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Successful IT Nearshoring of a Tech Startup (Case)
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1. Case

1.1. Intro

The sun slowly sinks into the Atlantic Ocean, casting its last golden rays onto the aggressively breaking waves below the Cabo da Roca. Their fury and power is not lost on Tobias Häckermann, the CEO of Sherpany. The idyllic scene in front of him has come to symbolize his Portuguese adventure - beautiful and rewarding.

The Swiss CEO paused in the striking sunset for a moment of reflection. The events of the last year (2014) had been remarkable. Sherpany, his invention and a technology company providing solutions for boardroom communication, was gaining traction. Sales were now in the millions of Euros.¹ Demand for services was high and the future was bright. This success story is not the result of just good fortune but rather the culmination of many strategic milestones. Häckermann's hometown of Zurich (Switzerland) is one of the most expensive cities in the world (see **Exhibit 1**). It was impossible to enlist IT talent and exorbitant fixed operating costs threatened the viability of his business model. In short, Sherpany faced the classic "valley of death" scenario^{2a} that every startup must overcome. In Häckermann's case, the need for a fast and cost-effective way to securely grow the company and keep ahead of the competition forced him to nearshore a significant part of his operations - to Portugal.

In hindsight, it all seemed so logical: a short flight from Zurich, great weather, 1-hour time difference, lower costs of labour, and abundant local IT talent looking for international opportunities, and all under the security blanket of the EU.

1.2. The initial Idea

Like many startups that grow to be successful companies, Sherpany was born out of the founders' frustration. Sherpany co-founder and CEO Tobias Häckermann had already founded two tech startups; including a successful data security company, which was then acquired by a larger company.³ Häckermann accepted a post on the corporate board of the parent company after the acquisition.⁴

By accepting this arrangement, Häckermann unknowingly entered a situation that is a chronic problem for many companies: conflicting demands on the time of independent board members. The future Sherpany CEO recalls the moment when he first faced this dreaded situation:

^a In Yoshitaka Osawa and Kumiko Miyazaki's empirical analysis of The Valley of Death they define it as: "a common term in the entrepreneurship world, relating to the serious challenge of covering the negative cash flow in the early stages of a new venture, before the innovation (service or product) is generating revenue from real customers".

"During a postgraduate course, a general assembly would have taken place, but I could not attend without missing the lecture. I thought to myself: We write the year 2011, if I can order groceries, access my online banking, and book my flight tickets via the Internet why can I not also run shareholder communications online and vote remotely, more precisely electronically remotely, at an annual general assembly?"

With everything else in the world gravitating online, his initial frustration gave way to curiosity about what was out there in the market. Could it be that there was no existing IT tool for the burdensome compliance task of general assemblies? Every company, large and small, is legally obliged to appoint a corporate board⁵ and hold shareholder meetings.⁶ As a lawyer, Tobias was well aware of this fact. And now, he was forced to choose between participating in the general assembly and another important event. Tobias faced a conflict that also affects countless other professionals.

A bit of initial research revealed that there was not an existing tool targeting the specific need of investor relations. The frustration he originally felt gave way to a keen sense of optimism. By then, Tobias had approached some of his trusted friends, Mathias Brenner, Nathanael Wettstein, and Roman Bühler⁷, and asked for their honest feedback. Once they had collectively analyzed the potential market for the new business idea, Tobias' inner circle joined as business partners (and virtual board members!). With a strong team of four co-founders representing the essential managerial competencies of a startup (see **Exhibit 2**), a business model canvas^{8b} was soon followed.

The idea was to create a platform that connects stock corporations, board of directors, and investors; namely shareholders. The basis of the business is a platform that serves as a tool for investor-relations departments for the guided management of data.⁹ Using the platform, shareholders could vote prior to the general meeting.

Mathias Brenner, CTO of Sherpany, recalls the initial reaction to the Sherpany idea:

"At first everyone told us that the idea was crazy, that it was technically impossible, or that it was not even legally allowed. But when something unfamiliar comes along, the reaction is always the same." Luckily, to offset the critics there were also believers. Nobel Biocare and Aryzta, Sherpany's first two pilot customers¹⁰, understood the savings potential and improvements in efficiency that could be attained. The two listed Swiss multinational companies signed up as the first customers of the Sherpany

^b Techstars, one of the most renowned global seed accelerator, describes the business model canvas as follows: *The Business Model Canvas is a Lean Startup template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's or product's details of cost, its customers, revenues and value proposition. It brings in all the aspects of a startup in a single piece of sheet or canvas and helps to evaluate it in a much easier and effective way.*

software solution “Sherpany Investor Service” and participated in the pre-launch. With those key clients in place and an interesting market emerging, the founders were confident that they were on to a winner.

1.3. Value Proposition

Sherpany’s nowadays value proposition is to provide electronic means to conduct board meetings in an efficient manner, vote on board- and shareholder-level, and handling investor relations. The conflicts and complications of managing boardrooms, voting, and investor relations were common enough so that most businesses could relate and intuitively understand the efficiency gains that could be made. However this was not always the case, Sherpany’s initial approach was to build a Minimum Viable Product¹¹ targeting solely electronic long distance voting at shareholder meetings and improving communications to shareholders prior to the same. The initial feedback was positive, but more importantly it identified an even greater entrepreneurial opportunity for Sherpany – the boardroom. This was an important event in Sherpany’s history. The founders realized that digitizing voting, which was the service that the first client signed on for, was only part of the solution. The missing element was a way to address the guardians of shareholders’ interests in a large company, the corporate board itself.¹² This realization only came to light while working with their first two clients. With a bit of additional research the four founders encountered an, at that time, recent board governance survey from Thomson Reuters¹³ which revealed that an increased focus on governance driving the volume of board materials to new heights (See **Exhibit 3**). Moreover, the European Corporate Governance Report 2011 by Hendrick & Struggles confirmed the trend over the past decade that the state of corporate governance in Europe, has undergone a profound change in the scope, complexity and impact of the multiple forces that shape the boards of the region’s leading companies.¹⁴ The report further confirmed that the demands for Availability, Independence, and Diversity of experience had grown significantly but most of all for absolute Transparency (see **Exhibit 4**). To further test their additional hypothesis the founders surveyed 35 Swiss publicly listed companies from various sectors.¹⁵ All those insights supported their hypothesis that the demand for their two complementary solutions is great across Europe.

This pivot in the business model¹⁶ and shift in value proposition also brought a new complication: confidentiality. Nonetheless, it also allowed Häckermann to refine the value proposition of his company and to expand the original idea so that it would address the boardroom and allow an organization to securely and efficiently hold board meetings by using the latest means of communication regardless of where the board members are in the world. The original premises of communicating with shareholders

¹¹ According to the book “The Lean Startup” by Eric Ries, the idea or purpose of a minimum viable product is: “A minimum viable product (MVP) helps entrepreneurs start the process of learning as quickly as possible. It is not necessarily the smallest product imaginable, though; it is simply the fastest way to get through the Build-Measure-Learn feedback loop with the minimum amount of effort”. (Ries, E. 2011)

and electronic voting at general assemblies were still important fixtures. Thus, Sherpany's existing "Investor Service" shareholder platform and electronic voting solution was expanded to an additional product called "Sherpany Boardroom" and this shift of strategy would prove significant.

The solution would allow companies to efficiently reach their entire shareholder base far beyond the scope of classical investor relations structures. Shareholders would benefit from the ability to inform and contribute without regard to their physical location through "Sherpany Investors Service". They could receive an online invitation, register, and even participate via long-distance electronic voting at the general assembly. Critical questions could be answered in advance via the "questions and answers" feature. The integration of qualified proxy advisors in the process of opinion-forming is an important part of the platform¹⁷ as is communications among users. To monitor and actively participate in this process would allow companies to have more influence on the effect of undesirable voting recommendations of third parties. Voting trends and investor expectations would be provided to the corporate board in a board portal. In more general terms – apart from the preparation of general assemblies – corporate board members would be throughout the year able to securely exchange board documents, prepare for board meetings, and, last but not least, conduct board meetings in a highly efficient manner.

This inclusion of the corporate board into its strategy shaped Sherpany into its present form: a software platform that enables companies to manage and optimize boardroom activities in addition to investor relations. Corporate Boards often need to make rapid and valid decisions that are contingent upon information obtained through a variety of online and offline channels.¹⁸ Sherpany believes that their technology can effectively consolidate and streamline this information, making it accessible for every board member with ease, which enhances efficiency and leads to better decision making of corporate boards. It also added a major layer of security. As a lawyer, the Swiss CEO knew that annual reports¹⁹, proxy statements²⁰, and most information exchanged in the context of an annual general meeting of a listed company are in the public domain. Board meetings are in contrast private²¹, and leaked information from a board meeting is a major threat to any modern company.²² The increase in scope to include boardroom activity meant that Sherpany would enter a high-tech domain of data security raising the complexity of development. However, the market seemed very attractive and ready for the adaptation of such a technology.

1.4. Competitive Advantage

Solutions that facilitate communication and document sharing were nothing new to the market and competition was all around in various facets. But Sherpany addressed their target market and customers with a turn-key solution that satisfies the particular needs of large corporations. An additional factor that greatly aided their competitive position was a new law in Switzerland. This new law, a result of public dissatisfaction with spiralling levels of top management remuneration, was passed in 2013 and came

into effect in 2015.²³ The Swiss referendum directed the government to draft a sweeping corporate governance law that gave shareholders of listed companies a binding say on executive salaries. It also mandated annual elections of board members. The vote passed by a two-thirds majority.²⁴ A side effect of this referendum was that shareholders must be able to engage in long-distance electronic voting²⁵, and this was something that the minimum viable product of Sherpany could already provide. This fortunate development allowed Sherpany to benefit from a scenario of enforced adoption and gave the company the edge over its rising competition.

