



Creating Open Partnerships

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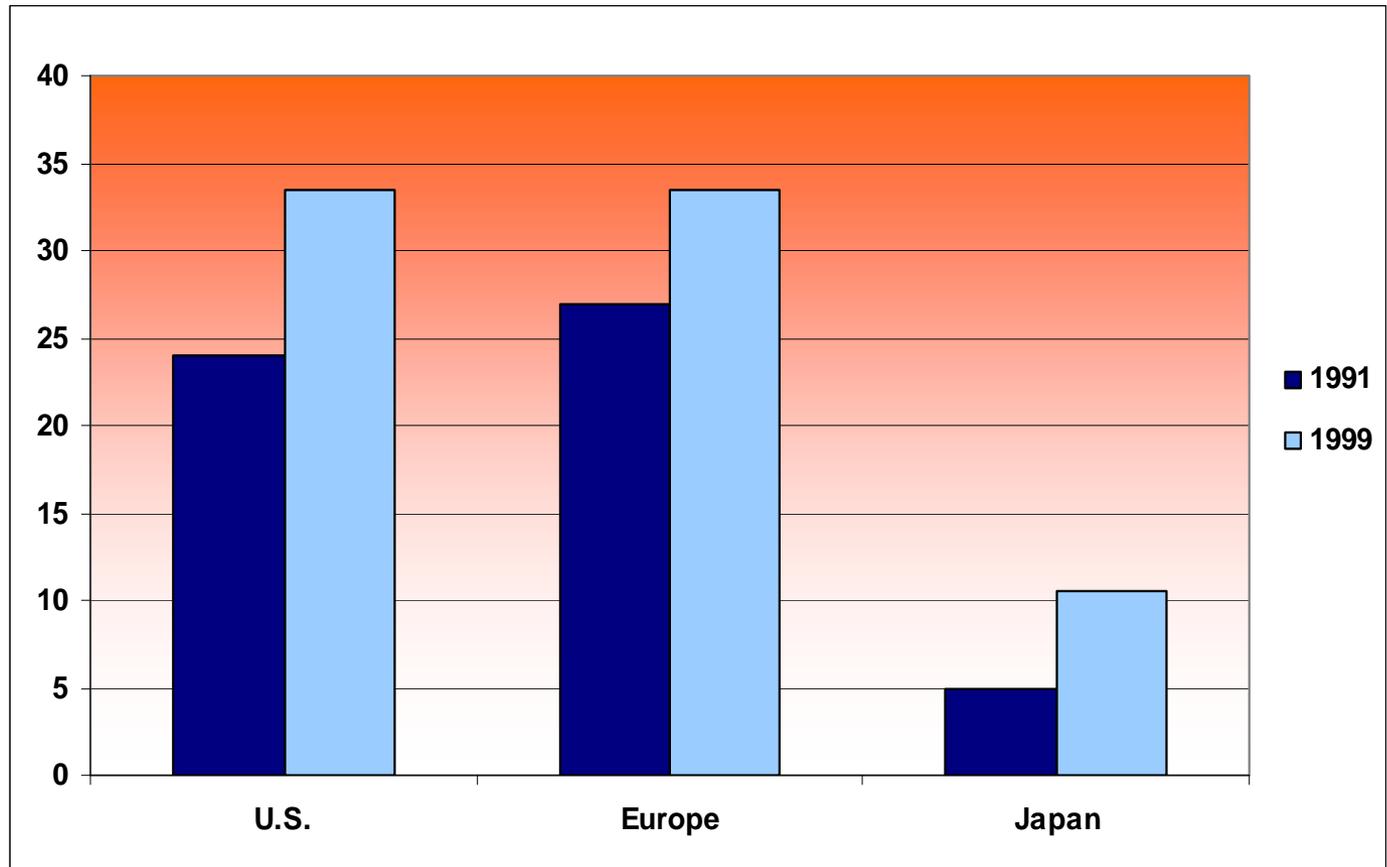
A defining feature of the New Economy is competition

- The experience of IBM reflects this more competitive marketplace. In 1965, IBM faced 2,500 competitors for all its markets. By 1992, it faced 50,000.

But while competition has been increasing, paradoxically so too has collaboration.

