

Argentina finds its place in the digital age

A is for Argentina

When asked to name the hot IT outsourcing locations today, most of us wouldn't be pressed too hard to rattle off a list that includes India, Eastern Europe and China. After all, in our technical communication and language services industries, many providers have their production centers located in these countries too. Argentina might be a less obvious answer, but its popularity is growing rapidly, along with the growing reputation regional neighbor Brazil enjoys as part of the BRIC (Brazil, Russia, India and China) economies.



Map source: www.lib.utexas.edu/maps

By Cecilia Piaggio

The Gartner research on Outsourcing 2007-2008, described in the January/February 2008 issue of *tcworld*, included Argentina among the top 30 countries for offshore services. And there is a growing and visible group of language services companies that are based in or operate out of Argentina.

A clear indication of the growing importance of Argentina is the fact that major companies have chosen to set up here. For instance, Google chose Argentina to become the company's third main pillar in addition to its main headquarters in Mountain View (USA) and its European location in Dublin (Ireland). Similarly, NEC chose Argentina as its regional hub for software development in Latin America, and there are many other examples. The software industry in Argentina has proven to generate value, employment and competitiveness.

This article aims to provide some insights into what makes Argentina's growing popularity as a destination for outsourcing services - not only for the Latin American region but for many leading companies globally.

Difficulties overcome

Argentina has quickly recovered from the deep economic crisis it suffered in 2001-2002. In the 1990s, the fact that the Argentine peso was directly linked to the US dollar made Argentina one of the most expensive countries in the world. In 1998, hyperinflation, deep recession and widespread dissatisfaction with the administration led to Argentina having four presidents within ten days, while the country defaulted on its international debt obligations. Argentineans remember the president from the 1990s and there's a popular myth that if you name him, you'll have a terrible luck (so, he will remain nameless here...).

Once the linkage between the dollar and the peso was abandoned, Argentina became more competitive. The country started to re-industrialize, exports increased and the unemployment rate dropped from 25 to 8.5 percent. Today, Argentina has enjoyed five years of continuous GDP growth at an average of eight percent, and has become the fastest growing country in Latin America. This turnaround created the economic stability needed to place Argentina in the global IT picture.

Companies looking for a location to outsource or extend their production or services capacities (also known as “right-shoring”) need to analyze a set of factors to make a risk-managed decision. These factors include time zone and cultural proximity, cost-efficiency, physical infrastructure, technology penetration, level of education (including level of knowledge in technologies), and expected sustainable development. Let’s see how Argentina stacks up.

Cultural proximity

In our digitalized world, the concept of being close has been redefined. Today we understand that being “close” to our customers and vendors means “similar”. It’s not that important anymore to be physically close, but it has become more and more important to be in a similar time zone so as to be able to communicate during working hours. To be close to a client or partner also means to have a similar cultural mindshare to be able to understand expectations better and reduce communication issues. In these two aspects Argentina is “close” to both Europe and the US.

Argentina has a strategic time zone position. The entire country’s time zone designation is “ART” or UTC-3/ GMT-3, meaning the time in Argentina is three hours behind Coordinated Universal Time (UTC) or Greenwich Mean Time (GMT). This means that the local time in Argentina has an overlap with both the US East and West coasts, and with Europe. When Argentina is not on daylight saving time, it even has a one hour overlap with Indian working hours.

“Argentineans are Italians who speak Spanish but think they are English” – so goes the popular ironic saying that summarizes Argentinean culture.

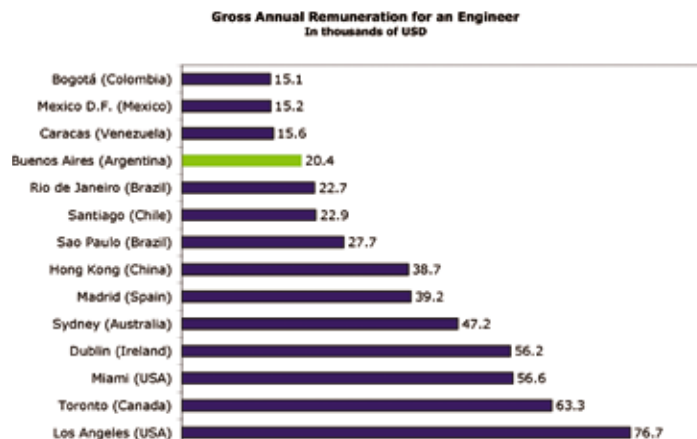
Most Argentineans are predominantly of European descent (primarily Italian and Spanish), which separates

them from the populations in other Latin American countries where European and local native South American cultures are more mixed. Creativity is a survival skill honed in Argentina to continue operating in what is a constantly changing environment. As soon as a situation is altered, an Argentinean is generally prepared to accept the change as a part of life and carry on, applying intelligence to the situation at hand in order to come up with the best solution.

This flexibility has become a national differentiator. Even though there are internal social issues resulting from resistance to the digital gap generated by the globalization process, in Argentina, you’ll find many people attending Chinese language classes and cultural forums, signing up for international protocol lessons and joining many other initiatives as part of the process of getting prepared for the coming changes. Adjust or be left behind is part of the Argentinean culture.

