EXPANDING ACROSS BORDERS:

A White Paper on
TALENT IN
MEXICO

Contents

Summary

This white paper examines the talent landscape in Mexico, particularly in terms of skills in contact center operations, business process outsourcing (BPO), software development and other IT areas. Drawing on a number of studies the paper outlines Mexico's core strengths in technical and soft skills, specifically bilingualism and cultural affinity, as well as providing detailed views of the talent environment in Guadalajara and Hermosillo specifically. It also unpacks the trends driving the future of work and the related skills that will be needed as these trends unfold, before discussing how Mexico's sourcing or shelter model positions clients to best leverage available talent in the country.

Introduction

The increasingly competitive business environment means demand for talent in a number of industries is set to grow. This white paper examines the current state of labor demand, particularly in terms of the broader Information Technology (IT) sector, and Mexico's IT talent offerings.

The United States is experiencing almost unprecedented growth in skills demand. A 2015 report by Robert Half[1] noted that at the end of 2014 there were five million job openings in the U.S, up 38% from 2012. A September 2015 article by Business Insider[2] put the figure at closer to six million (5.8 million) job openings.

A Forbes report[3] noted that jobs for skilled and reliable computer technicians were numerous and an unemployed American in that field could be snapped up within 48 hours. A 2015 CareerBuilder study found that almost half (49%) of companies struggled to fill positions because of a lack of qualified applicants. Finding qualified applicants in specialized fields in and around IT is even harder.

The 2015 CompTIA Jobs Outlook Survey, which asked executives in the U.S., UK and Canada about their view on talent needs in IT, almost 55% expected to have a tough time finding qualified people for technical positions, and 14% characterized the hiring environment for IT jobs as "extremely challenging." The study segmented IT job types and listed IT support staff as being the most in demand with between 43% and 51% of firms (depending on their size) seeking to hire in that skill set in the next year. This was followed by application developers and those with cloud expertise and security experts.

It is not only the U.S that is having trouble finding skilled labor. A 2015 survey by the Association of Professional Staffing Companies[5] (APSCo) found that "permanent vacancies across finance & accounting and IT, for ex-

ample, [were] up year-on-year (17% and 31% respectively)."

The result is that many are looking to outsource in a bid to bring in skilled labor but shortages remain. Other options include looking to bring in foreign workers. In mid-2015, a national survey conducted online by Harris Poll on behalf of CareerBuilder[6] found that 26% of companies had hire foreign workers on H1-B visa. The most in-demand skills sets were software engineers (19%), systems analysts and programmers (11%), database administrators (9%) and network administrators (9%)

This is why many companies are now turning to the nearshore, to locations with time zone compatibility and workforces with English linguistic capability and cultural affinity combined with first-rate IT talent. Mexico is high on that list.

Why Mexican talent is top-notch

Mexico has been working hard to position it-self as a lead source of talent for over a decade, with government and higher education institutions and training colleges investing in programs and facilities to boost skills in the STEM (science, technology, education and mass) fields.

McKinsey and Company's report[7] refers to modern Mexico as "a high-speed, sophisticated economy with cutting-edge auto and aerospace factories, multinationals that compete in global markets, and universities that graduate more engineers than Germany."

In a relatively short period of time, Mexico "doubled the number of its public two-year colleges and four-year universities", according to the Washington Post[8] , laying the groundwork for the shift from a manufacturing-centered economy to a services and digital economy.

Mexico graduates upwards of 118,000 engineers[9] every year (about 65,000 in IT-related fields) and has more than 80 higher education and other institutions offering programs in engineering and related disciplines. In total there are more than a half a million IT professionals in Mexico.

This has translated into a country positioned talent-wise to compete with the best in the world and eager to offer those skills to a global market. ProMexico noted recently[10] that "the market value of the Mexican IT sector has grown at an average annual rate of 14% in the last ten years, while exports and jobs related to the sector have grown 12% and 11% respectively for the same period."