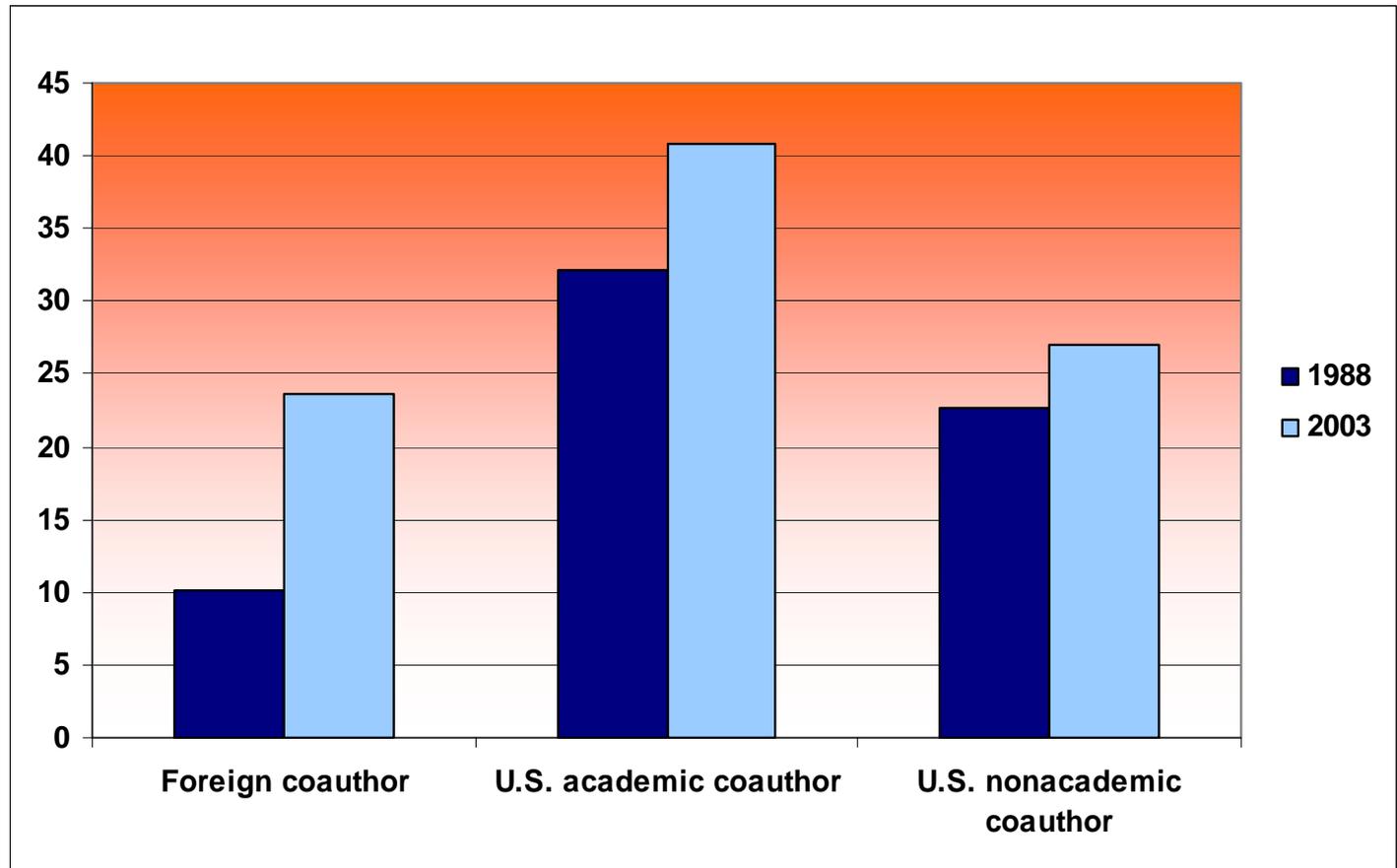
- In 1995 Peter Drucker suggested that the organizational dynamic of networks, partnerships, and collaborative ventures is a main organizing principle in the New Economy.
- Firms are shifting from a model in which they operated as silos separated from each other to networked firms linked to suppliers, customers, other organizations like universities, and even competitors.

