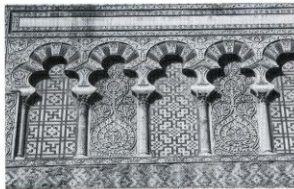


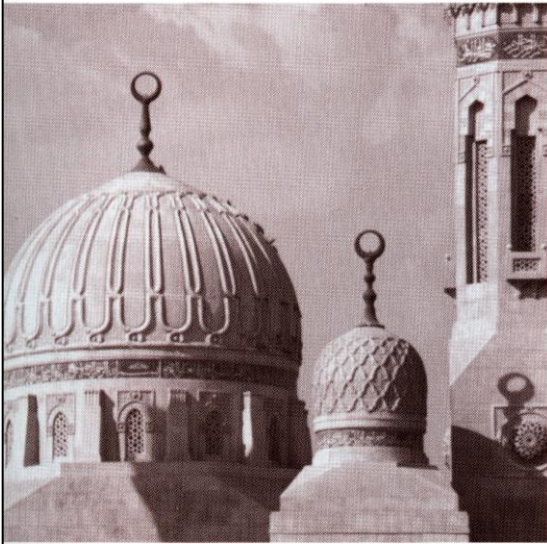
HP Measure Magazine – November 1970

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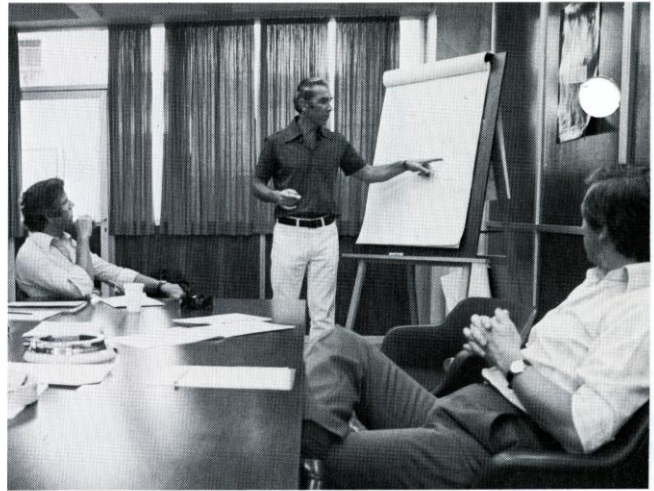
For the men and women of Hewlett-Packard / NOVEMBER 1977



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Iraq



Morocco

HP in the Middle East

**Doing business in the world's
oldest, newest marketplace**

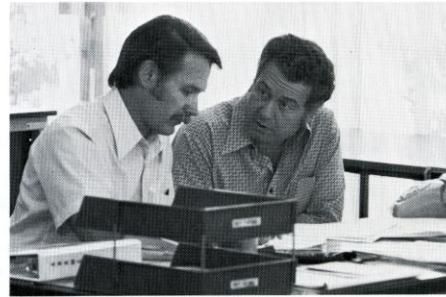


Turkey

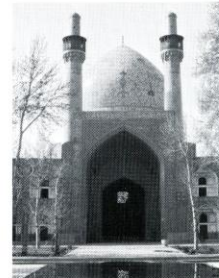
Doug Herdt, area manager for the Mediterranean and Middle East, discusses sales strategy during a staff meeting in Athens. Seated are George Panos (left), administrative assistant for finance, and Tony Gunn, sales supervisor for Computer Systems. Not all Middle East sales are supervised by the Athens office: Israel, for example, is represented by a distributor organization whose HP sales are reported through the Intercontinental Sales Region in Palo Alto.



HP's Geoff Bonham and his wife tour the ruins of the ancient Persian city of Persepolis. Geoff was recently named manager of Hewlett-Packard Iran Ltd., a country sales organization separate from HP's Mediterranean and Middle East Area Operations.



Dick Hornor (left), Middle East service manager, and Natale Mazza, medical sales manager, discuss cost figures for support of a new hospital installation. The quality of pre-sale and post-sale service is an important consideration to the Middle East customer.



