LATIN AMERICA: STRENGTHENING AGILITY TO COMPETE ON THE GLOBAL STAGE

HLB SURVEY OF BUSINESS LEADERS 2025

HLB

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The research methodology is based on data collected from the HLB Survey of Business Leaders 2025, along with the analysis techniques and key assumptions used in the main report. For a detailed overview of the methodology, please refer to the full report here.

INTRODUCTION

LATAM leaders entered the past year in high spirits. 92% were confident in their ability to grow revenues. This year, business confidence is more muted. Only 38% expect an increase in global growth and 79% are certain in their ability to increase revenues.

Local economies have just recovered from previous shocks due to global geopolitical tensions, pushing up resource prices and cost of living. Inflation remains a concern for 69% of leaders, although down by 7 percentage points from last year. Yet, lingering economic uncertainty continues to preoccupy 86% of respondents, along with resource costs (73%).

The region's economic growth is subdued, with GDP growth expected at 2.4%.[1] Brazil may face slower growth of 2% after an interest rate hike to 13.25%.[2] Mexican growth is complicated by new US tariffs, which could subtract over 3 percentage points from GDP growth.[3] On the other hand, Costa Rica is likely to continue its growth streak with GDP accelerating to 5.1% in Q1 2025, thanks to a robust performance in the special exports regime and ongoing growth in foreign direct investments (FDI)[4].

The Chilean economy has accelerated after flatline growth in 2023 with stronger exports, slowing inflation, and an improving labour market. The country has been building an active 'lateral' foreign trade policy, entering agreements with over 60 economies, including joint initiatives in digital services, e-commerce, regional and global value chains, and the environment. However, growing trade fragmentation and geopolitical tensions may adversely impact Chile and other countries in the region.

A greater focus on operating model optimisation, workforce development, and innovation will help LATAM businesses' succeed in the new operating environment and ensure long-term competitiveness.

ACHIEVING OPERATIONAL EXCELLENCE

'Improving operating efficiencies' is the key growth driver for LATAM leaders this year. While many also focus on cost reduction, technology adoption, strategy reviews, and new product or service launches, the primary goal is to streamline operations for sustainable growth.

Leaders recognise that their current models are inefficient enough: 87% acknowledge the need for significant upgrades. LATAM companies were slower than other regions to embrace digitisation. Many still rely on labour-intensive processes, often due to historically low labour costs. However, the business landscape has shifted, as more companies realise the value of technology for enhancing agility, scalability, and cost-efficiency.

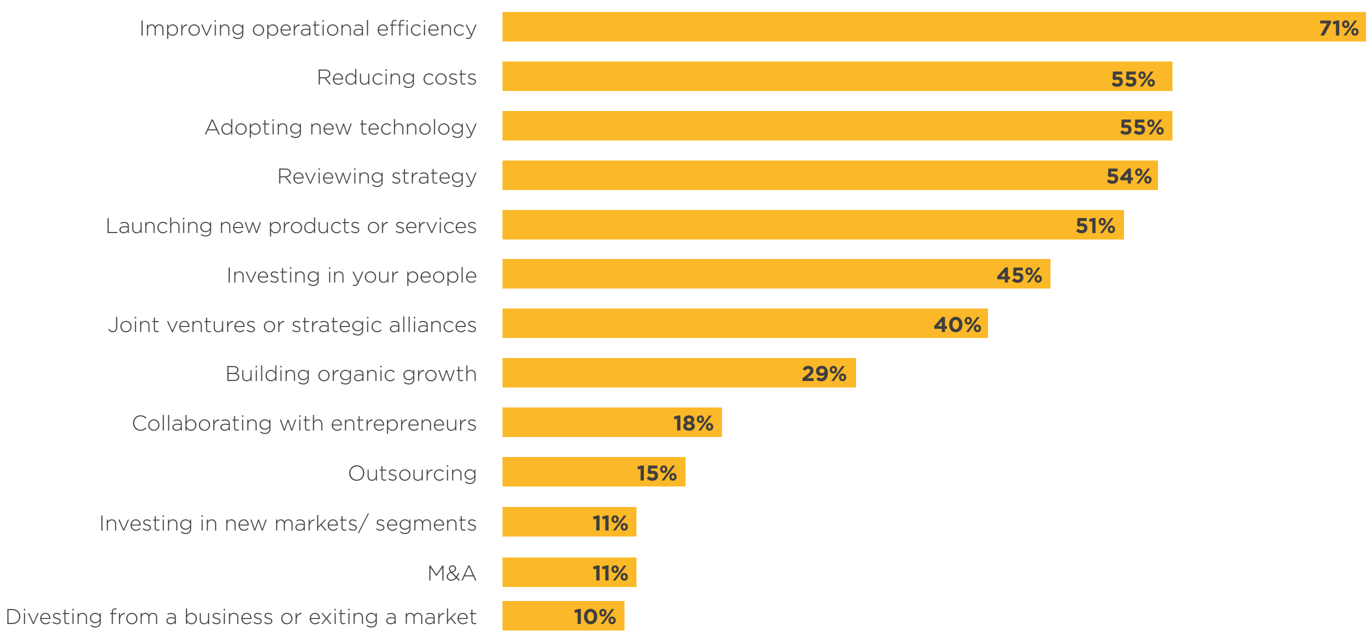
Panama has emerged as a regional productivity leader, with GDP per hour output reaching $45, leading in Latin America and surpassing some European countries.[5] While the Panama Canal remains a major economic engine, Panama has positioned itself as a growing financial centre, attracting foreign direct investment (FDI) and technological innovation. For example, Panama City partnered with Suzuki Marine to offer sustainable fuel options for boaters, and Telered, the country's main electronic payment processor, teamed up with Discover Financial Services to improve payment experiences for residents and visitors.