In addition, Mexico enjoys an enviable position in global terms, boasting rankings as ninth largest IT talent hub in the world and third largest exporter of IT talent, according to ProMexico.

Its IT outsourcing and Business Process Outsourcing (BPO) sectors grew 10% per annum between 2011 and 2015 and are valued at over US$12 billion, according to Mexico First[11] . It also has 30 IT clusters and technology parks across the country.

Location, Location, Location: Geographical advantages of key locations in Mexico

As noted in the previous section, Mexico has a range of IT talent spread across its 1.973 million square kilometers, but there are certain areas that are well known for the quality and volume of talent available. One such place is Guadalajara.

Guadalajara

Often called Mexico's "Silicon Valley", a title it proudly embraces, Guadalajara, the capital of the state of Jalisco, is ranked 46th in the 2015 Top100 Outsourcing Destinations[12] in the world. Praised by analysts and investors alike, the city seems to have got it right when it comes to developing and nurturing its techno-reputation and raising up high quality talent across a range of IT sub-sectors.

With thriving entrepreneurial networks like iTuesdays[13] and Hackers & Founders[14] , Guadalajara has captured the Silicon Valley start-up vibe and run with it. Guadalajara's local government is working hard to make it a Digital City (Cuidad Creativa Digital[15]), with technology engrained in the city's DNA.

This combined with the entrepreneurial spirit

and the access to newly-minted IT graduates courtesy of the 20 universities with IT programs in or around Guadalajara, has created an ecosystem unlike any other and most analysts agree it is only set to grow.

In fact, the 2014 A.T. Kearney Global Services Location Index[16] , which ranked Mexico as a whole fourth on the list, noted: "Guadalajara in particular offers low labor costs and an extremely strong talent pool capable of supporting large captive centers for multinationals such as Dell, IBM, and Oracle."

Hermosillo

Less well known than Guadalajara – or Mexico City – but as competitive in talent is Hermosillo, the capital of the state of Sonora and a hub for the aerospace and automotive industries[17] . These historic ties have also resulted in the growth of IT talent to support those industries. Its strategic location close to the border with the United States makes it an attractive option in which to harness the talent that Mexico has to offer.

Like Guadalajara, Hermosillo also encourages entrepreneurial, tech-focused networking such as Hermosillo Dev House[18] and Start-Up Weekend[19] .

Finding Specialist Skills

Not all tech-related jobs, however, require the same skill sets and Mexican IT professionals run the range of IT-related professions, from contact centers to software development.

Contact Center

The evolving nature of contact center work requires skilled talent that can adapt to the changing landscape. No longer is contact center work defined solely by the telephone. In fact, it is increasingly about digital transformation and experiences that bring customers closer to the brand. Whether the contact center is customer support-focused or a debt collection center, the need for talent that understands what the customers want and how to deliver it to them is vital.

In such a context, cultural affinity, linguistic competence and technical skills are core and Mexico's talent pool offers all three of these. The proximity to the United States and its access to the shared U.S culture make Mexico ideal for providing the kind of support that contact centers often require. This cultural affinity means that employees based in Mexico are better placed to sensitively handle challenging customer interactions than those in less culturally aligned locations such as India or the Philippines.

In addition, the growing Spanish-speaking population of the United States can also be served from Mexico, making it an attractive option. In June 2015, the Guardian newspaper reported[20] that the U.S now has more Spanish speakers than Spain, with 41 million Spanish speakers and over 11 million bilingual Americans!

Mexico also offers a high level of technical skill meaning that tech support can be provided through such centers.

Business Process Outsourcing (BPO)

Whether the form of BPO is human resources, finance and accounting or market research, those working in BPO require a solid understanding of the specific niche area as well as the soft skills such as communication to handle any challenges. Multi-country payroll outsourcing is an area that is seeing increased demand and Mexico is being highlighted as a potential location for such operations[21] . This in turn is driving demand for skilled talent who understand the often-complex niche of payroll.

