent cost-saving opportunities above 50% in comparison with the U.S. based counterparts.

The IO Connect Services Difference

[IO Connect Services](#) is an American-based company with headquarters in New Jersey. We have nearshore delivery offices in Guadalajara, Mexico, and Madrid, Spain. Companies like Salesforce, Manhattan Associates, Brightfield Technologies, Accenture, and Blue Label MX have trusted IO Connect Services to execute projects and extend their teams with our consultants. Our AWS, MuleSoft, and DevOps experts have helped many customers in the U.S., Mexico, Canada, and Europe.

IO Connect Services was founded to overcome the outsourcing challenges and provide cost-effective outsourcing solutions to companies. Our consultants go through a very selective hiring process, and we invest heavily in their training and continuous education.

Our guarantees with our clients are:

Academic credentials: all our staff have academic degrees that are U.S. equivalent, and they can be validated by educational organizations like World Education Services (www.wes.org).

English: all our team members communicate in English at a professional level and can present a qualifying TOEFL score if requested.

Technology Excellence: we value and promote the continuous academic preparation of our engineers.



Certifications: all our employees get certified in primary and secondary service practice technologies. We cover all the certification expenses and promote a culture of getting high-level certifications.

The following table describes the advantages of outsourcing to a nearshore vendor like IO Connect Services compared to an offshore vendor:

	Nearshore with IO Connect Services	Offshore
Time zone	No time difference	7-12 hours time difference
Workday	Same workday hours	Almost no workday hour overlap
Rate	Low	Low
Business culture	Similar – same weekdays	Can be different
Agile development	Real-time coordination	Late-night/early morning meetings
Technical talent	High quality	Mid/High quality
Travel cost & time	Inexpensive – same-day travel	Expensive – multi-day travel, jet lag

Similarly, it is essential to compare the reputation and credentials of nearshore vendors. The following table highlights the significant difference between IO Connect Services and other nearshore companies:

Nearshore	IO Connect Services	Others
Bachelor’s Degree (Titulado)	Yes – a hard requirement	Some
Full covered training	Yes – all employees	Rare
AWS training	Yes – all employees	Rare
Avg advanced certifications per employee	4	Rare
Number of advanced partnerships	5	0-2
Solution Architecture	Yes	Rare

Conclusion

Finding and building the right skills in tech teams is a substantial undertaking. It is a lengthy and costly process. Today, the rapid evolution of market trends requires a significant effort for companies and organizations to stay up to speed. Outsourcing the work to a vendor who can immediately support tech initiatives is an excellent way to overcome staffing shortcomings. Outsourcing to a nearshore vendor is an ideal cost-effective solution.



Nearshore outsourcing should not be considered a trade-off but a smart mechanism to reduce costs while attaining the highest technical quality. Companies should never compromise on quality, so it is vital to hire a nearshore vendor with validated credentials, advanced partnerships, and certifications from tech leaders such as AWS and Salesforce (MuleSoft).

About IO Connect Services

[IO Connect Services](#) is a certified [AWS](#), [MuleSoft®](#), and [Datadog](#) partner with specialized consultants in Cloud Solutions, such as Migrations and Modernizations, Enterprise Integrations, Native Development, and Serverless, DevOps, and 24/7 Managed Cloud, Security and Help Desk Services. We provide cost-effective nearshore and onshore services in North America, Latin America, and Europe.

AWS Partnership

The recently achieved AWS DevOps Competency designation recognizes that the consultancy provides Cloud Migrations, Cloud Strategy, Cloud App Development, and DevOps expertise. With this expertise, the certified AWS experts' team helps customers implement continuous integration and continuous delivery practices or automate infrastructure provisioning and management with configuration management tools on AWS.

The company has also obtained seven AWS Service Delivery Program designations differentiating IO Connect Services as an AWS Partner that provides specialized demonstrated technical proficiency and proven customer success in delivering cutting-edge AWS Cloud Solutions. To receive these designations, AWS Partners must possess deep AWS expertise and deliver solutions seamlessly on AWS.

[Learn more about the AWS Partnership](#)

AWS Validated Qualifications

AWS Programs

- [AWS Well-Architected Framework](#)

AWS Competency

- [DevOps Consulting Competency](#)

AWS Service Validations

- [AWS CloudFormation Delivery](#)
- [AWS Lambda Delivery](#)
- [Amazon API Gateway Delivery](#)
- [Amazon RDS Delivery](#)
- [Amazon Aurora Delivery](#)
- [AWS Database Migration Service Delivery](#)
- [Amazon CloudFront Delivery](#)



AWS Certifications

- AWS Certified Solutions Architect - Professional
- AWS Certified Advanced Networking - Specialty
- AWS Certified Big Data - Specialty
- AWS Certified Security - Specialty
- AWS Certified Cloud Practitioner
- AWS Certified Developer - Associate
- AWS Certified SysOps Administrator - Associate
- AWS Certified Solutions Architect - Associate
- AWS Certified DevOps Engineer - Professional



MuleSoft® Partnership

IO Connect Services is a certified MuleSoft® System Integration Partner with specialized experience in defining, designing, and executing complex integrations using MuleSoft® products. Our experience covers use cases like introducing new systems into existing technology, securing data and integrations, and handling large and complicated real-time and batch data sets. The team of certified MuleSoft® integration engineers helps clients apply engineering and best practices to the design, development, maintenance, testing, and deployment of Mule® applications.

[Learn more about the MuleSoft® Partnership](#)

MuleSoft® Qualifications

Products

- [Datadog Mule® Integration](#)
- [CloudWatch Mule® Integration](#)

MuleSoft® Expertise

- Enterprise Integration
- Mule® Development
- Infrastructure and License Sizing
- API Gateway
- Cloud Integrations
- Security and Compliance
- DevOps
- Consulting
- [Mulesoft® Training](#)

MuleSoft® Certifications

- MuleSoft® Certified Integration Architect
- MuleSoft® Certified Platform Architect
- MuleSoft® Certified Developer – Integration and API
- MuleSoft® Certified Developer – API Design
- MuleSoft® Certified Developer
- MuleSoft® Certified Instructor



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