



IT OUTSOURCING TO LATIN AMERICA

**An Analysis of the Market
and Opportunities in the Region**

BY NACHO DE MARCO

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Chapter 1

The Growth of IT Outsourcing to Latin America

The most commonly outsourced business processes that occur today are in the following industries:

- IT Services and Programming
- Finance and Accounting
- Contact Center Services
- Healthcare Services
- Human Resources

Outsourcing processes in these industries has short-term and long-term advantages, such as starting projects faster and being faster to market. Furthermore, outsourcing these services can serve as the starting point of a fruitful relationship between your company and an outsourcing firm that you can rely on when you need additional services to support your in-house teams.

Businesses are always striving for efficiency and reducing the costs of operations without sacrificing the quality of service. Finding ways to continually innovate and attract top talent are also important goals. This goal may seem difficult to achieve, but it is attainable. If you outsource outside of the United States, your company can keep a competitive edge while working at scale without increasing costs.

*If you outsource outside of the United States,
your company can keep a competitive edge.*

Why Outsourcing Became Popular in the Last Decade

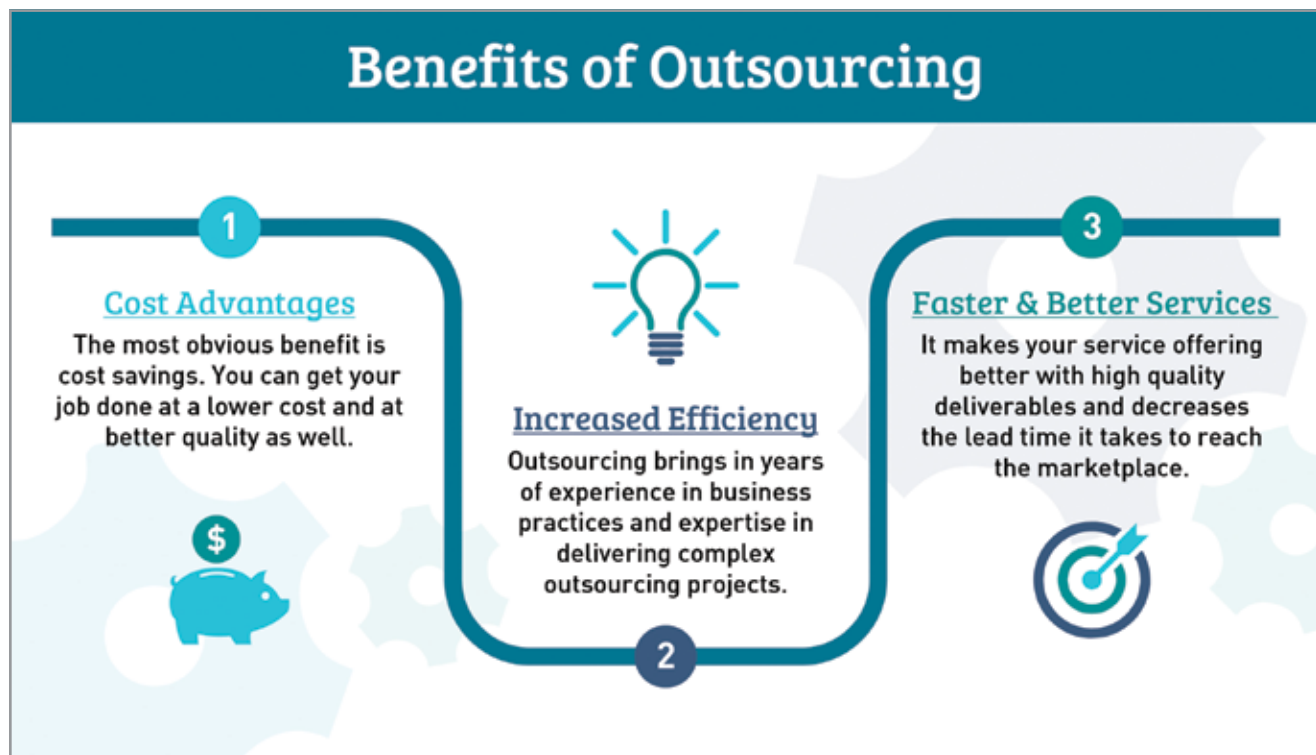
Outsourcing is far from a new idea, but the economic uncertainty that was prevalent in the mid-2000s pushed this concept to the forefront for many U.S. businesses. Companies began to discover inspiring new approaches to address the ongoing need for high-quality and affordable operations to stay afloat in their respective industries.

Outsourcing became a means to an end by providing businesses with flexible options. Specific tasks could be outsourced to IT teams without the overhead costs associated with new hires.

The popularity of outsourcing and the convenience of the Internet came with more options for professional outsourcing services. With fewer geographical boundaries, global talent became available.

To maintain a competitive edge, companies need the knowledge that only talent with a high level of expertise can provide. Through outsourcing, these specialized workers can be contracted at lower costs for labor. In-house teams also benefit from outsourcing because they aren't required to take on additional tasks that often serve as a distraction from core business operations¹.

Cost-effectiveness is known to be the primary reason for outsourcing, but thought leaders aren't outsourcing just to save money. Outsourcing is used to increase productivity and foster innovation. In fact, a study by IBM found that 36% of employers that use outsourcing are innovators while 37% are growth-seekers². Companies that have effectively grown and optimized their brand through outsourcing include AppSumo, GitHub, and Alibaba.



¹ "The Benefits of Outsourcing for Small Business," AllBusiness.com, <https://www.allbusiness.com/the-benefits-of-outsourcing-for-small-businesses-2-1084-1.html>.

² "Pushing the Limits of Outsourcing," IBM, <http://www-935.ibm.com/services/be/en/it-services/SOE12346-USEN-00.pdf>.

Advantages of Outsourcing to Latin America

Due to global accessibility, many businesses sought out China or India as their primary outsourcing destination; others saw Latin America³ as the ideal option for a variety of reasons. Businesses decided to outsource to Latin America because the region offered many of the elements companies were looking for when outsourcing, such as highly talented workers and more innovative development methods.

The political, social, and economic progress in Latin America is not only beneficial to the region, but it is also beneficial to the foreign businesses that are outsourcing to meet IT needs. The most popular Latin American countries offering IT services to offshore companies are:

- Argentina
- Brazil
- Colombia
- Chile
- Mexico
- Uruguay

Let's take a quick look at some of the main benefits and advantages companies experience when outsourcing to countries in Latin America before delving deeper into each topic. These benefits of outsourcing to Latin America are as follows⁴:

- Cost-effectiveness
- A productive business environment
- Cultural similarities to the United States
- Talented and dedicated workers
- Fewer demands on the in-house team

“Outsourcing was the bogeyman of the ‘90s. Protectionists portrayed it as an evil that would take American jobs away. Yes, some jobs did go offshore as people feared, but it made the global economic pie grow bigger.” - Vivek Wadhwa

³ “10 Reasons How Outsourcing to Latin America Can Help your Business,” Flatworld Solutions, <https://www.flatworldsolutions.com/articles/latin-america-outsourcing-benefits.php>.

⁴ “7 Reasons to Choose Latin America for Your Dev Outsourcing,” VentureBeat, <https://venturebeat.com/2016/04/02/7-reasons-to-choose-latin-america-for-your-dev-outsourcing/>

Cost-Effectiveness

Cost-effectiveness is undoubtedly a primary motivator for outsourcing. Hiring competent workers in the United States, especially those in fields such as IT or software development, is likely to cost two or three times as much in comparison to someone with the same skill sets in Latin America.

For example, a developer based in the United States may work at an hourly rate of USD\$150 while an equally qualified developer in Latin America may be available for work and will perform the same tasks at USD\$75 hourly.

Reducing costs while becoming more efficient with outsourcing is a discussion we will continue in Chapter 3.

A Supportive Business Environment

The modern business culture in Latin America is quite favorable for U.S. partnerships, but the U.S. isn't the only country taking notice. Based on a study in 2017 from the A.T. Kearney Global Services Location Index⁵, Latin America is gaining popularity and becoming known as a home to a positive offshoring landscape due to financial attractiveness, people skills, and a great business environment. Latin America's cost-effective options coupled with the sound business environment and talented population are likely the reasons why more businesses look to the region with outsourcing needs. The study listed the top countries for offshoring, and of the top 20 countries named, five were in Latin America. These include:

- Brazil (#5)
- Chile (#9)
- Colombia (#10)
- Mexico (#13)
- Peru (#20)

U.S. companies are now seeking out Latin American outsourcing firms because of the rising numbers of IT professionals in these promising economies.

Santiago is one of the thriving regions leading the way as a technological hub supporting innovations and entrepreneurial endeavors. Santiago ranks fifth in the listing of Top 10 cities with the best economies the world, as shared in a study by the London School of Economics

⁵ 2017 A.T. Kearney Global Services Locations Index, <https://www.atkearney.com/documents/20152/793366/The+Widening+Impact+of+Automation.pdf/42b06cf4-e5f9-d8ec-a30c-a82dd26d4953>

and The Brookings Institute. But the capital city has become more famous for being home to 500 Startups: Latam and Start-Up Chile, two companies that invest heavily in local startups, rather than the home of IT outsourcing hubs.

Cultural Similarities to the United States

Having lived in both areas, I've noticed that although there are a few cultural differences between Latin American countries and the United States, there are a substantial number of similarities that often outweigh these differences and can foster respectful and ongoing working relationships. Along with fewer communication barriers presented by language and time differences, both the United States and Latin America share a similar work ethic and appreciative creative solutions when conducting business. Here are other similarities.

Language

One of the main cultural similarities is language. Many people in Latin America speak English as a second language. In fact, The Education First (EF) English Proficiency⁶ noted the proclivity for English-speaking in Latin America in 2015. In comparison to China, the countries of Brazil, Chile, Peru, Mexico, and Ecuador were leading in English comprehension. Fast forward to 2017, and the literacy rate in Latin America is above 90% in most countries, clearing the path for more excellence in multi-language skills.

As Latin America becomes more proficient in English, residents of the United States are also learning more Spanish and Portuguese. In 2015, 11.6 million U.S. residents were bilingual, speaking both English and Spanish fluently. Today, 48 million people in the U.S. speak Spanish as their native language⁷.

When you connect outsourced teams in Latin America with your in-house staff in the United States, this will create an atmosphere of comfort and open communication when speaking on the phone, via chat, or in emails. The high-level outsourcing companies will offer to work with your team in whichever language you prefer.

Time Zone

The differences in time zones when outsourcing is often overlooked but paying attention to this detail is necessary when outsourcing internationally.

⁶ "EF English Proficiency Index: Latin America," EF, <https://www.ef.edu/epi/regions/latin-america/>.

⁷ Chris Perez, "US Has More Spanish Speakers than Spain," New York Post, <https://nypost.com/2015/06/29/us-has-more-spanish-speakers-than-spain/>.

Effective communication is a priority, so facing scheduling conflicts can be stressful when building a global relationship with an outsourcing service provider. Consider the potential setbacks. How will reasonable schedules be set? Will you be arranging calls in the middle of the night to discuss urgent issues with developers and IT personnel because of time differences?⁸ Case in point, there is a 12.5 hour time difference between San Francisco and India. Outsourcing to Latin America provides less of a gap in the time of working hours and offers a significant reduction in travel time. There are direct flights between some of the biggest cities in the U.S. and Latin America.



If, for example, you are working with an outsourced team in Argentina, and your in-house team is in the United States, you will be able to work alongside contract workers in Argentina in real time because of the similar time zones. The time-zone proximity is so close that there might only be a two or three-hour difference (depending on daylight saving time). This nearshore advantage is crucial for establishing a productive flow with IT personnel and moving with enhanced speed throughout development and testing phases.

⁵ "10 Reasons How Outsourcing to Latin America can Help your Business," Flatworld Solutions, <https://www.flatworldsolutions.com/articles/latin-america-outsourcing-benefits.php>

Outstanding Technical Talent in Latin America

Over the past decade or so, the number of Latin Americans with expert technical skills has been steadily rising. Students in Latin America are working towards becoming technologically proficient at prestigious universities such as Universidad de Chile, Tecnológico de Monterrey (Mexico), and Universidad de São Paulo (Brazil). Each year, thousands of native web developers graduate from these schools (and other universities) with hopes of transitioning into careers in the technology sector. In fact, a Forbes and Statista study found that more than 100,000 students in Mexico graduated as engineers in 2015, serving as a true-to-life example of students' growing interest in tech⁹.

Through rigorous training programs and a willingness to embrace the latest technologies, contracted professionals in Latin America are very knowledgeable. In fact, Stack Overflow, a leading site for programmers, has found that the quality of talent in Latin America ranks higher than the more traditional regions known for outsourcing.

Outsourcing Means You Can Concentrate on Your Core Activities

Your in-house teams need to focus on core objectives and meeting deadlines. Wouldn't it be easier for these departments to work creatively without the pressures of time constraints? As more project managers ask this question, they see outsourcing as the answer¹⁰.

