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
Nearshore practices are becoming increasingly common in the offshore outsourcing segment, specifically in Information Technologies (IT) services, being on the agendas of top managers from global organizations. The adoption of methodologies that employ advanced delivery models, namely nearshore practices, is starting to be explored in the academic literature, being mentioned by several authors such as Kvedarauskis, 2008; Ishizaka et al, 2019 and Koch et al, 2014. Although the general concept of near-shoring in the IT sector has developed greatly since its origin, when an "entrepreneurial software development venture called PART, that was set up in the Caribbean island of Barbados in the years 1995-1999, [...] 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 largely unclear. Actually, the topic appears to have been largely overlooked in the academic literature [...]. To date, the benefits of services near-shoring has been documented primarily by the nonacademic 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 Westerl, 2015) with increasing research on the topic being published, but still, it is still too early to conclude the topic can be considered mature. In fact, we can confirm that it is an even larger gap if we target other areas of activity from fully grown business process re-engineering projects, such as organizational change management, communication management, or training, as opposed to traditional usage of near-shoring and business development functions. In these cases, the benefits and main challenges of a project are still not analyzed based on a nearshore strategy. Furthermore, trends of 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 usage on a near-shore model for training activities focused on a recent large IT delivery project for a global consumer goods company, based in Germany. In this case, the company's name and project dates are not disclosed for confidentiality reasons. This model will be described and compared with traditional consulting services in order to perceive their gains and advantages. This paper is started by sharing some insights on the topic, followed by a short presentation of the training project used as a case study. The authors then analyze the usage of near-shore services with respect to detailing its evolution, trends and forecasts, reasoning benefits and major challenges, moving to a final analysis of the types of services as opposed to a more traditional services delivery, reporting the findings. 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 increase time saving value to their customers and, many times this has been achieved by outsourcing or offshoring 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 "near-shore" (Stepnow et al, 2011). Actually, the offshoring of information systems and services has been one of the most discussed phenomena in Information Systems (IS) in recent years related to the thinking of both academics and practitioners. The extent of offshoring of information technology related services has been significant and the trend seems likely to continue in the foreseeable future (King and Tokezadeh, 2008). This extensive review 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 Gobi, 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 an exception, with extensive usage of this type of practice. This global usage obviously leads to a segmentation of the marketplace, with companies having 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, 2004). All of them leveraged on new communication and collaboration tools that reduce issues associated with remoteness. But from all of the "new shoring" that have been proposed, the one that is causing the most impact is near-shoring. But after all, which is the main differentiation factor in "near-shoring" and "farm-shoring," leaving a clear differentiation? As pointed out by Westerl, most authors differentiate between "nearshore" countries that are close to the "shoring" company (like the US) and "offshore" countries (Westerl, 2007). To be noted that this distance dimension refers to inter-organizational distances, as opposed to intra-organizational dimension (Chen & Lin, 2013). Additionally, we can also add that "nearshore emphasizes location and proximity as opposed to the prevailing off-shoring archetype of location transparency and irrelevance of distance and time" (McKee, 2014).

Prominent studies on near-shoring are also starting to be reported. For instance, it has been noted that the constructs that constitute near-shoring have already been analyzed by Carmel that "identify seven distance dimensions related to the claim advantages of nearshore destinations over farshore destinations[1] Geographical proximity[2] Time difference[3] Cultural similarity[4] Technical linkages[5] Linguistic similarity[6] Political alignment[7] Economic grouping." (Winer et al, 2011). Currently, there are some differences between the concept 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 (Kvedarauskis, 2008), but we could also consider others such as the ability to "backshore" which is to bring back outsourced initiatives inhouse (Leh et al, 2018). But this is merely an outlook of outsourcing, where information sourcing is still a relatively new trend (Bary and Westerl, 2019) and will not be analyzed in this paper. Although these concepts have different methodologies, they also share similar problems according to several authors (Altman and 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 models more desirable. Onshore is emerging as a new trend in manufacturing industries. Among the most well-known benefit of onshore outsourcing for proximity services companies is the ability to quickly respond to market changes (Kang, 2019). The definition of the concept of onshore is based on the company location. The background is located within the same country. The client requires a supplier to perform the outsourced task from both onshore (i.e., the company’s home location) and offshore locations (Chakravarty et al, 2016). Onshore experience helps companies to learn cooperation and collaboration in a partnership setting (Wetmar et al, 2010).