Similarly, Costa Rica has transitioned its economy from agriculture and tourism to digital services and technology in several years. In 2024, 59 multinational projects were launched in Costa Rica, fueled by FDI. The country is also expanding its semiconductor sector, focusing on talent development, modernizing incentives, attracting investment, and improving its regulatory framework. Notably, interest in seeking joint ventures has risen by 12 percentage points from last year.

However, to benefit from the growing surge in nearshoring interest, LATAM businesses will also need to demonstrate their competitiveness beyond lower labour costs. Some foreign partners remain concerned about the local operators' productivity and availability of skilled human capital. Leaders are taking note and aim to address weaknesses in their operating models.

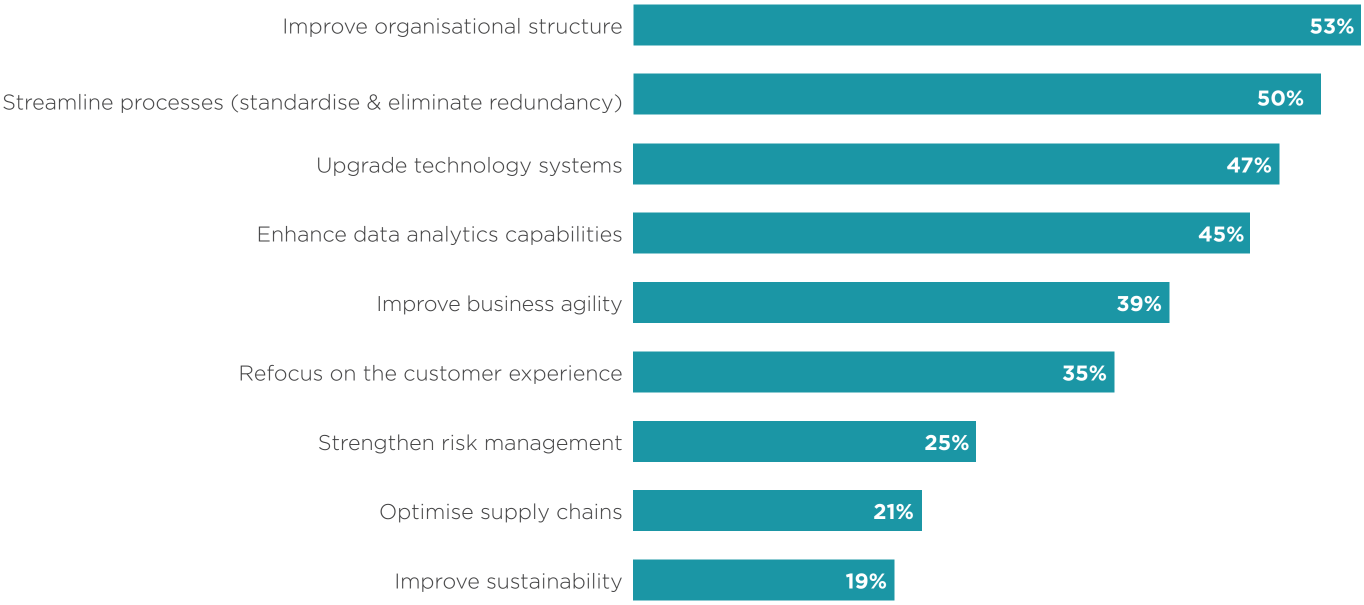
LATAM LEADERS FOCUS ON OPERATIONAL EFFICIENCY TO DRIVE GROWTH

Q: Which of the following actions are you planning to take in the next 12 months, in order to grow?



OPTIMISING BUSINESS MODELS: STRUCTURE, PROCESSES, AND TECHNOLOGY

Q: Which of the following actions are you taking this year to adjust your business / operating model?



