Build Operate Transfer 2.0

Build Operate Transfer 2.0:
Mexico's Value Proposition

digitalhype
Nearshore partners

Nearshore
Americas

Abstract

In a post-Covid world, what will Mexico have to offer as a nearshore destination? The pandemic has made remote working part of the new normal and is spurring on US companies to look to their southerly neighbors for responsive and reactive ways to outsource. The BOT model (Build, Operate, Transfer) model is offering an evolving value proposition for companies who are looking for the opportunity to build their own teams from Mexico's diverse and mature talent pool.

Mexico is the perfect link between North America and Central and South America, with a cultural affinity with both continents and a hardworking, educated workforce that is often bilingual. Add to this an understanding of BOT 2.0, and Mexico is being seen with new eyes.

More than just a destination for IT outsourcing, software development or recruiting talent, Mexico is also the door to the lucrative Latin American market and is primed to serve the growing US Hispanic market too. Its location, time zone and travel links make it an easy fit for those looking to avoid the challenges of offshoring. With a long history of US trade and a mature BPO sector, Mexico is repositioning itself, banking on its talent and its track record to move beyond the cost arbitrage proposition associated with offshoring to an offering based on quality and efficiency.

This eBook highlights how Mexico is developing its nearshore offering to meet increasing demand from the United States and what companies looking for Nearshore partners should consider when building an engineering team in the current context. It explores the value of the BOT 2.0 model and how to leverage its flexibility to benefit from Mexico's talent, diversity, and nearshore position.
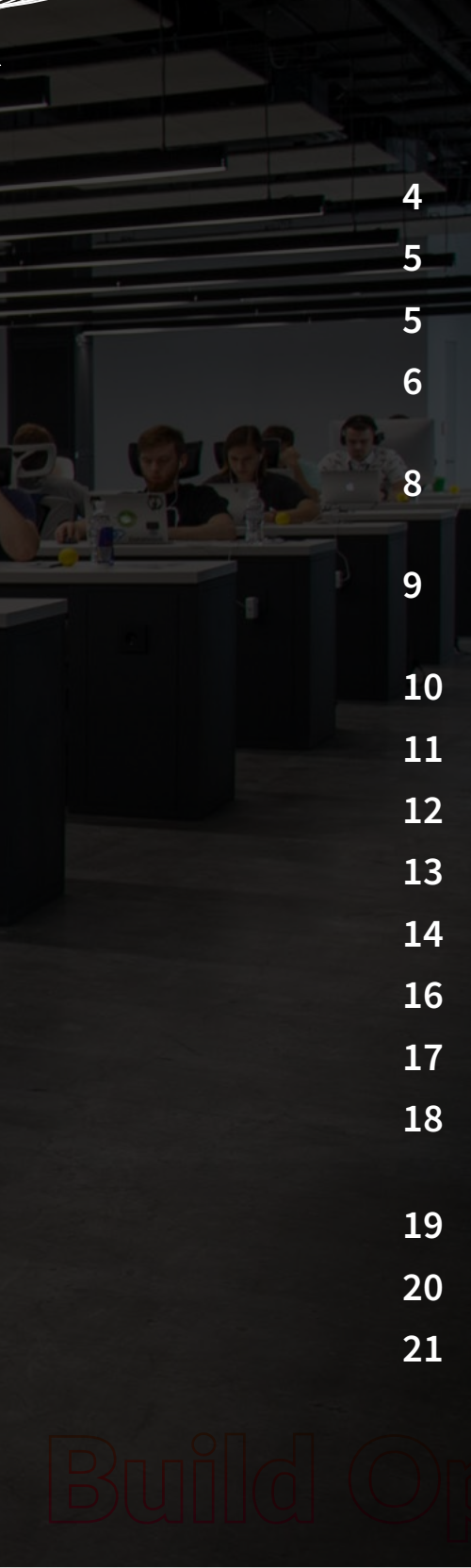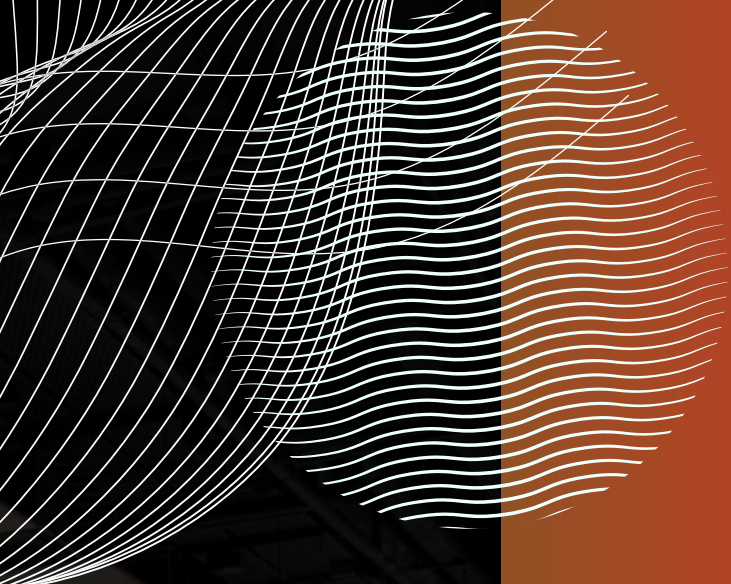
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The Post-Covid Mexico

The United States' largest trading partner, Mexico is the second-largest economy in Latin America and the 15th-largest in the world, with a diversified economy valued at US$1.3 trillion linked to its deep trade and investment relations with the US, according to the International Trade Administration (ITA). With more than US$21 billion in exports, it is the third-largest IT exporter in the world.

