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## **Business Case: Globalizing High-Tech R&D**

How often has your organization discussed the need to globalize due to competitive pressures? The trend towards globalization, especially in regards to high value added components of an organization's core competencies, has been accelerating over the past few years. For example, governments in developing economies are offering a myriad of incentives to attract leading companies to invest R&D resources in their technology parks. In January 2010, the Thunderbird Learning Consulting Network (TLCN) conducted an assessment of R&D incentive strategies in selected Asian countries on behalf of a U.S. high-tech manufacturer.

### **Assessing R&D Investment Opportunities**

In order to expand globally, the U.S. manufacturer has been exploring R&D tax and other incentives to best position itself to take advantage of several potential investment opportunities in Asia. Therefore, the manufacturer engaged TLCN to provide 1) a detailed understanding of government incentive policies for R&D investment, including tax incentive strategies, priorities and budgets for target industries and 2) case studies of companies that have invested R&D in those countries, including metrics for quantifying success such as direct spending and the true generation of intellectual property. TLCN accomplished both tasks through extensive research on key investment authorities, government policies and industry associations in both English and Chinese languages. In addition, TLCN reached out to Thunderbird faculty with expertise in the targeted countries.

### **Investigating Key Issues**

Through this engagement, TLCN offered key insights into how Asian governments are encouraging R&D investment and what challenges multinational companies have encountered by globalizing R&D. In the targeted countries – TLCN investigated beneath the surface issues to generate critical questions that executives need to consider when making sound offshoring decisions. For instance, what steps are governments willing to take in order to protect intellectual property from global R&D operations? What are the hidden costs involved with offshoring high value R&D work to developing economies? How does the churn factor affect the availability of engineering talent? By digging beneath the stated project requirements, TLCN provided the U.S. manufacturer with the real story behind R&D success and the tools to make well-informed strategic decisions in Asia.

### **Preparing for Global R&D**

Overall, results show that the trend towards high value global R&D is inevitable; the main considerations are when, where and in what way companies make the move....and do they want to be first mover? Research suggests that companies taking a more aggressive posture in globalizing their R&D footprint enjoy stronger sustained financial performance. However, many companies are not yet ready to globalize their R&D when they are thinking of doing so. According to the Boston Consulting Group, there are typically four stages of maturity in taking R&D global: acquiring competencies, preparing for responsibility, assigning local responsibility and establishing global responsibility. Companies that do, however, successfully globalize their R&D, realize key benefits including the ability to leverage global talent, enhance cost savings and capture the world's "next billion" consumers.