

Minding your business intelligence from afar

The intelligent planet



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Charles Giancarlo
CISCO Chief
Development Officer

As chief operating officer you called a meeting with the R&D manager because you were concerned about increasing costs and the diminishing returns. You said that you need to extract more value from the business' R&D activity. It has made sense to run some of your manufacturing operations overseas – either because of a lower cost base or because of proximity to markets. Nevertheless, as R&D capacity is the heart of your business, it has been a matter of absolute faith that you keep it at home.

You agreed with your R&D manager that innovations are best sparked by the needs of customers. If this relationship with customers is not nurtured and used, innovation may be driven by the fact that you can do something rather than because someone wants you to do it. R&D should be close to the market.

You have also agreed that R&D is driven by looking at your manufacturing processes imaginatively. Ideas may filter through from your low cost manufacturing facility overseas to your research facilities at home, but this is more by accident rather than design: the search for innovation is not an intrinsic part of that overseas operation. R&D should be close to where you manufacture.

Logic points to you having an R&D footprint in another part of the world, maybe closer to a major market where you could localize products and services. But something holds you back. You remain uneasy about the loss of control. It is not just a matter of robust law; it is also one of culture and clarity of communication.

You spin the globe on your shelf and your finger stops on Ireland.

Intellectual property and tax

With its corporation tax of 12.5%, Ireland has a long history of attracting industry through foreign direct investment. This rate has been approved by the European Union and there is

a strong commitment by Irish governments to maintain this low corporation tax environment. This is supported by the network of tax treaties with 43 countries.

Given the robust intellectual property regime of the European Union, Ireland has in more recent years, acquired a reputation for leading research and innovation.

Last October, PepsiCo Inc said it would carry-out its next generation product R&D in Ireland, with the establishment of an R&D center-of-excellence at its Little Island facility. It is also to establish its Worldwide Concentrate Headquarters in Cork. Mr Mike Engler, Vice President Concentrate Operations, Caribbean, Europe and Asia, said that the company's decision to locate these two centers of excellence in Cork was due to the positive business experience PepsiCo has had in Ireland since the establishment of its Little Island facility in 1974. "The quality and commitment of our workforce were key factors behind this investment. We look forward to building on the success of our current operations."

A month later, Cisco established a dedicated world-class Research & Development Center in Galway. The company's Chief Development Officer Charles Giancarlo said "Today the majority of Cisco's business and customers exist outside of North America. To remain responsive to the communications needs of our customers, we are expanding our significant investment in development around the world. We view Ireland as an excellent area to establish our new R&D facility in the area of Unified Communications, both because of the positive business climate and because of the established talent pool."

Companies such as Analog Devices, Bausch & Lomb, Bell Labs, Boston Scientific, Bristol Myers Squibb, Citigroup, Genzyme Hewlett Packard, Intel, Medtronic, Microsoft, Nortel, Pfizer Olympus, Schering Plough, Wyeth and Xilinx have picked Ireland to extend their R&D capacity.



No tax is paid on earnings from intellectual property where the underlying R&D work is carried out in Ireland. Ireland recently introduced a new R&D Tax Credit, designed to encourage companies to undertake new and/or additional R&D activity in Ireland. It covers wages, related overheads, plant/machinery, and buildings. Stamp duty on intellectual property rights has been abolished.

Culture

A common language helps you share knowledge. A common culture gives you clear boundaries as to what you should share and how that knowledge should be treated.

The Irish culture is woven into the entire English speaking world. That small country, way out of proportion to its size, contributed to the ways in which our language and literature developed over the past two centuries. It is the country of Oscar Wilde, W.B. Yeats and Samuel Beckett. Dublin is the landscape for James Joyce's 'Ulysses'.

Today, it is the home of Bono and U2. It is where Bob Geldof grew up and formed a band before he organized the Live Aid and Live 8 rock concerts, linking the United States, Europe and the rest of the world to focus on third world hunger. Ireland is a place where people listen intelligently, speak imaginatively, communicate with energy and clarity.

The pharmaceutical company Wyeth has been in Ireland since 1974 but its business there has transformed as the country has changed. "We came for milk and labor, and now we come for people and the pro-business environment," says Peter O'Brien, director of external relations and communications for Wyeth Ireland. His company's senior vice president Michael E. Kamarck, Ph.D said "What characterizes important biotechnology areas, like Boston and the Bay Area, are fabulous universities, talented young people, and an entrepreneurial environment with intellectual challenges. Ireland has a similar intersection of

those skills and environments to make it a real center for biotech manufacturing, R&D, and other high-tech areas." In April it invested a further \$32.75 million in R&D and process development facilities, adding 6,000 square metres of laboratory space to the existing 2,500 square metres.