At the time of the Swiss referendum, Tobias Häckermann raised the interest of 3wVentures, a Swiss investment firm backed by two business angels, Yves Latour and Arvin Zuberbuehler, that provide seed and early-stage venture capital. In February 2013, the first angel round was closed, raising a total of 350,000 Swiss Francs.²⁶ The seed capital was earmarked for the urgent task of software development of “Sherpany Boardroom”; and this progress would bring the decision of how and where to develop the software to the forefront. The investment would also cement the early lead ahead of competitors in their home market.

Sherpany’s first Swiss Head Quarter was not necessarily where you would expect the average Swiss tech startup - on the middle of Bahnhofstrasse in Zurich²⁷, one of the most luxurious and expensive high streets in the whole world. A presence on this high-rent playground in the shadow of global banks and hedge funds is a must for any luxury brand but not for a tiny startup. Tobias Häckermann, knew that he was very fortunate to secure this prestigious address — the close proximity to our first customers helped undoubtedly. Most entrepreneurs end up in the garage by necessity. Could it be that Sherpany was simply destined for great things? The founders admit that they have had more than a few strokes of luck, including access to prestigious physical premises.

"As a lawyer, I knew the law firm that owns these offices. At the beginning, we had presented our plans to these attorneys. Convinced of our idea, they provided us part of the office space almost for free of charge as a startup aid" explains Häckermann.

In late 2013, half a year after the strong yes vote of the federal popular initiative, SIX Swiss Exchange - the Swiss Stock Exchange - recommended “Sherpany Investor Service” to its listed companies in order to comply with the requirements of the initiative²⁸. This was on the surface the big break for the team— but would they be able to scale the business fast enough to capitalize?

By the end of 2014, Nestlé²⁹, Novartis and a host of other Swiss stock exchange listed companies had adopted Sherpany’s solution.³⁰ It is fair to say that Sherpany was a clear beneficiary of the Swiss referendum and the fortunate development of the Swiss Stock Exchange promoting their solution was a key

competitive differentiator that allowed them win over new customers with its “Sherpany Investor Service” so that their complementary product, “Sherpany Boardroom”, can be placed with the same customer at a later stage.

Another primary competitive advantage was the lean startup approach³¹, coined by the same-named book by Eric Ries, the founders team followed (see **Exhibit 5**). Entrepreneurs should focus on their potential customer; by quickly letting the customer test their product they will find out if their business model is viable. Ries means that this can be done with the help of an minimum viable product and different experiments that test if the entrepreneurs’ hypotheses about their business are correct. He promotes the concept of “build-measure-learn” (see **Exhibit 6**) that should be repeated in order to develop the product(s). According to Ries, the main purpose of a startup is to turn ideas into products with the help of the build-measure-learn feedback loop. Because of the lean and incremental approach, Sherpany did not require up-front capital before they had established a lead among competitors and proven the demand for their solutions. Furthermore, it allowed them to refine their business model and create a whole new best-seller product that was optimized to reflect what companies really had demand for.

Sherpany’s CTO summarized his technology strategy as follows:

“We have a great focus on web trends and aim to challenge the business world. We are always looking for new approaches and are in constant contact with our clients to improve our web-based solutions. We were the first independent platform created to facilitate closer and more personal communication among listed companies, members of their management bodies, and investors. Through the use of our applications, customers can consolidate investor loyalty, help boards of directors focus on making informed decisions, and introduce major improvements in corporate governance.”

The emergence of a real-time solution for communication among board members, investors, and executives struck a chord as high-profile cases of activist investors and hostile take-overs raised the stakes. Companies in bitter boardroom power struggles were prepared to spend tens of millions, and even hundreds of millions in these conflicts. For example, in late 2017 Proctor and Gamble is estimated to have spent over \$100m to keep activist investor Nelson Peltz off of its board³², and Peltz for his part, is thought to have spent \$25m.³³ The result came down to a shareholder vote in which Peltz lost by a margin of 0.3% and was excluded from a seat on the board.³⁴ This is a very high profile example that showcases the enormous value at risk of corporate boards – and the urgency of secure and efficient communication for valid voting and coordination among the main stakeholders.

Sherpany had started well and gained a good client base in their home market in Switzerland.³⁵ Their solution had correctly integrated the confidentiality aspect in order meet the need to establish an impeccable reputation as a prerequisite to handling secret information from the boardroom. The Swiss team

maintained the important competitive advantage that their solution was created for boardrooms and already included vital security features, and was easily customizable.³⁶

1.5. Competition

The Swiss law was passed, and while this benefitted Häckermann's team, it also increased the awareness of competitors of the attractiveness of shareholder platforms and board portals. The core advantage was that Sherpany was fast enough in its execution and took advantage of the window of opportunity to grasp a significant market share in their home market with its initial product "Sherpany Investor Service". This, forced adaptation in Switzerland and the parallel ongoing general trend towards stronger Corporate Governance³⁷ raised the awareness of corporate bodies towards digital solutions. Inevitably, competitors appeared and also the board portal market had been identified by other providers, such as Passageways (OnBoard), DiliTrust (Leading Boards), Insight Venture Partners (Diligent), and NASDAQ (Director Desk), which became the main competitors of Sherpany³⁸ (see **Exhibit 7**). With new competitors emerging the cardinal question was: How can Sherpany protect its differentiation and market edge against its growing number competitors since feature differences among the portals are marginal and can easily be reverse engineered as illustrated in the competitor analysis in **Exhibit 7**.

1.6. The Market

Sherpany's careful work with its first customers, Nobel Biocare and Aryzta, was very revealing. The potential target group and facts about the size and value of the market started coming to light. It also taught the team how to work with large corporate giants, which were the low-hanging fruit of the market. The startup targeted these type of large and publicly listed companies on the Swiss Exchange as their springboard market and monitored other target markets within the European Union to act fast whenever an opportunity window opens. The segment was clear, companies with complex boards, for example with many independent board members, or with wide geographical dispersion.

With over 200 listed companies at the Swiss Stock Exchange, more than 500 in neighbouring Germany, and over 1000+ at Euronext, the first pan-European exchange, spanning Belgium, France, the Netherlands, Portugal and the UK, Sherpany defined Europe as its ultimate target market (see **Exhibit 8**).

More exact metrics could be found on the Global Board Portal Market report from Daedal Research, which is the category of Sherpany's solution and also lists Sherpany as one of the leading solutions.³⁹ The global board portal market evolved and entered a fast-growth phase and thought to be growing (CAGR) at approximately 37.50% during 2011-2015. The market is presently expected to show continuous high growth with a CAGR of near 50% during the period 2016E-2021F.⁴⁰ Furthermore, market research figures show that by 2020 it is expected that two-thirds of corporate boards use some kind of board portal solution (see **Exhibit 9**).

1.7. The Search for Talent

With the strategy firmly established and an attractive potential market identified, the founders sought to scale the business. The first step was to grow the team and enhance the software.

"When we started in 2013, we were looking for programmers in Zurich at the same time and in the same location as Google.⁴¹ The Swiss office is Google's biggest engineering base on the European mainland.⁴² We, an unknown start up, had no chance of competing against Google" recalls Mathias Brenner.

Besides Google, the major global banks of UBS and Credit Suisse — plus scores of other financial industry participants, from reinsurers to hedge funds offer local IT graduates attractive career growth perspectives, signing bonuses, and tons of benefits. These major firms recruit heavily from the major IT training centres. For a young graduate to forego the opportunity to work for Google, or begin a career for a prestigious financial institution is a hard sell.⁴³

Further complicating Sherpany's quest for talent is a cultural phenomenon: Switzerland is not a society of risk takers.⁴⁴ With some major exceptions, such as the founders discussed in this case, the youth are steered towards secure positions in established companies. With unemployment hovering around 3%⁴⁵, even successful companies with attractive offers must cultivate talent in innovative ways. Recruitment pitches include extra holiday time and elaborate training schemes — both of which are out of the question for a startup.

It was already established that Swiss senior developers are difficult to recruit and costly.⁴⁶ Running a business that assumes the availability of these professionals was just not feasible. When one takes into account the personnel costs, the idea becomes outright foolish. Having pinpointed the constraint of their ambitious plan, the CEO and CTO urgently attempted to solve their staffing issues by considering outsourcing or nearshoring. While offshore IT salaries may be high benchmarked against local standards, they are markedly lower than the ones encountered in Northern and Central Europe, especially Switzerland. This wage differential translates into major cost savings and simultaneously gives the entrepreneur access to a strong and diverse talent pool.⁴⁷

Further complicating the IT ramp up is that Sherpany found itself operating in a mission critical environment in which an error or data breach would have grave consequences. It was not easy to pursue a cost-effective, innovative development strategy without sacrificing quality and security. Thus security, not only for its future customers but also for the startup itself in terms of protection of intellectual property was of utmost importance for the startup.

The Sherpany founders had already concluded that a nearshoring arrangement would be a critical step in their company story since offshoring to faraway places seemed too complex for a three-man team.

By that time, one co-founder, Nathanael Wettstein, decided to leave in order to embrace a new career challenge in Japan. Thus, the remaining founders started a top-down evaluation approach that would take into account the key financial and non-financial factors that must be taken into consideration to get to the right location.

1.8. Strategy of nearshoring

With the limitation of IT staffing threatening their success, the founding team began looking for other options. Mathias Brenner analysed the situation as follows:

“In the end, it was very simple. We simply could not execute our plan in our native country. It was impossible for many obvious reasons. These facts forced us to consider other options. It became clear that we would not be able to attract or afford a development team in Switzerland.”