Iran

□ "We're delighted to see the 'gold rush fever' subside in the Middle East," said HP's Doug Herdt to an official of the American-Hellenic Chamber of Commerce in Greece. Doug is general manager of HP's Mediterranean and Middle East Area Operations headquartered in Athens, and his statement seemed to sum up a great deal of what's been happening in the region in recent years.

Four years ago the Middle East became an important market almost overnight. Arab nations — faced with the realization that their oil reserves were finite — began a race against time to industrialize. And their need for western technology brought a host of international companies scrambling to stake their claims in this lucrative new market.

It was a frenetic atmosphere that HP

was never very comfortable in, according to Doug. "Before pursuing sales volume," he recalled, "we wanted to establish a proper structure for a business that would last a long time." That approach seems to have been the right one, because now that a more stable business climate prevails in the Middle East, the company has a solid sales and service organization to build on.

But it hasn't been easy.

Until 1974, sales of HP products in the region resulted mainly from "fallout" of advertising and promotion in other markets. A coordinating office in Rome handled the small amount of HP business in the Mediterranean, North Africa and the Middle East.

When it was decided to make a serious, long-term investment in the area, HP followed somewhat the same strategy that

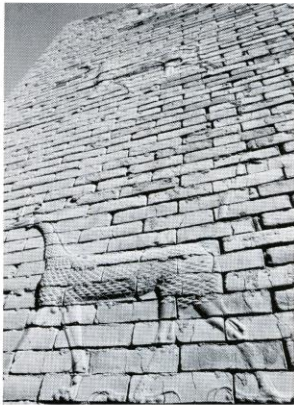
had worked well in other parts of the world. Needed was a strong central base, some carefully selected and trained distributors throughout the region, and a heads-up service organization.

A team of seasoned field engineers, managers and support people was assembled in a leased building in a pleasant suburb of Athens. The headquarters organization was chartered under Law 89 of the Greek government, which regulates international companies directing regional operations from there. While most "Law 89" companies are recent refugees from Beirut, HP made a positive decision in favor of an Athens headquarters long before the civil war in Lebanon.

Why? "Because it has a good infrastructure," Doug explained. "Mail and telephone services are good. It's a pleasant

(continued)

the Middle East



Iraq

place to live. Travel and communication are convenient. It's also close to both North Africa and the Near East. And there's a very good work ethic in Greece, so we've been able to find very high quality, conscientious people. Another advantage in operating from Greece is that it's really a transition culture between the Near East and the West."

Living proof of this transition culture are the half dozen Arabic-speaking Greeks employed by HP in Athens. In fact, Greeks, Arabs and Arabic-speaking people from several Middle Eastern countries have been recruited. "They adapt extremely well to 'the HP way'" Doug said. "Increasingly, as expatriates leave to return to their home countries, the 'Mediterraneans' take over. At one point there were 26 expatriates. By the end of 1978 two thirds of them will have returned home."

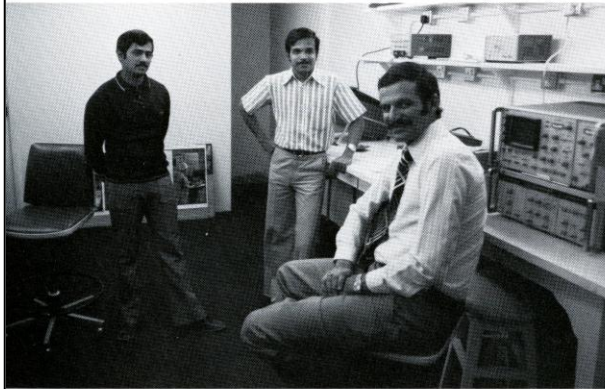
Distributors and manufacturers' representatives provide an important link between HP and its customers — not only in the Middle East but in many parts of the world where it would not be economical to maintain an HP sales force. Al-

though Doug has had years of HP experience in the international sales arena, Middle East presented altogether different problems. "In Western Europe, selecting reps and distributors usually meant choosing one organization from among three or four," he said. "But in this region such organizations just didn't exist. These were underdeveloped markets, with no traditional need for high technology products. There were no organizations all set to take on the full range of Hewlett-Packard equipment, as well as pre-sale and post-sale support. Instead, we had to find organizations we could *develop* into effective distributors and reps."

