Nearshore Mexico: Right Place, Right Time for Remote Teams

A 2019 study by ManpowerGroup reveals that 54 percent of companies globally reported skills shortages, representing the highest talent shortage in over a decade. The highest shortages were reported by employers in the U.S. (69%), Mexico (52%), Italy (47%), and Spain (41%).

Countries with the highest shortages

69%	U.S.
52%	Mexico
47%	Italy
41%	Spain

Source: Global Talent Crunch Hits Record High

Even in Silicon Valley, good technical talent is hard to find, competitive to hire, and expensive. This scarcity of talent has led more than a third of businesses to invest in engineering resources abroad to bridge the skill gaps in fields like cybersecurity and AI. Both new startups and legacy enterprises alike need technology partners that can architect technical solutions and scale their engineering operations.

Investments in technology

In their annual [CIO survey,](#) Harvey Nash and KPMG surveyed more than 3,000 IT leaders. Technology leaders reported more budget increases than at any previous point in the last 15 years. These reported increases rose from 49 to 55 percent over the prior year.

Fifty-two percent of technology leaders also expect a budget increase next year, and 51 percent expected to grow headcount. It is worth noting that this survey was taken before the COVID-19 pandemic, which has undoubtedly thrown a curveball in organizational planning and budget forecasting across industries.

A shortage of skills

Sixty-five percent of technology leaders surveyed believe challenges in hiring tech talent could set the industry back.

This research indicates that skills shortages are at an all-time high in the last 12 years. Data analytics, cybersecurity, AI, and digital transformation are driving investments in technology, and the demand is causing these specialized skills to become scarce.

The survey suggests that the skills shortage is defined by two types of organizations. Younger and smaller organizations, such as startups, are less likely to encounter scarcity, and older and larger enterprises are more likely to see skills shortages.

Larger companies—those with budgets over $250M—also struggle to retain talent over a longer duration.

Only 26 percent of large companies report being able to retain key tech talent, compared to 44 percent of smaller companies—those with budgets under $50M. Large companies face a conundrum. While they are [most likely to benefit](#) from transformation, they do not have the skills to support their goals.

Harvey Nash also found that technology professionals today value working on innovative projects and learning new skills above salary and job security. This puts startups at an advantage as they offer the opportunity for hands-on career growth and cutting-edge projects, despite the brand reputation and international opportunities found at larger, more established firms.

The CEO of Verra Mobility, [David Roberts](#), a global leader in smart transportation, believes that we are overemphasizing traditional credentials such as bachelor's degrees in the hiring process and worries that the tech talent gap could stunt business growth and innovation. Roberts' company uses technology to build safer cities, smart roadways, and interconnected traffic systems.

From data analysis to detecting driver behavior with 5G and AI, these projects require highly specialized skills and span partnerships with municipal governments, shipping, and car companies.

> **"**We know we're not immune to the talent shortage in tech. Our company needs data scientists, app developers, engineers, and many other similar technical roles to make these projects—and ultimately the future of smart cities—run as smoothly and efficiently as possible.**"**

— David Roberts, President and CEO of Verra Mobility

The nearshore opportunity

For many companies, advancements in technology, digital automation, and cloud-based tools are making geography increasingly irrelevant to sourcing and hiring decisions. The COVID-19 pandemic has proved that organizations can move their people and process to a remote work environment almost indefinitely.

With the flexibility available today, any IT partner can claim to operate in a nearshore capacity. Companies who need to scale their engineering operations should seek out IT providers who offer flexibility and agility in addressing their business needs. Partners who can implement cloud-based solutions, develop applications, and drive customer insights from data analytics.

Although the work can be done from virtually anywhere, the nearshoring model is better aligned to an evolving market. Robotic Process Automation (RPA), artificial intelligence, and cognitive technologies, areas that companies are increasingly investing in, have affected sourcing and hiring strategies. RPA bots can execute complex but clearly-defined, rules-based tasks more accurately, and at a lower cost than people. In other words, no matter how efficient, skilled, or cost-effective offshore talent may be, it simply can't compete with bots.

> **Nearshore software development companies can be more agile in adopting automation tools to scale and improve productivity.**

The nearshoring opportunity is a result of evolving business requirements that are transforming the competitive landscape. Before, customers would demand efficient delivery of carefully defined services with specific requirements and clear expectations. IT providers would attempt to win contracts by being as price-competitive as possible. This older model welcomed labor arbitrage, leveraging economies of scale to deliver what the customer needed.

Today, that model functions differently. Customers operate under a more open-ended approach. Instead of asking technology providers if they can deliver a specific requirement or project, they are asking how digital solutions can advance their overall strategies and goals. They are looking to industry-leading providers for the answers; a more consultative relationship.

Faster time to market and the ability to swiftly launch applications have become key differentiators when procuring technology partners. This, in turn, has made Agile methodologies increasingly popular. Agile methodologies require constant communication and collaboration between client and engineering teams, feedback, iterations, and rapid releases. An Agile method of working is not as compatible with an offshore model due to long-distance geography, time zone differences, and other obstacles that hinder seamless communication and quick iterations. Nearshore IT partners have a competitive advantage of agility.