The CTO went on to say that *“We started nearshoring in the beginning of 2013 for two main reasons – to reduce development costs and recruit the best available talent for our startup.”*

1.9. Sourcing: The Make-or-Buy decision

The very first question the management of Sherpany asked themselves was whether to outsource software development or keep it in-house. Management prioritized in-house (proprietary) development. The CTO had a bad experience with project-based IT outsourcing prior to joining Sherpany. He had been involved in a software development project involving delivery centers in eastern Europe, so he was quite aware of the potential risks and challenges. In Sherpany’s situation, they were not trying to outsource a clearly defined project. The mission was to build a software from the scratch with a high degree of flexibility and innovation while, at the same time, at highest quality and security standards. The software was to be the essential part of the competitive advantage. Thus, the only sensible option for him was to set up and manage his own software development team — but where?

1.10. Offshore vs. Nearshore

In the Swiss market, a range of companies has been mentioned that absorb IT talent. However, this is a bit simplistic. In reality those large companies ultimately face the same constraints and thus have been driven to offshoring models for many years. In the process the failures and value destruction have been widely reported and can fill many case studies.⁴⁸ If one fact has emerged from the catalogue of failures, there is a link between geographic distance and cultural differences that translate into problems in the development process.⁴⁹

Large organizations have sufficient scale to eventually overcome most of these issues: however, startups are rarely capable of handling the complexity. As an alternative, nearshoring is a rather new form of the

relocation of a business process such as software development from one country to another close by and generally lowers the complexity of traditional offshoring. This is due to proximity, which includes cultural, administrative, geographic and economic distance.⁵⁰ However, the suitability of nearshoring cannot be generally applied to every country as the proximity factors between each combination of countries vary.⁵¹

Nearshoring has been successfully implemented by Zara, the main clothing brand of Inditex. Zara has pioneered a way of making high-fashion clothes in Spain and in nearby Portugal and Morocco. This costs more than it would in China, but the short, flexible supply chain has created “just-in-time-fashion” and allows the firm to react more flexibly to customer tastes.⁵²

Sherpany’s management decided to opt for a nearshore location within the EU where they would build up an in-house software development team. An additional reason for not going beyond EU borders was the risk of counterfeiting, which decreases and jeopardizes the value of innovation substantially. At the same time, nearshoring within the European Union decreases the risk of intellectual property theft.⁵³ Mathias Brenner remembers his assessment aside from his personal experience. A look at the International Property Rights Index 2013 from the Americans for Tax Reform Foundation⁵⁴ reveals that most EU countries have better intellectual property rights than offshore locations. Moreover, all EU countries rank before India and China, except for Croatia, which joined the EU in 2013. Interestingly, all the European countries that rank behind China and India are not in the EU.⁵⁵ Due to this fact, working within the EU seemed like the best compromise to mitigate the security and other risks of working outside the home country. Finally, speed was a major factor. The partner facility needed to be functional in the minimum of time, and not every destination is sensitive to this need.

Mathias Brenner, aware of the risks, and the open-ended nature of his project, looked for suitable potential locations, but without a formalized process. “*In the end it was still a bit of freestyle and gut feeling*” he admits.

Still, he looked at the common suspects in the world of outsourcing, namely: Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Ukraine. All of them were already listed in Gartner’s 30 leading locations for offshore services and software development.⁵⁶ Nonetheless, Mathias Brenner was not happy with any of the initial locations on the list. The labour cost gap between western and eastern Europe continues to close⁵⁷, and demands for speed and flexibility rise. These trends erode the benefits of nearshoring. Thus, he continued looking for a country with a similar profile but more developed in terms of the IT market. Nevertheless, presence within the EU still was still the major consideration for retention and legal protection of IP.

1.11. Destination Portugal

What the founders discovered is that identifying a nearshoring partner is much more involved than simply finding a suitable “cost-effective” country to develop technology. Success lies in identifying a trustworthy place where sustainable vertical integration into their business could take place. As it is often the case, chance and personal relations played an important role in their search. CEO Tobias Häckermann’s girlfriend is from Portugal and asked one day: “*Why not Portugal?*”.

The Swiss Federal Department of Foreign Affairs describes the relations between Switzerland and Portugal as: “*strong and characterized by mutual goodwill. Social exchange is a significant element in country relations as there are large numbers of Portuguese nationals living in Switzerland. The Portuguese community in Switzerland represents the third-largest group of foreigners. Portugal, on the other hand, is a popular holiday destination for the Swiss*”.⁵⁸ He liked the idea so much he started looking into what the country has to offer beyond beaches under an ever-shining sun.

The CEO soon realized the viability of the plan when he encountered a report from the Associação Portugal Outsourcing (Portugal Outsourcing Association).⁵⁹ Portugal was already a recognized nearshoring outsourcing destination. In addition, it is a top performer.⁶⁰ The report stated that, based on testimonies from companies with shared services centres in Portugal, Portugal’s IT professional community is one of the most the most skilled, creative and committed compared to those of other locations.⁶¹

Further the report stated that, besides a large pool of highly-skilled workers, Portugal has a competitive cost/value environment among its competitors within the European context and is a top performer in language skills and innate ability to work effectively in multicultural, cross-border working environments (see **Exhibit 10**).⁶²

Mathias Brenner personally did not care much about macro statistics on public transport or square meters of park per inhabitant. More interesting was the fact that there are over 5 direct flights a day between Zurich and Lisbon. The geographic proximity of Portugal offered only a 1-hour time difference (same as London) which made it convenient for employees to work simultaneously. It also allowed the company unlimited real-time communication and personal interaction during business hours. This in turn would allow for more complex projects to be carried out efficiently. Moreover, the nearshore locations offered Sherpany a closer cultural affinity to its primary market.

“Portugal simply had it all” recalls Mathias Brenner:⁶³ it offered

- geographic proximity
- adequate supply of talent and skill
- loyal and dedicated employees (resulting in lower recruitment and training costs)
- competitive business costs
- data and intellectual property protection governed by EU law

The final verdict was made; Sherpany would nearshore their IT development team in Lisbon, Portugal.

1.12. Nearshoring and HR: recruiting talent

While gathering talent was a big challenge, retaining that talent was the remaining part of the challenge. This was due to various factors like globalization of services and the creative nature of IT professionals. As IT professionals tended to experiment with new technologies and application tools, Sherpany found that it had to offer unique opportunities for developers to experiment and use trendy tools. At the same time, like any startup, they found themselves working to establish a unique corporate culture that attended to the individual’s creative concerns.

One advantage is that Mathias Brenner acts as “corporate mentor” at Beta-i⁶⁴, one of the leading entrepreneurship and innovation organizations in Europe. This very active startup accelerator happens to be based in Lisbon and to rent out office space to promising startups at an affordable rate. Needless to say, Sherpany moved in and opened up its office abroad at the very same location. Moreover, Mathias Brenner began a project to differentiate the company as a leading workplace. In partnership with Startup Lisboa, the company created the Django Girls programming workshop with the goal of finding the most talented women in tech.⁶⁵ With Django Girls project, Mathias Brenner aims to “*strengthen our relationship with the local market and help identify talent*”. At the same time, any effort in increasing the number of women developers can only have a positive effect on society and on the male dominated profession.

1.13. Beginner’s mistake

By definition, silly executional mistakes are not planned for or disclosed. In a candid interview, the CTO offered his assessment of some of the conflicts and challenges that characterized their early stage operations in nearshoring. “*We made some typical beginner’s mistakes. We just wanted to get started immediately, in hindsight I would advise any young tech entrepreneur that considers near- or even offshoring as an option that you need to be aware of all the costs involved. Otherwise you will end up paying more than initially budgeted. None of the mistakes we made really jeopardized our project but could have*

been avoided. We had a bad experience with recruitment agencies that kept on selling us junior developers as senior ones. Luckily, I had the experience to see through this game and did not hire any of them. Unfortunately, when we decided to take this matter into our own hands we also struggled. We relied on a first successful tech hire that was keen to on-board people out of his network. Shortly after, we had to lay off almost all of them due to underperformance. Foolishly, we had offered them open-ended employment contracts that resulted in a severance payment when we needed to get rid of them.”

1.14. The journey so far

Tobias Häckermann and Mathias Brenner managed the financial resources from their seed round well and were able to invest in research and development with a few good engineering hires and forming first strategic partnerships. One year later, in 2014, business was booming and Sherpany was already generating seven-digit revenues from its clients that include the likes of Nestlé, Novartis⁶⁶, Zurich Insurance Group⁶⁷, Swiss Re⁶⁸ and numerous other large companies (see **Exhibit 11**). This validated the founders’ assumptions of a large potential market and their ability to acquire large corporate clients.

The fact that the Sherpany solution was at this point being recommended to the whole Swiss Stock Exchange was not lost on the investment community and in January 2014, the founding team closed an oversubscribed investment round of 1.84m Swiss Francs.⁶⁹ Also their previous investor, 3w Ventures, opted to follow-on in the round.

Nevertheless, besides pure capital investments, the founders of Sherpany were also on the lookout for strategic investors for the company to help drive sales growth.

“We always believed in the power of smart capital and therefore we contacted investiere.ch that offers accredited private and institutional investors direct and professional access to startup investments and is opening up the asset class of venture capital to a wider audience” explains Mathias Brenner this move in retrospect.

The Swiss investment platform for startups launched a campaign together with Sherpany and further funding was closed within three weeks, key investors from the “investiere.ch” platform had committed an additional 500,000 Swiss Francs.⁷⁰ David Sidler, Head Investor Relations & Head of Communications at *investiere.ch*, comments on the round: *Among the investors were current and former senior executives and corporate board members of some of Switzerland’s largest corporations, these investors have direct access to decision-makers in leading Swiss and international corporations and can thus significantly help drive sales efforts. This successful financing round is yet another great example of our commitment to helping entrepreneurs obtain smart money. Our mission is not only about offering private investors access to promising startups, but also about helping these startups gain access to high quality investors that bring more than just money to the table.*⁷¹

In 2017, the newspapers “Handelszeitung” and “Le Temps” partnered with the independent market research portal Statista to identify the 55 fastest growing companies in Switzerland.⁷² The Zurich-based software company Sherpany secured first place for its average growth of over 200 per cent between 2013 and 2015.⁷³

Today, the office in Lisbon employs up to 25 engineers⁷⁴, many Portuguese and many foreigners, from countries such as Scotland, Germany, Holland or Finland. “*It was news to us to see the interest of international workers in Lisbon. In a short time, the city has grown a lot in the startup ecosystem*“ says Sherpany’s CTO. This unexpected trend is a welcome development that increases the local talent pool.