Refusing to be rushed, HP took an average of six months to search out and reach an agreement with each of the organizations that now represent HP in twelve Middle Eastern countries.

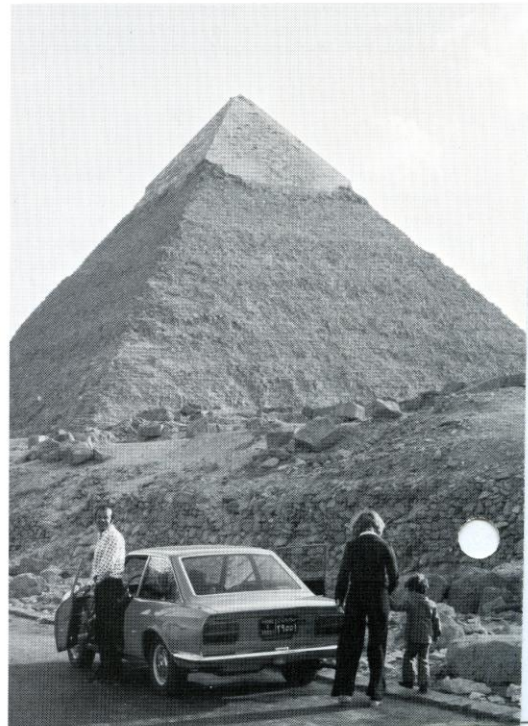
It was essential that their business principles and ethics be consistent with HP's. "We had to find partners who were in tune with us," Doug insisted.

The HP rep or distributor should likewise have objectives consistent with those of HP, including the desire to develop



Tony Awad (foreground), general manager of Al-Khaldiya, an HP distributorship in Kuwait, shows off new facilities with two of his service personnel. "These fellows have done a tremendous job in establishing service for us in Kuwait," said HP service manager Dick Hornor.

4



technically. "We want to work with someone who has a specific interest in building a business based on high technology," said Doug.

And finally, the organization must have the local resources HP needs: good people, adequate financing, strong commercial connections, and an understanding of HP's customer group.

After-sale service was another capability that turned out to be as challenging to establish in the Middle East as the sales operation, but it was considered vital to the selling effort. Consistent with the company's general marketing philosophy, HP could not, as Doug put it, "just sell and forget."

"We decided we had to have our products serviced as well as sold by distributors," said Dick Hornor, service manager in Athens. "It was becoming very expensive to have HP people flying 'round robin' trips through the region to service products. In addition to the expense, we started selling some highly sophisticated products that required almost instantaneous service support. We couldn't provide that from a central place."

A sort of "starter" kit was developed which included a detailed handbook to enable the distributor to start almost from scratch and set up a complete service facility. When an agreement was reached with an organization in, say, Syria, Kuwait, or perhaps Turkey, Dick would schedule what he called a start-up visit to look over the operation. "Sometimes the distributor didn't even have a service operation to start with," Dick said. "So we would discuss all the parameters — products to be serviced, how many engineers would be needed, their backgrounds, the kinds of training HP provides, test equipment they would need, the necessary tools, the basic parts inventory they would have to order from us, what types of service kits would be required to support the installed base, how we handle our documentation, the price lists for parts and service contracts, what was needed in the way of videotape recorders and microfiche readers. We would talk about repair center site preparation — the electrical requirements, air conditioning, lighting, and so on. All this is in the book, which we would leave with them."

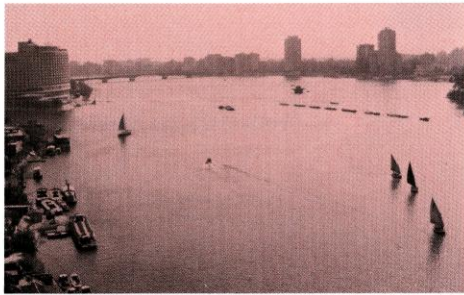
The handbook is incredibly thorough. Thumbing through it as he spoke, Dick touched on some unexpected problems: "Work benches. We started out with imported ones manufactured in Germany — nice ones, about a thousand dollars each. Then we found that in some countries they weren't allowed to import workbenches. They had to make them locally. So we provided some designs for wooden ones."