Percentage of Total R&D Outside the Home Region



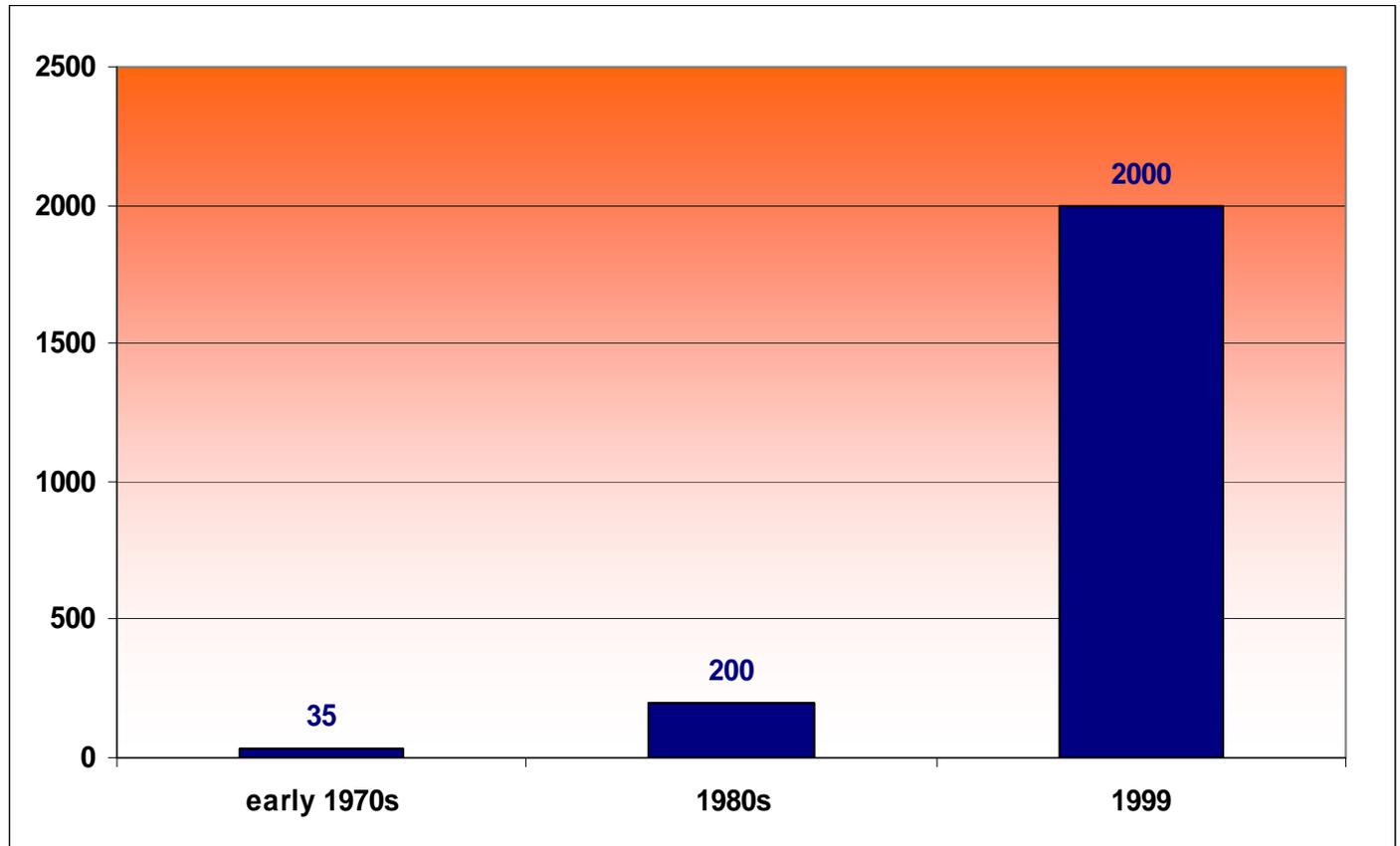
Source: Dan Breznitz, *Innovation and the State: Political Choice and Strategies for Growth in Israel, Taiwan, and Ireland* (New Haven: Yale University Press, 2007), 22.