Whether your primary focus is sales, marketing, or company-wide expansion, making an impact while getting results is a must. Outsourcing to Latin America encourages collaboration and streamlined work processes in these areas, as well as within your IT department and development teams, which is a major aspect of your business.

We've touched on some of the key advantages when outsourcing IT work to Latin America, but it's important to look more closely at outsourcing to develop a strategic approach for your business that will be cost-effective and overcome potential barriers.

These strategies will be discussed in-depth later in this book.

⁹ "The Countries with the Most Engineering Graduates," Forbes 2015
<https://www.forbes.com/sites/niallmccarthy/2015/06/09/the-countries-with-the-most-engineering-graduates-infographic/#731f1384667d>

¹⁰ "The Benefits of Outsourcing for Small Business," New York Times
https://archive.nytimes.com/www.nytimes.com/allbusiness/AB5221523_primary.html

Chapter 2

General Outsourcing Barriers to Consider

While outsourcing to Latin American vendors can be a transformative move for your company, it doesn't mean you won't face any barriers and complications throughout the process¹¹. Ensuring that you understand both the pros and cons of outsourcing to Latin America is the best way to create a solid contract with the service provider of your choice.

The following are some of the biggest barriers and issues I've seen that are worth considering, ranging from fluctuating economies to unrealistic expectations.

"If you deprive yourself of outsourcing and your competitors do not, you're putting yourself out of business." - Lee Kuan Yew

An Outsourcing Firm's Financial Status

The financial status of an outsourcing provider can have a direct impact on your project. Understandably, this is a scary thought when you are first considering outsourcing.¹²

The disappointment of contracting an outsourced team for IT or development work, only to lose the team unexpectedly because the vendor was financially unstable, is almost immeasurable. Not only will this immediate change put pressure on your staff, but also your company will be losing valuable time and money.

Research the company in advance by analyzing their history, hiring qualifications, and professional partnerships. Lessening the possibility of negative outcomes means vetting the outsourcing companies you're considering partnering with, which is critical for the protection and morale of your business.

¹¹ "Most Common Outsourcing Problems and How to Avoid Them," 365 Outsource, <http://www.365outsource.com/information/most-common-outsourcing-problems-and-how-to-avoid-them/>

¹² "What are Some of the Most Common Outsourced Business Processes", Gerald Sales Professional, <https://www.linkedin.com/pulse/what-some-most-common-outsourced-business-processes-chettiar>

Before signing any contracts, ask the outsourcing firm questions directly to confirm that this will be a beneficial partnership for both parties. When entering a contract, remember never to eliminate the rights to your IP addresses or agree to risky terms that could affect your company negatively.

Choosing a quality outsourcing firm with a proven track record is the best way to prevent problems. Always proceed with caution, but if you are working with a quality outsourcing company, you'll usually avoid such conflict.

Key Talent Leaves Outsourcing Team

Another concern that might create a barrier to smooth outsourcing could occur if one of the key members of the outsourcing team decides to leave mid-way through the project. They have a substantial amount of knowledge regarding the services you are using or the software they were developing for you.

If they didn't do a good job of transferring their knowledge before leaving the company, it could mean problems for those who step in to take their place. Ultimately, this will mean problems for your company and will negatively affect project completion.

Ideally, there will be other members of the team who can simply take the place of the member who left, and who can get other new members up to speed. If this is going to be a concern for you, it is one of the items you will want to discuss with the outsourcing vendor you choose before beginning the project.

Unrealistic Expectations

Be clear about what you expect upfront. If you're given an estimate for performance reviews and dates of completion, and the outsourcing firm is continually unable to meet the standards they've set, arrange a time for a discussion about what's going wrong and the most viable solutions. Keep in mind that it can often be difficult to ascertain metrics during software development because the processes, such as software testing and traditional manufacturing, are so unique.

*For a truly satisfactory experience, be sure that
your expectations are realistic as well.*

If you have in-house subject matter experts who specialize in software development, you might want to offer them leadership roles during the management of your projects. By doing this, you will have a reliable channel of communication when working with outsourced workers while learning important updates and a deeper understanding of circumstances that may be unavoidable.

No matter how much experience your outsourcing team has or how professional your outsourcing service is, no one can perform miracles and deliver overnight. For a truly satisfactory experience, be sure that your expectations are realistic as well.

Whether you're outsourcing locally or to Latin America, there will be far more benefits than drawbacks and barriers. Fortunately, the issues you will face are usually easy to address and overcome.

Chapter 3

The Cost-Effectiveness of Outsourcing to Latin America

There are numerous reasons for outsourcing software development and other business-related tasks to countries in Latin America. But when asking most companies why they chose to outsource, you'll find that there's one motive that takes precedence above the rest: Businesses want to save money.

Deloitte's 2016 Global Outsourcing Survey¹³ lists cost as the first primary driver to outsourcing. This is because company leaders must bridge the critical gap between completing quality work and not exceeding the company budget. As an IT manager, you know that neither of these elements can fall by the wayside without serious implications on a company-wide scale.

Consider all costs associated with business operations in the United States. Once you compare those costs to the price of outsourcing in Latin American regions, the potential savings will be significant, to say the least.

Outsourcing to regions in Latin America can be forty to fifty percent cheaper than hiring workers in the United States. As you weigh your options for outsourcing, ask this question: With equal proficiency and nearshore advantages, why not contract developers and IT personnel working in Latin America?

While the emphasis is usually placed on the reduced costs associated with hiring and compensating outsourced workers, company leaders should realize the additional cost savings outsourcing provides. Outsourcing is all about options and flexibility, and there's a wide range of possibilities for lowering expenses.

*Outsourcing to regions in Latin America can be 40% to 50%
cheaper than hiring workers in the US.*

¹³ "Deloitte's 2016 Global Outsourcing Survey," Deloitte, <https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/operations/deloitte-nl-s&o-global-outsourcing-survey.pdf>.

Outsourcing Reduces Hidden Costs of Full-Time Hires

The savings from outsourcing goes beyond the obvious differences in wages. When you hire a new employee in the United States, there are other miscellaneous costs to consider that may not immediately come to mind. These are the “hidden” costs.

Let’s take a look at a few of these hidden costs, specifically:

- Onboarding
- HR Tasks
- Turnover Rate
- Training and Getting Up to Speed
- Insurance and Benefits
- Server Costs

Onboarding



Whether your new hires will be working in marketing or the IT department, either way, the process of hiring and onboarding these employees can cost thousands upfront¹⁴.

So, when you bring new people into your company, how much does it cost you? According to the Human Capital Benchmarking Report by the Society for Human Resource Management (SHRM), the average cost for each new hire is USD\$4,129¹⁵.

Onboarding is an elaborate process that involves parties outside of management and new hires. For example, your in-house team also assists with the initial onboarding process by helping teach new employees and creating a welcoming work environment.

To be fully productive, the new hire typically needs eight months to adjust at the company. As your staff helps with onboarding and the new hire acclimates to company culture, time spent on assigned tasks is lost.

¹⁴ “How Much Does Onboarding New Employees Cost?,” Mark Swartz, <https://hiring.monster.ca/hr/hr-best-practices/recruiting-hiring-advice/managing-hiring-costs/cost-of-onboarding-new-employees-canada.aspx>

¹⁵ Aleks Peterson, “Hidden Costs of Onboarding a New Employee,” Glassdoor, <https://www.glassdoor.com/employers/blog/hidden-costs-employee-onboarding-reduce/>.

HR Tasks

The hiring process doesn't begin with onboarding. It begins with advertising the available positions, recruiting and interviewing potential hires, performing skill assessments, and conducting background checks.

With the inclusion of employee handbooks, benefits enrollment, NDAs, and other miscellaneous forms and handouts, paperwork piles up quickly during the onboarding process, as does the cost of gathering and providing these resources.

The real issue surrounding paperwork goes much deeper than the costs of ink and paper materials. Once again, valuable company time is exhausted. For a single employee, managers may spend up to 10 hours handling their paperwork and performing administrative duties, such as processing and filing new hire paperwork.

Turnover Rate

No matter how extensive the process is when selecting new hires, or how carefully you interview them, new employees can quit without warning. Twenty-three percent of new hires don't stay with a company for an entire year¹⁶. When these employees quit, the money put into hiring and training is lost. The loss of every new hire sets off another cycle of hiring, onboarding new staff, training, and miscellaneous overhead costs.

Unfortunately, turnovers are unpredictable, and they can cost businesses up to 300% of the replaced employee's salary. Companies often lose tens of thousands of dollars from a few employees that quit¹⁷.

Training and Getting Up to Speed

A new hire's skills may be impressive, but every team works differently. Employees must continue training after the initial onboarding phase to learn the work processes that are specific to your company.

Outsourcing companies in Latin America have employees who are already on board and know how to perform tasks with accuracy and speed.

¹⁶ "2012 Allied Workforce Mobility Survey: Onboarding and Retention," Allied HR IQ, <http://hriq.allied.com/pdfs/AlliedWorkforceMobilitySurvey.pdf>.

¹⁷ "2012 Allied Workforce Mobility Survey: Onboarding and Retention," Allied HR IQ, <http://hriq.allied.com/pdfs/AlliedWorkforceMobilitySurvey.pdf>.

As a new employee begins relationships that encourage open communication and builds a daily routine, company owners must practice patience and understanding. According to a Deloitte study, it can take two years for a new hire to work with the same proficiency as a veteran employee. Still, the time is ticking and this dip in productivity as a new hire adjusts to new technology and processes can be costly.

Outsourcing companies in Latin America have employees who are already on board and know how to perform tasks with accuracy and speed. Therefore, adjusting to your work processes will be a more seamless transition that won't negatively affect your business.

Insurance and Benefits

It's important to remain cognizant of your company's financial status, and you should also be realistic about budgetary limits. How many employees work for your company? What does it cost your business to provide these employees with satisfactory benefits and insurance coverage?

As a respectable employer, you want only the best for your staff. But as your business adds more team members, you're also adding more expenses. On average, a company pays up to 1.4 times the base salary for employee benefits. Think about the cost of medical, dental, 401Ks, etc. all combined for each employee¹⁸.

By working with an outsourcing company in Latin America, you're paying for their services without pushing financial restraints because your company no longer needs to make offers to provide benefits personally.

Additional Savings Outsourcing Provides

Outsourcing provides more than the traditional types of cost savings. The freedom of outsourcing also protects your business and enhances business operations through:

- Scalability
- Enhanced Security

Let's look at how outsourcing can help in each of these areas.

Scalability

Outsourcing allows businesses to truly operate at scale without time delays and expensive

¹⁸ Julie Kantor, "High Turnover Costs Way More Than You Think," Huffington Post, https://www.huffingtonpost.com/julie-kantor/high-turnover-costs-way-more-than-you-think_b_9197238.html.

management techniques, allowing companies to make the most of their resources by bringing in experts at key development phases¹⁹.

I've been on projects that need to scale up or down quickly, whether to get to market faster or because key stakeholders want to pivot. Outsourcing makes this possible, whereas if you have a lot of in-house developers and lose funding, this may mean firing staff.

Enhanced Security

Companies that outsource IT development are usually outsourcing the security of their data and servers simultaneously. By placing your company's files and data offsite, you're protecting information in the event of unforeseen circumstances, such as a power outage, a fire, or inclement weather.

Company data is especially safe when working with professional and renowned outsourced IT companies, which there are plenty of in Latin America, because they implement quality security measures. The enhanced security provided by outsourcing keeps data from being lost or corrupted in situations that could damage onsite servers.

Furthermore, we shouldn't overlook one of the most dangerous threats to security today – hackers. In the United States, 90% of companies were hacked in 2016, and 64% of these businesses were compromised at least six times²⁰!

Imagine what would happen if your company's servers were no longer safe, or if your site was inaccessible for customers and employees? What if your client information is compromised? Your customers would likely lose faith in your abilities.

Businesses must be built on trust and secure operations. Partnering with a reliable outsourcing company for IT development and programming can retain that trust.

We know reducing obvious and hidden costs is the main reason more companies are outsourcing work to Latin America, but there are many more advantages worth noting.

Besides monetary savings, we'll be discussing these additional benefits of outsourcing in the following chapters.

¹⁹ "Scalability As A Determining Factor For Outsourcing," Satish Patel
<https://www.analytixaccounting.com/scalability-as-a-determining-factor-for-outsourcing/>

²⁰ "HSB Cyber Study Shows 90 Percent of Businesses Experienced Hacking Incidents in the Last Year," Munich RE, <https://www.munichre.com/HSB/cyber-survey-2016/index.html>.

Chapter 4

Why Latin America Provides a Great Business Environment

Latin America is a wonderful business environment. With a GDP value worth trillions, and an economy that has been expanding for more than 20 years, countries in Latin America embody growth and progress.



Home to more than half a billion people, the growth throughout Latin America is evident in diverse sectors, ranging from infrastructural updates to educational advancements.

According to a report from WilsonCenter.org, the annual average of corporate bonds issued

abroad by companies in Latin America rose from USD\$12 billion before the subprime crisis all the way up to USD\$50 billion by 2013²¹.