Sherpany announced in October 2017 that it is expanding its sales activities to several European countries, including Germany, France, Italy, Sweden and the UK.⁷⁵ “*These countries have shown interest in the tools Sherpany offers, more specific to the user-friendliness of the applications and the continuation of releasing new features and enhancements. To further develop our activities in Europe was a logical next step*”, says Tobias Häckermann. Sherpany nowadays counts a total headcount of 55 employees Europewide (see **Exhibit 12**) with offices in Zurich, Paris, Lisbon, Milano, and Wroclaw.⁷⁶

The ultimate enabler of this process is the creation of a top-notch developer team. This was done in Portugal and has so far been an important part of the company success story. However, this story is far from over. Expanding Europewide will require more innovation and stability at the same time. Will the current nearshoring arrangement be sustainable on a larger stage? Is it really the flexible and agile solution able to anticipate future trends?

2. Appendices

2.1. List of Institutions

Institution	Description	Source
Aryzta	Aryzta is a food business based in Zurich with operations in the Americas, Europe, Asia, Australia and New Zealand. It is incorporated in Switzerland and has listings on the SIX Swiss Exchange and the Irish Stock Exchange.	https://en.wikipedia.org/wiki/Aryzta
3wVentures	3wVentures is an investment firm that invests seed money and venture capital in early stage technology startups. 3wVentures is located in Switzerland and backed by the business angels Yves Latour and Arvin Zuberbuehler.	http://www.3wventures.com/
Credit Suisse	Credit Suisse Group AG is a Swiss multinational investment bank and financial services company founded and based in Switzerland. Headquartered in Zürich, it maintains offices in all major financial centers around the world.	https://en.wikipedia.org/wiki/Credit_Suisse
Daedal Research	Daedal-Research is a business research firm, which provides a range of research services to clients around the world.	https://www.market-research.com/Daedal-Research-v3440/
Django Girls	Django Girls is an international non-profit organization started by two Polish women, Ola Sitarska and Ola Sendekka, to inspire women from all backgrounds to get interested in technology and to become programmers, offering a safe and friendly environment. It is known for the free workshops it hosts to help women to learn to program and for its Django tutorial. It is often supported by the Python Software Foundation.	https://en.wikipedia.org/wiki/Django_Girls

investiere.ch	investiere.ch offers accredited private and institutional investors direct and professional access to startup investments and is opening the asset class venture capital to a wider audience.	https://www.investiere.ch/startup-vc-investment
Gartner	Gartner, Inc. is an American research and advisory firm providing information technology-related insight for IT and other business leaders located across the world. Its headquarters are in Stamford, Connecticut, United States. It was known as Gartner Group, Inc until 2000, when it was then changed to Gartner	https://en.wikipedia.org/wiki/Gartner
Google	Google LLC is an American multinational technology company that specializes in Internet-related services and products, which include online advertising technologies, search engine, cloud computing, software, and hardware.	https://en.wikipedia.org/wiki/Google
Nestlé	Nestlé S.A. is a Swiss transnational food and drink company headquartered in Vevey, Vaud, Switzerland. It is the largest food company in the world, measured by revenues and other metrics, since 2014.	https://en.wikipedia.org/wiki/Nestl%C3%A9
Nobel Biocare	Nobel Biocare is a world leader in the field of innovative implant-based dental restorations.	https://www.nobelbiocare.com/international/en/home/company/about-us/at-a-glance.html
Novartis	Novartis International AG is a Swiss multinational pharmaceutical company based in Basel, Switzerland. It is one of the largest pharmaceutical companies by both market capitalization and sales.	https://en.wikipedia.org/wiki/Novartis
Procter & Gamble	Procter & Gamble Co. (P&G) is an American multinational manufacturer of product ranges including family, personal and household care products.	https://us.pg.com/

SIX Swiss Exchange	SIX Swiss Exchange (formerly SWX Swiss Exchange), based in Zurich, is Switzerland's principal stock exchange.	https://en.wikipedia.org/wiki/SIX_Swiss_Exchange
Startup Lisboa	Startup Lisboa supports the creation of companies and their first years of activity. Founded in 2011 by the Lisbon Municipality, Montepio Bank and IAPMEI – Portuguese Agency for Competitiveness and Innovation, it's a private non-profit association that provides entrepreneurs office space as well as a support structure - mentoring, strategic partners, access to investment/funding, networking activities and a community based on knowledge and sharing.	http://www.startuplisboa.com/about/
Statista	Statista is an online statistics, market research and business intelligence portal. It provides access to data from market and opinion research institutions, as well as from business organizations and government institutions in English, French, German and Spanish.	https://en.wikipedia.org/wiki/Statista
Swiss Re	The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing directly and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public-sector clients.	http://www.swissre.com/about_us/
UBS	UBS Group AG is a Swiss multinational investment bank and financial services company founded and based in Switzerland.	https://en.wikipedia.org/wiki/UBS
Zara	Zara is a Spanish fast fashion retailer based in Arteixo, Galicia. It is the main brand of the Inditex group, the world's largest apparel retailer.	https://en.wikipedia.org/wiki/Zara_(retailer)
Zurich Insurance Group	Zurich Insurance Group Ltd. is a Swiss insurance company, commonly known as Zurich, headquartered in Zurich, Switzerland. The company is Switzerland's largest insurer.	https://en.wikipedia.org/wiki/Zurich_Insurance_Group











2.2. List of Abbreviations

Abbrevia- tion	Explanation	Source
CAGR	The compound annual growth rate (CAGR) is the mean annual growth rate of an investment over a specified period longer than one year.	https://www.investopedia.com/terms/c/cagr.asp
CEO	Chief Executive Officer, the highest-ranking person in a company or other institution, ultimately responsible for taking managerial decisions.	https://en.oxforddictionaries.com/definition/us/CEO
CTO	A Chief Technology Officer, sometimes known as a chief technical officer, is an executive-level position in a company or other entity whose occupation is focused on scientific and technological issues within an organization	https://en.wikipedia.org/wiki/Chief_technology_officer
EU	The European Union is a political and economic union of 28-member states that are located primarily in Europe. It has an area of 4,475,757 km ² , and an estimated population of over 510 million.	https://en.wikipedia.org/wiki/European_Union
IP	Intellectual property refers to creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce.	http://www.wipo.int/about-ip/en/
IT	Information technology is the use of computers to store, retrieve, transmit, and manipulate data, or information, often in the context of a business or other enterprise.	https://en.wikipedia.org/wiki/Information_technology
UK	The United Kingdom, made up of England, Scotland, Wales and Northern Ireland, is an island nation in north-western Europe.	http://made.travel/about/global-reach/great-britain

2.3. Exhibits

2.3.1. Exhibit 1: The ten most expensive cities in the world (2013)

The ten most expensive cities in the world

	Singapore	WCOL index: 130 Rank movement: +5	1
	Paris	WCOL index: 129 Rank movement: +6	2
	Oslo	WCOL index: 128 Rank movement: +1	3
	Zurich	WCOL index: 125 Rank movement: +3	4
	Sydney	WCOL index: 120 Rank movement: -2	5
	Caracas	WCOL index: 118 Rank movement: +3	6
	Geneva	WCOL index: 118 Rank movement: +4	6
	Melbourne	WCOL index: 118 Rank movement: -2	6
	Tokyo	WCOL index: 118 Rank movement: -5	6
	Copenhagen	WCOL index: 117 Rank movement: +5	10

Note. WCOL index (New York=100).

Source: The Economist Intelligence Unit.

Source: The Economist Intelligence Unit, <https://www.todayonline.com/business/singapore-now-worlds-most-expensive-city-economist>

2.3.2. Exhibit 2: Founders Bio

2.3.2.1. Tobias Häckermann / CEO at Sherpany

2004 – 2007 Founded TnC Security (Trade Sale to Swiss Protection Service AG in 2007)

2007 – 2014 Member of the Board at Swiss Protection Service AG

2010 Master of Law (LLM); University of Zurich

2012 Co-founded Sherpany

2017 Member of the Board at Autorupt

Source: https://www.linkedin.com/in/haeckermann/?locale=en_US

2.3.2.2. Mathias Brenner / CTO at SHERPANY

2000 – 2004 Apprenticeship as computer scientist; Witzig The Office Company AG

2005 – 2006 Manager; XTND Frauenfeld GmbH

2007 – 2010 Head of IT; Tempobrain AG

2009 Advanced Federal Certificate: IT Specialist; Wirtschaftsinformatikschule Schweiz

2010 – 2011 Junior Projects & Operations Manager; Itartis

2011 CAS Project Management; Zurich University of Applied Sciences

2011 – 2012 System Administrator; Wüest & Partner

2012 Co-Founder Sherpany / COO

2013 Co-Founder Sherpany / CTO

2013 Bachelor in Management; European Business School

2018 Executive MBA; Chur University of Applied Sciences

Source: <https://www.linkedin.com/in/mathiasbrenner/>

2.3.2.3. Nathanael Wettstein

- 2007 – 2010 Bachelor of Science (BSc) Technology and Electrical Engineering;
Swiss Federal Institute of Technology in Zurich
- 2009 – 2010 Teaching Assistant; Swiss Federal Institute of Technology in Zurich
- 2011 – 2013 Master of Science (MSc) Robotics, Systems and Control;
Swiss Federal Institute of Technology in Zurich
- 2010 – 2011 Co-founded Agilentia AG
- 2012 – 2013 Co-founded Sherpany / CTO
- 2013 – 2013 Space Robotics Research Intern; Tohoku University (Japan)
- 2014 Data Analyst and Systems Engineer; Helbling Technik

2.3.2.4. Roman Bühler*

- 2007 – 2010 Bachelor of Law; University of Zurich
- 2007 – 2010 Paralegal; Different Law Firms
- 2010 – 2011 Co-founded Agilentia AG
- 2012 – 2013 Co-Founder Sherpany / Head of Sales
- 2015 Co-Founder Sherpany / Sales

*Roman Bühler is committed to military service for the Swiss Special Forces in the rank of a captain.

