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IBM employees help over there

Local tech companies establish beachheads in emerging markets

BY FRANK NORTON, Staff Writer

As a single man in Raleigh, Greg Labows likes golf, college basketball and most things American. As a 35-year-old corporate riser at IBM, his eyes are overseas. The software-sales executive is preparing for a four-week stint in the Philippines, where IBM is working to build good will and a stronger presence.

"Ten or 15 years down the road, a lot of the opportunities will focus abroad," Labows said, "and experiences like this will open doors."

He is one of 600 IBMers worldwide chosen to serve as a diplomat and aid worker in poor countries, a sort of Peace Corps for capitalism. The aim is for IBM employees to help nonprofit groups provide loans, business training and technology to small and rural businesses. Longer term, it's a corporate bet on emerging-market growth and perhaps a foot in the door in key nations.

Multinational companies increasingly see the future in developing countries, particularly as economies in the U.S. and Europe slow and nations such as the Philippines, India, China and Brazil take off.

Networking gear maker Cisco Systems is committing hundreds of millions of dollars to high-potential startups in India and investing in education, research and Internet access in China. Software maker Red Hat and PC maker Lenovo are funding research and education in burgeoning technology markets worldwide, places where they see a chance to expand sales or get in early.

"Growth is increasingly outside of the U.S. and in emerging geographies," said Stan Litow, vice president of corporate affairs and creator of IBM's new corporate services corps.

"Ten years ago you weren't as confident about opportunities in India, China, Brazil or Russia. Ten years from now, you'll be marveling," Litow said.

Under his watch, 600 of IBM's "emerging leaders" -- including Labows and four others from the Triangle -- will be first on the scene in foreign lands, hoping to help build businesses and communities and connect with key governments, nonprofit organizations and universities.

Ready to solve

For Labows, the next two to three months will involve flu shots, online language and culture training and getting travel documents, all courtesy of Big Blue.

Then it's off to Davao City, Philippines, where he will apply skills he developed helping health-



MCT/Staff Illustration

care clients computerize medical records and other data. He plans to teach small and rural businesses to do some of the same.

He said his older brother, who recently helped reconstruction efforts in Iraq, inspired him to reach abroad.

"That pushed me to jump outside my comfort zone," said Labows, who jokes that his global experience is limited to about a half-dozen words he remembers from high school German.

About 5,000 IBMers applied for one of the overseas stints. Labows aced the essay. "I view myself as a problem solver," he wrote, discussing his desire to apply technical and marketing savvy to developing-world challenges. "I have had significant, albeit limited, exposure to global business. This is certainly a key area where I am looking to develop my skills."

From the ground up

Some of the IBM recruits have sales or technical backgrounds. Others come from marketing and finance. All will work on location in teams with local aid groups to expand small-business lending, train rural entrepreneurs in technology and help women business owners network.

That might seem rather altruistic for a for-profit company that makes billions tending to first-world information needs.

"But this is not altruism," said Campbell Harvey, a professor of finance and international business at Duke University. "It would be naive to think these large corporations are going into emerging markets simply for philanthropy.

"Their job is to maximize shareholder value, and that requires both short-term and long term investments. And in the long run, these markets are the corporate growth engines of the future."

Many economists predict economic growth in the developing world to outpace the U.S. and Western Europe for possibly a generation to come.

So for IBM, investing in tomorrow's engines today effectively incubates future customers.

And it could yield good will from socially concerned watchdogs and foreign power brokers who can make doing business in their countries easy or difficult.

For Labows and half a dozen IBM teammates, building those bridges will require living in close quarters for four weeks and working side-by-side in Davao City, a sprawling metropolis and port city where the native tongue is Bisaya.

That's an exotic trip for a guy whose only overseas experience came more than a decade ago when he and a few college buddies donned backpacks and partied their way across Western Europe.

Spending by U.S. firms on businesses and real estate abroad rose 21.3 percent to \$153.4 billion in 2006, the most recent data available from the U.S. Department of Commerce. More than two thirds of that went to developed countries, but the pace of capital flows to the developing world is rising faster, economists say.

Feeling their way

One big challenge of entering new markets in the developing world is figuring out which wheels to grease and whose hand to shake.

There is no single answer, said Craig Merrigan, head of consumer marketing for Lenovo.

In Russia, markets are fragmented and sometimes dominated by aggressive strongmen.

In Brazil, they're laden with bureaucratic red tape, high import taxes and mandates that require foreign manufacturers to find local supply sources.

But the challenge will be worth it, as long as faster population growth and rising living standards continue to boost emerging economies, said Malcolm Trevillian, president of Chapel Hill Investment Advisors, which helps institutions allocate investments globally.

Investors need to look beyond quarterly results and embrace the future of sales, which can be found in countries with abundant labor and rising consumer classes, Trevillian said.

IBM has 74,000 workers in India. And Bangalore, not RTP, is now the company's largest global work site.

"Big companies are in a war for talent," said Litow of IBM. "A program like this gives IBM an edge."

Yet-to-emerge markets

The best known emerging economies, such as Brazil, Russia, India and China, have seen costs rise significantly, especially for wages, which makes them increasingly expensive manufacturing bases. So the latest waves of interest are in even less-developed places.

"I call it my universal assignment," said Tsegga Siyoum Medhin, originally from Eritrea and now a marketing operations manager for IBM in RTP.

Medhin is studying Swahili in preparation for a six-week mission to Arusha, Tanzania. She and fellow IBM colleagues from around the world will research additional market opportunities for small business and help bring financing and training to rural businesses.

Labows, who is studying Filipino business etiquette from a book, expects to come away from the experience with a more global view of management and developing world needs. His team in rural Davao City includes IBMers from at least six countries.

"There's no question globalization is here," Labows said. "So these are important markets to be looking at."

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