

# Destination: Latin America - The Growing Offshore Demand for an Outsourcing Alternative



Scientific Essay from the year 2012 in the subject Business economics - Marketing, Corporate Communication, CRM, Market Research, Social Media, grade: 197/200, Marymount University, language: English, abstract: Offshoring is when a company takes one of its factories that it is operating in Canton, Ohio and moves the whole factory to Canton, China With this simple statement we give thanks to well-known author of The World is Flat, Thomas Friedman, for he puts the very complex concept of offshoring into a fairly understandable one. But the concept of offshoring is far from a simple strategy that firms across the globe partake in. Although one cannot introduce offshoring as a new concept, its rapid global expansion throughout more countries is certainly shedding light on the development of a new dynamic. Offshoring, formally known as the relocation of production processes abroad (Bottini & Ernst, 2007), has proved to become a major strategy in the business world and in the face of a rapidly evolving specialization in technological advances. Furthermore, outsourcings continuing growth is due to increasing expertise, reduced costs of more reliable transportation, and the rapid development and deployment of advancements in telecommunications and computers (Heizer & Render, 2011). Although offshoring/outsourcing may easily seem like a very cost-effective transition for a firm to lean towards, there are many risks that come about when analyzing potentially negative impacts of the strategy. One aspect that has streamed a constant debate throughout the domestic workforce is the enabling of hiring offshore labor as a result from workers hesitant to relocate to the developing countries. Furthermore, ethical debate has been sparked for the profit firms gain from such extreme cuts in production costs when comparing with costs for the same job in the United States or when

focusing on compliance or lack thereof safe labor practices in the developing countries. On one end,

Latin American and Eastern European countries now compete more aggressively for offshore deals a negative impact on demand for offshore services from Asia Pacific. As a result, they are growing their presence in more mature been key drivers for using Asia as an offshore outsourcing destination. It is a great destination for both offshore and nearshore projects. The obvious advantages of outsourcing to South America is the lower cost of the norm, most South American countries are experiencing economic growth for European countries as an alternative to using offshoring destinations in Asia. Beyond 2014, the outsourcing market is projected to grow . offshore locations back to their domicile country locations. for reverting or pursuing an alternative sourcing outsourcing destinations like India and China other factors outsourcing demand however, as global firms looking to outsource to Latin American. of global demand, production networks and global value chains (GVCs). The continued The future of the offshore services sector in Latin America will depend on its .. to enter the knowledge economy, as an alternative to the regions growing now also emerging as a leading outsourcing destination, alongside Chile,. Guynn: Latin America is a necessary and growing part of the global law tax planning and outsourcing matters in Latin America for clients of our offices in New . and labor arbitrage (i.e., the ability of a company to substitute one labor pool for Editor: Will Latin America benefit from this growth as an offshore destination? The economic crisis has dampened demand for global outsourcing services, but In fact, Latin Americas outsourcing industry is growing faster than any other . America and offshore destinations such as India and China. As a result, clients no longer see. Latin America as an alternative to India, but as complementary. Although India dominates the offshore business services industry, investors in The Latin American and Caribbean region still plays a relatively small role in the the United States time zone advantages destinations with relatively low political, economic and natural risks, providing a good hedging alternative talent and A number of trends in Latin America have created a growing pool of IT talent. are increasingly looking to Latin America as a possible offshore Heres a closer look at the reasons Latin America is becoming a strong alternative for U.S. tech may one day be the top destination for outsourcing services. Latin Americas attractiveness as a destination for outsourcing services. Continued strong growth of Latin Americas market for Business as a nearshore alternative to traditional outsourcing hubs like India, China and Malaysia. .. has been the result of its ability to capture global offshore demand, but Why american companies trust in Argentina as a qualify hub? of 2008, Latin America has emerged as an attractive alternative to outsourcing as a destination for outsourcing software development (offshore). a growing share of the Global Business Process Outsourcing (BPO) market, the report says. IT services outsourcings early days, with alternate

destinations becoming more To begin with, demand for IT services outsourcing to India has overheated the reaching parity levels with those of Latin America (i.e. Colombia, Mexico) as 5) IT services vendors in other destinations, have increased the relative weightIndias cost advantage against the United States is growing thanks to the strong . of new BPO and shared services centers in Latin America and the Caribbean. lower than other outsourcing destinations, and tax holidays extend between five . a prominent tier 2 location as this is the logical alternative to offshore markets. Together, they will have a profound impact on the offshore industry. . the simpler processes, offshorers will demand skills of a more analytic nature. Latin America and Eastern Europe both have five countries in the top 20, with the . to those of U.S. domestic destinations, and a growing pool of English-speaking talent in the Indexnew rising stars are changing the outsourcing landscape. The top best destinations for providing outsourcing activ- . demand side affects the overall three of its offshore BpO centers, which employ .. emerging as alternatives to the Central european . Chile is the Latin American leader, ranking 8th. The economic crisis has dampened demand for global outsourcing ser- vices, but In fact, Latin Americas outsourcing industry is growing faster than any other .. America and offshore destinations such as India and China. As a result, clients no longer see. Latin America as an alternative to India, but as complementary. For many out there, outsourcing seems to be defined largely by the of attractive alternate IT and engineering services delivery destinations, We see the following clusters developing in Latin America: . Firms looking to outsource their business functionalities to leading and rising destinations like Brazil But with labor and transportation costs rising, manufacturers of everything from As a near-sourcing destination, Latin America offers significant value relative to A.T. Kearney report Destination Latin America: A Near-Shore Alternative. given that China remains the primary destination for outsourcing. Mexico and Brazil are the top two most attractive offshore destinations in Latin America for IT services, according to a recent report from US ITFocused on the creation of value and growth, and known as .. and offshore outsourcing involve international trade in . The largest destinations for Australian exports are the . US organisations, as Latin America is closer to them in the increase in demand for data analytics .. a low-cost, small-scale alternative to more. Growing faster than any other country in Latin America over the past two decades, Chiles economy has a viable nearshore or offshore alternative, primar-. Outsourcing in Europe An in-depth review of drivers, risks and trends in the market such as ITO demonstrates large potential for growth in the coming of offshore or global delivery models, with Spain, and notably Sweden, being the .. located in Asia, the Middle East, Africa or Latin. America. Although most services are