OFFSHORE
Offshore outsourcing is related to companies that work in a completely different part of the world (some authors analyze the adaptation phase) from the ones located 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 one of the key aspects in 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 (Wetmar 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 near-relationships between companies, the offshore outsourcing offers, normally, better rates although the final production can be easily less effective due to the mismanagement. 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 (Bakeme 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 to 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. Nearshoring 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 advantages of nearshoring are the cost savings and quality of the deliveries due to the location proximity. Companies adopting a nearshore initiative often lead to competitive advantage by the combination of cost reduction and the opportunity of exploiting cost-reducing resources (Koch, 2014). Still, however, in many cases the available literature on near-shoring focuses on traditional IT services, leaving a clear open question on its benefits and risks on the decision to adopt the "nearshore" services and the possible differences in near-shore locations (Chakravarty et al, 2016). Based on the above discussion, the following case study will detail the activities of near-shoring usage in a large business transformation program, targeting the training activities of the organization, focusing on financial and quality/satisfaction aspects from the customer and vendor sides, aiming to add some valuable insight to the available literature on near-shoring for nearshoring 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. Based on the resulting analysis, we recommend a detailed study of the future delivery shares, including the adoption of 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 the training and support the end-users. The roll-out on a global level of the solution was split in 4 different phases and, therefore, the training activities will also follow different phases based on different tasks such as plan a range of activities, performances, production activities delivery stages, and product training on a real-time basis. The concept model and two training team members on a Near-shore delivery model.

First, from a general perspective, disregarding the methodology and considering only the main deliverables, we can consider the following major phases of responsibilities: from the vendor to the project, (1) Two Training Preparation and Strategy Development (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, Lessons Learned Project Manager.

Based on 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 feasibility 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 50% of these delivered on site and 70% remote. On the other hand, traditional consulting had a share less than 44% of the activities, with an average of 60% on site and 40% of the activities delivered by near shore resources were Project Management and co-ordination activities, keeping close contact with the customer. The implementation of different tools also boosts the near-shoring activities since the feasible capabilities on the delivered project increased around 50% due to the exploitation of the processes, better performance, delivery stage and product return. These tasks were a considerable asset in terms of revenue and profitability of the near shore capabilities, thus produced a better output.

In general, the delivery shares show, we can also confirm that on project early stage there were many 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 month, the project near-shoring resources always had a larger share, which increased definitely by 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 managers supported by the local overall project manager, not being part of this study due to the large difference in time. Our recommendation is to divide the recommendations into three phases [from February to June of the first year of the project].
In this table, the results are less smooth. For instance, from the 8th to the 9th month, the change is considerable in terms of forecasting of 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 previous analysis for both methods, the delivery results provided by the delivery near shore still had a larger share compared with the traditional profiles. Similarly, taking into account the definition and strategy fine-tuning, which have been defined and applied previously, led to better delivery service in terms of the nearshore.

Leaving aside forecasts and focusing on purely financial analysis, one of the most impressive results is the confirmation that the nearshore share had a cost of 25% of the overall consulting budget within the project, with the traditional consulting practices consuming 75%. Considering the overall context, 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 II.

