



# Outsourcing in Paradise:

## Real-Life Lessons from Nearshore Software Development in Costa Rica



## Offshoring vs. Outsourcing

- **Offshoring** = your own operation in another country where you recruit & manage your own programmers
- **Outsourcing** = contracting with another company to provide software development services



## Countries to Consider

- India
- China
- Russia
- Eastern Europe
- Vietnam
- Latin America
- Others



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See Country Pros & Cons in the *Accelerance World Region Outsourcing Guide*:  
<http://www.accelerance.com/world-region-outsourcing-guide.htm>

## Projects vs. Dedicated Team

- **Fixed-Price Projects**
  - Requires detailed specs & requirements
- **Dedicated Team**
  - Knowledge kept in team
  - On-going software development
  - Suited for Agile Development

## Reasons for Nearshoring

- **Similar times zones for**
  - Work-day collaboration
  - Agile product development
- **Short travel distance**
  - Face-to-face collaboration
  - Less travel cost, time & jet lag

## Nearshore Countries

- **For the U.S. and Canada Nearshore means Latin America**
  - Mexico, Central & South America
- **For the Western Europe Nearshore means Eastern Europe & Africa**
  - Belarus, Ukraine, Romania & Bulgaria
  - Egypt, Tunisia, Morocco, Ghana

## Cultural Differences

- **Silicon Valley culture**
  - Getting things done!
  - Focus on goals & results
- **Culture = Shared Values**
- **Shared Language, Idioms & Metaphors**



**North and South America**



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# Four Phases of Vendor Selection

## Phase I – Sourcing– Identifying Vendors

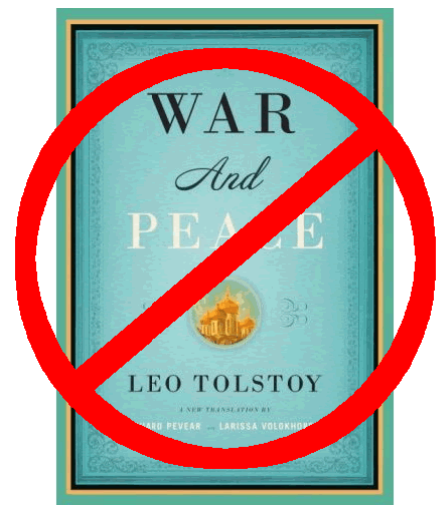
- Referrals from your personal network
- Google searches
- Use a consultant or advisor
- Basic Criteria
  - Country
  - Technology Experience
  - Company Size

## Phase II – Screening– Gettingdown to a Short List

- Request for Information (RFI)
- Vendor Evaluation Criteria
- Vendor Evaluation Matrix

## Phase III – RFP– Concrete proposal fitting your situation

- Elements & Timing
  - Intellectual Property Protection
  - Recruiting & Training Process
  - Schedule & Costs
- Requirements & Specs
  - Use Cases
  - Wireframes / UI Design
- Evaluation of Proposals
  - Weighted Criteria
  - References