Argentina as a cost-efficient location

Argentina’s currency rate (approximately ARS 3.17 to one US dollar at the time of writing) is supported by the government, since keeping a competitive currency and stimulating exports is one of the pillars behind Argentina’s economic recovery. Thanks to government fiscal policy, Argentina has been able to substantially reduce unemployment, and with that, bring social comfort. The nationwide 2007 elections showed that Argentineans widely support government policy, which is a key factor for stability in a society with a history of trade-union strikes. At the same time, fiscal policy ensures attractive prices and costs in Argentina in comparison with the rest of the world. As in any other economy, the



Source: ProsperAr from UBS, *Prices and Earnings 2006*.

counterpart of this healthy sustained growth, however, is inflation risk. During the time when the Argentine peso was formally pegged to the US dollar any devaluation of the dollar would not only stimulate American exports but also Argentinean ones. From 2001, the direct link to the US dollar stopped being formal but an informal tie is still maintained by the government through the intervention of the Argentine central bank to keep the peso at an expected exchange rate to maintain competitiveness.

As its currency is informally tied to the US dollar, today’s general weakness of the dollar versus the Euro positions Argentina as an even more competitive location from the perspective of Europeans.

Labour costs

According to the research *Wages in Localization*, published by Common Sense Advisory in April 2007, Argentina, together with Hungary and China, has the lowest wages for project managers in the software localization industry. Argentina was ranked fourth in competitive wages for engineers in a 2006 study published by ProsperAr, the agency set up to support investing in Argentina.

Technological infrastructure

What makes Argentina an attractive location is a combination of the country’s IT infrastructure together with an impressive growth of internet users, mobile communication and a tendency to rapidly adopt e-commerce. Internet usage and mobile communication penetration is the highest in Latin America. On the other hand, the difference between the corporate and the individual growth of technology adoption is noticeable. It’s very interesting to learn that there are more internet users than there are individuals with PCs. This phenomenon was generated by the early boom of cyber cafés that provided low-income communities with access to a technology they couldn’t otherwise afford. Currently there are four million internet users in Argentina that do not own a PC.

Level of education

The education system is public and free in Argentina and there are more than 50 universities offering IT-related coursework. The quality of third level education is high and graduates are able to provide world class services after gra-

duation from Argentine universities. Nevertheless, the use of current technologies in universities is uneven since the highly decentralized education system presents complex challenges in providing training for teachers and monitoring how teachers implement technologies in their classes.

The dramatic growth of the IT sector generated a strong demand for IT professionals that is higher than the current pool of professionals available to cover the demand. This could be a main restricting factor and limit market demands for growth. In Argentina, the IT industry has some 40,000 professionals

working in over 1,000 companies and projections for 2011 suggest some 65,000 to 70,000 will be needed.

Initiatives to reduce the digital gap

Like many other countries Argentina struggles to reduce the digital gap, by taking measures that aim to provide equal opportunities, fair work and wealth distribution. They include long-term initiatives to involve the whole community in the digital arena by providing digital education and access to technology. If only one sector of the community has access to job opportunities due to technical skills required, the gap between the rich and the poor grows more severe.

Nowadays, there are many formal initiatives underway to reduce the digital gap that comes from the differences in use of technology between the public and private sectors. Private sector companies are active participants in these programs as part of their commitment to their social responsibilities.

A fair comment to make – without seeming ungrateful for those initiatives – is that in Argentina today, as in the rest of the world, consumer markets are driven by the online world in the realm of advertising, e-commerce and social networking. Argentina represents a high-purchasing-power market in comparison with the rest of the region, and consumers who don't have access to technology represent a potential market loss for companies. So, while the intent in reducing the digital divide is possibly noble, the payoffs are no doubt the bottom line.

Argentina's main contributors to the digital gap are:

- Slow hardware acquisition in low-income communities in comparison with the increasing number of internet users



Capital:	Buenos Aires
Official language:	Spanish
Currency:	Argentine Peso ARS (USD 1 = ARS 3.17 approx.)
Area:	2.8 million km ² (the second largest country in Latin America, the eighth largest in the world)
Population:	40,301,927 (July 2007 est.)
Time zone:	GMT-3

- Digital education
- Access to credit or loans to finance growth

There have been many initiatives to bridge this gap; "My PC" and "OLPC" are the most remarkable ones. The "My PC" program started in 2005, headed by Intel, Microsoft and the Argentinean government. The program created a channel for homes in low-income communities to have access to hardware, software, internet, and training by either providing these for free or granting accessible loans to afford buying them. Faculty members of the Massachusetts Institute of Technology (MIT) Media Lab created the OLPC "One Laptop per Child" program to provide low-cost laptop to children around the world. For 2007, the Argentinean government approved a law to allocate USD\$15 million to the budget to participate in this global educational initiative that is currently at a pilot stage in seven provinces. Microsoft's role in IT education is very strong with several programs that aim to improve digital education not only in Argentina but in Latin America as a whole. Microsoft's "Partners in Learning" programs are helping teachers to acquire skills to use technology more effectively in the classroom. Up to now, over 93,000 teachers have been trained to use new technologies, generating an impact on over five million students. During 2008, this program aims to train 100,000 teachers to benefit more than six million students.

Argentina for export

Thanks to the existing infrastructure, the open attitude towards global businesses and compe-

titive cost structure, Argentina became a very attractive location for outsourcing during the last few years. Especially in the area of outsourcing services the demand has increased dramatically. This is certainly noticeable in the IT sector –

mainly in software development, call centers and technical support – where the pool of qualified human resources currently available is not enough to cover the demand.

The Argentine Software & IT Services Chamber of Commerce (CESSI) acknowledges this fact and has a dedicated commission to design an action plan to satisfy the current

demands for qualified professionals. CESSI also promotes the concept of "valueshoring" to offer value-adding services such as project management that integrate parts of a given value chain, rather than just being one element of the chain. Argentineans are living in an atmosphere of change with a social hope of a deep transformation. Young people are eager to learn and join successful companies. This is a unique opportunity and it's a great chance to convert global interest into investment, jobs and social development for the country. Industries like e-learning, software development, mobile technology and quality assurance are finding in Argentina their "right-shoring" location.

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