Just as large companies are expected to evolve and reinvent themselves, software development partners must also reinvent themselves to keep pace with customer needs.
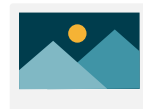
Working with nearshore neighbors

As companies of all sizes continue to expand their operations around the globe, we ask—where should companies go? There is an opportunity to work with talented engineers, data experts, and UX designers worldwide, but nearshoring continues to be a strategic move for Wizeline customers.

> The key is to structure engineering capacity and delivery in a way that makes sense for the business, in a region that makes sense for the team.

Allow us to illustrate why our tech hubs in Guadalajara, Mexico City, and Querétaro are well-poised to support companies from Silicon Valley to New York, and why Mexico is the ultimate engineering partner for U.S.-based companies.

Advantages of working with Mexico

A recent Gartner study outlines why Latin America has the most appeal as a nearshore option for American businesses. Mexico in particular has one of the biggest and most established IT and business service markets in Latin America and continues to expand rapidly. Proximity, multilingual talent, and cultural compatibility make for significant advantages.

Time zone compatibility

With projects that run on tight deadlines, every hour counts. Our Mexico-based engineers are able to hold daily standups with our clients in New York, Florida, and California, at a time all parties are comfortable with.

Cultural compatibility

Our Mexican neighbors are in-tune with the social, cultural, and business trends that are valuable to American businesses. This presents a significant advantage when working on products built around media, sports, or consumer brands, and clients experience pleasant interactions when ideas and concepts translate well culturally.

Wizeline CEO and Mexican-American entrepreneur, Bismarck Lepe, is a strong proponent of the benefits that Mexico offers American tech companies.

> " You're starting to get the second or third generation of technologists who have experience building scalable products. And it's not only the talented people that are there but the ones we can attract to live there. "

– Bismarck Lepe

Beyond tourism and tequila

Mexico is Latin America's second-largest economy with a $1.27 trillion GDP, placing it as the 13th largest in the world. It has become a very attractive market for foreign investors due to government support and the caliber of technical talent.

Government support

The Mexican government has [created policies](#) to allow venture capital investment to expand. In 2006, Mexico's corporate legal framework was updated to enable Mexican companies to effectively consider venture capital (VC) investment.

The Mexican government has created institutions specifically intended to favor entrepreneurship through education and incentives, and the creation of private equity and VC funds, such as the National Institute of Entrepreneurship (INADEM).

Investments are being made by funds with Mexican and foreign capital across a broad spectrum of industries, from consumer and financial services to technology, healthcare, e-commerce, and consumer goods.

Technical talent

More notably, Mexico has a young population. With roughly half a population under twenty-seven years of age, Mexico is tech-savvy and hungry for innovation. The university system is producing more than 130,000 engineers every year. In short, Mexico is a hotbed of technical talent. Wizeline recognized this early on and has since been bridging the gap between the amazing talent in Mexico and the market opportunities to help companies worldwide.

We asked Belsasar Lepe, entrepreneur and former Head of Product at Impira, his perspective on [doing business in Mexico](#). "When I was at Ooyala, we cast a very wide net when we began the process of searching for our second engineering location. We looked at development locations in India, China, and Eastern Europe. My co-founder, Sean Knapp, and I ultimately chose Guadalajara because it had all the necessary building blocks. The local universities were graduating thousands of engineering-centric grads per year and the government was making it a priority to invest in their version of Silicon Valley. What's exciting is that in the last seven to 10 years, the results of these investments have become very clear. Guadalajara is a thriving technology hub."

The Wizeline way

This year has changed the way businesses operate. While companies learn to navigate skills shortages and remote work environments, they will need technology partners—engineering teams, implementation partners, and cloud providers—who will support their goals and scale their capabilities under a cost-effective model.

At Wizeline, our clients categorize our services as nearshore, but they describe us as a consulting partner. Wizeline brings a wholly different experience to our customers than our competitors. We focus on developing and hiring high-potential talent in Latin America, so our engineers are empowered to tackle business problems and consult directly with clients. We encourage adopting an entrepreneurial mindset when problem-solving.

Relative to established nearshore firms, Wizeline is heavily betting on its people. We offer multidisciplinary and multi-national career development that is unrivaled by our competitive set. We have established career tracks for engineers as individual contributors as well as people managers. We use our own Wizeline Academy program to foster career growth for all employees, whether it's improving language skills or public speaking prep for a big conference.

In 2018, we opened a state-of-the-art campus at our largest hub in Guadalajara. The new office reflects our values and culture; one built on Agile thinking, collaboration, diversity, creativity, and ownership. The multidimensional 97,000 square foot building centers around teamwork, focus, recreation, and employee wellness, with features such as a gym, a daycare, and a meditation room.

Running a business that operates globally? Wizeline has offices in Ho Chi Minh City, Vietnam, Bangkok, Thailand, and Barcelona, Spain, to align with APAC and EMEA engineering and product teams. If you would like to learn more about working with a nearshore engineering team or about the Agile delivery model, please visit www.wizeline.com or contact our team at theteam@wizeline.com.