Vendors	Total Score	Location		Product or IT focus		Java Experience		BOT Capability		Number of Clients in U.S.		
		City, Country	City, Country	% clients prod dev	% Java projects	Yes / Willing / No	Yes / Willing / No	#	#			
		Closer		1 > 50%	3 > 50%	2 Yes	2 > 5	2				
CR #1	71	San Jose	Costa Rica	2	>80%	15	61-80%	8	Not offered	2	>5	8
AR #1	71	Cordoba	Argentina	1	>80%	15	<20%	2	No, but will	4	>5	8
AR #2	71	Buenos Aires	Argentina	1	>80%	15	>80%	10	No, but will	4	4-5	6
CR #2	69	San Jose	Costa Rica	2	20-40%	6	41-60%	6	Yes, but not	6	>5	8
CR #3	69	San Jose	Costa Rica	2	61-80%	12	<20%	2	No, but will	4	>5	8
MX #1	67	Mexico City	Mexico	3	20-40%	6	41-60%	6	Yes, with s	8	>5	8
MX #2	66	Mexico City	Mexico	3	>80%	15	61-80%	8	Yes, but not	6	2-3	4
MX #3	64	San Miguel de Allende	Mexico	3	>80%	15	41-60%	6	Yes, but not	6	None	2
MX #4	62	Hermasillo	Mexico	3	61-80%	12	<20%	2	No, but will	4	>5	8
CL #1	53	Santiago, Chile	Chile	1	41-60%	9	<20%	2	No, but will	4	None	2
MX #4	48	Queretaro	Mexico	3	20-40%	6	20-40%	4	No, but will	4	2-3	4
CL #2	42	Santiago, Chile	Chile	1	<20%	3	<20%	2	Yes, but not	6	2-3	4
			Argentina	1	<20%	1	<20%	1	Not Offered	1	None	1
			Chile	1	20-40%	2	20-40%	2	No, but will	2	2-3	2
			Costa Rica	2	41-60%	3	41-60%	3	Yes, but not	3	4-5	3
			Mexico	3	61-80%	4	61-80%	4	Yes, with s	4	>5	4
					>80%	5	>80%	5				

**Example Screening Matrix**

Staff Size	#	Bilingual Engineers		Senior to Junior Engineer Ratio		Blended Rate		Senior Engineer Rate		Website in English	
		% of staff	% on a team	Monthly \$	Monthly \$	Yes / Partial / No	Yes / Partial / No				
		1 > 25%	2 > 20%	1 < \$4,000	2 < \$6,000	2 Yes	1				
101-150	5	61-80%	10	20%	3	5805	8	6833	8	Yes	2
51-75	3	61-80%	10	>50%	2	4000	12	4800	12	Yes	2
151-200	6	10-20%	4	20%	3	4800	10	5600	10	Yes	2
151-200	6	>80%	12	20%	3	5440	8	5440	10	Yes	2
0-25	1	>80%	12	>50%	2	3500	12	5000	12	Yes	2
>200	3	41-60%	8	30%	5	3360	12	3840	6	Yes	2
101-150	5	20-40%	6	20%	3	5760	8	7840	6	Yes	2
0-25	1	>80%	12	30%	5	6384	6	7056	6	Yes	2
0-25	1	>80%	12	50%	2	5120	8	6400	8	Yes	2
51-75	3	20-40%	6	40%	5	4000	12	6400	8	Partial	1
>200	3	20-40%	6	50%	2	5440	8	7040	6	Yes	2
0-25	1	20-40%	6	40%	5	2500	8	3350	6	No	0
0-25	1	<10%	1	<10%	1	\$ 8,000	1	\$ 9,000	1	No	0
26-50	2	10-20%	2	10%	2	\$ 7,000	2	\$ 8,000	2	Partial	1
51-75	3	20-40%	3	20%	3	\$ 6,000	3	\$ 7,000	3	Yes	2
76-100	4	41-60%	4	30%	5	\$ 5,000	4	\$ 6,000	4		
101-150	5	61-80%	5	40%	5	\$ 4,000	5	\$ 5,000	5		
151-200	6	>80%	6	50%	2	\$ 3,000	6	\$ 4,000	6		
>200	3			>50%	2	\$ 2,000	4	\$ 3,000	3		

## Phase IV – Site Visit–to make your final decision

- Facilities Checklist
- Programmer Interviews



## Making the Decision

- Checking References
- Final Negotiations
- Pilot Project

## IP Protection Checklist

- Legal agreement
- Physical security of facilities
- IT / Network security

## Costa Rica– Pros & Cons

- Working with outsourcers in Costa Rica – Pluses
  - Close in distance & time zone (to North America)
  - Beautiful country. Everyone is friendly
  - Almost everyone can speak English
  - Costa Rica is serious about being a leader in high technology
  - Excellent education system
  - Experienced with standard web and desktop application technologies, especially .NET, Java and Oracle