They prioritise building foundational structures first — 53% plan to improve operational structures and 50% — to streamline processes — only then aim to invest in technology system updates.

To gain efficiency with the help of technology, it is necessary to establish operational processes that can be measured and optimised. Perhaps to gain greater clarity in their operations, 45% plan to enhance their data analytics capabilities, of which 53% aim to do so with the help of AI. 43% of leaders seeking process optimisation plan to do so with AI. "[We've used AI] to restructure the organisational chart and flowchart within the company. By simplifying the organizational structure, we made processes more agile and improved the information flows," shared a CEO from the Education sector.

BUDGETARY DISCIPLINE

While leaders seek structural improvements to their businesses, they also aim to do so with a lean budget. Compared to last year, leaders are 1.3X more likely to seek cost reduction. In addition, leaders are 1.5X more likely to flag 'cost management' as a weakness worth addressing this year.

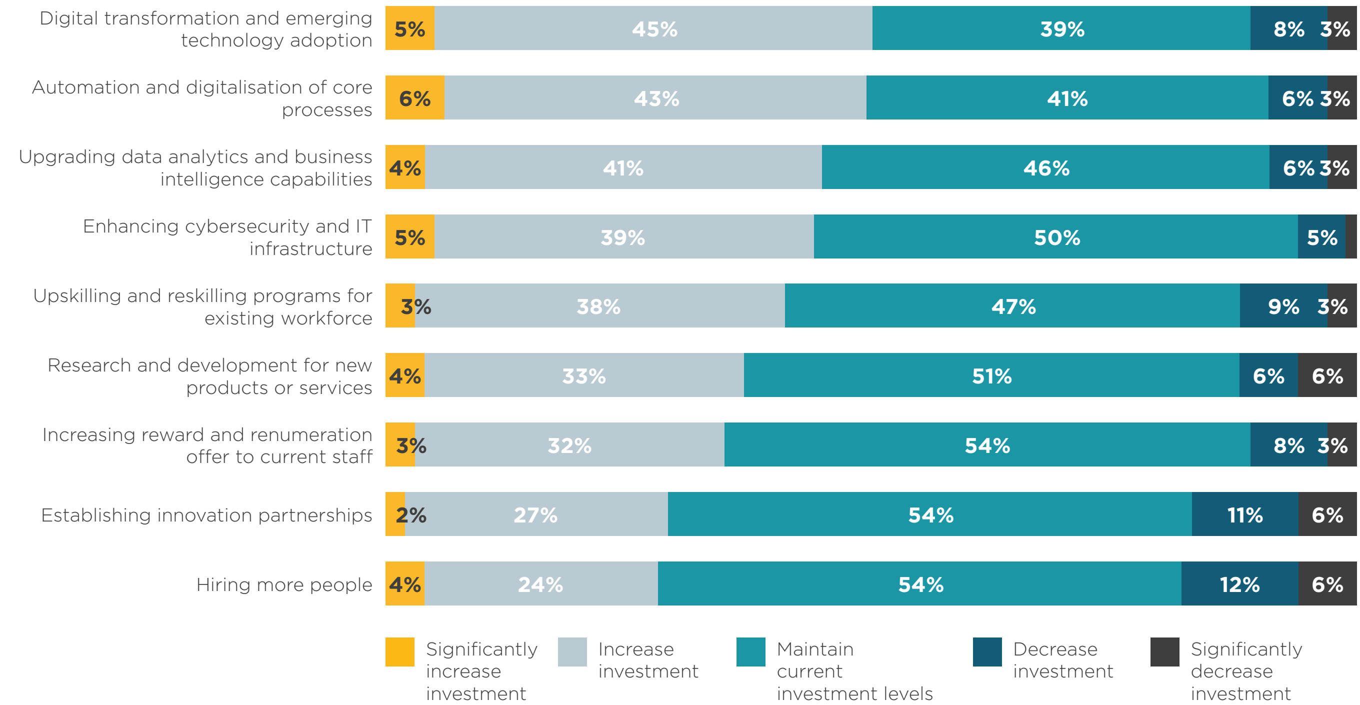
Ongoing political instability from regional election cycles and the new US administration has made leaders more cautious with spending. Across Latin America and the Caribbean, FDI declined by 9% last year6. Although, greenfield project numbers still grew in Brazil, Argentina and Colombia. New tariffs are also challenging Mexico's position as the US main exporter.

Nonetheless, over 50% of LATAM plan to increase their investments in digital transformation and emerging technologies this year and 49% — in automation and digitisation of core processes, likely as part of their commitment to greater operating efficiencies. The majority aim to maintain the same investment levels in cybersecurity and IT infrastructure improvements, as well as R&D for new products and services.