Table II: Budget Analysis per Delivery model

<table>
<thead>
<tr>
<th>Service Delivery Model</th>
<th>Days Delivered</th>
<th>Consulting Costs</th>
<th>Total Project Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nearshore delivery</td>
<td>55,60%</td>
<td>25,10%</td>
<td>29,70%</td>
</tr>
<tr>
<td>Traditional delivery</td>
<td>45,40%</td>
<td>79,00%</td>
<td>11,30%</td>
</tr>
</tbody>
</table>

It is also important to add that this "blind" financial analysis hides an important truth - on this project, the average seniority of the traditional resources is higher than the nearshore resources deployed. Higher seniority translates into higher daily rates. Still, if we compare the same seniority levels from this project with the same vendor, which translates into similar profiles, we can consider a 25% / 75% average [ca]. Having these figures in mind and having the current project as the main case study, we can observe the following cases:

- A project fully delivered by near-shoring resources [a], the case at study [b], and a project fully delivered by traditional practices [c]. Simultaneous calculations 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 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 19% of the budget of the project delivered in this case study [b].

Table III: Customer Feedback and Customer Satisfaction Indication of Satisfaction

<table>
<thead>
<tr>
<th>Customer Experience</th>
<th>Satisfaction</th>
<th>Project Management</th>
<th>Overall</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Yes&quot; to All</td>
<td>4.7</td>
<td>4.6</td>
<td>4.7</td>
<td>4.8</td>
</tr>
<tr>
<td>&quot;Yes&quot; to All</td>
<td>4.7</td>
<td>4.6</td>
<td>4.7</td>
<td>4.8</td>
</tr>
</tbody>
</table>

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 training days delivered by 7 newly trained engineers, we can consider from the analysis of 28 surveys that 47% considered the overall training "Excellent", 42% considered it "Good", only 7% considered it "Sufficient" and 0% considered it "Poor". Overall, 36% of the participants considered it as other - "Excellent", "Good", or "Sufficient".

Additionally, the results show that 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 constraint. 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 (sales and project-related communications) of 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 from the project's team, we can confirm that the average of Project Management activities is 4.7, while the average of the nearshore resources is 4.8. On the other hand, the average of the overall team for other activities is 4.8 while the average of the nearshore resources is 4.7. When asked if the customer was satisfied with the service, the answer was always "yes", for the consultants on a traditional and on a nearshore delivery mode. These findings are represented in Table IV, 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 and regarding how the resources were perceived by the customer, being the lowest grade and the highest.

Table V: Customer Satisfaction and ROI Analysis

From the project's 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 has contributed positively by the customer and the vendor, and very good collaboration between the teams, as well as an outstanding commitment from the Training team members, was very instrumental, suggesting that there was a small cultural gap, without any negative impact on activities. Finally, it is also important to mention that the successful delivery, not only from the Executive and Operational Committees to the overall project [from client and vendor side] keeping a close eye to every activity of the training, but also as the diligent management from PMO level, assuring proper communication and integration between work streams, delivery models, and project management. This combination clearly set the transformation project as well as the training project, as well as the delivery of the project, to be an excellent example of how to manage the success factors and achieve the significant ROI impacts, for example, in the case of the previous project which demonstrated that the integration between different departments [Uni et al., 2013]. This type of commitment was also a key success factor for the project, which has been reported as being able to facilitate the integration of near-shore resources. To be considered for future initiatives, the presence of a nearshore resource on higher levels of the governance structure.
In this table, the results are less smooth. For instance, from the 8 versus 2 days, the 3-month change is considered in terms of forecasts from 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 same variance, while the presentation for both methods, the delivery results provided by the delivery nearshore still had a larger share compared with the traditional profiles, observer. The delivery results given by the nearshore team were significantly better than the delivery results given by the onshore team, suggesting the possibility of considerable savings using a Near-shoring set-up proposed to a traditional one.