Gartner Research ranked Mexico third globally for nearshoring and offshoring services, behind India and the Philippines, according to the International Trade Administration. The report by the ITA, also noted that "Mexico is also developing IT clusters throughout the country to offer IT, software development, call center, high-tech manufacture, and engineering services to domestic users as well as to countries in North America and Europe." It added that there was a growing interest in Software as a Service (SaaS), Infrastructure as a Service (IaaS), and Platforms as a Service (PaaS)

Within this context Mexico is positioning itself as a more mature offering for more complex software development and IT services projects, using a BOT (Build, Operate, Transfer) model to offer greater value to US and other nearshore customers. The Covid-19 pandemic has seen remote work become the new normal and encourage companies to hire developers directly, meaning that nearshore companies need to differentiate themselves with more complex offerings that better suit the needs of the US base.

Mexico already has a solid business process outsourcing (BPO sector). According to the BPO Services in Mexico report by MarketResearch.com, in 2020, the Mexican BPO services market was expected to generate total revenues of US$2.4 billion, representing a compound annual growth rate (CAGR) of 0.7% between 2016 and 2020. The country is now looking to make itself the first choice for software development and IT services.

Mexico's geographic location makes it an important connection point for North, Central and South America. Mexico City, Guadalajara and Monterrey all boast diverse technology and industrial hubs, and emerging locations like Aguascalientes are positioning themselves as IT services and software development specialists.

As demand for IT services, BPO, and software development grows and companies realize the benefits of remote working in distributed teams post-Covid, Mexico is poised to benefit from its strategic location, bicultural and bilingual workforce, and an ambition to be the nearshore destination of choice.

Mexico by the Numbers

Population:
127.6 million (2019)

GDP per capita:
US$9,946.0

Foreign Direct Investment (FDI) inflows (2020):
US$33 billion

Competitiveness:
Ranked 46 out of 140 countries

Ease for Doing Business:
Ranked 54 out of 190 countries

Average salary:
Between 100,000 pesos (US$5,040) for a PhP developer and 840,000 pesos (US$42,300) for a software architect annually; $20-50 hourly rates for web development. These rates vary depending on the level of experience and expertise and the language ability of the developer. Bilingual developers with high levels of English proficiency will tend to be towards the higher end of the scale.

Sources: World Bank, OECD, WEF 2018, UNCTAD, Doing Business 2018, Deloitte, Clutch, Upwork, Statistica

Mexico's Nearshore Advantage

Time zone proximity and travel links: As the United States' closest Latin America neighbor, Mexico enjoys a similar time zone to the US, with Guadalajara being just two hours ahead of San Francisco. Excellent transport links and short flight times mean that travel is quick and easy.

Cultural affinity: Mexico's close geographic location is matched by its closest cultural affinity with the United States and shared experiences of film, television, music and more. The two countries have a long history of trade too, and a shared business culture focused on achieving objectives and delivering solutions.

Bilingual, skilled workforce: Mexico's population is young, educated, and hardworking, with many bilingual workers in Spanish and English. Growing language proficiency in other languages such as German and Japanese is also emerging. Mexico has more than 200,000 software developers, according to StackOverflow data, with an increasing number of graduates in STEM.

USMCA protections: The new United States–Mexico–Canada Agreement builds on the close relationship of NAFTA and offers legal protections to those seeking services from Mexico.

Cost-effective quality: While Mexico is looking to position itself in terms of efficiency and quality rather than pure cost, labor costs are significantly cheaper than in the United States and offer cost savings as well as access to a skilled workforce.

Mexico

Mexico City

Build Operate Transfer 2.0

A Growth Mentality: Aguascalientes and Bajío region

While much focus for Mexico as a nearshore destination has focused on cities such as Mexico City, Guadalajara, and Monterrey, the Bajío region and the city of Aguascalientes has taken strides to position itself as a destination of choice for foreign investment and nearshore software development and IT services.

The government's proposal that the Mexican embassies scattered across the globe taken on the role of ProMexico after its dissolution was unworkable due to their lack of knowledge and experience in this area and the small numbers of staff at their disposal. The result was that the local states within Mexico took it upon themselves to band together to address this gap and position themselves as attractive destinations for nearshore activity.