Source: <https://www.linkedin.com/in/roman-b%C3%BChler-b7753747/> and <https://gust.com/companies/agilentia>

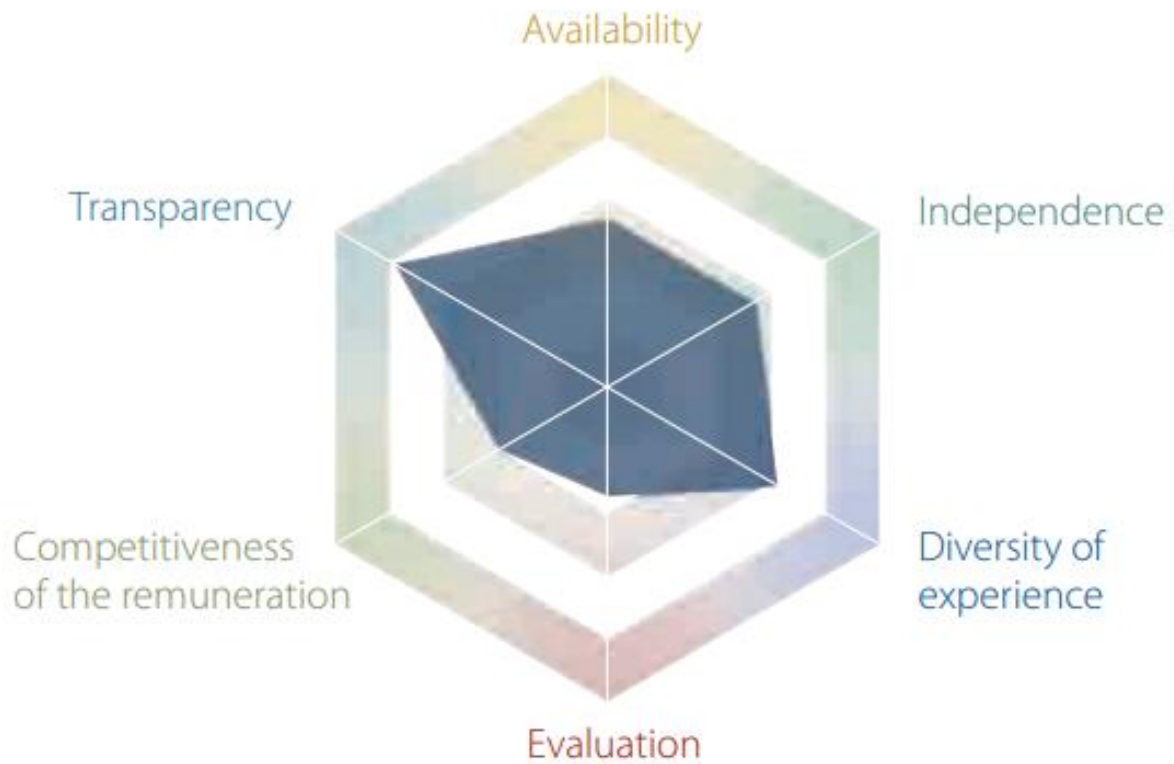
2.3.3. Exhibit 3: Key findings from Thomson Reuters Annual Board Governance Survey

The Thomson Reuters survey covered more than 125 general counsel and company secretaries across a wide-ranging cross-section of industries and geographies globally. It builds on a survey of similar respondents conducted in September 2011 so presents year-on-year trends and developments. Key findings from the latest report include:

- On average organizations prepare 92 board books annually; each an average of 116 pages. This amounts to over 10,000 pages per year, representing a 50% uplift from the average of 5,940 pages reported the prior year.
- Several organizations surveyed prepare more than 300 board books per year, close to six board books per week.
- An increased expectation of good governance drives Board members to seek additional outside sources of strategic context and financial insights. Over 70% of respondents reported a need for competitor insights, financial analytics and industry information. These are sought outside of traditional board materials.
- Risk oversight by Boards varies substantially and there is a wide range of behaviors. Nearly 25% of respondents state that their Boards don't actively engage in risk oversight. This stands in stark contrast to the 55% of Boards that actively set a risk culture and cascade its policy to management
- Almost half of the respondents indicated that they never encrypt their Board materials, and eighteen percent indicated that they only occasionally encrypt their information
- Only thirty percent of respondents were confident that Board members destroy all copies of Board-related emails and documents in accordance with document retention policies
- Over half of the respondents indicated that they had been in a situation where Board members had left sensitive documents in public places or had heard of instances of sensitive Board materials being left in public places

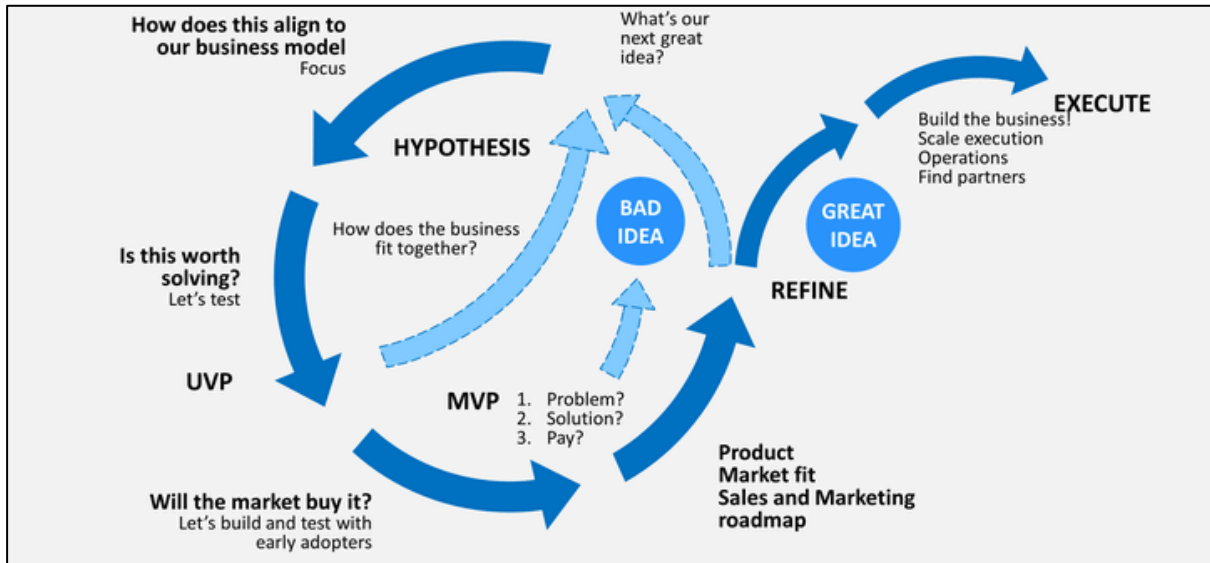
Source: Thomson Reuters Annual Board Governance Survey 2012, <https://www.thomsonreuters.com/en/press-releases/2013/increased-focus-on-governance-driving-the-volume-of-board-materials-to-new-heights-reveals-thomson-reuters-annual-board-governance-survey.html>

2.3.4. Exhibit 4: The state of corporate governance in Europe 2011



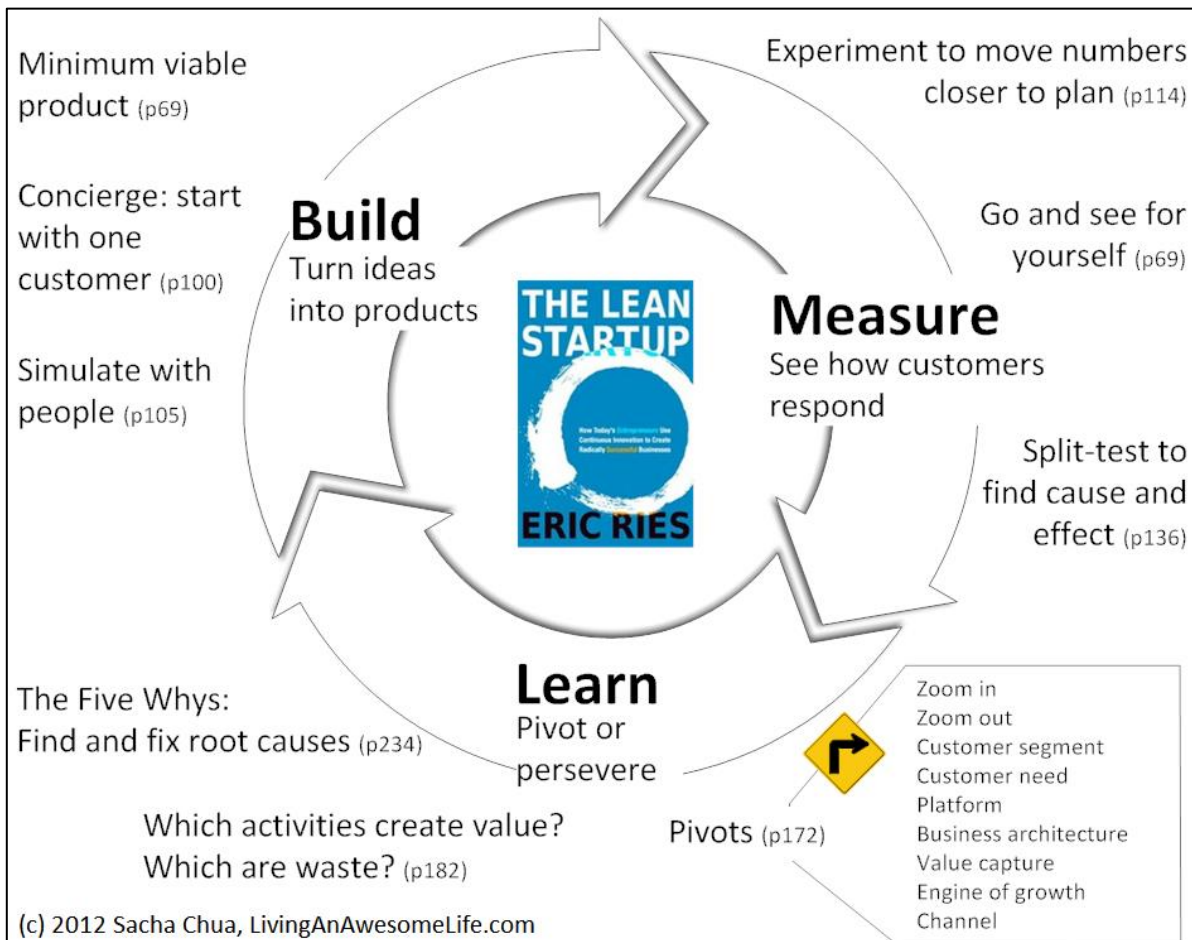
Source: Heidrick & Struggles, “Challenging board performance: European Corporate Governance Report 2011”, https://www.cgov.pt/images/stories/ficheiros/hs_europeancorpgovrpt2011.pdf