But there has been a substantial amount of foreign investment to help that growth along the way, generating newfound interest in business partnerships and outsourcing in Latin American regions.

Strong Infrastructure

Latin America's infrastructure has improved drastically over the last decade²². Many governments and private businesses in the region realized the business that could come in with improved infrastructure and took measurements to change. Governments, businesses, and private-public partnerships in these nations are now dedicating the time, energy, and money that sets Latin American regions apart as outsourcing destinations.

Because of their strengthened economies, many Latin American countries were able to improve their IT infrastructures. Over the past 30 years, I've seen drastic changes across Latin America, as countries have made this a priority.

These changes have upgraded the ways many major cities function, changing how people communicate and utilize technologies, including the Internet. Companies that outsource to Latin America no longer have to worry about poor infrastructure when choosing outsourcing hubs²³.

Highly Educated Population

The rise in education levels continues to hold steady in Latin America. Each year, there are 14,487 annual graduates in Argentina, and over seven million college-educated citizens. In Brazil, there are 74,539 annual college graduates, and 16.5 million college-educated citizens. Chile has 21,037 college graduates each year, and 3.7 million college-educated citizens.

Students and developing career professionals are also furthering their education in engineering fields, information technology, software development, and programming. This

²¹ Adrián Blanco Estévez, "The Latin American Foreign Investment Boom: Recent Trends and the Evolution of Multilatinas*," Wilson Center, https://www.wilsoncenter.org/sites/default/files/Blanco_Multilatinas_English_final_0.pdf.

²² "What Is Infrastructure?," Investopedia <https://www.investopedia.com/terms/i/infrastructure.asp>

²³ Dr. Remi Piet, "The Future of Infrastructure Investment in Latin America," Amiperspectiva, <http://amiperspectiva.americasmi.com/the-future-of-infrastructure-investment-in-latin-america/>.

gives companies the distinct advantage of having access to an enthusiastic and knowledgeable workforce.

Popular Countries and Cities for IT Outsourcing

Here are some of the most recognized regions in Latin America for business outsourcing:



- Mexico
- Colombia
- Brazil
- Chile
- Argentina
- Guatemala
- Uruguay
- Peru

These are just a few of the countries in Latin America that can work well for your outsourcing needs. Each country is home to many tech-savvy cities with professionals that can provide outsourcing solutions.

Toward the end of this book, you'll find additional information on what you should look for when choosing to work with an outsourcing company based in Latin America.

The top 20 cities for outsourcing, according to Tholons Services Globalization Index 2017²⁴, include:

1. Bangalore
2. Mumbai
3. Delhi
4. Manila
5. Hyderabad
- 6. São Paulo (Brazil)**
7. Dublin
8. Krakow
9. Chennai
- 10. Buenos Aires (Argentina)**

²⁴ "Digital Nations & Super Cities," TSG Index, <http://www.tholons.com/digitalnationspercities/>.

11. Pune
12. Cebu City
- 13. Santiago (Chile)**
- 14. San Jose (Costa Rica)**
15. Johannesburg
16. Singapore
17. Prague
18. Toronto
19. Dubai
20. Kuala Lumpur

Why Outsource to these Latin American Cities

Outsourcing to any of the top cities in Latin America offers unique advantages. Here are some of the details that further explain why São Paulo, Buenos Aires, Santiago, and San Jose (Costa Rica) are ideal destinations for IT outsourcing:

São Paulo

São Paulo currently ranks as the 10th richest city in the world and accounts for one-third of Brazil's GDP. With its thriving economy and high standards of education, São Paulo attracts startups and forward-thinking developers, making the city idea for outsourcing development.

Many multinational companies outsource IT tasks to São Paulo because the city is home to talented professionals and a tech-savvy business culture. The Brazilian government is also investing in São Paulo as a tech outsourcing hub by offering low tax zones and welcoming startup accelerators (such as Google Campus).

The University of São Paulo is one of the most respected universities in Brazil for technological innovation. The Office of Innovation at the university trains students from various countries in Latin America as they learn to work with the latest technologies while developing a professional mindset for business operations²⁵.

Buenos Aires

The majority of programmers that utilize Stack Overflow in Latin America are from Buenos

²⁵ Euan Marshall, "7 Reasons Why Sao Paulo is the World's Top Business Hub," Culture Trip, <https://theculturetrip.com/south-america/brazil/articles/7-reasons-sao-paulo-is-the-worlds-top-business-hub/>.

Aires, which is a testament to the growing presence of developers and technology experts in the region.

Furthermore, universities in Buenos Aires are emphasizing the importance of technology in their curriculum. For example, the National Technological University is providing more comprehensive technology courses for students. These courses are easily accessible and free of costs, contributing to a workforce of IT professionals with the knowledge and skill sets needed for outsourced tasks.

Many native English speakers and international businesses are attracted to the solid IT infrastructure in Buenos Aires. This makes the city ideal for outsourcing from the United States²⁶.

Santiago

Santiago is a city with nearshore advantages that also provides ease of access to other cities in Latin America through affordable and convenient flight options. The interconnectivity of Santiago gives the region a competitive advantage for outsourcers by bringing together developers from various countries in Latin America.

Overall, the government in Chile wants to build on the country's reputation as a high-tech outsourcing hub. The government and educational programs in Santiago encourage developers and programmers to think outside the box and partner with foreign businesses.

Innovation is the key to development in Santiago, and the workforce is extremely talented. Outsourced developers who have been trained at universities in Santiago (and throughout Chile), such as Universidad de Santiago de Chile and Pontificia Universidad Católica de Chile, were required to attend classes longer than students in other cities in Latin America. Outsourcing IT tasks to Santiago allows companies in the United States to access the highly specialized knowledge of these developers²⁷.

San Jose (Costa Rica)

San Jose is a technology hub already being compared to Silicon Valley for its startup culture and

²⁶ "Why Argentina Should be your Next Development Outsourcing Hub," Startup Buenos Aires, <http://www.startupbuenosaires.com/en/blog/2016/06/28/why-argentina-should-be-your-next-development-outsourcing-hub.html>.

²⁷ Kirk Laughlin, "The Secret Behind Chile's Thriving Outsourcing Industry," Nearshore Americas, <http://www.nearshoreamericas.com/chile-it-thriving-outsourcing/>.

creative programmers. Software development, artificial intelligence, and medical technology are also set to be widespread in San Jose in the near future.

The similar time zones allow for agile development between teams in San Jose and the United States, creating a flexible and collaborative environment when outsourcing that allows businesses to get quality products to market quickly.

We have been working for over a year in promoting San Jose as a technological destination in the eyes of the investors. “We expect to have visual material ready in the next three months of how the tech park could look,” said Mauricio Gonzalez, the adviser to mayor Johnny Araya when discussing the construction of a tech park in a city in 2017²⁸.

Digital Nations Index

Outsourcing to digital nations connects companies to top talent because keeping up with the latest technologies is imperative to a functional way of life in each region. Within a digital nation, you’ll find that more than half of all households use the internet daily on various devices.

The relationship between online access and daily living has transformed these countries by changing the way citizens access information, learn, and provide critical services ranging from healthcare to personal banking.

Innovation is key in digital economies because competition is heavy in the market to meet consumer demands that favor high speed, quality, and convenience. To meet these demands, governments and major brands are investing in comprehensive training for students and employees.

The top 20 digital nations for outsourcing, according to Tholons, include cities marked with strong innovation and a digital culture. These countries are:

1. India
2. China
3. Philippines
4. **Brazil**

²⁸ Laura Alvarado, “Mayor of San José, The Costa Rica Promotes the Creation of a Hi-Tech City,” Costa Rica Star, <https://news.co.cr/mayor-san-jose-costa-rica-promotes-creation-hi-tech-city/65196/>.

5. **Mexico**
6. Canada
7. **Chile**
8. Vietnam
9. Poland
10. Ireland
11. Russia
12. South Africa
13. **Argentina**
14. **Costa Rica**
15. Czech Republic
16. USA
17. **Colombia**
18. Turkey
19. UK
20. Singapore

Of the top 20 digital outsourcing nations, there are six in Latin America. The digital world is heavily moving into Latin America, and this shows market competitiveness in the region.

Innovation is key in digital economies.

Relocating Business to Latin America

Many businesses, both small and large, consider relocating to Latin America; however, there are many hidden costs that come with a relocation, such as marketing costs, property fees, taxes, IT expenses, etc.

When companies approach me to ask advice about relocating in Latin America, I often tell them they're better off working with a company in Latin America that has an established presence in the region, instead of moving their entire staff.

How much time, money, and effort would be required to bring your IT staff to Brazil from the U.S.? As you attempt to answer this question, consider the costs of food, housing, and accommodations. You'll also be paying for incoming and outgoing flights, not the mention visas and fees that go along with that.

Contracting IT workers based in Brazil would cut these costs significantly by eliminating the need for training, equipment, and travel expenses. By outsourcing, your IT workers won't be

required to work onsite and can have the option to work remotely from various cities.

This cost-effective solution also helps IT professionals easily communicate with other employees and management teams within Latin America as your business adjusts to the region.

Chapter 5

A Deep Dive into Cultural Similarities between Latin America and the United States

The cultural similarities of shared language and a strong work ethic between the United States and Latin America are among the top reasons why these two regions work so well together. English, Spanish, and Portuguese are commonly spoken languages throughout Latin America. Likewise, in the United States, 48 million people speak Spanish. These similarities weaken language barriers, strengthening the relationship between business partners.

Furthermore, cultures in Latin America and the United States were both heavily influenced by Europeans and Spanish immigrants, and these connections influence the way the employees work and what they deem important. IT professionals and developers from Latin American countries and the United States both have a drive to succeed, and a drive to innovate. Workers from both regions are well-trained, confident, and creative when seeking solutions.

A major benefit of contracting outsourced workers in Latin American countries is the fact that so many are proficient in the English language.



This is particularly true in larger cities where tourism and employment opportunities from the United States is prevalent. In fact, a report released in 2017, the EF English Proficiency Index, found that Argentina, the Dominican Republic, and Costa Rica was home to the most proficient English speakers in Latin America²⁹.

The youth culture throughout Latin American cities is now learning English from an early age. Among older citizens, the interest in English continues to grow, as shared in a report on Panampost.com.

²⁹ "The World's Largest Ranking of Countries and Regions by English Skills," EF, <https://www.ef.edu/epi/>.

There's a large talent pool in Latin America for programming and IT work. To provide jobs, outsourcers in Latin American cities bring together the top individuals in technological industries and offering them remote work with companies in the United States.

Depending on the job duties, outsourced IT personnel and developers can work from home. However, a minority of the workers – around 5% or so – will work in client offices. Outsourcing providers in Latin American countries will clarify the location of your workers and make any adjustments that will work in the best interests of your company.

Considering all the benefits discussed throughout these chapters, it becomes easier to see why so many companies are turning to Latin America as their main source for outsourcing.

If you want to have a company that works similarly to your own, has compatible hours, and frequently employs workers who speak the same language, Latin America is the place to go for your outsourcing needs.

The slight cultural differences between cities in the United States and Latin America has little impact on the working environment. As long as you're clear about your expectations, outsourcing IT to Latin American countries will be beneficial to your company's bottom line.

Chapter 6

Companies that Outsourced to Latin America

Latin America is among the leading nations for foreign investments across diverse industries, resulting in a rise in business opportunities and outsourcing contracts. With so many companies investing and building in countries throughout Latin America, the positive economic growth is driving more career professionals towards technical fields.

In addition, many companies from the United States are utilizing Latin America for their software outsourcing needs. We'll now look more closely at a few companies in the United States that are outsourcing software, application testing and development to countries in Latin America.

JPMorgan Chase & Co.

JPMorgan is the largest financial institution in the United States with assets valued at USD\$2.53 trillion. Known as one of the most lucrative banks in the U.S., this Fortune 500 company is also the top underwriter in Argentina.

The cultural similarities between the United States and Latin America inspired the company to begin moving many of its work processes from the U.S. and India to Argentina in 2014, resulting in the first global support hub in Buenos Aires.

JPMORGAN CHASE & CO.

“Obviously, cost is an important factor and Argentina is cheaper than the U.S., but talent and time zone alignment with the U.S. are two more important drivers of the decision. Even though Buenos Aires wasn't named officially a strategic hub until 2014, we have been rendering services to other countries in this region since 2006,” said Clara Mendiberri, JPMorgan's Executive Director in Argentina.

A little over 10 years ago, only three people were working in Argentina on behalf of JPMorgan to provide global support services. Throughout the years, the number of employees increased to 140. By 2016, 700 JPMorgan employees were based in Argentina. Of these 700 workers, around 100 positions were dedicated to IT roles, including software development, securities processing, and systems analysis³⁰.

³⁰ Matt Kendall, "Profile: JP Morgan Doubles Down on Argentina with Global Support Hub," Nearshore Americas, <http://www.nearshoreamericas.com/jp-morgan-global-support-hub/>.

