

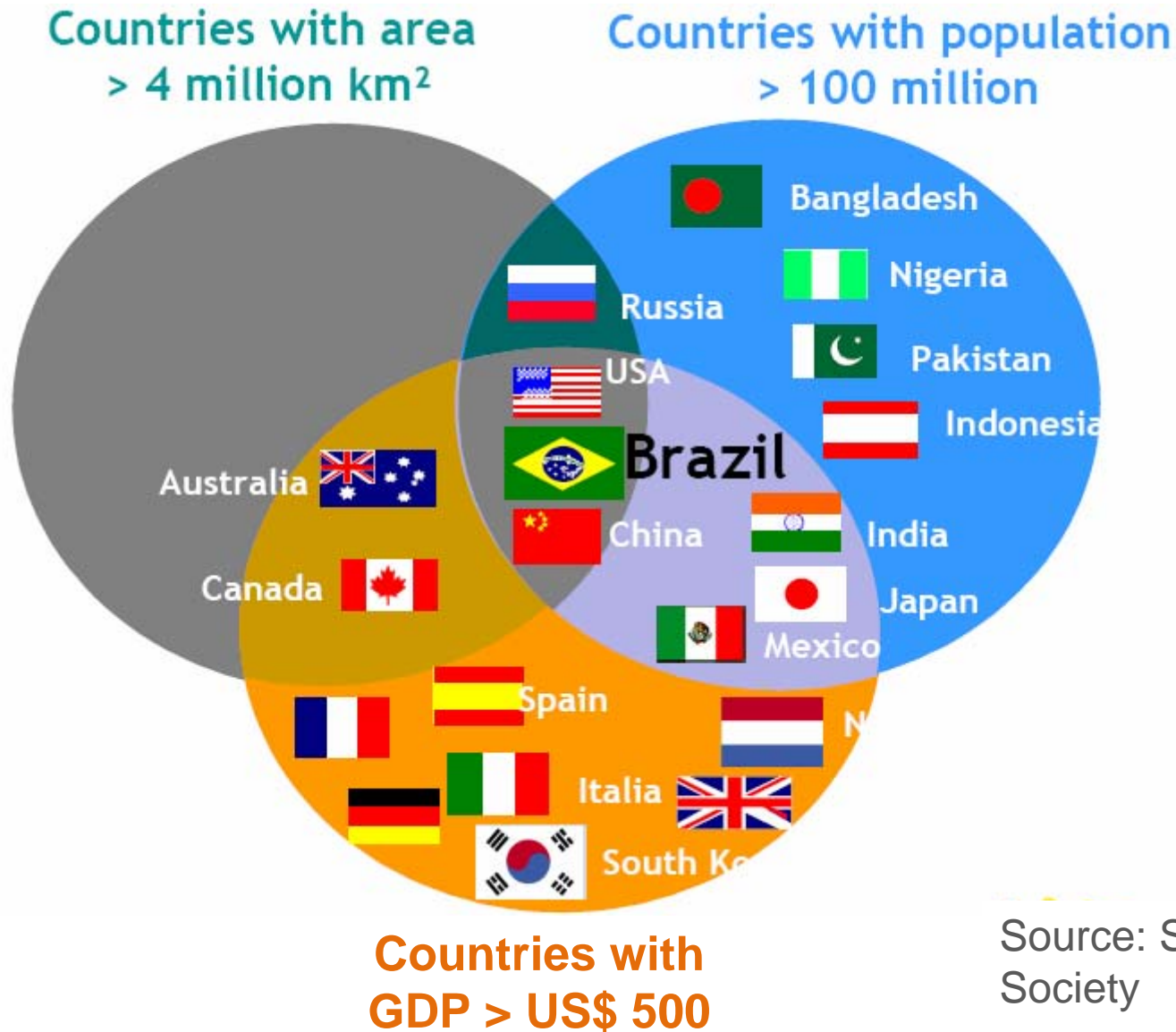


Enhancing the role of SMEs in Global Value Chain
Software Industry

RAFAEL DUTON
nTime Mobile Solutions
Brazil

31st May, 2007
Tokyo, Japan

Brazil and the World



Source: Softex Society

Past and Present

Policy Structures

Country	Brazil
Industry Take off	Mid 1990
Government Industrial Intervention	High
Timing of Government Policy Intervention	1993
Intensity of Government Policy Action	Weak
Nature of Government Policy	Centralized guidelines and policy with some decentralized actions
Scope of Government Policy	Restricted
Policy Identity	Low
Public / Private Cooperation	weak