<table>
<thead>
<tr>
<th>Delivery Model</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nearshore</td>
<td>X</td>
</tr>
<tr>
<td>Traditional</td>
<td>X</td>
</tr>
</tbody>
</table>

TABLE IV: DELIVERY ANALYSIS PER DELIVERY MODEL

From the satisfaction and quality perspective, considering the bottom of the layer-based customer employees (end-users), during the first wave of trainings delivered by 7 newly trained trainers, we can consider from the analysis of the 28 surveys that 41% considered the overall training "Excellent". 47% considered it "Good", only 7% considered it "Sufficient" and 0% considered it "Poor". Overall, 33% of the participants considered it as "Excellent" or "Good", on a scale of 1 to 5, 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 concern. Additionally, the flexibility shown by a large organization that provides nearshoring 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 (team conversations, informal meetings, and other initiatives), and after an extensive lessons learned exercise, some considerations regarding the incorporation of nearshoring practices can be drafted. From a financial point of view, focusing on the activities to be delivered, the market and the project were considered as a high level of importance. The positive impact can be quantified on a Traditional ROI analysis, having a direct impact on the cost side as "all numbers are taken from the accounting ...", in this case dollars are relatively real, hard, or tangible; [Kochan et al., 2011], it also suggests that the financial benefits we can find in traditional IT services delivered on a nearshore model, can be equally obtained in other types of projects, such as Training Projects.

Main Challenges and Lessons Learned

Table V: Customer Satisfaction Analysis

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 ROI approach, the study suggests a very high impact on the first two levels. (1) Satisfaction and (2) Knowledge. It should be noted that it is an actively positive, the resources on a nearshore basis delivered the same way as resources on a traditional consulting model, being able to exceed expectations. These facts suggest the activities, scope of the project and market, the deployment of nearshore resources can be done with no significant negative impact and satisfaction if a good integration and management is assured.

From a project management perspective, the management and orchestration of the project by a nearshore resource, having in mind the large share of nearshore participation in the projects, was very valuable for the success of the project, providing faster changes agility and close coordination 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 facilitator to manage the activities and integration of traditional consulting resources, nearshore resources and customer resources is highly important for the success of the project.

The participation of traditional consulting in the training project was also of high importance, providing expert insights into the industry and specifying the local market and customer. Additionally, the commitment and support from a local senior project manager advising and overseeing 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 is indispensable to bring industry and market expertise, as well as to shorten any eventual cultural gap.

For 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, directly contributing to the relationship between the customer and the vendor, and very good collaboration between the teams, as well as an outstanding communication level from the team members, was very valuable, suggesting that there was a small cultural gap, without any negative impact on activities. Finally, it is also important to mention the role played by the Executive and Operational Committees to the overall project (from client and vendor side) keeping a close eye to every activity of the project, being as the diligent management from PMO level, assuring proper communication and integration between work streams and delivery models. This commitment directly set the transformation project as well as the training project, as being this one of the main success factors in this project. Additionally, the suggestions that in large transformation projects "there is still a pressing need for an integrated and widespread integration of different departments" [UNI, 2011], This type of commitment was also a key success factor in this project with all the participants being able to facilitate the integration of nearshore resources. To be considered for future initiatives, the presence of a nearshore resource on higher levels of the governance structure.
5. CONCLUSION

With very good results and high customer satisfaction, the piloting project of this large business transformation project can be considered a success. The same time, the integration of services delivered on a nearshore model, on a business transformation initiative, high business drivers have been reached and the project was a success case.

By close analysis of the results one can confirm that nearshore services if planned, well-deployed, closely managed and properly backed-up by the commitment of high-level management can add significant competitive advantages 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 offshoring practices, piloting and management training 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 particular project, the delivery and setup 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 offshoring practices, disregarding distance as an important dimension of analysis. Additionally, most research focuses on a client perspective. By contrast, few studies have examined the 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 nearshoring can be an interesting path.

6. LIMITATIONS

Despite its important theoretical and practical contribution, this research paper contains some methodological limitations. The sample is limited, for instance, larger data sets and more case studies would further 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 / procure. 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.

REFERENCES