There is a constant ebb and flow, linking the lifestyles of people in the United States and Ireland. There is of course the historical link, going back to the mid-nineteenth century, when Irish people left their homes to head westwards. About 11% of US citizens now claim Irish descent. The flow is two way. The second half of the twentieth century saw the transformation of Ireland with US direct investment into Ireland. This brought not just prosperity but it brought new generations of Irish people to understand the work culture of major international corporations. Managers in Ireland are at home with US procedures and practices.

Familiarity

Irish managers are familiar with the compliance and regulatory structures within the US. They have worked with agencies such as the Food and Drugs Administration. They are also at ease in the structures of the European Union.

The EU is now a single market of 500 million people, a population almost 70% larger than that of US. Being in that large single market and speaking English, Ireland stands out as a prime location into which to invest.

There is an obvious sense in which Ireland's geographical position encourages it to be a bridge between the US and EU business worlds. The business and cultural links into both markets from that small country make the bridge even stronger.

US companies find themselves in every sense 'speaking the same language' when they do business in Ireland. The many trade associations and chambers of commerce have members who would be as familiar there as they would be in any US city.

'At the very heart of Bell Labs is our mission for creating knowledge. This endeavor in Ireland will build another chapter in Bell Labs rich tradition of knowledge and innovation'

Dr Jeff Jaffe
President of Research
and Advanced
Technologies,
Bell Labs



Intellectual agility

The background to this was the strong investment in the 1970's and subsequent decades in the Irish education system. This has delivered a distinctively intellectually agile people. The country now has more than twice the US / European per capita average in science and engineering graduates.

Over 36% of the Irish population are under the age of 25. This young workforce has demonstrated particular flair in the processing of research material. The IMD World Competitiveness Yearbook 2007 places Ireland as having the most flexible, adaptable workforce when meeting new challenges. The same source placed Irish workers as the most motivated.

Over the past decade, Ireland increased its total investment in knowledge (including investment in public and private spending on higher education) by an average annual rate of 10%, far outstripping the EU and OECD averages of 3%.

A thousand years ago, Ireland was known as the land of saints and scholars. Its centers of learning are steeped in history. Today, 37% of the Irish population have achieved at least third level education.

The Irish universities jealously guard their international reputations. They are also sharply focussed on developing links with industry and they have formal structures to link them to innovation. Throughout the country, there are specialist technical colleges providing specific skills. Again, the course curriculum of such a college will be strongly informed by the needs of business. The Irish government has put its weight behind such collaborations between the higher education system and industry.

In August 2006, GlaxoSmithKline announced its research project into gastrointestinal diseases, in collaboration with University College Cork. This project is jointly supported by two Irish state agencies - IDA Ireland and Science Foundation Ireland - and will involve an investment of up to \$18.70 million. Jackie Hunter, Senior Vice President, GlaxoSmithKline said,

"This collaboration is a concrete example of how industry and academia can partner effectively to translate preclinical research into medicines for GI disorders."

In January of this year, the Intel Corporation published plans to set up a Technology Research for Independent Living Center in Ireland to address the challenges of 'independent living' for older people. Approximately \$21.98 million will be invested in the TRIL Center over a period of three years and Intel will collaborate with several leading Irish universities, including UCD, TCD and NUI Galway to create one of the largest research efforts of this type in the world.

Ireland looked at its strengths and put in place tax, business and education structures that played to them.

Written by Peter White



Image of W.B. Yeats, poet and Nobel Prize winner,
by Louis le Brocquy.



**The Irish mind.
Rich in the raw material that will help
to realize the potential of your business.**

The Irish. Creative. Imaginative. And flexible. Agile minds with a unique capacity to initiate, and innovate, without being directed. Always thinking on their feet. Adapting and improving. Generating new knowledge and new ideas. Working together to find new ways of getting things done. Better and faster.

This flexible attitude pervades the ecosystem. Nowhere else will you find such close, frequently informal, links between enterprise, education and research facilities and a pro-business Government. Connected by a dynamic information infrastructure. In Ireland, everything works together.

With its innate knowledge and flexibility, the Irish mind can be the pathway to profit for your business. **To learn more, contact the Irish Government's inward investment agency, IDA Ireland, 345 Park Avenue, New York on 212 750 4300, e-mail idaireland@ida.ie or log on to www.idaireland.com**