Situated in the center of Mexico, Aguascalientes and the Bajío region is an important mid-point connecting to several of Mexico's cities, including Guadalajara, a two-and-a-half-hour drive away, Monterrey, and León, and other states.

The Bajío region comprises of the states of Aguascalientes, Jalisco, San Luis Potosi, Queretaro, and Guanajuato and together is the fastest growing region in terms of GDP growth over the last decade. It is also the region in Mexico that has attracted the most foreign investment. Its population of 22 million, represents a 6th of the total population in Mexico, and if it were a country, it would rival Romania or Chile in terms of economic size and strength.

Zacatecas

Aguascalientes

San Luís Potosí

Guanajuato

Queretaro

The state governments of the region have responded to federal government withdrawal from the global investment stage by pursuing their own agenda together. Aguascalientes has joined in two separate alliances with other states to address the promotion needs of the region.

At the time of its formation in 2019, the Central-Bajío-Occidente Alliance was described by the governor of Guanajuato, Diego Sinhue Rodríguez Vallejo as "**the economic and industrial engine of Mexico.**"

The Alliance works to promote the interests of the region as a whole, rather than focusing on any one particular state and leverages the existing interest in Bajío as a region.

The second alliance, which started as a political intervention by the governors of 10 Mexican states is called the Federalist Alliance and has been vocal in its criticism of and opposition to the presidency on AMLO. The 10 governors are from Chihuahua, Jalisco, Nuevo León, Durango, Guanajuato, Tamaulipas, Coahuila, Colima, Michoacán and Aguascalientes. Its political mandate has now evolved into an economic one and the Alliance has founded a new agency called Invest in Mexico.

"**We're not giving away land. We're not reducing taxes. But what we are doing is focusing on attracting the types of companies that focus on developing human capital,**" Infante says.

He sets out three factors that the governments of these states are looking for in terms of investment:

- The level of investment
- The amount of labor that is created
- The quality of the labor that is being created

It is this last factor that Infante says is the most important. Maintaining and improving the quality of life for talent and guaranteeing social stability in the region remain priorities for government. "**So, for instance, if we have a company coming here in the manufacturing sector, with the aim of creating 2000 jobs that will be paying minimum wage, we prefer to have a company that only hires 100 people in the IT sector, but that pays five or six times more than the average in the manufacturing industry. As we have this clear idea in our minds, we are able to direct a more appealing type of investment into our region,**" he says.

"We also realized that we were able to collaborate, not to compete, and to do all of these things without the support of the federal government has been a fantastic thing, because not only has it opened some doors, but it also has allowed us to visualize that we are more in control of our own destiny, than we even though at the very beginning." – Eduardo Infante, Deputy Secretary of Investment for Economic Development at the State Government of Aguascalientes

What this has meant is that the region is building up not only expertise in more specialized areas of IT and in the BOT 2.0 model, but also developing its talent pool to meet the needs of this approach.

"When we say that the talent of Aguascalientes and the talent of the Bajío region is really competitive, we're not just saying because we want it to be competitive; We are saying it because people here are educated, people here are young; they are fluent in a second language; they have a mathematical driven approach toward developing problem-based solutions. And these in the end, creates for a rather appealing kind of worker for companies that are working globally." – Eduardo Infante, Deputy Secretary of Investment for Economic Development at the State Government of Aguascalientes.

Mexico is working hard to grow its entrepreneurial sector and start-up culture, with the growth of unicorns such as Kavak and Cornershop helping to attract more investment from the US. Venture capitalist Juan Cervantes, CEO from Trebol Capital and partner of DigitalHype, says that part of the challenge is to educate more potential investors about Mexico as a country and as a site of possible investment. The Mexican Association of Private Equity and Venture Capital funds has 100 funds and, Cervantes says, the capital for the funds is increasing by 12% annually on average. "This growth is helping the environment of the new entrepreneurs to build solutions, to build companies, then gain success out of Mexico," he says.

The Mexican Offer: People, Resilience, Opportunities

Young, educated, and adaptable – that is how Mexican talent is often described in the IT sector. The country is known for its resilient and flexible workforce, quick to come up with solutions and ready to work harder to achieve goals.

The median age of the country's more than 128 million inhabitants is under 30. In the Bajío region, it is 27, and in Aguascalientes, with its population of 1.3 million, it is 26. Education is encouraged and incentivized in Mexico and about 40% of those in Aguascalientes, for example, have technical or university qualifications.

Many are fluent in languages other than Spanish, including English and even Japanese and German.

The interest in STEM is high throughout Mexico. With more than 3,000 universities in the country – more than 25 in Aguascalientes alone – the country has worked to boost its STEM graduates with institutions such as Mexico's ITESM (Instituto Tecnológico y de Estudios Superiores de Monterrey), which has 30 campuses in 25 cities.