U.S. Sector and Foreign Coauthorship Share of U.S. Academic S&E Articles



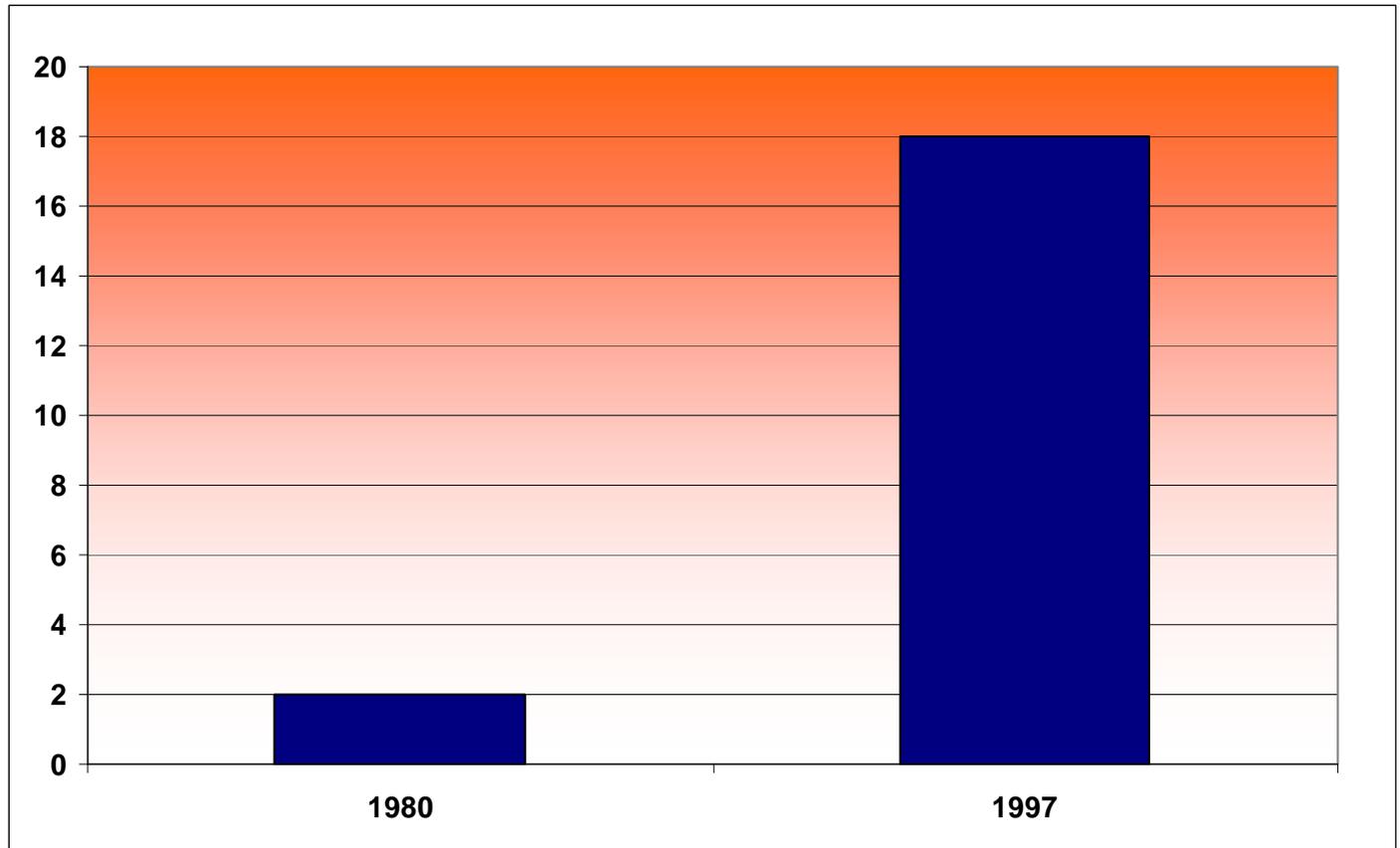
Source: National Science Foundation, *Science and Engineering Indicators 2006*, Figure 5-52, <www.nsf.gov/statistics/seind06/c5/fig05-52.htm>.

Inter-firm Worldwide Research Partnerships



Source: Organisation for Economic Co-operation and Development (OECD), *Science, Technology and Innovation in the New Economy* (Paris: OECD, 2000).

Percentage of Revenues of the 1000 Largest Firms Attributable to Strategic Alliances



Source: Marina N. Whitman, *New World, New Rules: The Changing Role of the American Corporation* (Boston, MA: Harvard Business School Press, 1999).

Enablers of Open Partnerships

IT

New and cheaper information and telecommunication tools (grid computing; IM; telepresence; desktop collaboration tools) make collaboration easier.

