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By Michael Kanellos

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## IBM is gearing up to try its hand at Linux diplomacy.

Buoyed by the success of cooperative ventures promoting Linux in [Brazil](#) and a few other developing countries, IBM plans to spread its open-source philosophy to other parts of the globe in 2005.

The program involves sponsoring faculty awards at universities, erecting [Linux competency centers](#) where local application developers can hone their skills, and collaborating with venture capitalists to form indigenous start-ups that in turn could become the bedrock for local, autonomous IT activity.



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### What's new:

Encouraged by the success of its Linux projects in Brazil and other developing countries, IBM is gearing up to take such programs to others parts of the globe.

### Bottom line:

For a tech company to cultivate overseas interests is nothing new. IBM is different, though, in that its main goal isn't to sell services and software to local markets. Rather, it wants to identify and groom local talent that, ideally, will develop technology that IBM can sell to customers in developed nations.



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"It is an even chance that someone in Russia or China will come up with the next big thing," said Andrew Clark, director of strategy and market intelligence for the venture capital group at IBM. "It is literally a war for the best and brightest. If we don't get there, somebody else will."

In 2004, IBM concentrated on establishing the program and spent most of its energy on the "BRIC" nations: Brazil, Russia, India and China. In 2005, the company will increase its efforts in those countries but will also begin outreach programs in

Eastern Europe and elsewhere, Clark said. More details will be released later this week.

IBM is targeting geographical areas where open-source is growing, analysts said.

"The greatest opportunity for the growth of open-source software and Linux will be outside North America," said Stacey Quandt, an analyst at the Robert Frances Group.



Stacey Quandt,  
analyst, Robert  
Frances Group

"IBM has approached this from multiple points," she added.

### Everyone's going there

[Microsoft](#), [Intel](#), [Hewlett-Packard](#) and [Advanced Micro Devices](#) have all started to train their eyes on the growing mass of consumers and businesses in emerging markets.

Most of these programs follow the same general outline. The multinational companies try to jump-start local Silicon Valley-type hotbeds of tech activity, in the hopes of one day [turning a region into](#) the next China.

IBM's strategy differs slightly. The company is not primarily interested in selling services or software to local markets. Instead, it wants to identify and groom local talent that, ideally, will develop technology that IBM can then sell to its mostly existing customers in developed nations, Clark said.

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--Stacey Quandt, analyst,  
Robert Frances Group

"We look at where the gaps are in our ability," he said. IBM uses what it calls its GAP (growth alliance program) procedure to identify indigenous talents--online game technology in South Korea, for example, or semiconductor design in China--and plot it against international demand.

IBM may buy some of the companies it helps foster, but most of them become members of Big Blue's [partnership program](#).

Unlike Intel, IBM does not invest in local companies. However, it [partners with U.S. ventures](#) that do, such as [Draper Fisher Jurvetson](#).

### To Russia with love...and capital

Nation-building isn't easy. Russia, for example, has long been seen as fertile ground for the technology industry, but Western investment there has been lukewarm.

"For all of Russia's problems, they have a pretty good educational system," said Esther Dyson, editor-at-large at [EDventure](#) (which is owned by CNET Networks, publisher of News.Com). Notable companies in the country include Yandex, a search company that's like the Russian Google, and PIK RFID, which makes chipless [RFID tags](#).



Esther Dyson  
editor-at-large,  
EDventure

At the same time, governmental, legal and social instability have prompted most Western investors to shy away. So far, Westerners in Russia have put most of their money into natural resources. Both sides of the coin will be discussed at the [U.S. Russia Technology Symposium](#), which is taking place at Stanford University later this week.

The start-up concept remains somewhat vague in Russia, too.

"Entrepreneurship is not the way you think about technology," Clark said of the mindset there. "You work for the government or a quasi-governmental body." Nonetheless, he added, "Russia is kind of the unrecognized treasure."

To better familiarize themselves with the situation, IBM executives in Clark's group participated in a tour of Russian start-ups last year in order to identify promising ideas and individuals. They also recruited venture firms Landmark Capital and Draper Fisher Jurvetson to help them in Russia.

[Western investment](#) in local Russian companies, which is still a trickle at best, will likely follow the model pioneered when Israel was emerging as a technology center. Employees will stay in Russia, but the financing, corporate headquarters and some top executives will relocate to safe harbors like the Cayman Islands or Delaware, which enjoy pro-business laws and conditions.

"This is a governance model that is more suitable to investors," Clark said; "99.9 percent of the company is in Russia, but the risk is lower."

More developed emerging nations pose problems, too. In Latin America, for instance, standard contracts are somewhat rare, Clark said. As a result, parties getting involved in deals do not have as clear an idea of their risks and potential liabilities as in the United States.

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