2.3.5. Exhibit 5: Lean Startup Methodology



Source: The Lean Startup, <https://www.sketchbubble.com/en/presentation-lean-startup.html>

2.3.6. Exhibit 6: The Build-Measure-Learn feedback loop



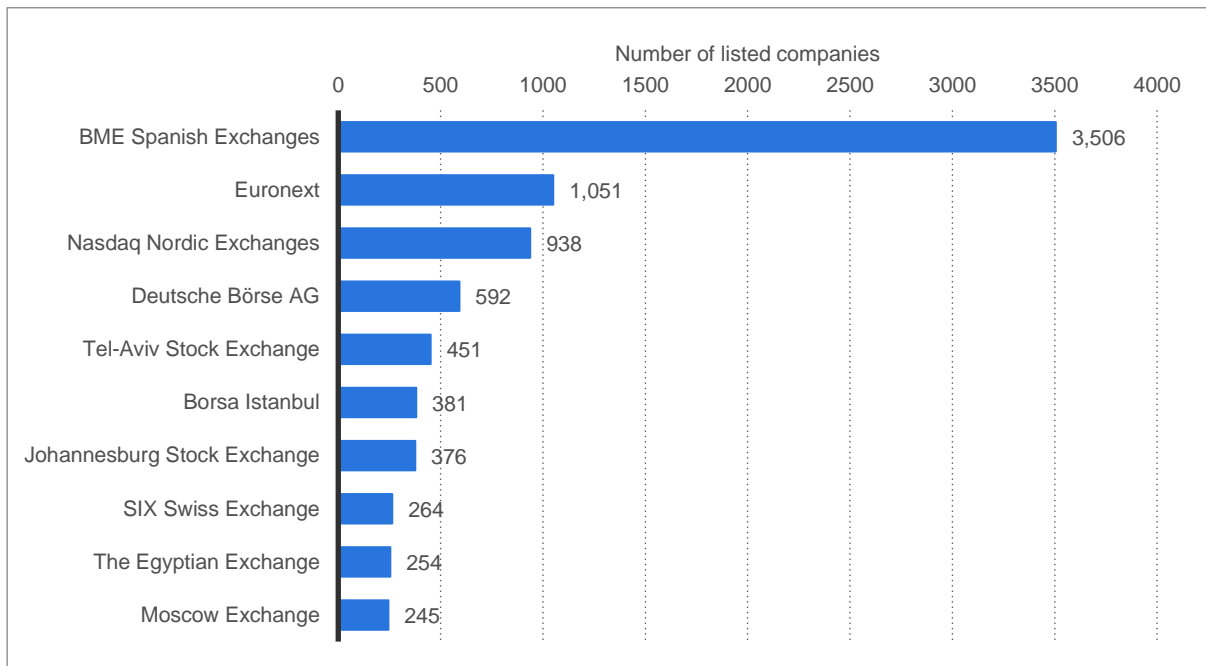
Source: The Lean Startup by Eric Ries, <http://sachachua.com/blog/2012/02/visual-book-notes-the-lean-startup-by-eric-ries/>

2.3.7. Exhibit 7: Competitor Analysis

Competitor Analysis		Pricing	Passageways (Onboard)	Diligent (Exec)	Diligent Boards	NASDAQ (Director Desk)	Sherpany (Boardroom)
First-year Costs (10 board members, 1 admin, 1 committee, 1 GB cloud storage)		\$1,750					
Recurring Annual Costs (10 board members, 1 admin, 1 committee, 1 GB cloud storage)		\$1,250	\$8,400 (Starting Price)	\$7,800	undisclosed	\$3,100.00 (Starting Price)	
First-year Costs (20 board members, 5 admins, 5 committees, 50 GB cloud storage)		\$5,750		\$6,800	undisclosed	dynamic	
Recurring Annual Costs (20 board members, 5 admins, 5 committees, 50 GB cloud storage)		\$3,750		\$17,800	undisclosed	dynamic	
First-year Costs (40 board members, 10 admins, 10 committees, 100 GB cloud storage)		\$8,000		\$15,500	undisclosed	dynamic	
Recurring Annual Costs (40 board members, 10 admins, 10 committees, 100 GB cloud storage)		\$6,000		\$35,500	undisclosed	dynamic	
				\$30,900	undisclosed	dynamic	
Board Management Features							
Approval Process Management		✓	✓	✓	✓	✓	✓
Calendar Management		✓	✓	✓	✓	✓	✓
Collaboration		✓	✓	✓	✓	✓	✓
Document Management		✓	✓	✓	✓	✓	✓
Electronic Signature		✓	✓	✓	✓	✓	✓
Member Directory		✓	✓	✓	✓	✓	✓
Minutes Management		✓	✓	✓	✓	✓	✓
Polls / Voting		✓	✓	✓	✓	✓	✓
Role-Based Permissions		✓	✓	✓	✓	✓	✓
Platform							
Web/Installed	Web/Installed	Web/Installed	Web/Installed	Web/Installed	Web/Installed	Web/Installed	Web/Installed
Mobile	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile
iOS	iOS	iOS	iOS	iOS	iOS	iOS	iOS

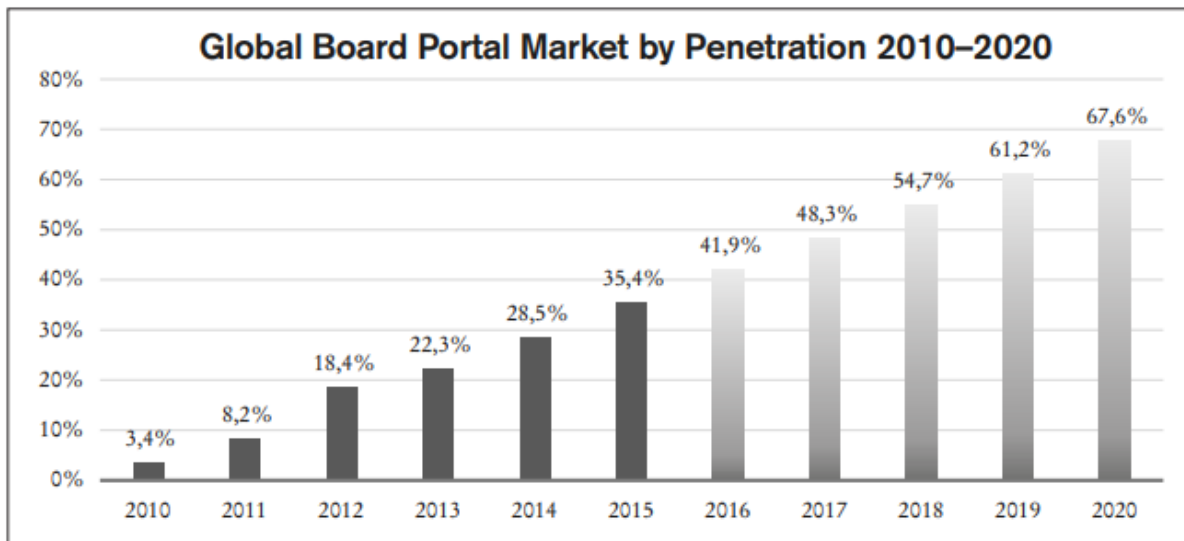
Source: Own Display based on: <https://www.capterra.com/board-management-software/> & https://c.ycdn.com/sites/tagtech.site-ym.com/resource/collection/C9B2A91B-2880-4B20-BF13-11ACCFB0065E/IDEALWARE_TAG_CONSGUIDE2BOARDPORTALS_050115.pdf