Recruitment Process Outsourcing (RPO) is another area of growth for Mexico. In 2015, the Everest Group listed Mexico the second[22] most included country in Latin America in RPO deals.

Mexico has worked to develop its specialist skills in areas such as Finance and Accounting. Monterrey's university, Instituto Tecnológico y de Estudios Superiores de Monterrey, for example is ranked 9th in the region for finance and accounting, according to QS World University Rankings and University Subject Rankings in Finance and Accounting[23].

Software Development Operations

According to ProMexico[24] , Mexico ranked 2nd in Latin America as an investment destination with 23% of the total in software projects in the region in 2010. That figure has been growing.

In addition, when it comes to software development, Mexico is ideally placed, especially for agile software development. Its proximity to the United States allows companies to run agile sprints across distributed teams seamlessly. The push for agile methods is evident in recent writings from the Scrum Alliance[25]. Cultural affinity is again a significant benefit as it cuts down on communication issues and allows teams to share similar views on work approaches and projects.

Mexico also has increasingly developed its innovative practice across a range of IT sectors. A recent documentary released by Nearshore Americas titled Mexico's States of Innovation[26] highlighted the strengths of Mexico's talent in terms of software development and other areas including motion capture for films.

These are just some of the areas of specialist talent that are available in the Mexican IT sector. In terms of both quantity and quality, Mexico is ideally positioned to staff projects in these niche areas.

The Future of Talent

The global economy, technological innovation and the changing culture of work are changing the model for talent and how companies attract and retain them. Companies that want to attract and retain top-level talent, especially in the sort of specialist fields discussed above, need to ensure that they understand those changing needs.

These talent trends will mean that work will increasingly be seen as global, mobile, collab-

orative and specialist, forcing companies to reassess the way they think about employees and the workplace.

Automation will also play a role in adapting traditional job roles and creating new opportunities for careers[27] as routine, repetitive task are gradually migrated to automated processes. Such change is already being seen in industries as diverse as banking[28] , where tellers are increasingly being replaced with automated kiosks[29] , and the automotive industry[30] , where certain paintwork tasks, for example, are being done exclusively by machines.

Innovation remains core, as the Future of Talent Institute[31] noted in its trend report in 2013, but is evolving to focus on personalization, customization and differentiation, all of which will require talent skill sets to evolve at the same time.

Models such as the sourcing or shelter model offer the kind of flexibility and access to skills needed to respond to such a changing work environment and best leverage the talent available to meet your needs. In essence, such a model allows a company to maintain its agility and ability to adapt to the changes happening in the macro environment.

As in most sectors, cost will continue to be a key factor in labor decisions. Mexico remains competitive, offering savings of 10% and 28.7% respectively over Canada and the U.S in terms of digital services (digital entertainment and software design) labor, according to KPMG 2014 study cited in a ProMexico Special Report.

How the Sourcing/ Shelter Model Helps You Tap Into Mexican Talent

As already discussed, Mexico has a wealth of talent on offer but sourcing such talent in a foreign country with little to no support is incredibly difficult and complex. A sourcing model otherwise known as a shelter model is a form of outsourcing where a company is aided to essentially set up shop in Mexico as. This means that through a company like Intugo the client is able to set up operations in Mexico quickly and easily and is helped to access the talent pool that is available.

For example, Intugo works with the client to determine their talent needs and helps them through the recruiting process to ensure not only that they access the highest-quality skilled labor, but also that the talent is matched to the specific needs of the client.

As a result of its knowledge of the talent landscape in Mexico and of the specific technological niche in which a client may operate – such as BPO, contact centers and so on – Intugo is able to match talent to client for a good fit in terms of skills and company personality.

In a traditional outsourced environment, the talent works for a service provider; under the shelter model, the talent works for you as the client and is part of your employee base, thus ensuring employee buy-in.

This means better results in terms of attracting, managing and retaining talent across the foreign operation.

If you are interested in exploring the possibilities of such a model in Mexico, please contact:

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