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INTERNETINTHEARAB REGION

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I – Introduction: The Internet

I am very happy to be with you today and participate in the WIPO – ESCWA Arab Regional Conference on Intellectual Property and Electronic Commerce and I would like to thank our hosts for the opportunity to speak about the revolutionary impact of the Internet on the conduct of business, specifically in the Middle East.

Let me start by stating a very simple fact: today there can be no doubt in anyone's mind that the Internet has taken its place alongside all the other great, world –altering technologies like electricity and manned flight. The Internet has been described as the most radical innovation of the twentieth century – a technology poised to transform every aspect of business.

But, before I go any further, allow me first to set the record straight, as I am sure that the dot.com shakeout and the hundreds of 'new economy' companies and B2B marketplaces that went under over the past few years is still very much fresh in everyone's minds.

Nobody can deny that the heat of the 'new economy' bubble generated a lot of hype. It did. However, what happened with e-business is *not* different than what took place with other transformational technologies. First, there's a period of wild enthusiasm, a period of exhilarating optimism with people and investors rushing to be part of this 'new' world. That passes – only to be replaced by significant disillusionment embodied in the dot.com shakeout across world financial markets. That phase is also behind us now. And perhaps for the better; a dose of cold water may on occasions clear the head, and lead to a greater ultimate achievement.

Today, the dust has settled, expectations are more realistic, and there is *still* no denying that the Internet and its application to all aspects of business will indeed continue to drive productivity growth and economic transformation. Today, what we are seeing is the integration of the technology to the structure and the very fabric of society and business.

Let me take one step back and ask a question. What, in essence, is the Internet?

Too many people often overlook a *very* simple fact. Internet is a *technology*. It is a tool. Yes, a very *powerful* one, but still... a tool.

The Internet is in fact the fifth media of revolution after printing, voice transmission (radio and telephone) and visual/video transmission (TV). In the nineteenth and twentieth centuries, installation of telegraph wires and the telephone networks created a revolution in business communications not unlike the current e-commerce revolution, expanding markets by facilitating communications between geographically dispersed trading partners.

The advent and rapid spread of computers and the Internet introduced the opportunity to transmit immense quantities of data and information over existing telephone networks and new high speed infrastructure. This technology has changed our lives dramatically, and the Middle East has only just begun to reap the benefits.

This realization is slowly – but surely – spreading amongst companies in the Middle East. Although Internet penetration rates in the Arab countries, with some worthy exceptions such as the UAE, remain well below the world average, we are in fact seeing an increasing number of companies across the region investing in IT and communication infrastructure.

Research shows that internet site penetration is highest among the region's largest medium sized companies; moreover, uptake is increasing, albeit at a slow rate, among smaller sized businesses. As the cost of going on the Net decreases, more and more companies are shifting to ADSL and leased line connections rather than dialup.

Why? Simply put, because it is both *cheaper* and *faster*.

In many ways the change brought about by the Internet age is far more sweeping, far more universal than the Industrial Revolution because it touches not only every aspect of business and but also every aspect of life. I still remember the days when posting a letter abroad was a long and tedious process. You had to weigh the letter, fix the necessary stamps and it could take as much as weeks to reach the recipient. Today, all you have to do is send massive amounts of information across the globe to click the send button and the message is delivered within a few minutes *and at minimal cost!*

But it doesn't stop there. Our own exposure to the regional markets show that companies in the region are expanding the use of the internet well beyond email. The Arab corporate world is now looking towards leveraging its ICT investment to realize real business benefits: cost savings, efficiency gains, superior customer service, effective human resource management, leaner supply chains... the list goes on.

II – E -business

This brings me to my second question: What is E -business?

Unfortunately, there is a tendency to regard E -business as a technological issue rather than a business issue. It's not. Very simply, E -business is just business - real business. Again, the 'E' is nothing more than a tool, a medium, to *effectively* deliver *business* objectives.

This is a distinction we are very keen on emphasizing. As an E -business solutions provider, Aregon is not a technology company. We do not create software, and we do not sell software. For us, digital technology is a tool. All our services rely on the latest web based technologies. None depends solely on them for purpose or success. What we deliver are solutions that address *real business needs* .

With the world economy slowing down and increasing competition on a global scale, companies all over the world, and in the Middle East, are facing enormous pressures to sustain and improve their bottom line. And therefore new challenges demand new solutions.

