In 2012, US IT managers are looking to replace their offshore software development providers by nearshore ones. by Yeleny Lopez

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IT Managers across the states are re thinking their software development strategy, and aiming to replace their offshore software development firms with nearshoring ones.

The reason behind this growing trend, are the advantages of nearshore software development (Latin America) over offshore (i.e. India and East Europe) like the timezone proximity which enables real time communication and agile software development with nearshore teams, and thus better project control for the IT manager. Also the geographical proximity allows the IT managers to go down and visit the team for a period of time within the year, either for critical paths within software development process, or just to improve the nearshore team compromise and commitment with the cause.

The fact that cost gap between nearshore and offshore software development firms continues to close especially due to inflation and attrition differences is also contributing to the decision of replacing offshore software development firms.Nearshore development costs still fall between the costs of local development and offshore development

Declining service levels and difficulty understanding Indian accents are issues that buyers have also expressed concern over during 2011 about offshore software development.

Why to expect a growing of nearshore trend: A lot of the growth in the US is coming from SMEs that find it easier to work with similar providers in Latin American and for example, Silicon Valley startups are trusting their software development for nearshore development firms located in Costa Rica, Mexico, Chile or Uruguay, and more US companies are investigating what options Latin America can provide.

Additionally, there has been an increase in the number of Latin American companies that are opening US offices, or hiring a US marketing and sales representative.

Deloitteâ€™s 2011 Global Shared Services research which was reviewed at Shared Services and Outsourcing Week, called Latin America the new frontier and said that Latin America was the second most popular destination for new centers, and found that companies establishing new facilities in Latin America were likely to be following the growth of Latin markets for their companiesâ€™ products.

So, what is the offshore team still useful for when it comes to offshore software development? The answer is non-critical path waterfall development: waterfall because the time difference precludes agile development; non-critical path because delays in communication add unpredictability which can upset the timeline.

IT managers looking to manage their software development projects using agile processes will continue to try with nearshore firms.

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