- **Working with outsourcers in Costa Rica – Minuses**

- Rates are not as low when outsourcing to Costa Rica compared to other, more distant locations
- Balance your need for programming resources in a nearby time zone with the overall cost of your outsourcing
- Smaller resource pool of programmers
- Experience with open-source technologies, like LAMP, exists but limited compared to commercial software technology

## **India– Pros & Cons**

- **Working with outsourcers in India – Pluses**

- English ability
- Access to a highly educated work force
- Track record of outsourcing engagements
- Broad experience with standard software technologies such as .NET, Java, and LAMP for web and desktop applications
- Also mobile applications using Android, iPhone & Blackberry
- Some ability to collaborate with clients and apply good software design when application area is well understood
- Can implement many common applications in business, finance, and engineering



- **Working with outsourcers in India - Minuses**

- Distance & long travel time
- Distant time zone - early morning and/or evening calls
- Difficult to collaborate leading to more task oriented engagements
- Programming expertise decreases as the sophistication of your chosen technology and need for innovation increases.
- Vendors working on the cutting edge of software technologies are not impossible to find — just more difficult.
- Typically not ideal for creating scientific applications with complex algorithms

## **Total Cost of Outsourcing**

- **Hourly rates, plus . . .**
- **Travel Costs** – air fare, hotel, meals plus the indirect costs of travel time, jet lag recovery and time away from the office and home
- **Requirements & Specifications** – the time needed to create better documentation compared to direct and informal communication typically used with local programmers
- **Management Time** – additional time needed to ensure milestones are achieved and communications are clear
- **Ramp-up Time** – recruit and train the programming team
- **Attrition & Time to Replace Programmers** – reflecting the competitive market for programmers and the ability to replace those that leave
- **Wage Inflation** – increased cost over time (if any)
- **Exchange Rate Risk** – if you are paying for your programmers in something other than dollars or your home country currency
- **Efficacy Factor** – of the outsourced programming team compared to collocated employees

## **Nearshore Agile**

- **Advice & training available from competent vendors**
- **Your commitment to daily communication is required**
- **Convenient travel for face-to-face meetings**
  - Ecotourism & weekend at the beach!
- **Reduced Requirements & Specifications**

## Notes from Q&A



## **Free Consultation**

Accelerance listens to your software development needs and preferences for location, methodology & time zone and then recommends the best Accelerance global partner for you. We make the introduction and help ensure there is a perfect fit. We've already done the heavy lifting so your software development gets started in days, not weeks or months of your own time of evaluating service providers around the world.

### **Contact us today and schedule your free consultation**

Remember, it's not a sales call (that's why we call it a free consultation\*). There's no hard-sell, no presentations and no long-winded pitch. It's a conversation where you describe what you want to accomplish with software outsourcing and we offer advice and guidance.

**Call 650 472–3785 x100 or email [Info@Accelerance.com](mailto:Info@Accelerance.com)**

## **About Accelerance**

Accelerance is a Silicon Valley-based global software development firm with over 20 global software development partners in a dozen countries. The Accelerance Global Partner Network is the only online directory of highly qualified, hand-selected and deeply assessed software development companies from around the world with successful track records in developing software for clients. Clients use Accelerance's expert guidance to quickly ramp-up and manage teams of offshore programmers.

Accelerance was founded in 2001 by Steve Mezak, a veteran of numerous software development companies and projects both onshore and offshore and is the author of the book: *Software Without Borders: A Step-By-Step Guide to Outsourcing Your Software Development* available on Amazon and the Accelerance website. For more information, visit: <http://www.accelerance.com>

*\* Our objective advice and consultations are free to clients. We earn a monthly fee and commissions from our global partners for helping them find qualified clients that are a perfect fit for their software development services.*