However, 18% plan to reduce hiring budgets and 17% — funding for innovative partnerships. However, this may be a hasty reaction, driven by short-term challenges. To stay competitive LATAM companies will not just have to become leaner, they will also need to cultivate a more competent, creative, and digital-literate workforce.

LATAM COMPANIES BALANCE COST DISCIPLINE WITH STRATEGIC TECH INVESTMENTS

Q: How are your investment choices changing over the next 12 months?



BUILDING A HIGH-PERFORMING WORKFORCE

Compared to other regions, LATAM businesses are not facing as severe talent shortages, though 32% see talent acquisition as a weakness. However, productivity remains a concern.

While most leaders (63%) consider their workforce productive, 9% describe their employees as ‘disengaged and missing targets.’ On a broader scale, labour productivity in LATAM is 33% lower than in other OECD countries[7]. The productivity gap is largely due to much lower capital per worker — resources and equipment the workforce has available to them. As digitisation accelerates, skills mismatches are also becoming more evident. The Brazilian government estimates that by 2027, 11.8 million industrial workers will require upskilling to keep pace with evolving job demands[8].

Yet leaders recognize that technology and operational improvements alone won’t drive sustainable growth. Empowering people is now a business priority. This year, 54% of executives plan to invest in training and development to boost workforce engagement and performance. Since 2020, Intel has invested over $1.250 million into upskilling Costa Rican talent. Data centre equipment manufacturer Flex opened a new training centre in Jalisco, Mexico to help workers improve advanced manufacturing skills.

Governments are also stepping up, recognizing that workforce upskilling is critical to transitioning from resource-based economies to knowledge-driven industries. As part of its National Digital Strategy 2023-2026, Colombia is targeting informal workers with digital skills programs and integrating technology-focused education into its broader development plans.

In Chile, the government and the Inter-American Development Bank (IDB) have launched an AI-powered online platform that builds personalized skills inventories and matches workers to future job opportunities. The platform not only identifies career pathways but also provides reskilling recommendations to help individuals transition into new industries. Among respondents, performing workforce audits, 30% perform skills, roles, and responsibilities reviews with the help of AI.

Leaders also aim for cultural improvements. Two-fifths are keen to improve the working environment and employee wellness, work on internal communications, and a sharper company purpose. As digital transformation continues, leaders realise they need to hold on to their most skilled people. The demand for software engineering, data analysts, and other IT professionals has exploded in the region, leading to tighter competition among businesses.

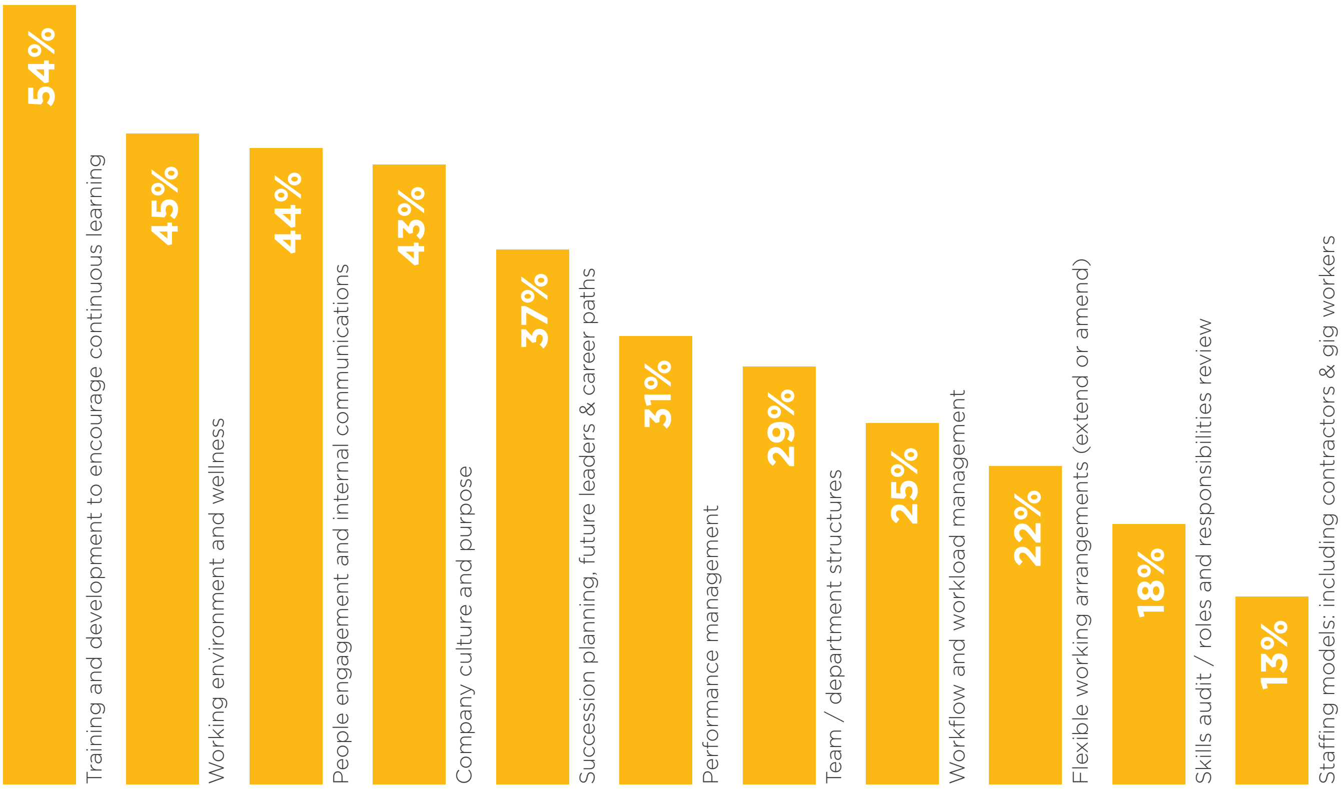
Multinational companies offer more lucrative salaries and benefits, as well as relocation assistance in some cases, leaving regional businesses with fewer hands-on deck. 64% of regional public sector companies had to delay technology projects due to skills shortages[9].

