



Mexico:
**IT Just
Makes Sense**

Over the last years, Mexican economy has steadily grown, despite international downturns and financial crisis. IT industry is one of the productive sectors that has allowed the country to maintain this growth stability. Aware of the relevance of fostering its IT industry by maximizing the advantages the country offers to the development of this strategic sector, Mexico is taking steps to become an innovation-based economy.

BY GUILLERMO RODRÍGUEZ ABITIA*
PHOTOS ARCHIVE

MEXICO IS THE GATEWAY TO THE LARGEST IT CONSUMER IN THE WORLD (THE US), BUT IS ALSO CLOSE TO EUROPE AND ASIA. THIS PROVIDES AN OPPORTUNITY TO HAVE A NEAR-SHORE OUTSOURCING STRATEGY THAT ALLOWS COST REDUCTIONS BETWEEN 30% AND 55%

Information technology (IT) is present in every-day life, ever important and evident. People use technology to procure empowerment in their lives. Technological empowerment comes in many ways, such as improved communication, timely and filtered information access, and efficient data storage, among others. Organizations rely on IT to gain competitiveness by generating new channels, determining new products that address specific needs of certain customers, gaining market intelligence, and adding value to their services through massive personalization. Furthermore, innovation-based competition has become the main option to survive in highly aggressive competitive environments. Market opportunities arise with the need to rationalize and leverage the benefits from IT usage.

At macro-economic level, the impact of IT as enabler of empowerment is not disputed. Many national initiatives foster the implementation and deployment of IT to address specific empowerment needs, some oriented to social programs, and others to increase business productivity and competitiveness.

The world as we know it, is reinvented as people become more familiar with IT, and rely on it for everyday needs at home, school, office and beyond. Social networks, augmented reality, and ubiqui-

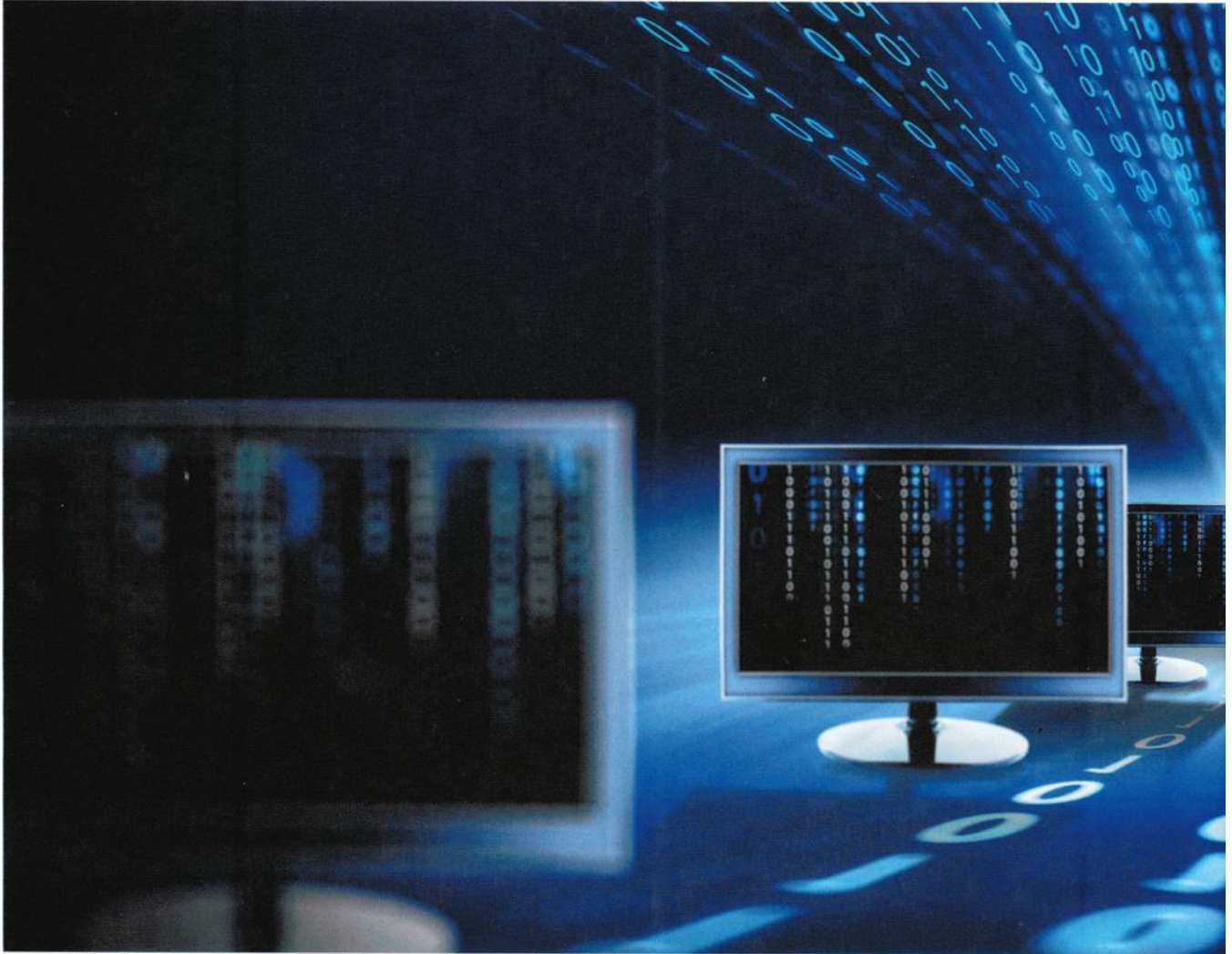
tous computing are only some examples of highly pervasive technologies that are changing the rules in a networked society.