Source: Veloso et al (2003)

Market

Brazilian Software Market 2006

Global Position	13°
Total Market	US\$ 9,09 bi
Annual Growth	22,6%
# Companies	8,000
% SME	94%
Total Exports	US\$ 247 mi
Annual Growth	42,9%

Source: ABES / IDC (2007)

Market Maturity

Table 12: Leading Companies in Brazil (2001), India (2001) and China (2000)

Brazil			India			China		
Company	Sales	Origin	Company	Sales	Origin	Company	Sales	Origin
Microsoft	362	US	TCS	813	IN	Founder	438	CN
SERPRO	372	BR	Infosys	535	IN	PuTian	186	CN
Computer As.	260	US	Wipro	481	IN	Legend	175	CN
EDS	240	US	Satyam	357	IN	DongFang	134	CN
CPM	204	BR	HCL Tech	277	IN	ChongRan	126	CN
Accenture	194	US	Patni	153	IN	ChangTian	125	CN
Oracle Brazil	182	US	Silverline	126	IN	T. DongFang	115	CN
SAP Brazil	124	GER	Mahindra B	113	JV	YianTai	107	CN
Politec	104	BR	Pentasoft	96	IN	CVIC	94	CN
Consist	77	US	HCL Perot	94	JV	Top	93	CN
Microsiga	72	BR	Mascot	84	IN	IBM	78	US
CPqD	64	BR	NIIT	84	IN	Microsoft	65	US
DBA	62	BR	I-Flex	82	IN	Oracle	58	US
CITS	57	BR	Mphasis	66	IN	Sybase	30	US
Proceda	52	BR	Mascon	64	IN	Informix	26	US

Source: Índia-NASSCOM (2002); Brazil- Exame Informática and Gazeta Mercantil (2002); China-CSIA (2000); IDC(2001).

Source: Veloso et al (2003)

Offshore Outsourcing X Labor Cost

Software Programmers / Developers
Annual Average Salary (US\$)

US	~70.000
Canada	~57.000
UK	~80.000
Japan	50.000
Ireland	~30.000
Israel	~27.000
Brazil	~20.000
India	~7.000
Poland	~6.000
China	~4.000

Source: Roselino (2006); Bardhan & Kroll (2003); Carmel & Tjia (2005)

Brazilian Software Market

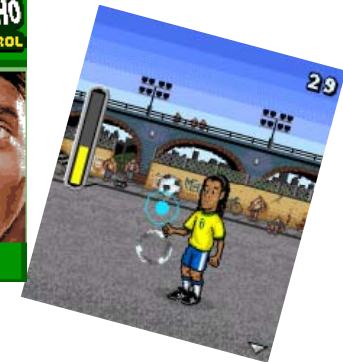
DIMENSION	SEGMENT	POSITION
Software Services	Outsourcing	Needs: Certifications(CMM), English Language Skills, Cheap Labor
	High Value Added Services	Vertical areas where current Brazilian customers are of world class: Telecom, e-gov, Data and Network Security, Financial or Retail Services
Software Products	Packages	Irrelevant
	Embedded	Specific components and solutions for more complex products aimed at vertical segments
	Components	
	Customizable	Mobile Entertainment, Internet Applications, Digital Tv, IPTV, VoIP

Source: Roselino (2006); Veloso et al. (2003)

Policy Suggestions

Case: CLUSTER – “Porto Digital” /
C.E.S.A.R

Mobile Games



- 10 years, USD 21 million (2006)
- + 700 employees
- Partnership with MNEs, Government and University
- Support for International Certification
- Exports: partnerships with international institutions such as Stuttgart University (Germany), Cambridge (UK) and George Mason University (USA)

Policy Suggestions

Case: NGO – Endeavor

- Identifies and supports high-impact entrepreneurs from emerging countries
 - Promotes partnerships between SMEs and MNEs, through networking with top business leaders, workshops and international guided tours
 - Attracts Investors and Business Angels
- **+ 90%** of Endeavor Entrepreneurs' Companies are still operating in countries where the vast majority of new ventures typically fail in **42 months**
- 34 selected companies in Brazil, more than **10,000 jobs** and **USD 500 million** in rev