According to the Engineer 2020 Report by Terminal Mexico, there are over 200,000 highly skilled developers and software engineers in Mexico, a figure that is increasing annually. Since 2014, STEM and ICT graduates have increased by an average of 7% annually, with more than 320,000 fresh graduates every year, according to the report. In the Bajío region, about 30 to 33% of the talent in the region is within STEM majors, meaning it has the highest number of engineers per capita in the country.

Compared to the U.S job market, this has meant that hiring in Mexico is usually quicker, since there are as many as three times as many candidates per open job role in Mexico versus the US. Significantly turnover is also much lower, with the Engineer 2020 Report noting that hiring and retaining talent is 62% more likely in Mexico than it is in the San Francisco Bay Area. Mexico has almost three times as many job candidates per open role when compared to the United States.

Engineering Change: Women in IT in Mexico

Change will take time, but Mexico is already seeing an increase in the number of women involved in the economy, according to the OECD. In comparison to the U.S where approximately 47% of the workforce is female, Mexico sits at 36.6%, although this represents an increase, jumping from 33.6% in 2000.

According to a recent report by SAP Mexico and Laboratoria, while less than half of women are economically active in Mexico, the situation is even more dire in the historically male-dominated technology sector, with only 14% of Information and Communication Technology (ICT) professionals in Mexico being women.

The report identified several barriers to increasing the number of women in tech. Work is being done to change this, though. Initiatives like Experimento, which aims to spark an interest in STEM subjects among preschool-aged girls, and Laboratoria's work to train and upskill women throughout Latin America are making strides in improving the situation for women in IT and increasing the number contributing to the sector.

Perla Ranger, a Senior Functional Tester and Business Analyst working for a fintech customer at Digitalhype, is testament of this. Perla worked as a developer, before moving into testing. She has worked across a range of companies from Accenture in Mexico, to Tata Consultancy Services, before joining Digitalhype at the start of the pandemic.

"When I was studying, I was one of only two or three women in the class. It's changing. There are more women interested in tech now and I have seen more women entering the industry and have had the opportunity to work with more women developers," she says.

Perla is also volunteering with an initiative to encourage young girls to consider careers in engineering. She believes that having role models in the industry is important to grow the number of women in the tech industry.

Perla Rangel, Senior Functional Tester and Business Analyst

Beyond Cost:
A Changing Proposition

Mexico remains a competitive cost proposition, but the increasing focus on quality over cost has meant that the nearshore advantage is different, predicated on benefits that move beyond pure cost savings. The regional and local government initiatives are taking a leading role in this repositioning.

"We want companies that establish themselves in Aguascalientes or in the region to be more focused on being competitive and providing good wages and salaries for the people and taking advantage of the talent and the technology, the human capital that we have available. So, we're trying to move away from competing from costs, and incentives markets to efficiency-driven markets," Infante says. Traditionally, costs to employ a software engineer in the United States are seven to eight times higher than in Mexico.

Mexico's forays into Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS), and Software-as-a-Service (SaaS) have not gone unnoticed, as U.S companies look for needed skills and expertise in these areas.

 Kearney also noted that "as it becomes more difficult to get H-1B visas, IT services providers are increasingly locating in Canada or Mexico to reduce their dependency on American visas." Regions like Bajío are banking on its quality of life, skilled workforce and growing profile to make it an attractive option for this kind of investment.

Mexico ranked 11th in the 2019 Kearney Global Services Location Index, a jump of 2 places from 2017, largely spurred on by what the study termed considerable improvements in both the country environment as well as the country infrastructure components. The report also noted that QA Source, an American software testing services provider, has opened a delivery center in Aguascalientes, allowing in-house engineers in the US to work in the same time zone as their Mexican counterparts, and highlighting the strength of Mexican Tier II cities.

The BOT 2.0 model can help companies leverage Mexico's strength and changing value proposition to address the evolving needs of the business of tomorrow.

Mexico:
Evolving opportunities

A repositioning of federal priorities has had unforeseen positive impacts for Mexico, particularly in terms of local and regional government initiatives with states banding together to push forward with their investment agendas and position their regions as attractive nearshore options.

Mexico's inclusion in the United States-Mexico-Canada Agreement (USMCA), which came into force on July 1, 2020, and replaced the North American Free Trade Agreement (NAFTA), has meant that the country has retained its important position as a strategic trade partner.

"**The fact that we belong to the USMCA makes it relevant for Mexico to remain competitive, even though there's been a lot of political struggle and turmoil in that region in the last two years. We, in the most competitive Mexican states, believe that the position of relevance of Mexico is not to be lost, mainly because of our partners, not wanting to do so,**" explains Eduardo Infante, Deputy Secretary of Investment for Economic Development at the State Government of Aguascalientes. "**It is important to know that the United States and Canada will be providing the conditions so that Mexico, and its talent, remain competitive.**"

State governments in Mexico are taking note of the way the country's internal struggles may be perceived. "To the average foreign investor, it may seem that Mexico is missing some competitiveness. But when you drill down into the details, there are many supply chains that have been strengthened," Infante notes. He highlights the aerospace industry, information technologies, the automotive industry and the pharmaceutical industry.