He had to re-write the recommended spare-parts lists, cutting them to the bare essentials for organizations that couldn't afford to invest in a more complete inventory.

"We also had a lot of trouble with voltage stabilization," Dick added. "In some places the voltage is supposed to be 220 but runs about 175 most of the time. So they had to have voltage stabilizers."

Some of the distributors were technically less experienced than others, but by working closely with each for a period of several months HP was able to develop them into very capable service organizations.

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Egypt



HP's Rainer Dern instructs computer operators of the Ministry of Industry and Minerals in Iraq. This was one of the first satellite systems in what will eventually be a network of 21 HP 3000 computers throughout the country. Terminals have been adapted for Arabic character sets reading from right to left.

Aziz Bifaat, who heads an HP distributor organization in Egypt, visits the pyramids at Giza with his family. Distributors and manufacturers' reps in the Middle East have been carefully chosen and trained to maintain HP standards of quality in sales and service.

the Middle East

In Iraq, and to some extent in Saudi Arabia, HP's own service personnel support large installations of HP equipment and help provide a springboard for further sales in those countries. The Iraqi Ministry of Industry and Minerals has ordered 21 HP 3000 computer systems, now being installed at sites all over the country for production and inventory control, payroll and other accounting functions.

To head up the HP operation in Iraq, Mustapha Elhinnawy was transferred to

Baghdad from Boeblingen where he had worked in systems R&D. Mustapha Egyptian by birth, understands the Arabic language and culture, and wanted to return to the Middle East. His top technical expert is Rainer Dern, who was one of the most senior HP 3000 specialists in Europe. And rounding out the operation is a staff of Iraqis, including several engineers with broad technical experience.

Except for petroleum and petrochemicals, there is only fledgling industry in the Middle East. HP customers, for the most part, are the government ministries and public utilities. Many countries are investing heavily to improve the quality of health care, so the medical products business is one of HP's strong suits. Orders tend to be large ones for equipping new medical centers such as the King Faisal Hospital, Saudi Arabia's showcase facility in Riyadh.

"Our business is almost all with contractors building turnkey hospitals," said Natale Mazza, HP's medical sales manager in Athens. "Generally the end users—



Bustling Baghdad is often short of hotel space, so two or three rooms in HP's branch office there have been set aside to accommodate visitors. A breakfast conference starts the day for (from left) Willy Stucki, Computer Systems regional service manager based in Geneva, Mustapha Elhinnawy, branch manager, and Rainer Dern, HP 3000 specialist.



Iran

Tales from the Middle East

Natale Mazza, Middle East sales manager for medical products, talks about the time his flight was delayed more than twelve hours because an Arab prince had appropriated the airplane to fly somewhere else. Instrument field engineer Brian Oliver tells of being in Egypt when it was 46 degrees celsius — that's 115 Fahrenheit — in a duststorm! Administrative assistant George Panos, on his first trip to the Middle East, was surprised to find that the hotel desk did, indeed, have his confirmed reservation but didn't have a room for him.

The stories are swapped over coffee and croissants back in Athens, where they can be remembered with a sense of humor. The duststorms don't come all every day, of course, but the searing heat does in the summer months. And with

Doctors, nurses and so on — aren't yet very defined. Sometimes not even the director of the hospital. Our discussions are with the architects, sometimes the country's ministry of planning and finance, the ministry of health, and later on the contractor who offers a total package, including HP instrumentation, to the ministry of health. And the difference between western and eastern cultures is such that sometimes I feel like I'm arbitrating between a team playing soccer and another team playing American football."

You don't sell in this region by talking about advanced technology, according to Natale, and neither is price a big selling point. "Customers are more sensitive to the training and service we offer, because so far there's a lack of qualified people in these countries," he explained.

Medical sales have doubled in the Middle East in the past year, and the potential is enormous. Since 1974, \$2 million worth of ECG and patient monitoring equipment have been delivered to King Faisal Hospital. Another facility in

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HP medical service specialist Les Thorley inspects ultramodern facilities of the King Faisal Hospital. Saudi Arabia has invested heavily to upgrade the quality of its medical care, and has purchased millions of dollars worth of HP medical equipment and service contracts.

the influx of foreigners, the traveler is plagued by delayed flights, overcrowded hotels and other maladies with almost the same regularity. The Middle East is in a period of transition, and the HP expatriate selling and servicing products in this region must endure a certain amount of "culture shock" and a variety of inconveniences as well as the harsh physical environment. Over the past few years, however, there have been many improvements in physical facilities for the international traveler.