The company also plans to hire at least 400 additional workers in the tech industry in the future to continuously advance their technology infrastructure. 95% of the employees in the global technology infrastructure hub within Argentina are native to the region.

Along with back-office and middle-office functions, outsourced personnel in Argentina provides these services:

- Database Maintenance
- Server Maintenance
- Production Management

Outsourced developers are also contracted to oversee the quality of JPMorgan's applications and constantly improve the front-end experience for users.

Google

Google is one of the largest and most powerful companies in the world and also a company that outsources development to countries in Latin America. In 2013, the company constructed a data center near Santiago, Chile.



Google has outsourced a large portion of application development tasks to companies in Latin American cities for diverse projects. Among these projects is the Android OS, which currently runs in 81% of all smartphones. During the development of the Android mobile software, the camera features also underwent testing in Latin America.

When people hear the word Google, the first thing that enters their mind is the Google search engine. Developing the search engine and its algorithms happens in the United States, but outsourced personnel in Latin America assist with testing the algorithms. Google has also worked with outsourcing firms in Argentina while developing and testing the Checkout e-commerce platform and API³¹.

In 2010, Google's Client and Cloud Advocacy Manager, Patrick Chanezons, said when they are looking for an IT services provider, they want to find people "who will innovate with us." They like to partner with those who have a similar philosophy and environment, and who are not afraid to "fail often, fail quickly, and learn."

³¹ Narayan Ammachchi, "Google Starts Construction on New Data Center Near Santiago, Chile," Nearshore Americas, <http://www.nearshoreamericas.com/google-begins-building-data-center-chile/>.

Electronic Arts (EA)

Another company that has outsourced to Latin America is Electronic Arts (EA), one of the most popular and successful video game developers and publishers on the planet. EA is responsible for many well-known games, such as Battlefield, Battlefront, Mass Effect, Titanfall, and Need for Speed.

Mihai Pohontu, former Vice President and General Manager of Central Development Services at EA explained that the company is looking for people who have played games their entire life, and who have a vast knowledge of the games the company produces. At EA, it's about more than the technical expertise a developer brings to the game. They value creative developers who help games evolve.



While company leaders at EA note the importance of cost efficiency, talent is the deciding factor for them when outsourcing. They look for people who can help them make improvements to games, test software, and encourage innovation. Agile development is a driver of innovation and a popular methodology in outsourcing hubs throughout countries in Latin America. Because the local developers are agile workers, they communicate effectively and work together to solve problems with creativity³².

³² Kirk Laughlin, "Google and EA Want Bold and Brave IT Outsourcing Partners," Nearshore Americas, <http://www.nearshoreamericas.com/it-outsourcing-latin-america/>.

Chapter 7

Free Trade with Latin America

Free trade is highly encouraged in many countries in Latin America. Free Trade Agreements (FTAs) are economic policies that do not discriminate against imports or exports from other countries. Essentially, free trading allows buyers and sellers in different economies to trade with one another without heavy government involvement, avoiding additional costs and complications of:

- Fees
- Tariffs
- Quotas
- Subsidies
- Prohibitions

But free trade doesn't always mean no taxation on imports or exports. Many governments that have free trade agreements will still levy certain taxes.

The North American Free Trade Agreement (NAFTA) is a perfect example of the power of free trade. This agreement for free trade is between the United States, Mexico, and Canada. Under NAFTA, trade quadrupled, lowered the costs of imports, and created a combined GDP of USD\$20.08 trillion³³.

Sometimes, the United States does not have truly free trade with other countries, even when an FTA is in place. Yet, in countries in Latin America, there aren't nearly as many restrictions.

Free Trade Zones (FTZ) in Latin American countries³⁴ are called "zonas francas." These zones are located in³⁵:

- Brazil - Brazil's free trade zones are now famous for the advantages the zones offer manufacturers. 600 brands operate in the zones and employ 620,000 people (directly

³³ "North American Free Trade Agreement - Statistics & Facts," Statista, <https://www.statista.com/topics/3464/north-american-free-trade-agreement/>.

³⁴ "FAQs: Free Trade Zones in Latin America," Sunny Sky Solutions, <http://sunnyskysolutions.co.uk/freetradezonefaqs/>.

³⁵ "Gabriela Castro, "Free Trade Zones in Latin America - a (very) quick guide to three countries," Strong and Herd, <http://www.strongandherd.co.uk/international-trade-articles/oct-2013-free-trade-zones-in-latin-america-a-very-quick-guide-to-three-countries/>.

and indirectly). Manufacturing taxes are 35% cheaper here and import taxes may be reduced up to 88%.

- Chile - 100% of U.S. exports are duty-free upon entry to Chile. Chile's free trade zones are growing the services market in the country at a rapid pace while simultaneously expanding the market for U.S. farmers, ranchers, and manufacturers³⁶.
- Panama - Taxation on exporting, reexporting, importing, and billings is 0% in Panama.
- Uruguay - There are 12 free trade zones in Uruguay where there is no tax on foreign currency.

Advantages of Free Trade

There are many benefits of free trade, which is why numerous countries favor these agreements³⁷.

Lower Costs

Free trade helps businesses reduce their costs by using the most cost-effective resources available without geographical limits. Outsourcing and finding lower cost labor would be an example of this.

In relation to outsourcing, lower costs for equipment acquired through free trade positively affects many departments including IT, software development, customer care, technical support, and more³⁸.

Increased Purchasing Power

Free trade has the potential to improve a business' or individual's purchasing power because it allows the purchase of goods and services from another country where the foreign currency exchange rates provide cost advantages.

This allows businesses and outsourcing companies to offer lower prices to customers in the United States.

³⁶ "Chile Free Trade Agreement," Office of the United States Trade Representative, <https://ustr.gov/trade-agreements/free-trade-agreements/chile-fta#>.

³⁷ Kimberly Amadeo, "Six Advantages of NAFTA," The Balance, <https://www.thebalance.com/advantages-of-nafta-3306271>.

³⁸ "Pros of Free Trade," Chron, <https://smallbusiness.chron.com/pros-trade-3827.html>

Improved Economic Growth

Smaller countries find that free trade can improve economic growth by helping them acquire the resources needed to produce services or goods.

Many U.S. business owners believe that by utilizing free trade, each economy involved can profit without undermining manufacturing or sacrificing employment opportunities in the United States. In fact, NAFTA encouraged job growth in the United States by creating 2.2 million jobs through exporting in 2015³⁹.

Free Trade of the Americas

Let's look at a list of the agreements that are currently in place in the Americas.

- Canada, Mexico, and the United States (NAFTA)
- Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic, and the United States (DR-CAFTA)
- Chile, Colombia, Mexico, and Peru (Pacific Alliance)
- Peru and the United States (Peru – United States Trade Promotion Agreement)
- United States and Colombia (United States – Colombia Free Trade Agreement)
- Panama and the United States (Panama – United States Trade Promotion Agreement)
- Bolivia and Mexico
- Canada and Chile
- Canada and Colombia
- Canada and Costa Rica
- Canada and Honduras
- Canada and Panama
- Canada and Peru
- Chile and Mexico
- Chile and Costa Rica
- Mexico and Nicaragua
- Mexico and Uruguay
- Argentina, Brazil, Paraguay, Uruguay, and Venezuela
- Bolivia, Colombia, Ecuador, and Peru

Working with nations that trade freely has unique advantages for outsourcing partners. If additional fees, tariffs, and other restrictions are placed upon these countries, it will negatively impact outsourcing and the overall economies. If free trade were to vanish tomorrow, it would

³⁹ 'Kimberly Amadeo, "Six Advantages of NAFTA," The Balance, <https://www.thebalance.com/advantages-of-nafta-3306271>.

result in much higher prices for IT and software development services. There would be less reduction of tariffs, making it difficult to transfer the latest technologies through international partnerships.

Chapter 8

Technical Skills in Latin America

This chapter will discuss what you can expect when working with talent from countries in Latin America. When you outsource IT and software development to countries in Latin America, you won't be sacrificing talent for lower costs.

Developers in regions throughout Latin America are well-trained, have the desire to innovate, and possess the technical skills and expertise. They can get critical projects off the ground and running, completing work within reasonable time frames while providing the IT services you need to keep everything running smoothly without exceeding the budget.

Outsourced professionals you'll work with in Latin America will combine their knowledge with the latest technologies to quickly get your products to market. Let's examine more of the benefits.

For a developing economy to grow in today's world, education is essential. It encourages individuals with a thirst for improving their skills and inspires a society of influencers and creative thinkers.

Through education, fields such as science, engineering, and technology become more popular. For students preparing to attend a university, they consider the positive career outlook and job fulfillment offered in these sectors and more are preparing to enter these fields.

Educational Shift to Focus on Technology

Countries have seen a massive shift in society over the past few decades, and technology has been at the forefront of these changes.

To further advance these growing economies, governments have put more funding into incorporating technology in their infrastructures. This includes changing school curriculum to focus on technology.

Officials in countries such as Brazil have been pushing toward the development of technology centers. One of the best schools in the region for technology education is Universidad Federal de Minas Gerais (UFMG). Many professors at this university come from prestigious schools such as UCLA, Princeton, Stanford, and Oxford.

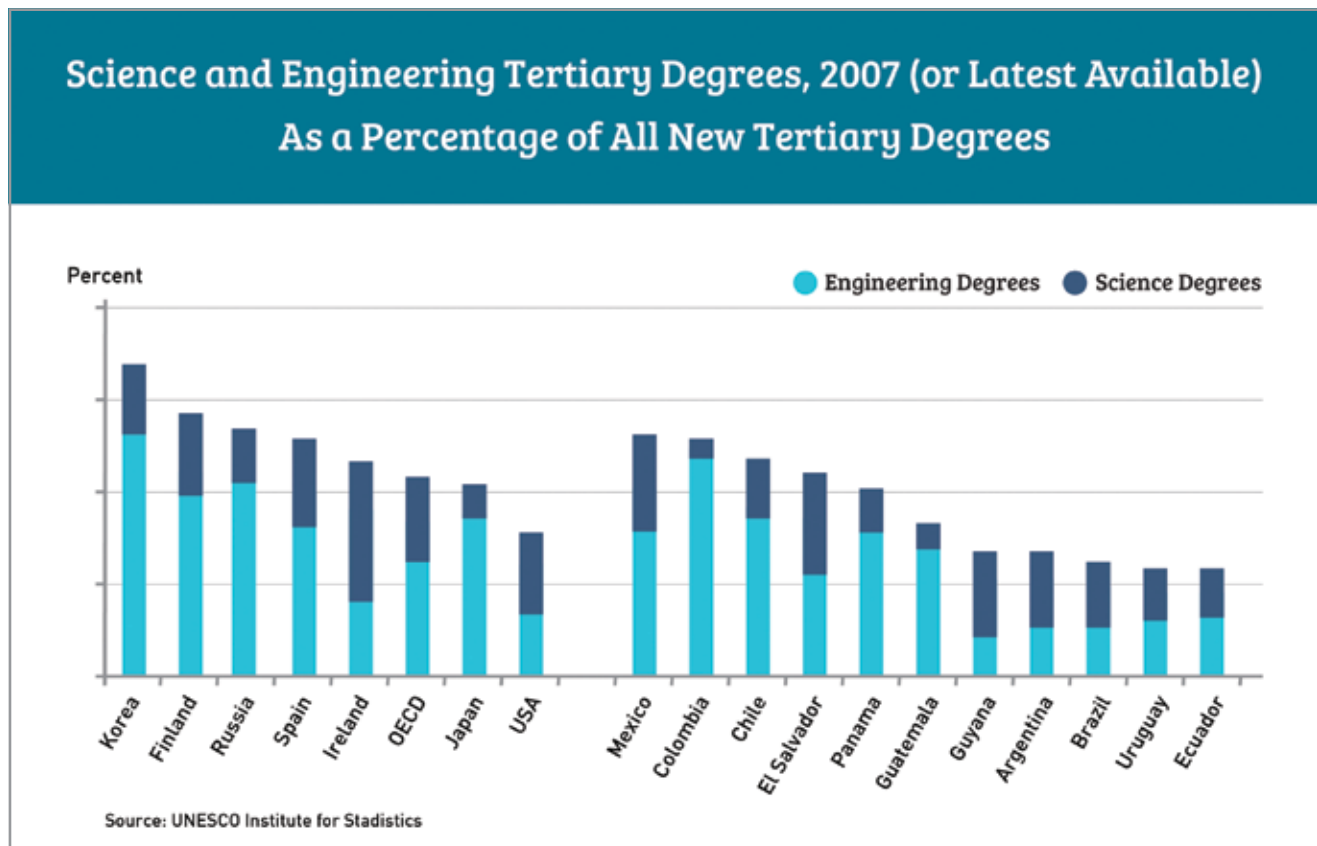
By embracing technology, governments are encouraging sustainable economic growth, which can help their country well into the future. Laser focus on technology and education improves nations on many levels by making their industries more competitive on a global scale.