Brazil is facing significant IT talent gaps, but the shortage extends beyond tech. The demand for skilled labour has also started to outweigh supply in sectors like transport, logistics and automotive (91% report hiring difficulties), finance and real estate (86% face difficulties), and energy and utilities (85% face difficulties)[10].

At the same time, a significant proportion of the workforce are employed in informal jobs, with low pay, limited social insurance and heightened vulnerabilities. Helping these people transition to better roles through learning and development initiatives could help local businesses future-proof their operations, both against talent shortages and market volatility.

LATAM LEADERS INVEST IN SKILLS AND CULTURE TO BOOST WORKFORCE PERFORMANCE

Q: Which of the following areas are you focusing on to improve workforce effectiveness and engagement?



LIFTING PEOPLE TO ALLEVIATE THE ECONOMIC STRAIN

78% of leaders are concerned about social instability — the highest globally. High inflation has exacerbated the poverty situation in some countries, leading to massive protests against the current governments. Over the last year, people have poured into the streets in Argentina, Honduras, and Mexico to protect reforms (or lack of them) and the rising cost of living. The governments' response to these have often been controversial, with some measures seen as exacerbating the crisis.

Naturally, high political volatility undermines leaders' confidence. "In Mexico, many companies would cut down on investments in regions with high instability. But that only increases the problems both in workforce capacity and in the amount of discontent among regional populations", says **Benito Santiago, HLB Mexico.** "Social unrest also impacts the decisions of regional multinationals and those considering regional FDI", adds **Carlos Morales, HLB Costa Rica.**

While leaders often cannot shape the governments' political agenda, they can have tangible impacts on the community they operate in. Regional innovators are actively addressing numerous needs arising from Latin American under-development. Chilean Maxxa offers more accessible financing solutions for regional SMEs, representing 99.5% of businesses. In fact, 24 million SMEs in LATAM use at least one FinTech tool[11]. Argentinian Henry offers free training for software engineers in return for a share of future income, thus engaging more people in highly skilled labour.

Businesses can 'lift others as they climb', creating meaningful change in local communities — new employment, entrepreneurship, or educational opportunities — which lead to wider economic transformations such as higher disposable income and larger total addressable markets.

RE-THINKING INNOVATION

LATAM leaders recognize the need to continuously reinvent their operations but often struggle to mobilize the necessary resources. Only 17% consider themselves successful innovators, while 83% say their innovation success is inconsistent or difficult to achieve.

Economic instability has pushed many leaders into short-term thinking. Bureaucratic hurdles, inflation, and high borrowing costs—combined with limited government investment in R&D—further discourage innovation. With companies largely funding their own innovation, many opt for adopting existing solutions rather than creating new ones, limiting internal learning and long-term competitive advantage.

Beyond financial constraints, structural challenges also hinder innovation. Many organizations lack the frameworks to sustain continuous innovation, relying on top-down initiatives that often face low engagement—or even resistance—from employees.

Leaders are working to change that. To strengthen innovation capabilities, 48% aim to build a stronger culture of innovation, while 36% plan to improve cross-functional collaboration. Additionally, 30% are setting aside dedicated budgets, resources, and time for innovation, and 25% are increasing collaboration with external organizations.

