

Successful IT Value Sourcing

Nearshoring IT services to Mexico ensures that you don't have to lose control over your projects to be cost-effective and core-focused

By Daniel Tkach

As the CIO of your company, you must provide the infrastructure and applications to support its long-term business strategies. But when there are external pressures, senior management reduces costs—and this includes IT costs. However, users set service excellence as their major expectation.

So what is an IT executive to do? You consider outsourcing much of your IT services, but where should you outsource to? You need to reduce costs but also maintain control over your IT operations. Could nearshoring to Mexico be the solution you are looking for?

The role of a service provider is still widely perceived to be a cost-cutting instrument. But an enterprise has much more to gain from an innovative approach to IT services and business process outsourcing. Such an approach should include:

- A smartsourcing model for partnering with service providers, which creates higher levels of accountability, innovation and trust
- A global view of managing the movement of work within tightly orchestrated business processes

For a service provider to be positioned as a smartsourcing resource, there should be a “trusted relationship between the organization and its service provider that supports operational and strategic excellence” (T. Koulopoulos, Delphi Consulting).

The hardest obstacle to overcome is trust. A recent Gartner study indicated that among 400 companies surveyed, about 40% expressed that their main concern with BPO was loss of control. Companies need control, at least in the initial phase, to make sure that their trust is not misplaced.

Control is hard to establish when service providers are located in faraway lands and very different time zones, and are not familiar with the company's culture. Working with nearshore providers can make control much easier, helping to establish a trusted relationship, thus enabling smartsourcing.

Enter True Nearshoring

True nearshoring means not only that the country you are outsourcing to is in the same time zone, but also that

the nearness of the location allows you to establish a close relationship. Mexico's nearness—within 2 to 4 hours flight time from anywhere in the US—allows for real collaborative interaction, while reducing the total cost of operation.

True nearshoring effectively addresses the issue of lack of project control, by leveraging similar time zones, short flight-time for face-to-face meetings, familiar culture, similar values, education programs and a large pool of highly skilled professionals.

It also enables transparency. It allows IT managers to staff projects with verifiable dedicated resources. It is very easy for US global companies to assess the competency, financial strength, record of accomplishment of success and the previous partnering and alliance experience of Mexican IT service providers. The nearness enables companies to have a good hold on the management structure and composition of the remote teams.

Value Sourcing with Mexico

Mexico's IT industry is a proven and trusted business partner to US companies. Doing business with Mexico provides the business benefits that come with political stability and a defined framework that provides legal and IP protection (NAFTA).

Mexico's shared time zone enables real-time solutions and easy exchange of information between US clients and Mexico IT providers. Its geographical proximity reduces total expenditure in air travel and telephone communications. It facilitates face-to-face meetings and facility visits, enhancing trust and peace-of-mind. Mexico City shares the same time zone as Chicago, Austin and Dallas, is two hours ahead of San Francisco, and only one hour behind Boston and New York. And the country's advanced and efficient communication structure provides better service for US clients, and therefore, a better return on their investment.

A recent Gartner research paper published under the title “Qualitative Indicators of Country Suitability” evaluates outsourcing in countries such as China, India, Israel, Poland, Hungary and Mexico. Mexico stands out as a leading destination for investments in technology, due to factors such as language and cultural affinity, data and intellectual property security, government support,

Mexico's Business Attractiveness

	Access to market	Business environment	Quality of infrastructure
Philippines	3.5	3.7	2.8
India	3.5	3.6	3.3
Malaysia	3.3	3.4	2.5
China	1.8	3.6	2.5
Brazil	4.2	3.0	2.0
Mexico	2.8	2.6	2.0
Czech Republic	3.5	3.0	3.0
Hungary	3.3	2.8	2.8
Poland	3.3	3.1	3.0
Russia	2.8	3.3	3.3

1= Most attractive
 5= Least attractive

Source: Location Cost Index database, McKinsey Global Institute

infrastructure strength, the educational system, and political and cultural stability. The report cited Mexico's growing software and IT services development sector at having nearly 500,000 IT professionals, 121 universities educating youth in global industry requirements, and close to 65,000 new IT professionals graduating from university or technical schools each year.

Companies wishing to establish innovative IT service operations in Mexico are eligible for incentives that may minimize initial investment, thus reducing the TCO for operations in Mexico. Those who invest in Mexico's technology industry get tax credits for R&D, a reduction of corporate taxes and no value-added tax for exported services. IT firms established in Mexico can receive cash grants of up to 50% of the total cost of their project and tax credit of up to 30% of the total R&D expense.

MexicoIT: The Gateway to Nearshoring

Ranked by the United Nations as the strongest Latin American country in technological achievement, Mexico is experiencing rapid growth as a global IT player. To encourage that growth, the country's industry, supported by the Ministry of Economy, has launched MexicoIT—a program to broaden the awareness of the capability of the Mexican IT industry. The initiative introduces global companies to Mexico's excellent quality, secure and low-cost IT solutions, and supports an aggressive agenda to maintain global quality standards, support technology education, encourage investment and promote Mexican IT services and partnerships to US and global businesses. The MexicoIT program has been designed and is executed by Mexico's

National Chamber of the Electronics, Telecommunications and Information Technology Industry (CANIETI).

The advantages of Mexico's IT services are being discovered by many global service providers, such as IBM, EDS, CSC, Genpact, Perot Systems, Tata Systems and Infosys. "Several global leaders in finance, manufacturing, trade and pharmaceuticals are already availing global and regional IT services from Mexico," says Eduardo Ruiz Esparza, president of CANIETI.

The MexicoIT team is lead by Rogelio Garza, Director General of CANIETI, and includes Dr Monica Senderos, MexicoIT Director and Elisa Muñoz, MexicoIT Program Manager. The team implemented a very active awareness campaign in 2007. Together with key Mexican IT services providers, MexicoIT has been a sponsor of IT Expos, Forums and Summits organized by leading IT analysts. Mexican IT service providers include Neoris, Sinapsis, World Software Services, QuarkSoft, T-Mobile and Softtek. The program includes the implementation of an information portal (www.mexico-it.com) for IT sourcing decision support.

"American companies who want to leverage the time and financial efficiencies of outsourcing closer to home cannot waste time gathering information to make better sourcing decisions," says Garza. "At MexicoIT we can provide them with that information, direct them to additional sources and help them establish contacts with companies and government authorities."

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