In countries in Latin America, the IT industry, mobile communications industry, and education in technology are on par with what you find in the United States. Furthermore, countries in Latin America are also using the same technology and equipment that is used in the United States.

Software developers in Latin America are further encouraged to consistently improve their skills to stay on the cutting edge and help businesses be more competitive.

Many similarities exist between technology professionals living and working in Latin America and developers in some of the biggest technological “havens” in the U.S.

The only differences are the country where the developers live and the fact that you can work with individuals and teams in cities in Latin America for a fraction of what it costs in the U.S. As seen in the graph below, the technological shift in Latin America began years ago.



Certifications in the Region

Many colleges and trade schools throughout Latin America have improved their math, engineering, and science departments to coincide with those of the United States. This includes many popular certifications within the technological field as well. Among the most recognized are:

- PMP
- Six Sigma
- ITIL
- Agile Methodology
- Scrum

Project Management Professional (PMP) certification is recognized internationally and is offered through the Project Management Institute (PMI)⁴⁰.

To qualify for this certification, applicants must have a secondary degree, 7,500 hours leading and directing projects, and 35 hours of project management education, or, a four-year degree, 4,500 hours leading and directing projects, and 35 hours of project management education. In addition to meeting the professional requirements, applicants also need to take an exam that includes 200 multiple choice questions.

Six Sigma is a very popular system that utilizes modern techniques and tools to improve processes. The system was created in 1986 by Bill Smith and Mikel J. Harry, who worked at Motorola at the time. Less than 10 years later, it was adopted by Jack Welch, who made it an integral part of General Electric.

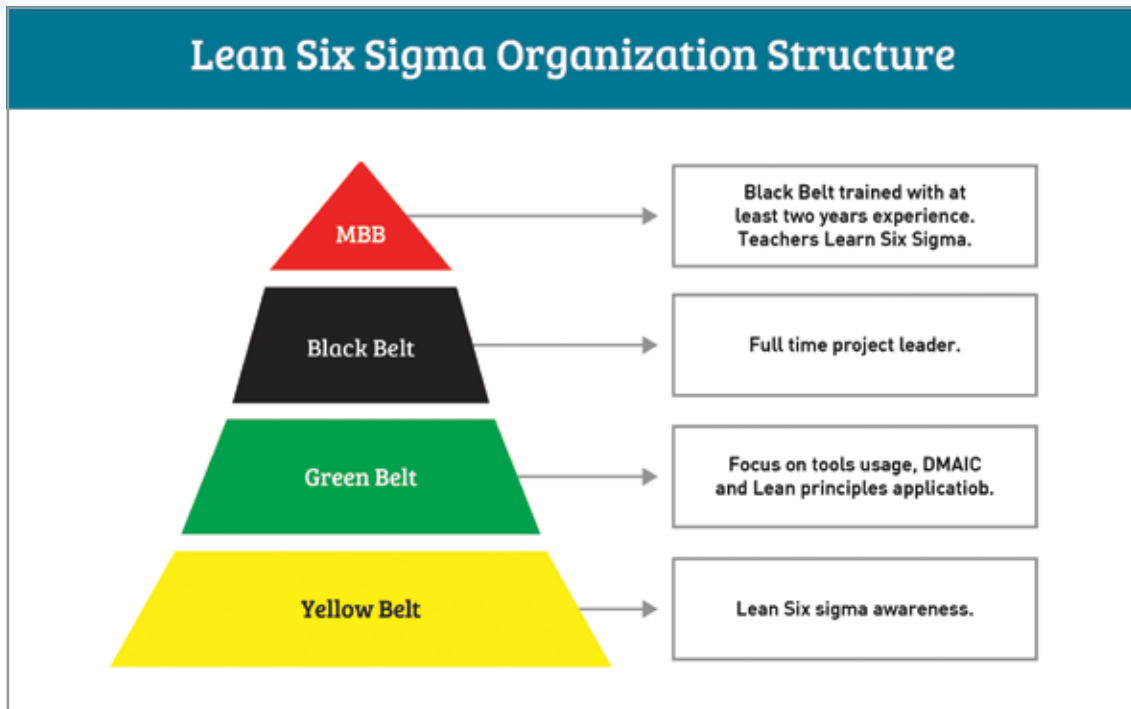
The goal of this program is to teach people how to find and remove defects in business and manufacturing processes. There are two basic types of Six Sigma professionals – project and organizational. At each level, there is a different role, as you will see below. They are sorted by their hierarchy.

Project Level

- *Master Black Belt* - Those with the Master Black Belt certification train and coach Black Belts and Green Belts.

⁴⁰ "PMP Certification Requirements," Project Management Academy, <https://projectmanagementacademy.net/pmp-certification-requirements>

- *Black Belt* - Leader of problem-solving projects who can train and coach project teams.
- *Green Belt* - Assists with the collection and analysis of data for Black Belt projects and leads Green Belt teams or projects.
- *Yellow Belt* - Those with this certification can participate as a project team member and can review process improvements.
- *White Belt* - They can work on local problem solving to help support projects, but they are not a part of a Six Sigma project team.



Organizational Level

- *Champions* - They are responsible for translating the company “vision, mission, goals, and metrics.”
- *Executives* - Establish the focus of Six Sigma in the company’s vision and culture.

Information Technology Infrastructure Library (ITIL) are practices for IT Service Management⁴¹.

The goal of these practices is to make sure the IT services provided are in line with a business’s needs. The ITIL has five main volumes, and it offers four certification levels for individuals –

⁴¹ ITIL Certification Portal, <http://www.itilcertification.org/>

Foundation, Intermediate, Expert, and Master – for those who undergo the training. The ITIL Certification Management Board manages the ITIL certification.

Another certification you may find among quality outsourcing companies in Latin America is ISO. This stands for the International Organization for Standardization, and it was introduced in 1987. ISO certifications show that a business is meeting the highest management standards, which were set by delegates from over 150 nations.

Finally, there are several agile certifications that are widely-recognized throughout Latin America and the rest of the world. Agile software development involves a number of principles related to quality management methods and is heavily based on speeding the time to market. Scrum is an incremental and iterative framework for developing software products. The Scrum methodology allows teams to deliver a set of functionality for each iteration. This provides the agility needed to respond to changing requirements quickly.

Scrum has become one of the most popular methods of Agile software development in the world. From my experience working with large organizations, it's not uncommon for them to ask if development teams in Latin America are trained in Agile and Scrum and certified, and a majority of them are. The most popular Scrum certification being Certified ScrumMaster® (CSM).

Chapter 9

Outsourcing to Latin America vs. Other Countries Why Does Latin America Shine?

You've learned about the many benefits of working with outsourcing companies in Latin America. Still, you may be wondering about outsourcing possibilities in other countries. China and India are among the most popular countries when considering outsourcing. These countries share the potential for cost savings, but do the benefits stack up in comparison to Latin America?

We'll use this chapter to answer that question.

The Similarities between the United States and Latin America



Time zones in the United States and countries in Latin America are closely aligned, with most countries in Latin America the same or just one to two hours ahead of Eastern Standard Time, making team collaboration easier and shortening response times. By contrast, the time zone differences between the United States, India, and China are vast and can slow work processes. These time differences serve as an example and provide foresight into the communication delays you may face:

- India is 9.5 hours ahead of New York, 10.5 hours ahead of Chicago, and 12.5 hours ahead of Los Angeles.
- China is 12 hours ahead of New York, 13 hours ahead of Chicago, and 15 hours ahead of Los Angeles.

“There is a very flourishing market for outsourcing in Latin America partly because it’s on the same time zone as the rest of the Americas, so it’s a natural connection,” says Eduardo Araujo⁴², VP and general manager at HP Enterprise Services.

⁴² “Nearshore Attraction: Latin America Beckons as a Global Outsourcing Destination,” KPMG International, https://i.forbesimg.com/forbesinsights/StudyPDFs/KPMG_LatAm_Outsourcing.pdf

Language similarities between the United States and Latin American countries also break cultural barriers and lessen the likelihood of miscommunication. Note how the linguistic advantages work both ways for outsourcing partners in the United States and Latin America:

- Countries in Latin America have citizens with high levels of English proficiency.
- At least 48 million United States residents speak Spanish, and while more than 673,000 U.S. residents are native Portuguese speakers, more than 60% are fluent in English.

Comparing Latin America to India

Licensing and copyright issues can become a disadvantage when outsourcing to some countries. Therefore, it's important to be cautious and understand how much control you're giving to outsourcing partners. There's always the risk that an outsourced project could be copied and resold to third parties and competitors. Personal information may be in jeopardy as well.

In 2015, India ranked 29th out of 30 countries in the International Property Index from the Global Intellectual Property Centre of the U.S. Chamber of Commerce. The International Creativity and Theft Prevention Caucus from the United States issued a report called the "2014 International Piracy Watch List" and showed that there was a lack of legal protections in India and a level of piracy and theft that had "reached alarming levels." Companies outsourcing to India should keep this in mind and take precautions with firms in the region.

Cost is another critical factor. Outsourcing should be cost-effective, but these advantages are slowly vanishing as wages increase in India. Currently, wages in India are increasing at a rate of approximately 20% per year⁴³, meaning a long-term budgeting mindset is required because project and labor costs will undoubtedly increase over time.

Outsourcing should be cost-effective.

The growing expenses of outsourcing to India has been noted for many years. In 2007, Infosys Technologies, one of the largest software vendors in India, reported a 2-3% price inflation for existing contracts and expected costs to increase continuously⁴⁴.

⁴³ Pankaj Mishra, "Rising US wages; outsourcing up," LiveMint, <https://www.livemint.com/Industry/PCKhUGcLJi0QDQh2USLaQK/Rising-US-wages-outsourcing-up.html>

⁴⁴ Pankaj Mishra, "Rising US wages; outsourcing up," LiveMint, <https://www.livemint.com/Industry/PCKhUGcLJi0QDQh2USLaQK/Rising-US-wages-outsourcing-up.html>

Comparing Latin America to China

In China, the cost of outsourcing is much steeper than in India. According to CIO.com, costs can be up to 30% - 40% higher than what you would pay when outsourcing to India or the Philippines. Salaries for IT workers in China can be extremely competitive when compared to other low-cost destinations such as Latin America.

Additionally, English skills proficiency throughout China is extremely low in comparison to Latin America. Of the 1.3 billion residents in China, an average of 10 million people speak fluent English, meaning that less than one of every 100 people in China can communicate using the English language⁴⁵. As a result, according to Gartner, you should expect to pay a premium for English-language capabilities in China.

Beyond language barriers, many outsourcing firms in China are unfamiliar with agile development and have limited training in general project management. This leads to a lack of organization throughout the development process and increases security vulnerabilities. Government leaders in China have expressed their interest in competing with India as a global outsourcing destination for IT tasks, but many local business leaders lack interest in careers as outsourcers, finding other careers more appealing and profitable.

With a lack of leadership and outsourcing skills, failed IP protection and increased risks are widespread issues for foreign partners working with outsourced teams in China.

Comparing Latin America to Eastern Europe

Ukraine, Poland, and Belarus are some of the most popular countries for outsourcing to Europe. However, Eastern European countries have not attracted business as effectively as some of the more established outsourcing destinations of the world. As a result, wages are comparable or even higher than wages in Latin America. It's also worth noting that the reliability of infrastructure, political stability, and the relatively high potential of talent that might emigrate, are all factors that must be closely examined when determining whether or not to collaborate with an outsourcing partner in Eastern Europe.

In Eastern Europe, outsourcing IT tasks and software development can be more costly for businesses based in the United States. The U.S. dollar easily converts in these regions, but the taxation systems remain unstable.

⁴⁵ "Mapped: Where to go if you can't be bothered to learn the language," The Telegraph, <https://www.telegraph.co.uk/travel/maps-and-graphics/mapped-english-speaking-countries/>

The most significant disadvantage when outsourcing to Ukraine and Eastern Europe is the time zone difference. Depending on where you live in the United States, there is roughly an eight-hour time difference between the regions. This slows communication between teams and negatively affects productivity. If issues arise, there will be a delay as in-house teams and outsourced personnel will often have to wait until the following day for a response during working hours. Furthermore, it makes it nearly impossible for teams to work together in real-time.

Chapter 10

What Should You Look for When Outsourcing to Latin America

At this point, you have a much better idea of the benefits of outsourcing to Latin America, and you see why this part of the world is ripe for technology outsourcing. Now, it's time to find the best company to partner with for your business.

While there are many options out there, you'll find that some are better than others. In this chapter, we'll go over what you should look for when you are choosing your Latin American outsourcing company.

The Basics

When selecting an outsourcing partner, it's helpful to think of it as hiring a new employee at your company. You should put in the same amount of time and research to learn more about the talent the outsourcing firm can contribute to your projects. Furthermore, you're looking to develop a mutually beneficial partnership that will provide you with the full benefits of outsourcing to Latin America. Don't be hesitant to ask an outsourcing provider about their work processes, areas of expertise, and the capabilities of their workers.