2.3.8. Exhibit 8: Number of listed companies on stock exchanges in EMEA



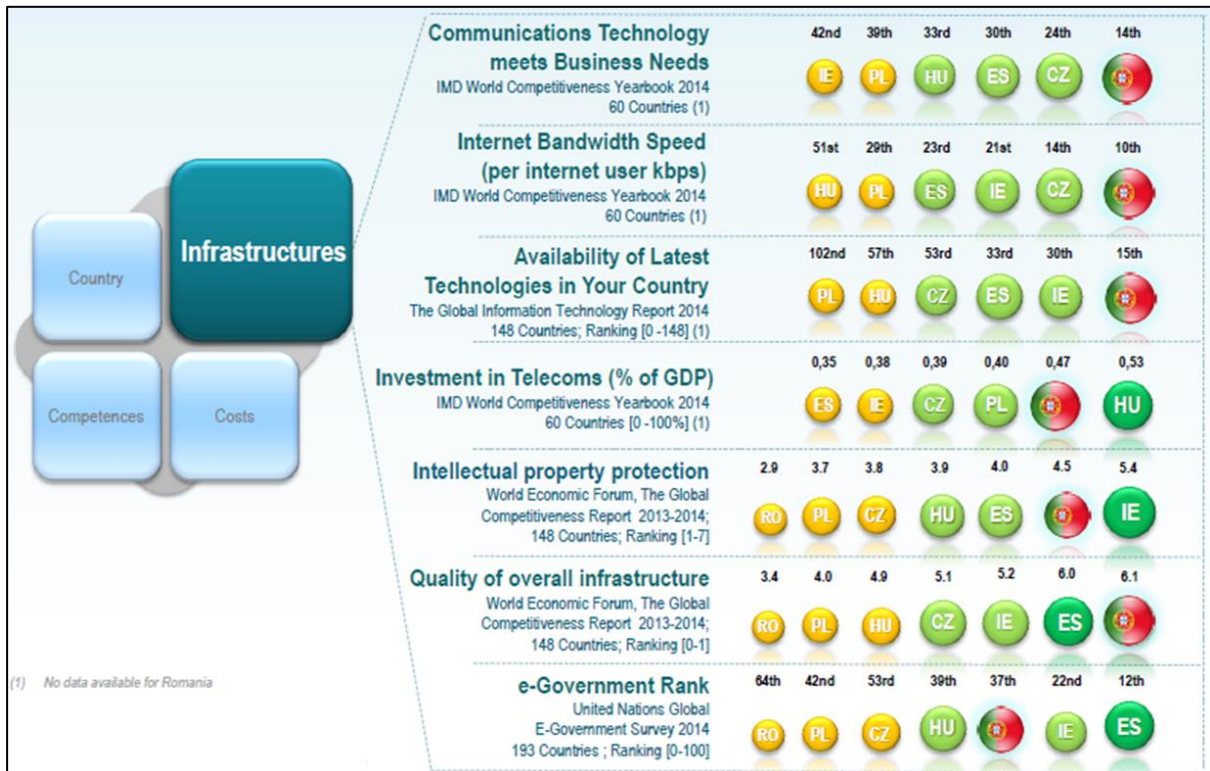
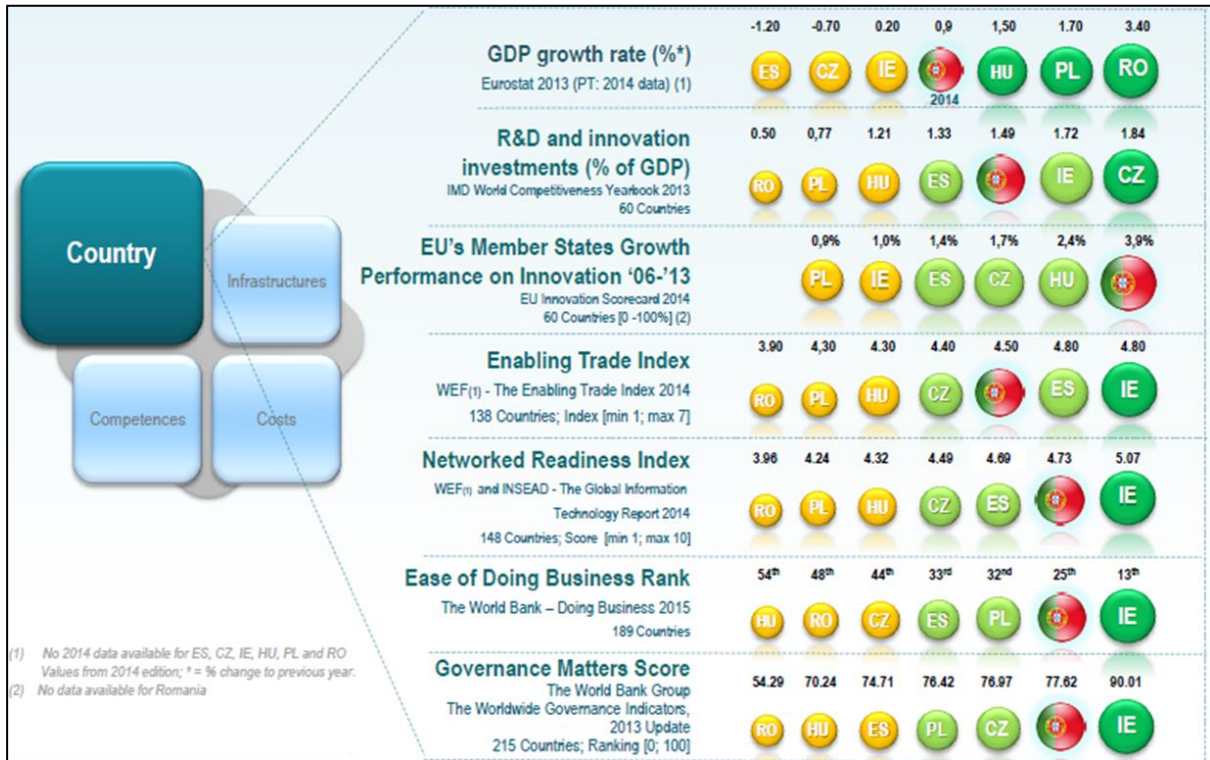
Source: Statista, Leading stock exchanges in Europe, Africa and the Middle East in 2016, by number of listed companies, <https://fesrvsd.fe.unl.pt:2351/statistics/265256/number-of-listed-companies-on-stock-exchanges-in-europe-the-middle-east-and-africa/>

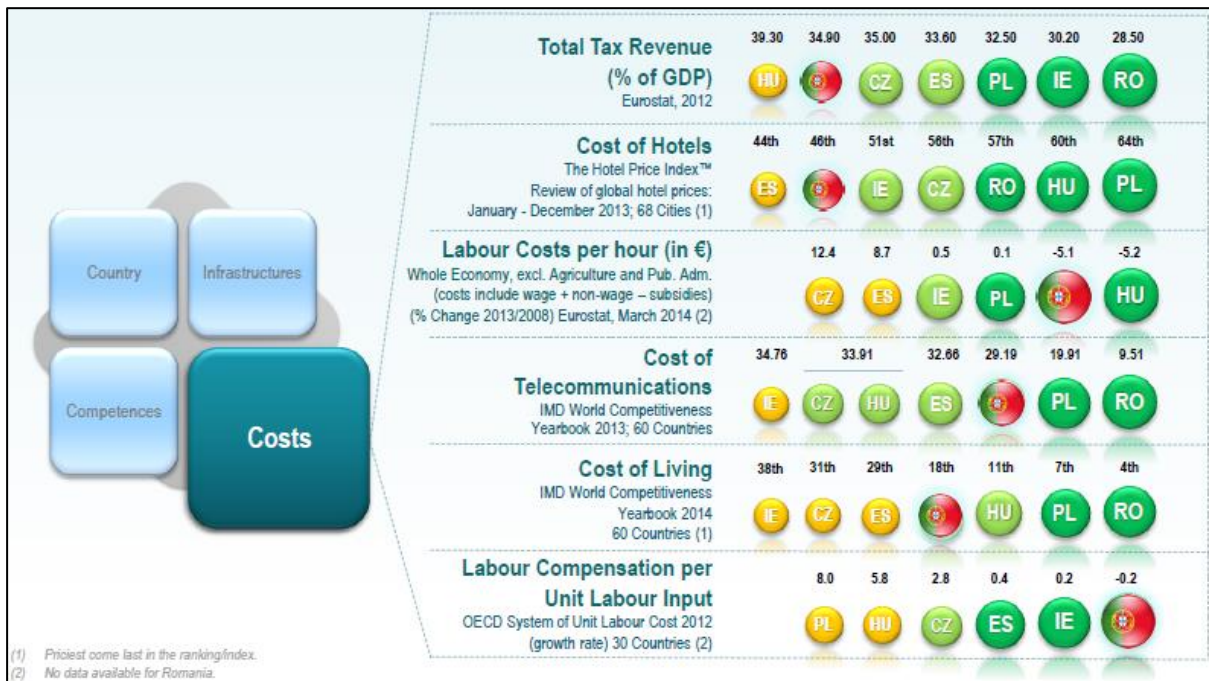
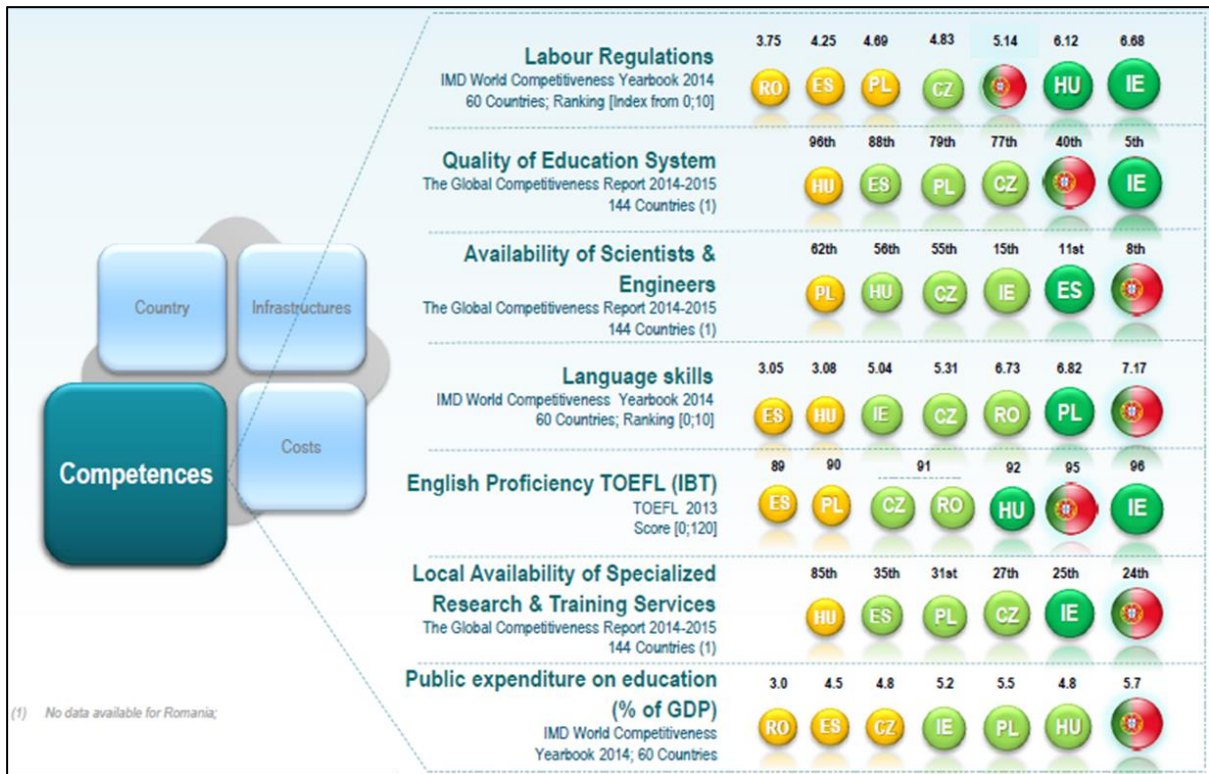
2.3.9. Exhibit 9: Global Board Portal Market by Penetration 2010 - 2020



