



Partnering in a Global Market

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China's economy is hot. So is India's. As daily headlines tout the importance of these burgeoning markets, companies worldwide are busy planning how to sell their goods and services into these mass markets.

A vital component of the economic clout of these countries, sometimes overlooked by the headlines, is their emergence as high-tech centers. The IT industry in China is growing at an annual rate of 25 percent, and in India at a robust 36 percent. And these two countries are not alone among emerging economies with a high-tech bent. Israel and Brazil are flourishing technology centers. In Israel, now ranked second in the world for growth in innovation, IT is the driving force behind venture capital investment, bringing the median amount invested per deal to \$5 million last year. Brazil has more than 2,000 independent software vendors and a \$9 billion IT industry.

The implications are clear: IT and the innovation it spawns has gone global. Emerging countries are replicating the Silicon Valley model that has kept the US at the forefront of IT for decades. While the US still leads in technology innovation, other countries are learning how to pull together technology, entrepreneurs, government, and academia to create centers of high-tech development. Some observers may fear the geopolitical implications of global R&D, but companies must face the reality that the pace of technology innovation is accelerating, and that new IT products and services are being developed in countries around the world. A company in the technology industry, or a business using technology needs a strategy to access the newest technology regardless where it's born, and to tap into the benefits of these latest developments either for its own operations or for its customers.

Since these global high-tech centers are just getting started, the pace of innovation is likely to explode over the next few years, aided by the widespread use of Linux, the free, open source operating system. By 2007, 1 million developers in China will be creating new software, and 7,000 independent software vendors will be open for business. By the same year, India will have 2 million developers, and will continue graduating 250,000 new developers each year.

There is always the option to buy some of that new talent. And, mergers and acquisitions remain choices for companies with financial resources. Building a network of partners, however, and expanding that network globally is a more viable option for most companies, large or small.

Partnering offers significant rewards, with considerably less financial and operational risks. Obviously, partnering is far from a new idea, but many companies don't think broadly enough about their networks of partners and need to develop a partnership strategy to accommodate the globalization of IT. Partnering affords large and small companies access to the latest technology, new start-ups, and local talent no matter what the region. It creates a more robust business model by developing an ever-expanding network, an ecosystem if you will, within markets that fit a company's business strategy. Leading US companies partner globally and are tapping into the skills and talents in China.

Entering the global market through partnering means:

- Lower risks. Partnerships or alliances are not exclusive business relationships. You can modify the agreements, or opt out if an alliance is no longer a good fit.

- Shared risks. Any capital or other resources used to advance the partnership are costs that are shared.
- Quicker response to customers. Partnering means getting your product or service to the market faster than if you go it alone.
- Faster return on investment. With lower risks, shared resources, and quick market access, both partners see results and profits sooner.

Once a company narrows its focus to the global markets that fit its business objections, how does it hook-up with potential partners in those emerging market? Here are a few tips on getting started:

- Develop relationships with the venture capital firms funding IT start-ups in the regions of interest.
- Have a local representative in the region, either your own employee, or a hired consultant.
- Contract the key government agencies which promote their countries' IT development.
- Monitor the trade press, and attend conferences focusing on innovation in the region.

By developing a global network of partners, companies extend their reach into these new high-tech centers, benefiting from the technology innovations that will be coming at a fast, and furious pace over the next few years. Going global is a business strategy that works.