Here are some specific questions I would suggest asking any potential outsourcing partner:

- Have you worked with companies similar to mine?
- May I see a list of companies you currently work with or have partnered with in the past? What type of work did you provide for these companies?
- Has your team worked on tasks similar to the tasks my company will be needing? Was the outcome positive?
- How long has your company been in business?
- How much experience do your company leaders have in this field?

Always engage in dialogue and ask questions. If an outsourcing company refuses to answer your questions or has unsatisfactory answers, continue searching for a better fit for your business.

Communication Skills

Communication is a key factor to consider when you are deciding to outsource⁴⁶. From my experiences, I've learned many companies acknowledge the importance of communication but fall short when applying the principles for communicating properly. While your outsourcing partner must understand proper communication, this is a shared responsibility for your team as well.

Cutting costs is one of the main reasons for outsourcing, but a lack of communication can become expensive if it causes delays during development. Extending the time needed to complete the project will also negate savings because your IT team in countries in Latin America will be under contract for a longer duration of time.

As I previously mentioned, many people throughout cities in Latin America speak fluent English, and many residents of the United States speak Spanish. This eliminates language barriers that negatively impact communication. However, communication goes far beyond linguistics.

Cutting costs is one of the main reasons for outsourcing, but a lack of communication can become expensive if it causes delays during development.

An outsourcing company must have employees who take communication seriously. They should answer emails, respond to questions, and contact you if there are any issues or additional concerns. If there are communication issues, address them openly with your outsourced personnel to remedy them as a team.

Interaction from both sides is necessary for communicating. Be sure you and your team are promptly answering messages and responding to questions with clarity to eliminate problems before they start.

Ask how the outsourced team prefers to communicate during a project and establish channels accordingly. Outsourcing companies have a variety of options for communication, including emails, telephone conference calls, group messaging, and tools that combine all workplace

⁴⁶ "Communication: The Holy Grail of Outsourcing," CIO, <https://www.cio.com/article/2438045/outsourcing/communication--the-holy-grail-of-outsourcing.html>

conversations in one place. For example, platforms such as Slack, Trello, Jira, and Basecamp are all commonly used to organize conversations around specific tasks and projects between multiple teams. Not to mention, these tools can help streamline collaboration efforts and increase productivity.

Knowing that platforms like Slack increase productivity by up to 40%⁴⁷, many outsourcing companies in Latin American countries will have team-based communication platforms like these set up as an option as well.

Because of the time zone similarities, the response times between teams are usually short. Along with the quickened response times, your developers can work flexibly as changes arise to meet deadlines. However, while the time zones in the United States and regions in Latin America are similar, you should still determine the best hours for communication throughout the day.

Usually, finding common ground for proper communication isn't difficult between outsourcing partners in countries in Latin America and cities in the United States. If difficulties arise, then you can speak with the outsourcing managers for assistance getting things back on track.

Familiarity with Technology and Multiple Services

It's likely your company has the necessary tools, software, and technology for your project onsite. If your equipment is functioning properly, then make sure your outsourced personnel knows how to operate the same technologies.



Fortunately, outsourcing hubs in cities throughout Latin America work with the same types of tools used in the United States. Outsourcers in Latin American regions have access to the latest technology and employees know how to use it with expert skill, which I've learned isn't always the case when working with companies from other countries.

⁴⁷ "After adopting Slack, how much more productive is your team?," Statista, <https://www.statista.com/statistics/520856/percentage-increase-of-team-productivity-after-adoption-of-slack/>

Some of the common types of services and technologies that can be outsourced include software development, staff augmentation, UI/UX design, mobile tech and apps, engineering, software support, cloud computing, big data, and gaming and virtual reality.

Research an outsourcing company's reputation before contracting with them to learn the type of technology the outsourced employees use regularly. Always check to see what they use and compare it with what you need from your team. Among the most popular technologies utilized are HTML5, Python, Java, Oracle, iOS, Android, and PHP.

In addition, check to see the various types of projects an outsourcing team can complete. You may only need them for your current IT services, but it's possible your needs will expand in the future. By considering this, you'll have the option to work with the same company as your business moves forward and adds new projects.

Agile Methodology

Does the outsourcing provider you're considering utilize agile methodology for software development, or do they use a traditional type of project management? Agile technology is a much better option in most cases, and this method has become more popular in recent years. The movement towards agile methods is based on iterative development, meaning the project requirements and solutions continuously evolve due to team collaboration. This method requires a substantial amount of inspection to track progress and adapt during the development process. Teamwork and organization are very important with this method, and it is highly beneficial for companies.

Let's take a closer look at more agile benefits to explain further why you want to work with outsourcing firms that embrace this methodology.

*The movement towards agile methods
is based on iterative development.*

Reasons to Use the Agile Methodology

According to the Project Management Institute, 71% of organizations use Agile approaches – and with good reason.⁴⁸

⁴⁸ "Success Rates Rise - Transforming the high cost of low performance," PMI's Pulse of the Profession®, <https://www.pmi.org/-/media/pmi/documents/public/pdf/learning/thought-leadership/pulse/pulse-of-the-profession-2017.pdf>

Agile Methodology encourages teams to be more responsive to development requests. I've learned this speeds up implementation and changes with relatively short cycles when compared with other processes. There is less wasted time, effort, and resources when working as an agile team, and it has the potential to reduce the amount of time it takes to complete a project. The development team benefits as well. Their work becomes more focused on productivity with less redundancy, which gives them more time to focus on their projects.

Alternatives to the Agile Methodology

Kanban is another software development methodology that focuses on just-in-time delivery of functionality and management of the amount of work in progress (WIP).

The benefit of the Kanban methodology center around its focus on tasks. With Kansan, tasks come first and there are no sprints or a team that works on a task from beginning to end. Instead, the Kanban methodology is often used to create a pool of prioritized tasks, with the objective being to fulfill as many tasks from this pool as possible with little to no control measures.

Another lean methodology that is commonly used among software development teams is Scrum, which relies on self-organizing and cross-functional teams. Because the teams are self-organizing, issues are decided by the team as a whole, rather than one person or one team leader. With Scrum, teams are supported by the ScrumMaster, the person who guides the team and helps them perform at a high level, as well as the Product Owner (PO), which could be the business or customers that guide the team toward developing the right solution.

Proper Infrastructure

Consider the infrastructure of every outsourcing company. How is the company organized, and what type of process do they use for hiring their employees? There should also be a primary contact provided by your outsourcing firm to manage communications and keep you aware of all the changes and progress made during development.

Partner with outsourcing firms that embrace new technologies and build meaningful relationships with their workforce because this robust infrastructure ensures that you'll always have top talent working on your IT projects.

Furthermore, you should collaborate with companies with a stringent hiring process. If they are selective and hire the best in the market, it means their company infrastructure is solid. These companies care about the end result – your company's satisfaction.

Access to fast and reliable Internet connections are especially important for outsourced teams. High-speed Internet connections are critical to the success of your outsourcing project because outsourcing partners must communicate via telephone conferences and web-based applications.

In the following chapter, we'll go over some of the best primary and secondary markets in Latin America. Ideally, you want to work with outsourcing companies that have employees based in these countries.

Specializations

Consider the specializations of an outsourcing company before making your final choice. You don't want to be someone's "trial project." The outsourcing firm should have years of experience in the industry and specialize in projects with tasks similar to your company needs. These details are crucial when you're entrusting software development or IT services to outsourced personnel.

Specializations matter for technological projects, but you'll find this is sound advice no matter what tasks you're outsourcing.

Costs

As you peruse the various companies offering outsourcing services, it's only natural to compare prices. After all, outsourcing development is the preferred solution for saving money. Still, choosing an outsourcing company based solely on the best "deal" could mean that the team you're working with won't have the skills or experience required for your project. By sacrificing quality to save money, your project may fall victim to haphazard software implementation. This search for the best deal can lead to expensive delays and problems with your system that will take time and money to fix. As a result, you may spend substantially more money correcting the problems caused by careless or inexperienced teams provided at a cheaper price point. Choose your companies based on quality, and your projects can come together quickly and without hassles while cutting costs.

With that said, there's no need to seek out the highest priced vendor either. Instead, you need an outsourcing company that offers the perfect balance of high quality and fair prices.

Developers in countries throughout Latin America provide professional services at a fraction of the costs in the United States. According to the 2017 Guide to Global Software Outsourcing

Rates, Latin America is easy to recognize for competitive pricing. As an example, a Senior Developer in the U.S. may charge USD\$140 - USD\$148 per hour while a Senior Developer of equal skill in a city in Latin America may have rates of USD\$35 - USD\$50 per hour.⁴⁹



(image may be subject to copyright)

Talent Pool

Another topic that I often see come up (and that has been discussed extensively) is how much talent is in Latin America, and whether it is worth outsourcing to the countries in the region. A large number of highly skilled specialists work in these countries and can handle all your IT needs.

Be sure that the vendor you choose is using a rigorous process to determine the most talented professionals. You need talent that will assist your in-house staff and add to their knowledge base. To fully assess the available talent, request the portfolios of the developers that will be working for your outsourcing partner.

IP Protection

During many IT projects, you'll be sharing sensitive data with outsourced team members, such as proprietary information, which will be necessary to complete the project. Sharing this type of information is common practice, especially when developing software for games.

⁴⁹ "2017 Guide to Global Software Outsourcing Rates," Accelerance, <https://www.slideshare.net/accelerance/2017-guide-to-global-software-outsourcing-rates-78763123>

The World Trade Organization has worked hard to create standard intellectual property laws for many countries. Still, there is always the risk of IP falling into the wrong hands and being used with malicious intent.

Review the policies of any outsourcing company and ask how their company protects intellectual property. Outsourcing firms with comprehensive hiring processes will be less susceptible to IP theft or piracy.

However, if you have projects that require the use of your IP by service providers, contact vendors to learn more about their policies and methods of security. Check the laws in the country where the outsourcer is located to see what types of legal protections you have as well. The outsourcing firm should also be well-versed in this subject area and have all of that information on hand.

In the regions known for outsourcing in Latin America, I've discovered that protecting IP is a major concern for vendors. As the outsourcing market grows, IP laws are continuously being updated and improved to encourage more nearshore partnerships and foreign investments. Latin America is filled with a "high degree of appreciation for intellectual property. Governments are fostering the efforts of international software companies and pushing to develop local companies as well," said Roger Correa, the Compliance Marketing Director for the Business Software Alliance.⁵⁰

Can They Handle the Project in the Time Allotted?

Will the personnel from an outsourcing company be capable of meeting or beating that deadline? Without mentioning your deadline, ask outsourcing service providers how long it might take to complete your project. This will give you a closer estimate of a completion date (without unexpected delays and interruptions).

If you have a short-term project in mind, you must be realistic when setting the deadlines for an outsourced team. Be upfront about upcoming deadlines before establishing a contract. This level of transparency allows the outsourcing provider to properly estimate how long it will take to complete a project without making promises that can't be kept during the job.

Fortunately, the similar cultures of Latin America and the United States mean that workers tend to be candid about their capabilities. They don't want to overpromise and underdeliver,

⁵⁰ Matt Kendall, "Latin America Makes Progress on Intellectual Property Rights," Nearshore Americas, <http://www.nearshoreamericas.com/latin-america-progress-intellectual-property-rights/>

which helps businesses stay within their budget while satisfying their development needs. If an outsourcing company in Latin America is unable to meet a tight deadline but seems like the perfect fit for your company, try to revise your deadline if possible.

Tips for Better Outsourcing

In this book, we've focused on why outsourcing to Latin America is an excellent choice and provided tips on how to pick the best outsourcing provider for your business. In the last section of this chapter, you will find some additional tips to keep in mind when outsourcing⁵¹.

Know Your Limitations and Know What You Need

You may still be on the fence about outsourcing. If you doubt the benefits of outsourcing that we've discussed, then consider the tasks your in-house team is unable to perform. For example, your staff might not have the time or expertise to manage IT resources, create software, or build a mobile application from the ground up.

When you have certain elements of your business that your team isn't equipped to handle (or your company isn't able to pay for), know that you have limitations and an outsourcing company can help.

You have to know the full scope of the project you need to outsource and be sure you are outsourcing the right tasks to complete the project. Only outsource the services and technologies that you need. Your company should handle tasks that are inexpensive and can be done by your in-house team.

To truly determine your company's outsourcing needs and expectations, there are various factors to consider. Strategic thinking is one of the best ways to beat deadlines by helping teams to work more efficiently. Take note of the expert knowledge and skills that you and your staff already possess and utilize these talents to create a deadline-driven approach to success. Of course, you should always account for unforeseen circumstances during development.

Know What You Are Paying

When working with an outsourcing company, know exactly what your costs will be and for what

⁵¹ "IT Outsourcing: Maximize Flexibility and Control," Harvard Business Review <https://hbr.org/1995/05/it-outsourcing-maximize-flexibility-and-control>

you are paying. Speak with vendors and be specific when discussing your needs, including which teams you require, how many managers and/or team members will be involved, and what you expect the team(s) to contribute to your company. Will this be a one-off project or will there be an ongoing relationship? What fees or taxes will you need to pay?