Mexico has held firmly to its position as top ranked Nearshore destination, bringing in more exported nearshore business than rivals, Brazil, Costa Rica, Colombia and Chile. It is primed to offer the best in terms of the Build-Operate-Transfer (BOT model) as it evolves into version 2.0.

Understanding BOT 2.0

Adapted from a model introduced in the 1980s as part of governments' efforts to systematically raise off-balance-sheet financing for infrastructure and industrial projects, the Build-Operate-Transfer model emerged from the government sector.

Over the last ten years, BOT development schemes in the area of infrastructure have effectively gained international recognition and acceptance as a finance apparatus to design, construct, operate and manage large-scale public functions and projects by private investors at no or minor cost to public authorities worldwide, according to Demetris Savvides.

Build-operate-transfer (BOT), according to Gartner Research, is a contractual relationship in which an organization hires a service provider to set up, optimize and run an IT or business process service delivery operation with the contractually stipulated intent of transferring the operation to the organization as a captive center. BOT is a hybrid model, combining elements of the "build" option, usually referred to as insourcing or captive center, and the "buy" option, that is traditional in outsourcing.

The BOT model in IT has become popular because of the growing need and demand to build specialized and experienced teams from onshore to nearshore/offshore delivery models that will bring value to the organization through good practices and well-defined processes, and to grow those capabilities shoulder to shoulder with clients.

It leverages the best of what nearshoring has to offer and combines the benefits of insourcing with those of outsourcing to build a team with the client and to the client's specifications.

BOT 2.0:
An Evolved Approach

Today, the BOT model has evolved dramatically due to the "new normal," as the world pivoted to remote working and a realization of the possibilities of distributed teams and different approaches to working. Its processes and methodology have adapted, but remain centered on the BOT model's primary benefits.

Mexico is an ideal locale for such an approach, supporting the development of a deep strategy that allows you to have your engineering team in a lower cost but high-quality location, with a wealth of talent in a variety of IT specialisms.

The changing paradigm of a post-pandemic world means that existing trends have accelerated, and the BOT model needs to adapt with it. The 2021 Work Trend Index, which analyzed findings from a study of more than 30,000 people in 31 countries, found that employees want the best of both worlds, with more than two-thirds demanding flexible remote work options to continue.

Simultaneously, more than 65% also craved more in-person time with their teams. This means a change to the way that physical spaces are configured and a focus on responsive, adaptable policies that allow for this kind of hybridity. The study found that 66% of business decision makers are considering redesigning physical spaces to better accommodate hybrid work environments.

In this context the BOT model needs to be adaptive to changing approaches. Traditional BOT did not consider remote work. This kind of model was executed from a single-location captive center. Today's sourcing strategies require providing room for remote work in order to remain competitive in the talent market and the BOT 2.0 model is responsive enough to allow for this.

To respond to the needs of an evolving sector, BOT 2.0 providers must incorporate full support for remote operations within the destination country in multiple locations at the same time. This means more than just allowing for a remote work strategy, and the management of remote culture, but also looking at remote work regulations compliance.

In the BOT 2.0 model, IT infrastructure and equipment management, multiple facilities access, and having a Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP) on a remote environment are crucial components, allowing for companies to address a changing environment and employee and employer demands, while benefiting from what BOT has to offer.

Adopting a BOT 2.0 model offers the following benefits:

1. Rapid scaling

2. Leverage from remote work benefits

3. Leverage know-how and business intelligence across the company

4. Own the talent pools and minimize the buy dependency

5. Simplify decision processes to focus on core priorities

6. Activate a high-performance culture

7. Own the change management strategy

The New Model for the New Normal

The post-Covid business environment has brought enormous pressure on companies because of the changes required to survive and the transformations in the market, a market that has suddenly become all-digital, more tech-savvy, and demanding of lower prices. Executives are now required to respond with even greater velocity than before. If companies genuinely want to lead in this new business scenario, digital strategies and product roadmaps need to be executed almost flawlessly.

All the departments related to developing products to support the company's digital strategy, from product development, engineering, and operations to HR, finance, and marketing, face new challenges that require thinking out of the box.

One of the main obstacles to digital transformation is the lack of specialized talent. In such an environment it becomes even more crucial to find the correct strategy to source the required skills for digital products and software development.

HR is required to bring skilled engineers to the company. Still, the talent market is facing outrageous competition. The cost of labor is increasing. Sometimes, the pool of talent found onshore is not enough to cover US companies' demand for specific profiles. In November 2020, US labor statistics noted that there would be 1.4 million unfilled jobs in computing by the end of 2020. With US graduates in software engineering sitting at 400,000 annually, the country is facing a real skills shortage and could face up to $162 billion in unrealized output if the shortage keeps growing at the same pace, according to the same statistics.

Staff turnover is also high in the US IT industry, sitting at over 13%, making it among the highest in terms of attrition, and meaning that employers are forced to pay replacements higher salaries, sometimes as much as 250%.