Globalization

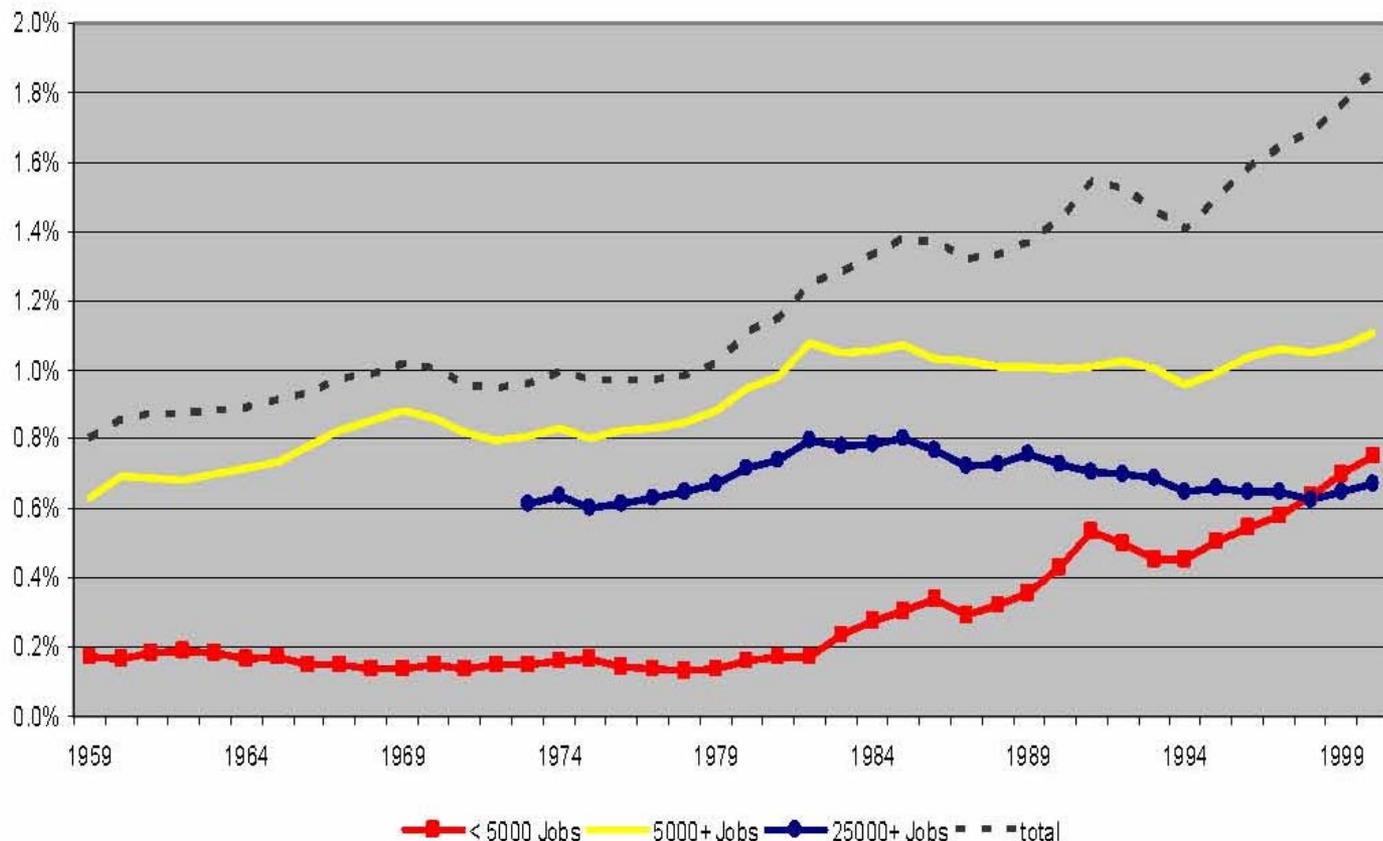
Increased globalization and cross border travel make cross-border collaboration easier.

DRIVERS of Open Partnership

- Innovation is becoming more complex.
- Competition and the need for speed require alliances.
- More innovation from small- and mid-sized companies requires partnerships.

Small and Mid-Sized Firms are Becoming a More Important Source of Innovation

(R&D by firm Size as % of GDP)



Source: Robert M. Hunt and Leonard I. Nakamura, "The Democratization of U.S. Research and Development after 1980," Research Department Federal Reserve Bank of Philadelphia (Jan. 2006), 19.

Benefits of Open Partnerships

- Collaboration is a source of creativity.
- Collaboration enables the transfer of knowledge or skills.
- Collaboration enables specialization and allows each partner to do what they do best.

Policies for Open Partnerships

- In the new economy, “collaboration capital” is as important as financial or physical capital.
- As a result, the government should make sure that it is not putting up barriers to collaboration
- But it should also take steps, where appropriate, to spur collaboration, such as enacting a collaborative R&D tax credit, and funding collaborative research alliances, such as the Microelectronics Advanced Research Corporation (MARCO).



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