Have a firm idea of what you need, and how large of a team it might take to complete the project before contacting outsourcing vendors. This will give you a better estimate of the total costs and help both parties to draft a proper contract.

The contract that you receive should be specific and easy to understand while explaining prices, terms, and guidelines. Never gloss over anything in the contract by assuming you know what everything means in writing. Read the contract in its entirety, and make sure you have an attorney look it over for you as well.

Avoid any unpleasant surprises by asking questions and estimating costs related to your project before signing the contract.

These are two of the easiest and most popular ways to estimate costs:

Expert Opinion – With this technique, the client and outsourcing provider will meet and break down a project into smaller, actionable steps with set deadlines to reach each milestone. An expert will then estimate the price.

Statistical Estimation – This estimation is based on statistics and uses three scenarios; the most-likely scenario, the best-case scenario, and the worst-case scenario, which is presented as the formula, $E=(a+4m+b)/6$.

- E = Estimate
- A = Best-case scenario
- M = Most-likely scenario
- B = Worst-case scenario

These estimations are simplified and work for many companies outsourcing IT development, but other options are available based on your market and the size of your team.

Remember to Be Transparent

Outsourcing is not a one-sided relationship. You are working together symbiotically and must communicate clearly. Of course, transparency should start in the very beginning. When you're clear about what you need and expect, it helps to get the working relationship off on the right

foot. Furthermore, let developers contact you if they have questions or concerns and always be responsive.

A Deloitte survey found that 78% of companies are happy with their outsourcing relationships.⁵² Likewise, developers in Latin American countries understand the power of communication and work to satisfy customers. Their transparency is part of the reason the outsourcing hubs in Latin American cities continue to expand while attracting more clientele from the United States.

Set Objectives and Goals

Clearly define your goals with your team and business partners when outsourcing. Ideally, you will be able to create a long-term relationship that is mutually beneficial for the both of you. What do you need that an outsourcing agreement can provide? Maybe your need is cost savings, improvement of quality, a more agile development environment, or improved overall efficiency.

Goals should also be measured according to data and numbers. By developing metrics early and monitoring them, you will see the impact outsourcing is having on your company. By sharing these updates while discussing progress and implementing changes as needed, your team is also twice as likely to meet set goals. In fact, 69% of companies with high-performance reviews believe discussing business goals is the best way to put a highly talented team into place.⁵³

Software Development Pricing Models		
	Time & Materials	Fixed Price
Size of project	medium & large	small & medium
Requirements	evolving	defined
Flexibility	+	-
Client's participation	significant	little
Methodology	agile	waterfall

(image may be subject to copyright)

⁵² "Deloitte's 2016 Global Outsourcing Survey," Deloitte, <https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/operations/deloitte-nl-s&o-global-outsourcing-survey.pdf>

⁵³ "Infographic: How to Set and Achieve Your Goals," Workboard, <https://www.workboard.com//infographic-set-achieve-goals/>

Take Your Time

One of the things you should keep in mind when you are outsourcing is that you are not obligated to choose your outsourcing company today. This is a big decision with a company-wide impact. Take the time to compile a list of outsourcing companies in regions within Latin America. Next, research the companies to choose the one that will meet and exceed your needs.

Types of Contracts

As you're choosing your ideal outsourcing company, decide on the type of contract that will best suit the agreement. Usually, businesses with IT departments prefer these contract models:

Fixed-price Model: This is a more traditional contract model that explains non-negotiable fees, work procedures, and requirements. Businesses prefer this model because it is straightforward, and the cost remains the same throughout the project.

The downside to this contract is the lack of flexibility and communication, preventing companies from working at scale and making changes quickly throughout the development process.

Time-and-Material Model: This contract pairs perfectly with agile methodology and is for companies that value scalability and need outsourcing teams that can adapt to unexpected changes during software development.

Your business will pay for the developer's time, equipment, and resources. The costs can be somewhat unpredictable with this contract, but its benefits far outweigh the potential drawbacks.

Chapter 11

Top Primary and Secondary Outsourcing Markets in Latin America

At this point, we've discussed the most important details worth considering before you hire an outsourcing company. You also know the benefits of working with outsourcing vendors in Latin America.

Now, it is time to take an in-depth look at each of these nations and how each one can fulfill your outsourcing needs.

Colombia

In recent years, Colombia has transformed into a nation with a focus on education and technological innovation, making it ideal for IT businesses seeking an outsourcing vendor. From the years 2003 to 2015, the IDC reported that the technology sector in Colombia had grown to five times its size.⁵⁴

In 2009, Colombia passed Law 1286 to expand the industries of science and modern technology in the country. By 2010, students in Colombia were encouraged to become IT professionals and computer science experts. Through the "Plan Vive Digital" initiative, the Ministry of Technology (MINTIC) has been able to cover up to 80% of costs related to the training of future IT professionals with help from the Colombian government, encouraging thousands of students to register for technology-based programs.⁵⁵

Ninety-five percent of computer engineers in Colombia are currently employed, but the number of available IT talent is steadily increasing. Furthermore, the government is working to provide outsourcing partners with more competitive rates for outsourced personnel.

Why Outsource to Colombia?

More than 27 million residents in Colombia now have stable Internet service both at home and

⁵⁴ "Investment in Software and IT Services," ProColombia, <http://www.investincolombia.com.co/sectors/services/software-and-services-it.html>

⁵⁵ Nathan Lustig, "The Colombian Startup Ecosystem: Bogota, Medellin, Cali, and Barranquilla," <http://www.nathanlustig.com/2017/12/19/the-colombian-startup-ecosystem-bogota-medellin-cali-and-barranquilla/>

on their mobile devices, accounting for 98% of municipalities in the country.⁵⁶

With the IT market growing at twice the rate of other countries in Latin America, Colombia has much to offer when it comes to outsourcing. Over the last decade, the software industry has been expanding rapidly as well. More than 700 multinational companies have emerged as part of Colombian investments programs, and there are numerous free trade agreements between Colombia and the United States.⁵⁷

Colombia is also home to Apps.co, which bridges the gap between the burgeoning tech market and digital entrepreneurs as they start businesses. Let's further examine the collaborative tech culture of some of the most well-known cities in Colombia to see why they are ideal destinations for IT outsourcing. Bogotá - Apps.co has its headquarters in the capital city, along with the HubBog startup accelerator and the INNPulsa business development program which have also partnered in the region to invest in local companies and tech talent.

- Barranquilla - Major companies across various industries are establishing a presence in Barranquilla through outsourcing. In addition, more than 30 new startups have come to fruition through the Macondolab accelerator and Apps.co partnership in Barranquilla.⁵⁸
- Cali - Coderise is working with the educational tech incubator Creactic to train hundreds of students and teachers looking to improve their digital skill sets in Cali. As a result, tech entrepreneurs and professionals are advancing in their fields.

Another reason to outsource to Colombia from the United States is the time zone similarities. Colombia has a single time zone called Colombia Time, which is always the same as Eastern Standard Time (EST), with the exception of Daylight Saving Time in the United States. At most, the time only differs by a few hours throughout the rest of the States.

Brazil

Brazil is famous for being a large and beautiful nation. The country covers a substantial portion of South America and the eastern coastline and is a popular vacation destination for tourists worldwide. While Brazil is renowned for its scenery and booming tourism industry, the nation also garners respect for its business-savvy residents.

⁵⁶ Jose Lorenzo Craviot, "Colombia: Social And Technological Analysis," LinkedIn, <https://www.linkedin.com/pulse/colombia-social-technological-analysis-jose-lorenzo-cravioto/>

⁵⁷ "Colombia: Foreign Investment," Santander TradePortal, <https://en.portal.santandertrade.com/establish-overseas/colombia/investing>

⁵⁸ Nathan Lustig, "The Colombian Startup Ecosystem: Bogota, Medellin, Cali, and Barranquilla," 2017, <http://www.nathanlustig.com/2017/12/19/the-colombian-startup-ecosystem-bogota-medellin-cali-and-barranquilla/>

Brazil's borders touch every country in South America, except for Chile and Ecuador. Along with the strategic location of the country, its IT sector and economic infrastructure have vastly improved over the years. Connectivity costs are lower for foreign partners looking to work within neighboring Latin American countries as well. This has helped Brazil emerge as an international leader in technology.

Why Outsource to Brazil?

Economic reforms have led to a booming economy in Brazil. The country is now the ninth largest economy in the world based on nominal GDP, and this has helped the country gain influence as a worldwide business destination.

Many business professionals believe Brazil has the potential to become a top global power. Outsourcing in Brazil is cost-effective and there's a substantial amount of bilingual talent available for work.

Among the most popular online businesses in Brazil is the e-commerce giant, Dafiti.com. The site attracts more than 50 million visitors each month and sells home items, clothing, beauty products, and more.⁵⁹ Netshoes.com.br sells sporting goods online from Brazil as well. This Brazilian company has drawn international attention, leading to the brand going public on the New York Stock Exchange (NYSE).

The university programs throughout Brazil are teaching students to utilize the latest technologies properly as they develop their skills as IT professionals. Technology companies and service providers have positioned their businesses near these universities to quickly onboard new talent and inspire them to continue their studies.

Brazil has the potential to become a top global power.

In Brazil, there are four different time zones – UTC-2:00, UTC-3:00, UTC-4:00, and UTC-5:00. While there is a difference in the times, these differences are slight when compared to time zones in the United States, making project collaboration and partnerships easy to maintain between the two countries.

Foreign investment is important to the Brazilian government, inspiring many initiatives such as the Brazilian Investor Visa Program. Through this program, foreign investors are eligible

⁵⁹ Nathan Lustig, "The Growing Business Opportunities in Brazil," 2017, <http://www.nathanlustig.com/2017/08/01/the-growing-business-opportunities-in-brazil/>

for permanent residence if they invest in a business. Furthermore, Brazil has become popular for infrastructure management and its low attrition rate, estimated to be around 5%, which makes the country even more appealing for outsourcing.⁶⁰

São Paulo is especially attractive to international clients because the city is a thriving outsourcing hub filled with skilled developers in various fields, ranging from application development to financial technologies.

Chile

Chile is another primary market to consider when outsourcing development and IT tasks to Latin America. Officially called the Republic of Chile, this country has the Andes mountains bordering it on the east and the Pacific Ocean on the west.

Like the other countries on this list, Chile has come a long way in recent years. It is now one of the most stable and prosperous countries in Latin America due to economic growth, improved infrastructure, and technological advancements.

Why Outsource to Chile?

Chile has emerged one of the most popular outsourcing destinations for the IT industry and currently places 55th in the world in the World Bank's *Doing Business* report.

The business community in Chile works hard to attract foreign investment, and the nation is accepting of foreign startups and tech businesses. Chile offers high-value services and a talented pool of workers in the IT and software fields. The local workforce numbers in the tens of thousands and developers in Chile are in high demand because they are equipped to handle complicated tech issues with creative solutions.

The country may be physically narrow when compared with many other nations in Latin America, but there are three time zones. Most of the country uses UTC-04:00 in the winter and UTC-03:00 in the summer. Magallanes and Chilean Antarctica regions use UTC-03:00 all year. The companies that are starting up in Chile are strategic and encourage nearshore partnerships by building their business models around the Chilean and United States markets. Since 2010, the Chilean government has heavily invested in the tech sector. In fact, the Start-Up Chile accelerator program has helped at least 1,700 companies establish their business in the

⁶⁰ Dino Pieczynski, "Employee Turnover Slows in Brazil, Even as the Tech Sector Remains an Economic Bright Spot," Radford Articles, <https://radford.aon.com/insights/articles/2016/Employee-Turnover-Slows-in-Brazil>

region by contributing USD\$40,000 in equity-free capital per company and helping companies open bank accounts and local offices.⁶¹

The Chilean Tech Visa is another program that has been implemented in the nation to fuel the tech economy. It allows local and foreign business owners and workers in the tech industry to get a visa within 15 days of applying. This visa centralizes global IT operations within Chile by enticing top businesses to form partnerships and open offices in the country.

At the University of Chile, Yahoo! has established a research lab to align their company with Chile's IT professionals and the innovative culture of the region. Citigroup, Synopsis, and Software AG are among the other business processing outsourcing centers for IT services in Chile.

"We want to keep moving forward so that more businesses continue thinking of Chile as the best place to start a tech company in the region, creating a virtuous cycle where everyone wins," said former President Michelle Bachelet.⁶²

Argentina



Argentina is located in the southern part of South America. Argentina is the second largest country in Latin America and the eighth largest country in the world. The country has struggled with instability when it comes to politics and economics; however, things have improved for Argentina in recent years. Today, Argentina is one of the wealthiest countries in South America.

In addition, Argentina has the second highest Human Development Index of countries in Latin America. The HDI is a composite index that includes life expectancy, education, and per capita income. When the HDI is high, it tends to mean that the education in the country is higher, as is their GDP per capita.