Source: Global Board Portal Market: Size, Trends & Forecasts (2016 Edition), Daedal Research

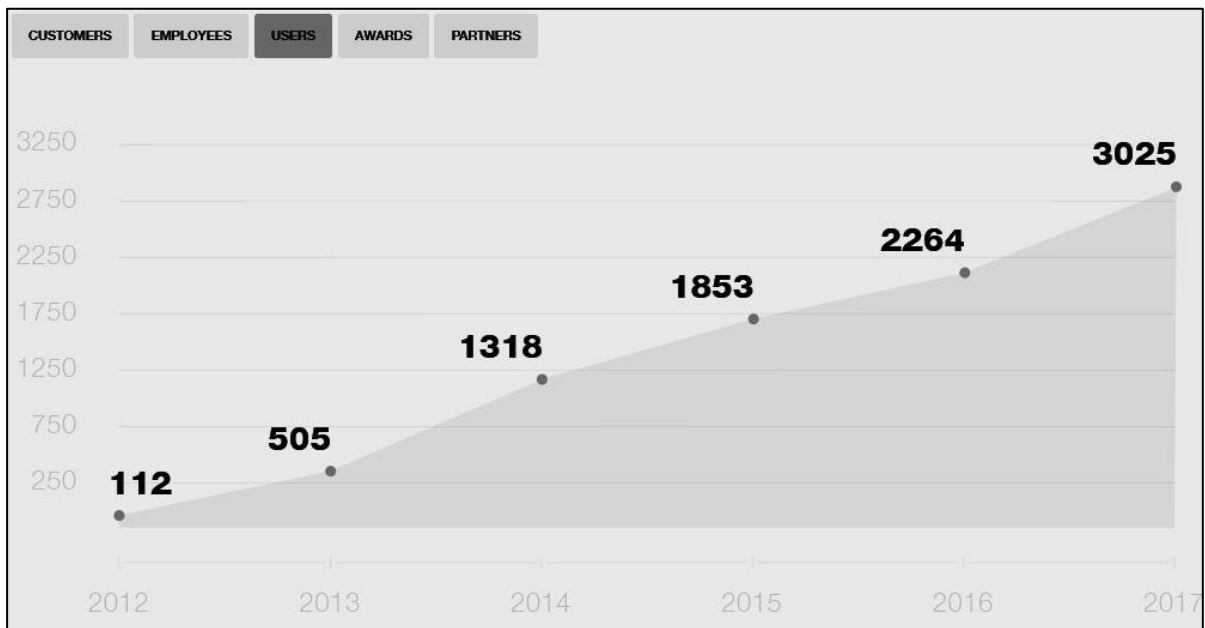
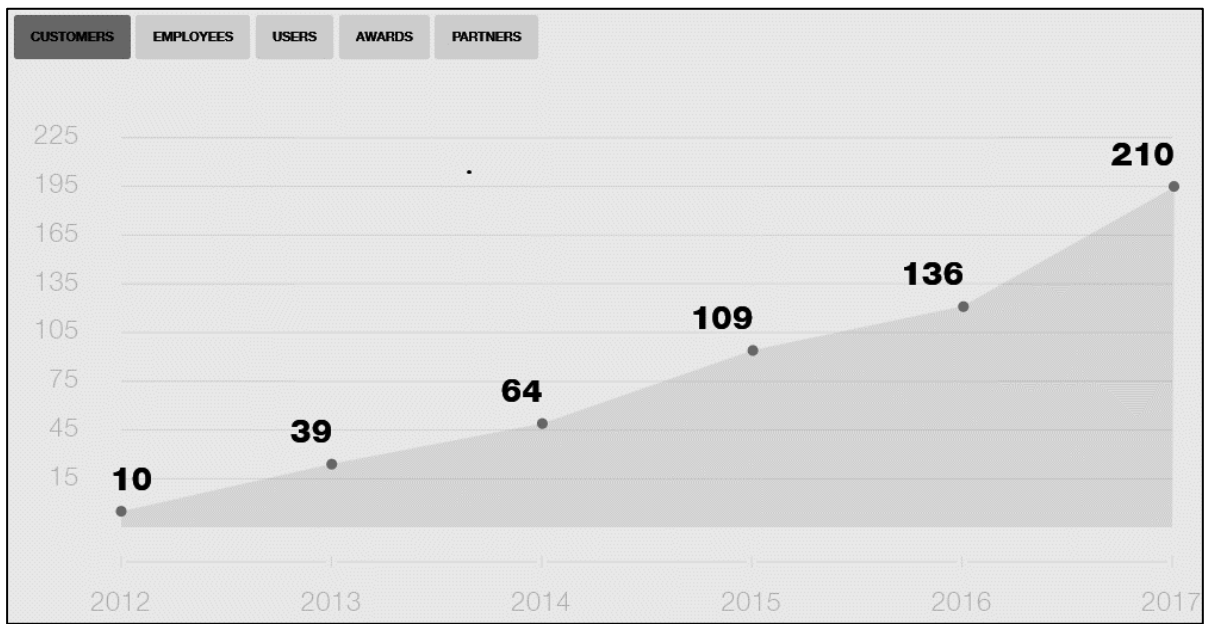
2.3.10. Exhibit 10: Competitive Analysis Portugal





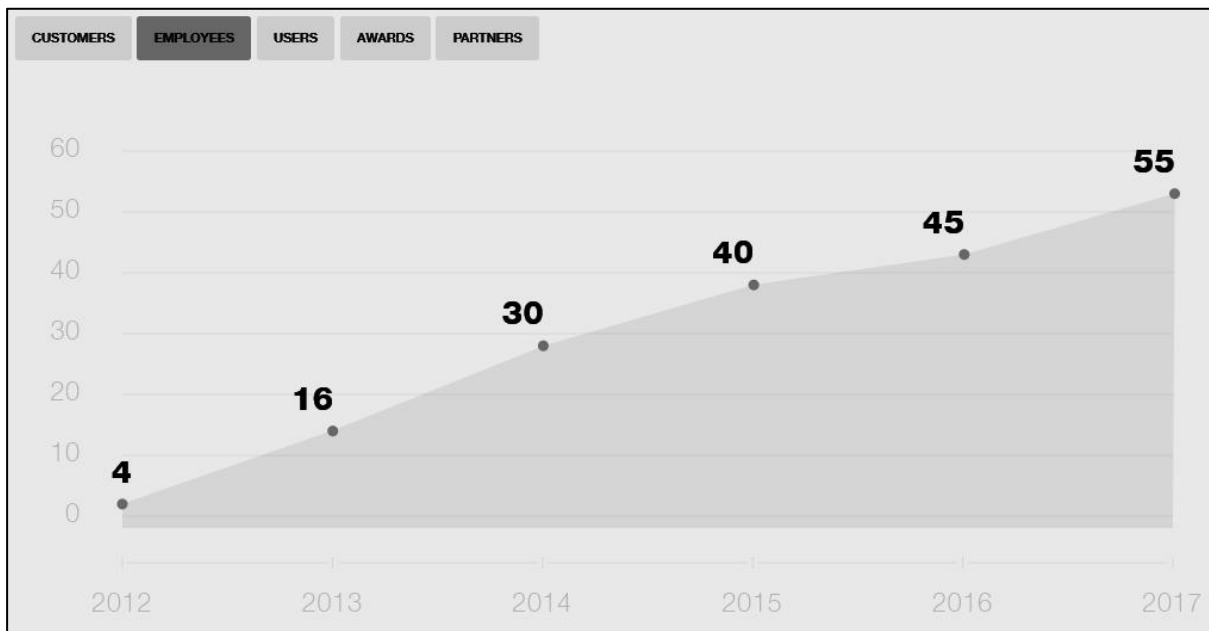
Source: Portugal Outsourcing Association (2015). Portugal as a nearshore outsourcing destination, <http://docplayer.net/77566769-Portugal-as-a-nearshore-outsourcing-destination.html>

2.3.11. Exhibit 11: Evolution of Sherpany's Customers and Users



Source: Sherpany Homepage, <https://www.sherpany.com/en/company/>

2.3.12. Exhibit 12: Headcount growth of Sherpany



Source: Sherpany Homepage, <https://www.sherpany.com/en/company/>

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