

Mexico: Americas' IT Sourcing Country of Choice



Leading industry analysts highlight the advantages of nearshoring to Mexico that you should consider for your next global IT sourcing project.

By Daniel Tkach

Years ago, IT outsourcing literature used to talk about the BRIC countries as the locations global companies should consider for their IT offshoring projects. But this is rapidly changing. Mexico was, in the words of a leading analyst, “the IT sourcing’s best-kept secret”. It is time to unveil the secrets about nearshoring to Mexico.

Why Mexico

A recent report by Gartner identifies 10 categories that are important when looking at a potential location for offshore or “nearshore” IT or business process services. Each category has been rated on a five-point scale from “poor,” through “fair,” “good” and “very good” to “excellent.”

Table 1 shows Mexico's Outsourcing Rating as included in the Gartner Analysis of Mexico report.

Table 1. Mexico: Outsourcing Rating	
Criterion	Rating
Language	Good
Government support	Very good
Labour pool	Very good
Infrastructure	Good
Educational system	Good
Cost	Very good
Political and economic environment	Very good
Cultural compatability	Very good
Global and legal maturity	Good
Data and intellectual property security and privacy	Very good

Source: Gartner (November 2007)

Mexico has an added advantage that none of the other countries, except Canada, have. Mexico is a true nearshore outsourcing destination. US companies outsourcing to Mexico benefit from real geographical proximity, shared time-zone, familiar culture, similar values, education programs and a large pool of highly skilled professionals. The cost of labor, real estate, infrastructure and telecommunications is much lower in Mexico than in Canada.

Additional advantages are derived from Mexico being part of NAFTA, the North America Free Trade Agreement, thus providing the business benefit that comes with political stability and a defined framework providing legal and IP protection. Software and hardware procurement is easy, and there are almost no visa restrictions.

There are 2,095 IT companies in Mexico and the IT Services industry is growing at 8.9% per annum. Global players who have invested in Mexico include IBM, HP, Microsoft, Genpact, Perot Systems, Tata Systems and Infosys.

Government Support

The Mexican government has invested in several initiatives, including tax incentives and investment funding. The government has also aligned with key universities to develop curricula to ensure that graduates are building the right skills to supply the IT services industry.

The ProSoft program, created by the Ministry of Economy of Mexico, aims to support Mexico's leadership in the information technologies sector and to foster its use in the economic sectors. The ProSoft strategies include promoting software and IT services exports, attracting investors, supporting the

education and training of competent personnel in the development of software, and defining a legal framework that strengthens and promotes the local IT industry.

Under the program, global sourcing companies and investors can avail cash grants provided by ProSoft and the corresponding Mexican states. These cash grants can be used to cover up to 50% of the total cost of a project and are available both for local and foreign companies.

MexicoIT

MexicoIT is a program to broaden the awareness of the capability of the Mexican IT industry. The program has been designed and is executed by Mexico's National Chamber of the Electronics, Telecommunications and Information Technology Industry (CANIETI).

"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," said Rogelio Garza, Director General of CANIETI. "At MexicoIT, we can provide them with all the information they need, direct them to additional sources and help them establish contacts with companies and government authorities."

MexicoIT implemented a very active awareness campaign in 2007. The program's members include several companies and the six Mexican states of Jalisco, Nuevo Leon, Queretaro, Sinaloa, Sonora and the State of Mexico. These states also offer support programs for IT investments.

Where in Mexico? The Mexican States

The number of states participating in government-sponsored IT initiatives has increased from four in 2002 to 30 in 2006. The following map shows the states that are investing with ProSoft.

The decision of where to invest in Mexico depends on the investing firm's strategy. Some companies prefer the states with the largest population of IT professionals, such as Mexico City, Jalisco, and Nuevo Leon. Others prefer locations with a fast-growing IT industry, such as Aguascalientes, Coahuila, Sinaloa and Sonora. In states like Puebla, the presence of

Mexican States Investing in IT Growth with ProSoft

Aguas Calientes	Baja California	Baja California Sur
Chiapas	Chihuahua	Coahuila
Colima	Distrito Federal	Durango
Estado de México	Guanajuato	Hidalgo
Michoacán	Morelos	Nayarit
Nuevo Leon	Puebla	Oxaca
Querétaro	Quintana Roo	San Luis Potosí
Sinaloa	Sonora	Tabasco
Tamaulipas	Tlaxcala	Veracruz
Yucata	Zacatecas	

good universities and the friendly local environment were the defining factors.

IT Professionals

Mexico has a current workforce of about 500,000 professionals that is growing at a rate of about 65,000 new professionals every year.

The following chart shows the availability and projection of the Mexican IT professional workforce.

Mexico's IT Professionals Workforce 2000 - 2014



Mexico: Your Next Outsourcing Destination

If you are in the US and considering offshoring, Mexico is your best option in all the Americas because of the country's proximity, shared time-zone, highly-skilled labor pool, cultural affinity, data and intellectual property protection, government support and cash grants, and NAFTA derived benefits. Learn more about the advantages of Mexico as a nearshore destination at www.mexico-it.com or call 1-866-639-4248.

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