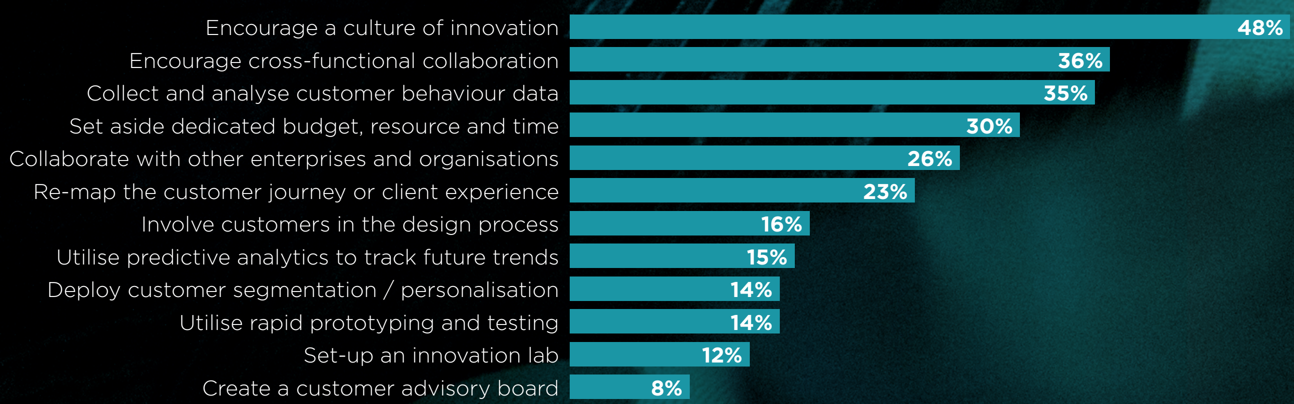
One promising avenue is academia-industry partnerships, which help local companies develop complex, long-term projects more cost-effectively. The Coramino Fund, which supports Black and Latinx-owned small businesses, recently partnered with Tecnológico de Monterrey—one of Mexico's top universities—to assist early-stage companies in R&D. The first program participants are working on wastewater treatment solutions, plastic-to-fuel conversion, and wearable tech for athlete performance optimisation. Similarly, Brazilian fintech unicorn Nubank has teamed up with federal universities to accelerate careers in technology and drive research in finance and digital innovation.

The region is also home to over 300 startup accelerators, providing small businesses with capital, mentorship, and compliance support. Many of these startups act as proof points, demonstrating that innovation is possible despite economic and structural hurdles. As these ecosystems mature, they could create a multiplier effect — nurturing a new wave of high-growth companies that further strengthen LATAM's position in global innovation networks.

Beyond partnerships, leaders are also prioritizing deeper customer insights. Over the next 12 months, 35% plan to collect and analyze more customer behaviour data—likely to identify market opportunities both locally and internationally. Of these, half will leverage AI to scale insights. Similarly, 23% aim to remap customer journeys or client experiences, with nearly half planning to use AI for this task.

LATAM LEADERS CULTIVATE INNOVATION TO STAY COMPETITIVE

Q: Which of the following actions are you taking this year to improve how your organisation innovates?



As LATAM's digital economy expands, driven by rapid growth in IT services, business process outsourcing (BPO), and e-commerce, customer-centric innovation is becoming a competitive necessity. Companies are no longer just serving local markets. They have become integrated into global value chains. AI-powered customer intelligence will be key to keeping pace with these demands, enabling businesses to anticipate needs, optimise service delivery, and differentiate themselves as high-value partners.

GREATER CLARITY ON AI USE CASES

AI remains the top business technology for three-quarters of LATAM leaders. In fact, half are already widely using AI in their operations or actively investing time and resources in its deployment.

Compared to last year, leaders have gained greater clarity on AI's most valuable applications — focusing on sales & marketing, content generation, and process automation. This shift signals a move beyond experimentation toward strategic implementation, where AI directly drives efficiency and competitive advantage.

"Last year, the market experienced AI hype," observes **Carlos Morales, HLB Costa Rica.** "This year, businesses are more focused on prioritising more viable and value-generating AI applications".

"LATAM businesses need to improve their operating efficiencies, so naturally process automation use cases emerge on top", adds **Felipe Paredes, HLB Ecuador.** "Similarly, many companies are feeling increased pressure to sell their products and services and stay competitive internationally, driving the AI adoption in sales and marketing functions."

In the Business Services sector, leaders are using AI to "streamline transactional processes", "be faster and more effective in getting information questions that do not involve a lot of research on the topic", and "transcription and summary of virtual meetings as internal work instructions", among other use cases.

At the same time, 37% of leaders are still exploring AI use cases, but don't see adoption as an immediate priority. 12% of leaders also expressed caution or aversion to using AI in their operations.