According to the Bureau of Labor Statistics, the shortage of engineers in the US will exceed 1.2 million by 2026. Looking to a model like the BOT 2.0 model can help companies address the skills shortage by tapping into a growing skills base in nearshore locations such as Aguascalientes.
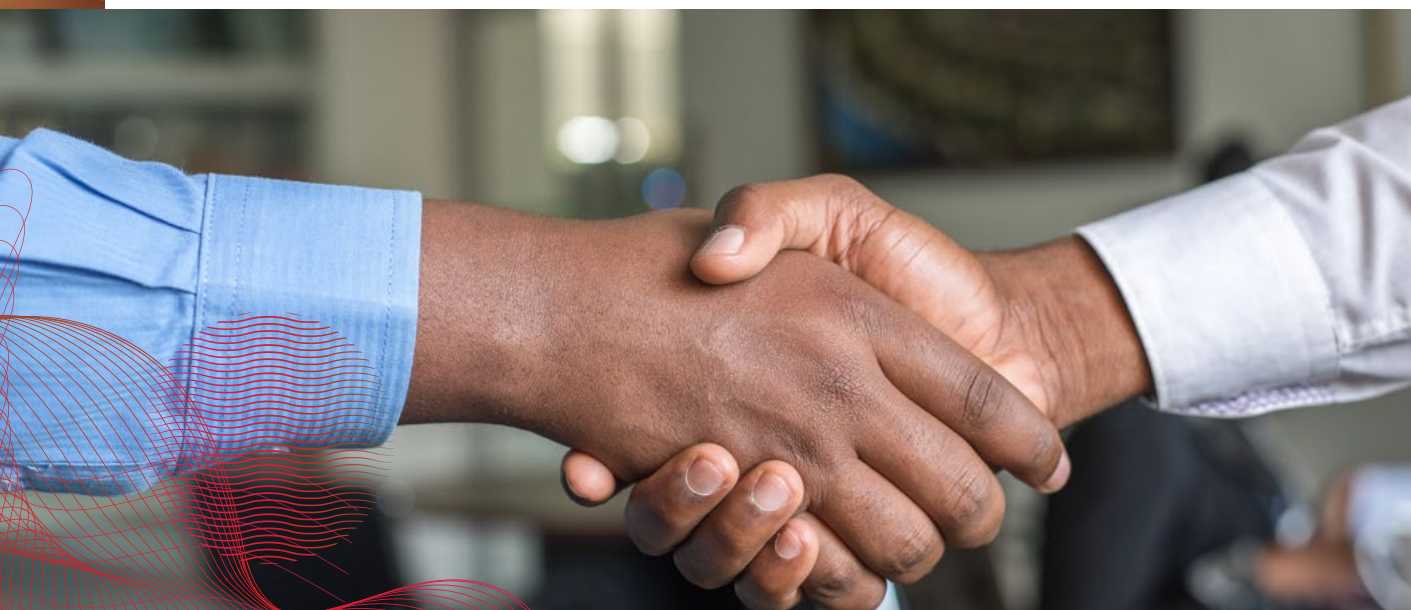
Although the new normal has added a layer of complexity, it has also brought some advantages and new opportunities in the talent market. Openness to remote work has increased the possibility for companies to find qualified talent in other latitudes. Nevertheless, this requires a whole new set of processes and infrastructure for most companies to be up and running to guarantee the success of building and operating a remote engineering team.

Outsourcing is still an effective strategy to minimize the risks and complexities of having a remote software engineering team. Very popular in BPOs and infrastructure projects but commonly forgotten in the software development arena, BOT aims to be the new killer outsourcing strategy.

Traditional offshore staffing has become a commodity. Its value proposition is commonly based only on pricing. Sometimes, it lacks the long-term perspective to help fast-growing companies leverage knowledge and innovation. On the other hand, BOT looks to provide companies with a strategy where there will be a mix of outsourcing-insourcing services; it conserves the advantages of cost-reduction but establishes from the very beginning a long-term perspective to generate more value, capturing know-how and good practices that in the end are guaranteed to be transferred to the company, thus creating a framework to control the capacity required for core and non-core activities fully.

Business, engineering, or HR executives need to think out of the box and explore alternatives to traditional outsourcing models that help you to keep ahead. BOT has gained strength and recognition; since the pandemic, more and more US companies have been looking for vendors that are open to help them with this kind of service. BOT is a solution that relies on long-term cooperation between companies and vendors, which means that choosing the right partner is important.

Getting BOT 2.0 Right

Each stage of the BOT 2.0 model has its own crucial building blocks that need to align to ensure that businesses can best leverage the benefits of the evolving model.

BUILD → **OPERATE** → **TRANSFER**

3-12 months   1-3 Years   Ready to hire

Build

The Build phase is defined by the setting up of the team and familiarizing with the client to ensure a match between the team being built and the needs, values, and approach of the company. It will also focus on aligning the teams across geographies to ensure that they will function seamlessly together.