Organizations need to be alert, respond quickly and appropriately to the new dynamics of the market. Agility and innovation become imperatives to add value and offer winning strategies that create clear differentiators. This is a very significant departure from traditional use of IT to foster efficiency and economies of scale in organizations. It represents a change in paradigm, towards a knowledge-based, intellectual capital oriented market.

THE IT INDUSTRY IN MEXICO

Mexico has maintained macro-economic stability and growth for many years, being able to withstand the negative effects of generalized crisis. During 2012, despite the crisis in Europe, and the limited growth expected in the US, Mexico keeps a steady growth rate.

In its last edition of the *Global Competitiveness Report*, the World Economic Forum identifies Mexico in a transition from an efficiency-based economy to an innovation-based country. The report sheds light on Mexico's main advantages, including its macro-economic stability, the improved conditions for entrepreneurship, and the size of its market.



Growth in Mexico is even greater when the IT industry is looked at independently. The Mexican Association of Information Technology Industry (AMITI, according to its Spanish acronym), reports the value of the IT services market has doubled during the past six years. There is an estimated growth of 10% per year, between 2011 and 2015, based on a study made by the consulting firm Select. This is due to a growing demand in IT services by small and medium-size businesses, which account for almost 90% of the nation's companies. When looking closely at the Internet phenomenon in Mexico, in 2009 the number of users amounted to 30 million. Also, about two thirds of adult users have a job.

A MATTER OF TALENT

Fostering the IT industry requires development of demand and supply; there have been actions intended to achieve such objectives. These actions need to rely on the ability of Mexicans to work together in a virtuous alliance among three important sectors: industry, government, and academy. The main enabler of development is talent, and it has to be created and nurtured.

One great initiative for IT talent is the program called *Mexico First*. This program is a joint strategy by the Mexican Government and the World Bank, that aims to benefit 12,000 people per year by funding international recognized IT and English certifications, that allow to

foster competence creation in the Mexican workforce. This program is operated in alliance with AMITI, the Mexican Electronics, Telecommunications and Information Technologies Industries Chamber (CANIETT) and the National Association of IT Higher Education Institutions (ANIEI).

These actors also participate, along with other industry and government organizations, in a project that fosters the alignment of academic programs with IT professionals' needs. This program is funded by the Inter-American Development Bank, and is an unprecedented effort of collaboration among sectors. It provides a parallel curriculum that enables certifications on certain key IT roles. It also brings together certification and accreditation systems to constitute a nationwide database of IT talent, based on specific competencies, and capable of mapping them to all regions of the country. The information obtained by the *Human Capital Intelligent System*, will be very valuable for skilled labor and investment decisions. It will also provide a value differentiator to a country that has more graduated engineers per year than those in the US.

LEVERAGE THAT MAKES SENSE

Investing in IT in Mexico relies on the talent availability and on the correct identification of niches. The country has many thriving



IN ITS LAST EDITION OF THE GLOBAL COMPETITIVENESS REPORT, THE WORLD ECONOMIC FORUM IDENTIFIES MEXICO IN A TRANSITION FROM AN EFFICIENCY-BASED ECONOMY TO AN INNOVATION-BASED COUNTRY

and growing industries that make up a great proportion of its GDP. It makes sense that the development of the IT industry is parallel with the leverage development of other industries that are key for the nation's improvement. Some of these industries are pillars for the Mexican nation: energy, mining and tourism. However, there are newcomers that are flourishing rapidly, like the aeronautical industry, gaining on the experience and knowledge of the long-established automotive industry. All these industries require moving beyond manufacturing or service provision, into a value-added innovation-based competition. IT can enable this, and the IT industry may specialize and establish a differentiator to other regions of the world where conditions are not that easily set.

A study by Gartner indicates that Mexico has already positioned itself as a big player in IT services exports. It ranks fourth in this arena, together with Business Process Outsourcing (BPO), only preceded by India, the Philippines and China. One of the major advantages promoting this phenomenon is the strategic geographic location, Mexico is the gateway to the largest IT consumer in the world (the US), but is also close to European and Asian economies. This provides an opportunity to have a near-shore outsourcing strategy that allows cost reductions between 30% and 55% in back-office and call center activities, software design, and web and multimedia services, according to the firm KPMG. The size of the

Mexican market and its supply of IT talent, provide other great advantages for such ventures. For example, the digital animation industry has had an accelerated growth in the past few years, providing a particularly attractive niche of opportunity for investors.

WHAT'S NEXT?

Industry and academy actors have promoted the creation of a *Mexican Digital Agenda*, to place IT as a main enabler of economic and social development. This agenda includes several aspects of impact that will bring along a great increase in IT supply and demand, thus creating opportunities for investors. Also, it is becoming more and more common to find technology business clusters and parks, associated to universities and research centers. These business collaboration schemes will contribute to build a highly positioned competitive edge in the Mexican IT industry that should withstand economic fluctuations, along with the macro-economic stability of the country. This will, undoubtedly, contribute to a transition of Mexico to an innovation-based economy. **12**

** Director of Research, Development and Innovation at the National Autonomous University of Mexico's (UNAM), General Direction of Information and Communication Technologies. Former president and founder of the Latin American and Caribbean Association for Information Systems (LACAIS).*