An HP field engineer in the Middle East typically spends 50 percent of his time traveling. "After about two weeks on the road your efficiency is way down," said Natale, "and you have to spend some time back in the office."

It can be rough on a man's family. John Inglis was on just such a travel schedule until he was offered the job of setting up a service operation in Saudi Arabia, largely to support the installed

base of medical equipment at King Faisal Hospital. John and his family welcomed the move to Riyadh because it meant more time together, and they have adjusted nicely to their new lifestyle. The Inglis children attend an international school, and the hospital itself is a large modern compound where HP people can swim and play tennis with other expatriate families. Women do not have equal rights

in Saudi Arabia, however, and are not allowed to drive or move about freely.

In Iraq, on the other hand, HP wives have more freedom but must do without some other conveniences. HP's Rainer Dern and his wife receive a "care" package — an ice chest loaded with cheeses, sausages and other European delicacies not available locally — whenever a fellow employee flies in from Athens.



John Inglis

the Middle East

Dhahran will receive more than \$1 million worth, and there are many new hospitals planned in Syria, Libya, Iraq and other countries.

When HP is getting established in a new region, administration can be one of the most difficult aspects of setting up the operation. But it's also one of the most important. Fernand Savary, a French-speaking Swiss, was brought in from Geneva to serve as commercial services manager in the Athens headquarters.

Fernand compares the Mediterranean-Middle East area in some ways with the Intercontinental region. "Like Intercon we

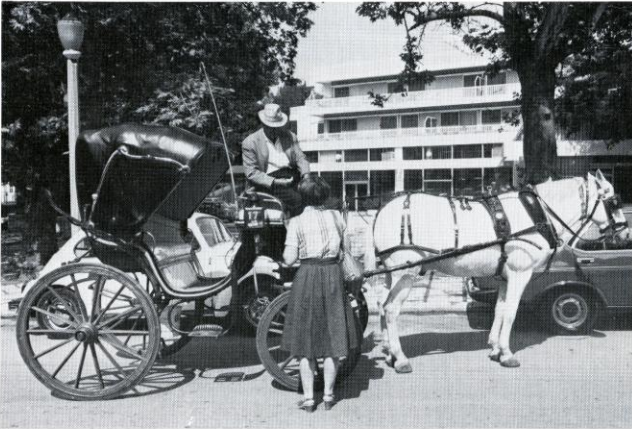
are working with some reps, and we have some direct customers. And, like Intercon, we never *see* the customers." The big difference, he feels, is that Intercon has had a lot longer to smooth out the problem areas.

HP deals with about twenty different countries, both large and small, in the region. Administrative skills are quite good in some and very lax in others. "It can be very frustrating for our order processing people," Fernand explained. "They may ask for a correction on a letter of credit, for example. Then it doesn't get corrected properly and instead something else gets changed, and this can go on and on. Communication is still fairly difficult."

Nevertheless, the Athens office won very high marks for administration in a recent internal audit. And many of the problems, in fact, are problems only because HP insists on a degree of accuracy and legality that's higher than the usual standard in some countries.

The Middle East is an area that defies generalizations, however, and what can be said of one country may not hold true for any other. The territory stretches from the Atlantic Ocean to the Persian gulf, with countries varying in size from tiny sheikdoms to the almost sub-continental land mass of Saudi Arabia. The differences in cultures, religions, languages, and politics are greater than most westerners imagine, and not all Arab countries have oil riches.

But if a generalization could be made, it's that all of the nations of the Middle East and North Africa are engaged in a monumental effort to raise themselves up by the bootstraps in terms of education, medicine, industry and living standards. HP hopes to participate and to contribute to that effort for many years to come. □



HP's Middle East headquarters is in Kifissia, a former resort area that has retained much of its charm while becoming a residential and commercial suburb of Athens. Typical of Greek office buildings, this HP leased facility has apartments on the top two floors.



Greece