The important components of the Build phase are to:

- Define the remote work strategy
- Build the process to select, hire, train, and develop the right engineering team from the ground up
  - Build a pool of talent that will be specialized in business, technology, and good practices
  - Offer backup resources that will ensure a 100% up and running operation
- Care for confidential information (NDA) and Intellectual Property (IP-MSA)
- Define, implement, and monitor good practices and a methodology process that contributes to the quality of the systems, devices, and solutions to the client and final customers
- Acquire technical and business skills and capabilities, which allows the team and the vendor to deliver to high-quality standards

Operate

The operate phase is focused on:

- Acquiring a deep understanding of the client business, rules, and regulations.
- Clients will not need to get involved in the day-to-day activities to make critical decisions; they will only need to monitor and approve final decisions.
  - Developing the core values in the engineering team, with a focus on people care, integration, commitment, communication, and career plans
- Full support for administrative activities
  - Recruiting and sourcing process
  - Billing and invoicing process
  - Travel and living expenses
  - Human Resources
- Full support to remote work strategies
  - Remote work regulations compliance
  - IT Infrastructure and equipment management
  - Multiple facilities access
  - Managing remote culture
  - DRP and BCP on a remote environment

The Right Partner

Building an engineering team in Mexico requires the right kind of partner and an understanding of the specific needs of your organization. When you are looking for the partner to help you realize BOT 2.0, you should follow these guidelines.

Go there! Make sure you have a genuine sense of Mexico and of your prospective partner. Move beyond the tourist haunts and get a real sense of what your chosen city is all about.

> *"Visit the real people of Mexico. See with your own eyes the city, the people, the offices, the infrastructure, the telecommunications. Not as a tourist. Come and see the real life of the Mexican people"* – Horacio Fenton, advisor at Digitalhype

Look for a partner willing to work with you: Flexibility and adaptability are hallmarks of the Mexican workforce, and the right partner will work with you to recruit the needed talent into your nearshore team.

Look for a listening organization: The more a partner wants to listen to you – to your needs, your concerns, your goals – the better the partnership is likely to be. Part of this is building a rapport with the team and developing a relationship with the organization.

Ensure that communication is built into the team: While the nearshore advantage means that much of the complications of managing time zones and distance is eliminated, communication remains a vital component for success.

Transfer

Once the Team is ready and mature enough to be transferred, there are different options to transfer the operation, but they commonly require the following:

- Incorporation of a business entity in Mexico;
- Transition of the HR, payroll, accounting and facilities processes to the new entity; and
- Definition of the day-to-day services that will remain in an outsourced model.

Jean Atelsek, an analyst for 451 Research's Digital Economics Unit, noted, in reference to the use of the BOT model for made-to-order, captive private clouds, that: "**It's easy to understand why the BOT model is so appealing to enterprises – they can start small, tap into the development velocity of the open source community and 'rent' expertise from providers for setting up, scaling up and training in-house staff to ultimately take over operations of a custom-built private cloud.**" She added that while only a minority of businesses take the ultimate step of transferring management in-house "those that do receive considerable direct cost savings while avoiding lock-in to proprietary platforms."

These are some of the advantages of hiring a partner:

1. A partner will help you install and accelerate the remote work process and boost your organization's agility, bringing capacity to source the resources your company needs. You can have an extension of your own company in another location in the form of a Captive Center from "day one." There is no need to incorporate your company in the country, hire staff to operate and comply with the company's business obligations and deal with all the bureaucracy involved. A partner will help you evolve the model, mature the process gradually, and move towards the Transfer milestone.

2. A partner will help you remain flexible and install an adaptive capacity to respond to your business's changes. Think, for example, what would happen if you needed more people to respond to a requirement from a new customer, or if you were working only with AWS, but then became Cloud Agnostic, and suddenly required Azure and GCP experts. Another example would be if you need to evolve from a junior developer or a senior one to ensure delivery, or exchange a developer for a CloudOps. Imagine the problems these changes would involve if these were in your payroll but in another country, with different regulations. A partner will cover you in all these cases.

3. A partner will help you avoid unnecessary risks. They are experts on the local market and the constantly evolving regulations, such as outsourcing law, labor law, and data privacy in Mexico. A local partner will help you to keep pace and comply with any regulations.

4. A partner will work along with you to establish a Remote People Operation Strategy. It will help you to understand and leverage the cultural differences, converting diversity into a strength. It will also help you install your values and corporate culture within the team.

5. A partner will provide the infrastructure required to operate with the team in the location. If you don't want to tie yourself to a single city, a vendor commonly has a better position to establish facilities within their country. You won't need to evaluate and take responsibility for facilities, and you won't need to commit to long-term rental agreements.

6. A partner will provide support to transition your resources, helping you to incorporate a business, and support some BPO services when part of the whole team is transferred. This partner that acquired knowledge in your know-how can still keep some business processes such as accounting, payroll, or facilities.

