

Kommundata in Middle East

Company and the Product

Kommundata AB is a software company which has specialized in services for the Swedish public sector. It is the leading Swedish company in its field. Its turnover was 800 million SEK in 1986. It had 1200 employees and there were about 500 programming engineers and systems analysts employed. Almost all the different kinds of software required for the public health sector, such as patient registers, accounting and lots of special applications, had been produced by the company. The company also offered imported solutions. Recently it had implemented a totally integrated American accounting system in one of the biggest hospitals in Sweden. One of its products was a relatively new software concept for hospitals called KHCS, which was developed for Univac computers. It had been implemented successfully at three hospitals and an agreement with IBM to convert it to IBM computers had been signed. In the early 1960s, there was a growing interest in exploiting, in an international context, the knowledge and size of the company. It obtained some contracts for software in Ireland and Finland, but it had so far a very limited experience of foreign markets. In 1981 one person was made responsible for the company's international operations with the goal of trying to increase revenue.

The Entry

The first contact with the Middle East market came from Dubai. It was transmitted by a representative of AB Teleplan, a Swedish consultancy company with representation in Dubai. One of its employees had been asked to investigate the Swedish market for software solutions by one of its customers, DoHMS (Department of Health and Medical Services, Government of Dubai). Teleplan's contact, in the first instance, was due to its local presence since it had had projects for the Dubai Police and some other local customers. Teleplan had heard that DoHMS intended to start sales negotiations for an information system for the health care system which was to include extensive local

assistance, and also include hardware purchases. Teleplan contacted hardware suppliers locally and Kommundata for the software. As Kommundata had no contacts of its own in the Gulf, but an interest in the market, it accepted the offer. Teleplan got the contract. The hardware contract was given to Siemens who later in the process decided to withdraw from the market. It then went to IBM. Other companies in the computer business also active in this local market included Digital Equipment Company (DEC), Data General and Wang. In 1982 the employee in charge of international operations at Kommundata moved to Dubai to take part in the DoHMS project and also, in collaboration with Teleplan, to intensify marketing efforts in this market. Kommundata thought that in order to make progress one had to be represented locally. Its view of its local network at the time was that it consisted of few actors, DoHMS, Dubai Police, Gulf Agency Company (GAC, a group of companies related to the Swedish consulate in Dubai) and a number of hardware suppliers. One important issue as far as it was concerned was to discover the consequences that using different hardware company's products and services would have on local business. IBM was not helpful to Kommundata in its sales efforts and DEC had long been represented by Systime which had, as Kommundata judged it, limited experience of the health sector. Wang was represented by Emirates Computers and was also found to have few contacts within this sector. There were also some official Swedish representatives, a number of so-called honorary consuls, Swedish businessmen, who beside their own business interests represented Sweden in the area. An important discovery was that a great number of senior Arab businessmen work for the government during some period of their lives. The very top civil servants normally remain in post for their whole career, but often they combine this with managing private enterprises. The Director-General of medical care in Dubai was found to have his own group of companies, G & W, with several hundred employees, which were involved in, among other things medical technical products, agencies and services, manufacture of uniforms for the health care market, a travel agency, pharmaceuticals, a computerized diagnostic centre, a private medical centre, etc. The G & W businesses were run by a managing director but the Director-General, of course, took part in strategic decision making. He was clearly an important actor in the network. Teleplan and Kommundata also learned that middlemen of various kinds could be important in generating business. But who were influential and who were not? Who could help with what? Who were interested in what?

By 1984 the DoHMS project had been completed. It had been successful. All the patients were registered on the database and the administration of the database worked satisfactorily. DoHMS had decided to proceed with a similar project in the laboratory field in an open bid situation. Teleplan had fulfilled its obligations to the Dubai Police. No continuation was planned. A new head of police had been appointed. However, Teleplan was fortunate to get a new project for the police in Oman, smaller but similar to the previous project. Kommundata was for its part fortunate to get a project for the Ministry of Public Health in Kuwait after intensive marketing efforts. A major change was that Teleplan had decided to establish an advisory/agency agreement with AGNEC, a local group of Arab companies, partly to demonstrate its intention to stay in the market but also to meet the Federal Law 8 of 1984, regulating commercial companies. This law required, among other things, that all companies should be controlled by UAE nationals. AGNEC was a local group of companies representing several major international companies including Audi/Volkswagen, Olympia and various American insurance companies. It had an impressive construction business of its own and was owned by the former state secretary in the Department of Defence. The choice of AGNEC was made because of the previous positive experiences of the manager with the company and his excellent contacts with the people behind GAC. Other factors in the choice included its size, its very limited representative agreements with other software companies and its lack of ties to specific hardware companies. An alternative could have been G & W. It would have been a better choice for the DoHMS business but probably worse for the police business. Kommundata thought that it had good opportunities to cooperate with G & W by other means. It later transpired that there already existed a good relationship between AGNEC and G & W. The manager of G & W helped Kommundata to get the laboratory system business in 1985. It was a turn-key operation. The Kuwait business needed another local representative and so the Kuwait Computer Company (KCC) was founded. In Oman the company got into contact with a local, rapidly growing firm. The owner was the private secretary to the Minister of the Interior. In this way the network continued to grow and change. At the time of writing there are changes as far as the size of Kommundata/Teleplan's local presence is concerned, the particular people committed, involvement with specific actors, the projects being started and completed. But the company remains in the market.

Questions

1. What were the major firm & market characteristics and how did they affect the company's international strategy?
2. How did the company leverage its home country connections?
3. How did the company expand and grow in the middle-east countries?