⁶¹ Nathan Lustig, "Chile's New Tech Visa is a Game Changer," 2017, <http://www.nathanlustig.com/2017/04/04/chiles-new-tech-visa-game-changer/>

⁶² Nathan Lustig, "Chile's New Tech Visa is a Game Changer," 2017, <http://www.nathanlustig.com/2017/04/04/chiles-new-tech-visa-game-changer/>

Why Outsource to Argentina?

As discovered with the other countries in Latin America, Argentina has all of the ingredients for a great outsourcing experience. The culture is similar to the United States and European countries, and Argentina's time zone is similar to that of the United States. The country is one of the top-ranked in the world for English proficiency as well.

Argentina has the third largest economy in all of Latin America (after Brazil and Mexico), and 80% of the population is familiar with the Internet.⁶³ One of the first American IT companies to take note of Argentina's competitive advantages was EDS in the 1990s. Today, Google, Facebook, and Intel are some of the globally recognized companies you'll find within Argentina's outsourcing hubs.

New initiatives are improving the ease of doing business in Argentina. For example, the new Entrepreneurs' Law is a program that expedites business registration in the country. Originally, registering a business in the country took 26 days. Now, it can be done online in 24 hours.

Argentina is one of the top outsourcing destinations in Latin America. It is home to some of the most successful technology businesses in the region, such as MercadoLibre and Globant. MercadoLibre is an online platform similar to eBay and Globant is a large, global outsourcing firm. Both listed are billion-dollar companies that started in Argentina.

The IT workforce in Argentina is known for being made up of self-starters who are educated and quick to resolve problems. Argentine developers tend to have both technical expertise as well as professional creativity, making them attractive team players. Software developers and IT professionals have a competitive edge in Argentina because they have free access to higher education through government support.

New initiatives are also helping teachers train future software developers with IT programming courses at public schools as well. These free programs are offered at 11 universities as part of the program Program.AR.

Thanks to Program.AR, 20,000 students are now studying information technology and computer sciences. By the year 2020, 5,000 new developers are expected to be part of Argentina's workforce.⁶⁴

⁶³ Nathan Lustig, "The Opportunities and Challenges of Doing Business in Argentina," 2017, <http://www.nathanlustig.com/2017/06/11/opportunities-challenges-business-argentina/>

⁶⁴ ProgramAR.com, <http://program.ar/>

Argentine developers tend to have both technical expertise as well as professional creativity, making them attractive team players.

Businesses within Argentina and companies that are operating internationally have based their brands around their IT infrastructure. The Chamber of Software and Information Services (CESSI), reports that nearly 4,300 of these companies are in Argentina.⁶⁵ New developers are entering the industry, and outsourcing partners in the United States now have a wider range of options to cater to their exact needs when choosing an outsourcing firm.

Mexico

Mexico is the United States' nearest neighbor to the south. It is the sixth largest country in the Americas, and it has a population of more than 120 million people.

Mexico will become the 7th largest economy in the world by 2050 and with a fast-growing middle class and heavy government investment in technology and telecommunications infrastructure, the country offers vast business opportunities.⁶⁶

Why Outsource to Mexico?

Along with location and cultural and linguistic similarities, Mexico is ideal for outsourcing IT because the country is on the cutting edge of technological innovations.

The technological and electronics industries have grown remarkably in the last ten years. Because the education system has improved, more people have entered the computer, IT, and software fields. In fact, Mexico ranks as the 8th country in the world for the most engineering graduates, with more than 113,000 students graduating each year.⁶⁷

One of the other advantages of outsourcing to Mexico is the country's NAFTA membership. This allows for a free flow of goods and services between Mexico, the United States, and Canada. In addition, Mexico has established intellectual property rights and laws, so you can be assured that your IPs are protected when you outsource.

⁶⁵ Chamber of Software and Information Services, <http://www.cessi.org.ar/>

⁶⁶ Nathan Lustig, "Doing Business in Mexico: A Look at the Opportunities and Challenges," 2017, <http://www.nathanlustig.com/2017/07/12/business-mexico-look-opportunities-challenges/>

⁶⁷ Jared Wade, "Mexico is a World Leader in Engineering and Computer Science Grads," Mexico-IT.net, <http://www.mexico-it.net/mexico-become-world-leader-engineering-computer-science-graduates/>

In Mexico, two of the top outsourcing hubs are Mexico City and Guadalajara.

Mexico City is one of the largest cities in the world with a population of 21 million. The city prides itself on innovation and being a startup capital that is often compared to Silicon Valley. Accelerators, private investments, and federal capital is available through various government programs and educational initiatives in Mexico City. Startup Weekend Mexico and 500 Startups Latam are two organizations famous for investing in technology companies.

The Nacional Financiera (NAFIN) is popular in the city for investing in innovation and small businesses as well. The Instituto Nacional del Emprendedor (INADEM) is also well-known for helping technology companies by contributing more than USD\$600 million to funding.⁶⁸

Guadalajara is another city that has attracted globally-recognized foreign investors and tech companies such as IBM and Hewlett Packard - and with good reason. The next generation of top engineers is currently being trained through the University of Guadalajara, Ciudad Creativa Digital Guadalajara (CCDG), and Reto Zapopan.

With foreign investments, emerging digital startups, and government initiatives that solidify the city's reputation as a tech hub by investing in engineering and IT training, outsourcing to Guadalajara is a way to connect with top talent and creative developers.

Secondary Markets to Consider for Outsourcing

The preceding list details the largest primary markets for you to consider when outsourcing to Latin America, but it's important to remember that they are not the only markets available. There are many regions with highly talented IT professionals who would make a great addition to your team. The following are some of the top secondary markets you might want to consider for your outsourcing needs.

Costa Rica

Costa Rica is officially called the Republic of Costa Rica. Throughout the history of the nation, the Costa Rican government has invested heavily in the health and education of the people. For this reason, you will find that Costa Rica has a highly educated populace when compared to many other countries throughout the world. Due to its educated workforce and economic stability, Costa Rica is an attractive and viable option for outsourcing.

⁶⁸ Nathan Lustig, "Doing Business in Mexico: A Look at the Opportunities and Challenges," 2017, <http://www.nathanlustig.com/2017/07/12/business-mexico-look-opportunities-challenges/>

Why Outsource to Costa Rica?

In Spanish, Costa Rica translates to “Rich Coast,” which is fitting for a small country with a GDP of USD\$74.9 billion.⁶⁹ When it comes to foreign investments, the United States has been Costa Rica’s greatest contributor, creating a trade surplus between the two countries that equaled USD\$1.6 billion. The free trade agreements between the U.S. and Costa Rica further strengthens the relationship between these economies.

Costa Rica is a nearshore location on Central Standard Time (CST) that embraces the agile development methodology and mindset. This makes Costa Rica one of the best countries in Latin America when it comes to time zone similarity and team collaboration.

Development teams in Costa Rica tend to be well-organized and are dedicated to developing the best products and services. The developer community in Costa Rica is so strong that it has been compared to Silicon Valley. Many companies have already started to tap into the talent in Costa Rica because there is an abundance of IT and development talent in the country.

Companies that have started to outsource here include:

- IBM
- HP
- Intel
- Emerson
- Trane
- National Instruments
- Wright Metal

With the numerous benefits that Costa Rica offers, the country is quickly moving from a secondary market to a primary market for IT professionals and outsourcing partners.

Uruguay

Uruguay is located in the southern portion of South America to the north of Argentina and south of Brazil. The country has also been one of Latin America’s best-kept secrets as an outsourcing destination and software development hub.

Uruguay ranks second for economic freedom and income equality and is the third best country in Latin America when it comes to HDI and GDP growth. It is a peaceful and prosperous nation

⁶⁹ “Costa Rica” 2018 Index of Economic Freedom, <https://www.heritage.org/index/country/costarica>

with a stable government and a lack of corruption, also placing the nation as the third best country in the world in the E-Government Development Index 2014 according to the United Nations Public Administration Country Studies (UNPACS).

In addition, the country has made great strides in education and technology. As a testament to its forward-thinking society, almost 95% of electricity in Uruguay is from renewable resources.

Why Outsource to Uruguay?

The IT infrastructure is extremely important to the government in Uruguay. Ninety-nine percent of citizens have access to high-speed Internet. Government officials also believe in familiarizing the children with technology at an early age through an innovative policy that gives every child a laptop while attending state primary school.

Tryolabs is also operating in Montevideo and San Francisco as a tech company building products that function using artificial intelligence. The Tryolabs teams are experts in Natural Language Processing (NLP) and the company offers scholarships to computer science students in Uruguay.

Outsourcing software testing to Uruguay can give your team a competitive advantage during development. Uruguay has gained popularity as a Quality Assurance hub due to the large presence of testing experts and educational software testing programs such as Centro de Ensayos de Software and Proyecto Nahual.

When outsourcing to Uruguay, you'll connect with software engineers who are well-trained and work with outsourcing firms at affordable rates. The 12 free trade zones in Uruguay makes it even more beneficial when partnering with outsourcers because the zones are free of most taxes and fees. In the zones, exchanging foreign currency is free as well.

Peru

The Republic of Peru is located in the western portion of South America and is bordered to the east by Brazil. Peru is a nation that is steadily progressing, boasting a high Human Development Index score and a school system that continues to raise its standards so students can have access to top educational programs.

While the main economic activities include mining, agriculture, fishing, and manufacturing, there is also a growing IT and software development presence in the country.



Tech companies are working together to further emphasize the strength of the technology sector in Peru and highlight the expert talent available to international partners. APESOFT (Peruvian Association of Software Producers) is currently one of the most popular software development associations in the nation. To maintain a competitive edge, APESOFT further encourages vendors and IT professionals to seek proper certifications, such as ISO 9000.

Why Outsource to Peru?

Many tech businesses in Peru look forward to working with companies in the United States, and IT professionals are implementing creative solutions to expand the tech market and attract more foreign partnerships. As an example, while the demand for IT services continues to grow, IBM is addressing this need by launching a cloud data center in Peru for Big Data analytics and cloud computing services. Located at the Technology Campus of La Molina in Lima, IBM's center focuses on scalability, resiliency, and enhancing productivity.

Along with government investments, there are private funds and contests through incubators like StartUp Peru.

StartUp Peru is one of the many programs that are emerging to inspire local developers to think outside of the box and learn new technologies while becoming more competitive on a global scale. This type of thinking will benefit your business when outsourcing because IT talent in Peru will enjoy approaching complex issues and problem-solving as a team.

Continue Exploring Your Outsourcing Options In Latin American Markets

Again, the countries listed above are just some of the top markets you can consider when looking to fill your outsourcing needs. If you've taken the earlier advice and spent some time researching a quality outsourcing vendor, then speak with them about the countries in which they work. They may have employees working in the countries listed above, or the outsourcer might have employees in other emerging Latin American countries we haven't discussed.

Conclusion

Now that you've reached the end of the book and have a much better idea of why so many organizations have decided to outsource to countries in Latin America, it's time for you to make your decision.

Is outsourcing the right solution for everyone? While it can help many companies in the United States in need of technical talent at affordable rates, there is always the chance that outsourcing may not be the right solution. Still, keep outsourcing in mind and remember its numerous benefits when your company is in need of talented and flexible personnel.

Over the many years I've worked in this industry, I've learned that when you outsource to Latin America, it can save money for your company without sacrificing quality. The governments, economies, and infrastructure has changed drastically in many Latin American countries in the past decade. With those changes, many innovative and talented outsourcing companies have sprouted up in the region. From my experiences, outsourcing to the right partner has both short-term and long-term advantages, helping your business get to market faster and reducing costs overall.

The important thing is to be sure that the outsourcing company you choose hires only the top talent in the region. With the right talent in place, coupled with the similarities in culture and time zones, you'll have fewer delays and communication barriers when working with your new outsourcing partner.

You now have plenty of information about the best countries in Latin America for outsourcing, tips for improving your outsourcing partnerships, and even information on some of the barriers you will need to keep in mind.

By following my advice and the options outlined in this book, you'll be able to develop a fruitful relationship between your company and a high-quality outsourcing firm in Latin America that you can depend on any time you need additional support for your in-house teams. Additionally, if you choose to outsource to Latin America, your company can maintain a competitive edge while working at scale and staying on budget if you stick with my guide.

About the Author



This book was written by Ignacio “Nacho” De Marco, who was born and raised in Argentina. He is the co-founder, CEO and chief business officer (CBO) of BairesDev LLC. Before starting BairesDev, he was the senior project manager of Kapsch TrafficCom AG in Australia. In addition, Nacho served as a project manager at Google and FPA Software, and a project leader at Electronic Securities and Foreign-Currency Trading Market of Argentina.

De Marco worked as a software developer for DMI Software SRL and started in the field working as a data entry expert for Coralco S.A. In the early 2000s, he worked for TH Collection Services as a software architect, software developer, and project leader.

Nacho De Marco knows the ins and outs of software development and computer systems engineering. He has studied extensively and worked “in the trenches” to further his knowledge and skills. This drive and experience led De Marco to create his own outsourcing company, bringing together Latin American talent and connecting them with United States businesses in need of their expertise.

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