7. A partner will help you to support your global strategy. It is your foot in the door of one of the biggest markets in the world, Latin America, and will provide you with first-hand insights on the market, Spanish-speaking resources, and access to their business network.

The Value of True Partnerships in the BOT 2.0 Model

The intent of this eBook, up to this point, has been to present an alternative to source talent in Mexico, showcasing the advantages that the country provides for those companies investing in knowledge-oriented businesses. Whereas you can always opt to build your software engineering team in Mexico, place the talent immediately on your payroll, and incorporate your company in Mexico, you might opt for a less-risky strategy of hiring a partner to help you develop a Build Operate Transfer.

Case Study:
Perfect Timing

Client: Leasepath

Solution: Equipment Leasing Software CRM Solution

When Leasepath saw a strategic need to be able to move into Mexico and the Latin region with acquiring new customers, and at the same time to also add to its technical staff, they partnered with Digital Hype.

"By finding a partner in Mexico, we were able to solve both problems. Now we have people that speak Spanish, who can help represent us in our quest to get customers or support existing customers in the region, as well as improve our cost basis as well."

Jeff Bilbrey, CEO of Leasepath, says the company explicitly did not want to find something in the traditional offshore model – "we didn't want to go 12 time zones away" – and were looking for something that was close in culture and geography so that they could collaborate with each other in real time.

He emphasizes the need to partner with a nearshore company that really listens. "I'd say look for a boutique team, a team that is not trying to be the largest in the country or the largest in Latin America, because then you just get more bodies," he says.

Leasepath's experience with Digital Hype highlighted for Bilbrey the need to have a partner that provides a truly personalized service. "Find that boutique firm that doesn't just have bodies, but has talent – and is willing to go find talent. They had to go find talent when I brought them job specs, and help recruit the right talent in. That was very helpful because it was personalized to me and personalized to our business."

Bilbrey says companies need to look beyond India or the Asian subcontinent for their talent and software development needs. "The reality is that I've done that for the last 20 years and I'm tired of the 4am calls, or the 11pm calls, and I don't need to do that. I'd rather have somebody in my time zone on a cost basis that is still beneficial. And by finding skilled people, I am not overstaffing offshore to compensate for lack of skill, which has been a problem for the last two decades; as compared to right now where I'm finding skilled people in my time zone, and still at a slightly better cost basis, that's a win all the way around."

Conclusion

While the post-Covid era will bring about much change, it will also signal the emergence of more opportunities for businesses to leverage the possibilities of the nearshore and of remote work. As the skills shortage continues to challenge the United States IT industry, those looking to build skilled, resilient and reliable engineering teams to meet the demands of customers will need to consider models such as the BOT 2.0 model, which can help them tap into the growing and diverse range of talent available in Mexico.

Build Operate Transfer 2.0

About Digitalhype

Founded in 2014, Digitalhype is a diverse and bicultural US-Mexican company providing software development and IT solutions. We offer outsourced services to multinational clients from our nearshore delivery center. We provide solutions to fast-growing companies in the electronics / IoT, health-tech, fintech, and e-commerce sectors. We are an AWS Partner Network Associate, and our teams comprise certified AWS professionals.

We help our customers in North America build, operate, and transfer remote software engineering teams in Mexico/Latin America.

Our Mexican headquarters and facilities are in the principal cities of the Bajío Region (Aguascalientes, San Luis Potosi, Leon, and Queretaro) and we also have representative offices in Laredo and Dallas in the United States.

We offer the following delivery models:

- BOT - Build Operate and Transfer - For customers needing a specialized team to build multiple projects in a long-term perspective without making significant investments since the beginning. We build from scratch an engineering team, operate the project, and then when it is mature and technically capable, we transfer the people to the Final Customer as FTE's.

- Staff augmentation - Assign subject matter experts under time and materials model to help you solve a specific problem or increase the capacity within a project as if they were your own FTEs without the risk and costs associated with payroll.

- Core Teams - A multidisciplinary team suited to develop a specific project using an agile approach.

About Nearshore Americas

Nearshore Americas, established in 2009, stimulates engagement between customers, investors, service providers, regional and country-based investment agencies and other stakeholders in the "Nearshore" technology-services industry. We have supported over 100 organizations during the last eleven years producing specialized market consulting and analysis, brand-building and lead generation programs, live event and matchmaking forums, country-focused missions and a variety of other advisory projects throughout Latin America and the Caribbean. Our knowledge, insights and connections run deep across the Americas, providing our team with unusual access to authoritative data and senior level contacts across a range of countries and disciplines. Our followers become engaged with our brands through interactive platforms and repeatedly demonstrate their loyalty by attending our live events, reading our content and engaging our editors and analysts in order to gain market knowledge. These relationships are vital to all of our activities and are crucial in ensuring we are constantly aware of trends that influence and drive this fast-growing, yet commonly misunderstood, marketplace.

Methodology

This document was created with information collected from interviews, as well as from sources in both the public and private sectors.

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