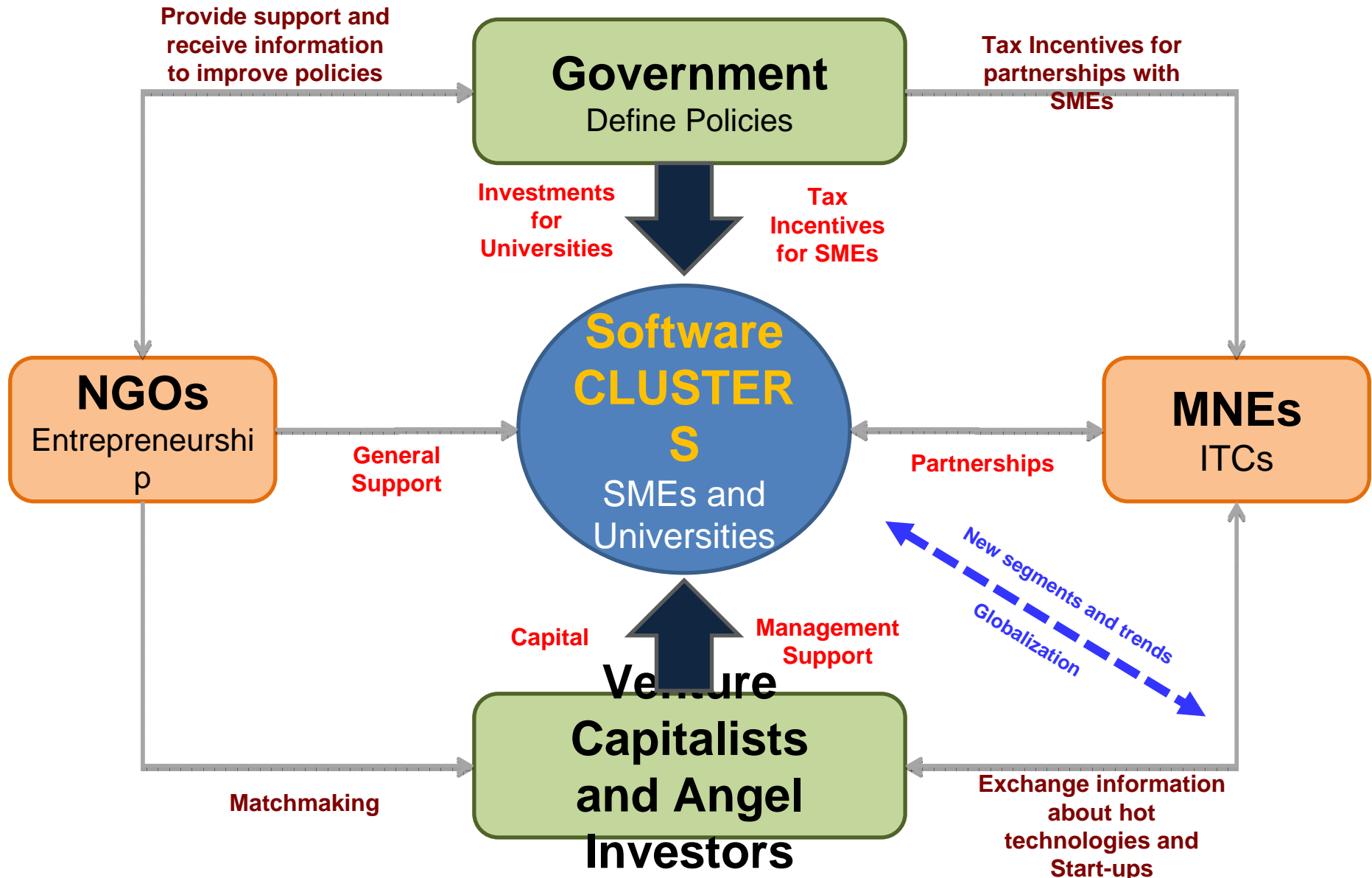
eNDEAVOR

www.endeavor.org

Conclusions and Suggestions

- SMEs in emerging economies have **new software segments** to improve their role in the GVC
- Partnerships with **Universities** could identify paths for new technological trends
- **Clusters** initiatives show relevant results for SMEs in Brazil
- **NGOs** and others Entrepreneurship initiatives need government support to improve their results. They act very close to the SMEs
- Promote **partnerships between SMEs and MNEs** could be a shortcut for SMEs globalization
- Emerging economies like Brazil need **Venture Capital and Angel Investors** to boost SMEs activity in the Software Industry

Framework





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Software Industry

Thank You

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