"To date, AI technologies have not been implemented in our company. It is in the process of evaluation and consolidation,"

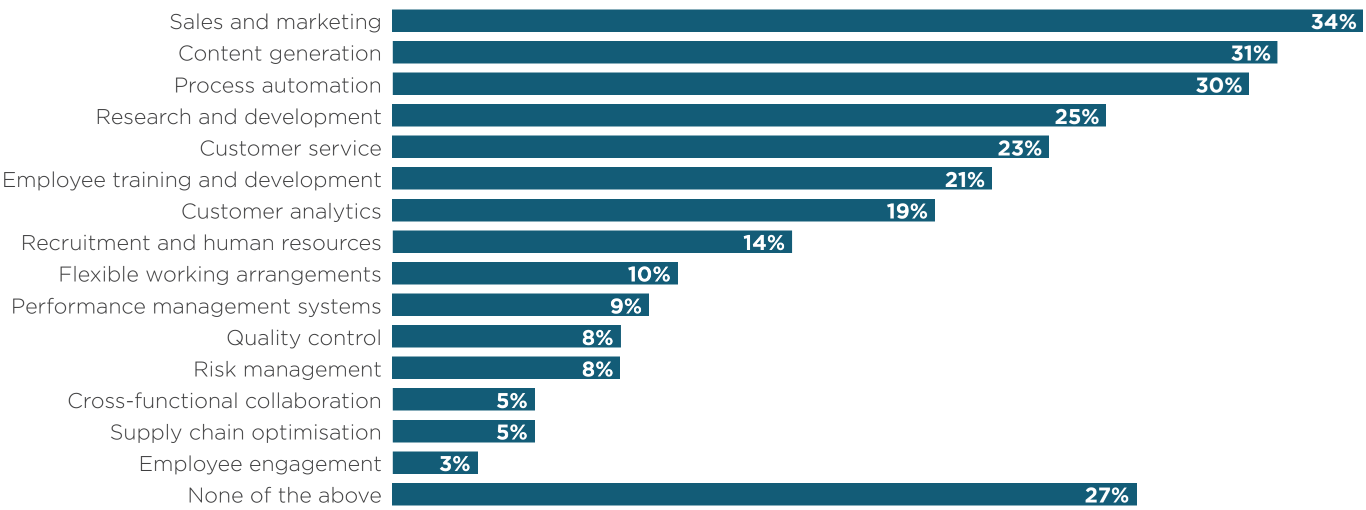
CEO from the Food & Beverages sector

"AI adoption remains challenging, especially for SMEs. Some think that adding a simple automation script for translation or an email chatbot already constitutes "adoption" and would lead to direct profits," **says Pablo Kaplan, HLB PMA.** "But quantifying the value of AI is more complex than that." Use case formalisation and return on investment (ROI) demonstration isn't just a regional problem. Globally, of those companies using off-the-shelf AI solutions like OpenAI (ChatGPT), Clay, and Otter, only 47% are seeing tangible value from adoption[12].

To effectively measure the ROI of AI businesses should track both financial gains (e.g., cost savings or revenue enablement) and indirect benefits like improved efficiency and customer satisfaction. One could consider creating a set of specific KPIs such as automation-driven time savings, accuracy improvements, or customer retention rates for selected use cases. Armed with this, you can better understand AI impacts and prioritise the most valuable use cases by choosing business-related metrics that will prove the success of your innovation efforts.

AI ADOPTION IN LATAM: PRIORITISING SALES, CONTENT, AND PROCESS AUTOMATION FOR COMPETITIVE ADVANTAGE

Q: Where has your company used AI technologies to automate or enhance operations?



PROTECTING PROFIT MARGINS

In a difficult economic market, LATAM leaders need to focus on protecting and increasing their profit margins.

An admirable 14% of LATAM businesses managed to increase their profit margins by 5% or more over the last 12 months. Profit Accelerators are 1.7X more likely to rank their innovation efforts as successful and their people — as highperforming and engaged. Although they also understand the need for further operating model transformations.

TO ENSURE BETTER BUSINESS PERFORMANCE, LEADERS ARE LASER-FOCUSED ON BRINGING THEIR OPERATING MODEL TO A BETTER SHAPE, BY REDUCING INEFFICIENCIES IN WORKFLOWS, ORGANISATIONAL STRUCTURES, AND INVESTMENTS IN NEW AUTOMATION TECHNOLOGIES. IF YOU SEEK EFFECTIVE WAYS TO IMPROVE YOUR REVENUE AND PROFIT MARGINS THIS YEAR, CONSIDER THE FOLLOWING AREAS:

INCREMENTAL BUSINESS MODEL TRANSFORMATION	PEOPLE-CENTRIC WORKFORCE MANAGEMENT	COLLABORATIVE INNOVATION
Profit Accelerators operations are weighed down by the same challenges as other leaders: high economic uncertainty, growing polarisation, and financial volatility. To achieve greater agility, these companies are 1.2X more committed to streamlining their processes and 1.4X times – to upgrading their technology systems.	As the demand for skilled labour increases, more leaders are prioritising people investments to ensure their workforce remains locally and globally competitive. Profit Accelerators are 1.3X more likely to administer extra training programmes to their employees in the next 12 months. They're also 1.6X more committed to improving their succession planning programme to protect themselves from talent attrition at the top.	An empowered, competent workforce is central to creating a culture of innovation — a goal, by all survey respondents. Yet, Profit Accelerators are using slightly different means to gain an edge. They're 1.7X more likely to collaborate with other companies on joint innovation projects and 1.3X more focused on building better cross-functional collaboration internally.
However, compared to their peers, they appear to be slightly ahead in their transformation journey. They've already achieved a leaner organisational structure and figured out a new strategy for growth, which includes a triple focus on accelerating technology adoption, workforce optimisation, and new product or services development.	Just like their peers, they're committed to improving workplace environments and re-engaging their people through internal communication. However, they're also thinking in a 'bigger' picture, with 44% seeking improvements to company culture and mission.	The foundation of successful innovation are well-structured, dynamic teams, that leverage individual strengths but also maintain open knowledge flows between each other and the end consumers. Profit Accelerators are 1.5X more likely to use AI to collect and analyse customer data and 1.2X more likely when deploying customer personalisation or segmentation, likely to resurface more insights for new product development and customer experience management. They also have a higher propensity for setting up a customer advisory board and applying AI in this area.
With a solid 'operational foundation', they're now seeking further acceleration and efficiency by applying AI to improve their business agility, improve data analytics capabilities, technology systems, and customer experience.	That's an admirable effort as local businesses can make a major impact on society. By transitioning more people from informal jobs to regulated employment, businesses also increase their customer bases and gain access to new revenue streams. This shift can strengthen social safety nets, boost consumer spending, and drive sustainable economic growth across the region.	

WHAT OPERATIONAL CHANGES COULD MAKE OUR BUSINESS MORE EFFECTIVE AND AGILE?	WHAT CAPABILITIES DO OUR PEOPLE NEED TO BECOME MORE ENGAGED AND PRODUCTIVE?	HOW WOULD YOU DESCRIBE THE INNOVATION CULTURE IN YOUR COMPANY?
New digital technologies — cloud collaboration apps, data analytics tools, and generative AI assistants — promise greater operating speeds and lower costs. However, many adopters didn't immediately experience these advertised benefits.	Productivity isn't just about dedication or work ethics — it's about capability. Your people may not be doing their best work due to a lack of knowledge and resources. Skills gaps in technical and managerial expertise limit leaders' ability to expand their operations and stay competitive.	We perceive innovation as a 'groundbreaking shift' that creates a new invention, product, or operating environment. However, most innovation is incremental, happening in small shifts and iterations.
Automation alone isn't the answer to greater operating model efficiencies. If the underlying business process is inefficient, no technology can fix it. Many leaders lack visibility into their processes and the capability to find the 'root causes' of poor performance.	Businesses can partner with local and international universities to deliver training aligned with global market needs. Mentorship and apprenticeship programs can also help train the new generation of leaders.	Before TikTok became a global sensation, other platforms like Vine, Instagram, and Mindie launched short video features. TikTok succeeded by improving upon earlier products. The same cycle is happening in almost every industry, with businesses succeeding through targeted, incremental improvements in product design, customer experience, or internal process efficiency.
Start with the basics: Visually represent each step in the process, including responsible team members and necessary resources. How does each step contribute to the overall goal? Is it the best way to achieve an objective? You might not be assigning enough labour to some tasks, or your people need to perform redundant steps.	Tapping into workers' intrinsic motivation can be also a powerful driver to improving productivity. Companies that prioritise worker well-being, physical and psychological safety, and ethical operations have a more engaged workforce. And happy people are more motivated and productive as research shows.	The goal of an innovative culture is to encourage your people to do things differently. You could automate an existing workflow with a low-code tool to improve customer ticket routing or create a better way to incorporate customer feedback into new service lines.
A thorough process audit can help you discover systemic inefficiencies, which you can target with strategies like automation, resource reallocation, and greater team alignment. Then, adopt new practices and implement better controls for ongoing visibility and as-needed correction of your people's performance, as well as a more robust analytics and automation layer to move at faster speeds.	Consider an internal skills audit to identify capability gaps and allocate training budgets. Also, reconsider your approach to talent acquisition: do you prioritise credentials like degrees or years of experience over actual skills? Many businesses are switching to skills-based hiring, which verifies candidates' real-world competencies early in the hiring cycle.	To promote bottom-up innovation, give your people visibility into what's been tried, what's a priority, and what's not. Provide them with headspace and autonomy to explore existing problems and avenues to share their findings and transform these into new initiatives.

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