And this is what E -business brings to the table. Today, the Internet is changing traditional business practices by *enabling* most of them. The way companies across the globe conduct business is undergoing unprecedented change. And companies operating in our region are no different – in the now global economy, *they cannot afford to be different* . With the cheaper availability of internet and the proliferation of more affordable E -business applications, companies in the Middle East are looking towards leveraging the efficiencies of the internet into making their operations cost effective.

III – Transition towards Internet Based Infrastructure

The process of transitioning towards internet based infrastructure or becoming what is now referred as 'Internet -worked businesses' demand extensive time and effort. To become enabled companies must advance through three main stages:

1. Build bandwidth or develop infrastructure to connect stakeholders
2. Automate the key functions within the organization: human resources, finance, purchasing, and customer relationship management and supply chain operations
3. Leverage the network and the core capabilities of the organization.

E-business transformation must sweep across all of core business processes. This is driving huge investments today in applications for supply chain management, e -procurement, customer relationship management, knowledge management.

Allow me at this point to talk a little bit more about e -procurement, one of the key areas of e -business. In certain industries/sectors, material cost –both direct and indirect –can constitute up to 60 -70% of the total costs. And therefore any improvement in material costs will have a significant impact on the bottom line.

Simply put, e -procurement brings together buyers and suppliers online to exchange information and conduct transactions. The result is increased control, greater process efficiency and tangible savings.

That is what we at Aregondo. We combine best of breed technology with procurement -ent best practices to streamline and automate the procurement process within an enterprise and across its different business units. Our solutions are e-business offerings that are supported by technology. Our business services include spend analysis, business -process re -engineering, strategic sourcing and supplier adoption, cataloguing services and others. We also offer post implementation e -marketplace managed services, including hosting, technical support, supplier management services, and catalogue management and maintenance.

I'm glad to say we are now seeing growing numbers of companies in the region, although still a minority, beginning to integrate the technology deeper into their businesses. As more companies strive to become e -enabled, the critical success factors become less and less tied to the technology itself. In fact, and I say this from first hand experience, the technology is really the easy part.

The hard part is that successful e -enablement requires that companies change the way their people communicate, internally and externally.

It requires closer relationships, knowledge sharing and even collaboration with trading partners and customers.

It requires a re -examination of existing processes, organizational models and more often than not a change in enterprise culture.

It requires leadership and a strong commitment from business leaders and managers to make this happen.

IV – Obstacles during the Transition Process

The transition is by no means an easy one. The obstacles are many, but none are insurmountable.

The transition requires a combination of hardware, software and “mindware”, and all three are not necessarily available at the organization. The last, ‘mindware’ or ‘mindset’ is often the most challenging.

Companies will more often than not meet resistance from some of their trading partners, be it suppliers or customers. This often forces companies to maintain a dual system during the transition period to accommodate those trading partners that refuse to do things the ‘e’ way.

Companies must engage in meticulous process mapping to web enable core functions and activities. As noted earlier, e-business transformation must sweep across all core business processes. But, more importantly, not only must these processes be transformed; they must become connected. They must be integrated within the enterprise. That is no small feat; it is a very important, difficult and significant challenge for the people managing the process of change. Without that integration, the lifeblood of e-business – customer data, pricing information, inventory levels, supply management – cannot flow throughout the business. And I can assure you that is hard, hard work.

A serious level of organizational and leadership skills is needed to guide the process. Also, there is often limited project management talent to facilitate the cooperation between business and technical teams as operations are being enabled.

V – Recommendations

How then should a company go about addressing these hurdles? I could spend hours talking about that alone, but I will limit myself for the time being to a few pointers:

- Differentiate between operational and strategic IT investments

- Experiment freely

- Leverage what works

- Avoid complex master plans that cover the entire transition process

- Adopt a gradual approach; companies should web enable the organization in digestible pieces and manage them accordingly

- Combine established wisdom and fresh thinking

- Do it right or don't do it at all

- Don't allow the IT organization to hijack the e-business initiative

- Create excitement and commitment across the organization

VI -Conclusion

In conclusion, the region still has a lot of catching up to do, and Aregon is one of the companies that will help it get there. We have many challenges ahead of us. A few months back I stood in a conference and talked about Aregon's role as a Trailblazer in Middle East commerce. At the time I noted that the greatest challenge for Aregon, and the industry as a whole, is the mindset.

A political culture that extols the Internet and its virtues and insists on unhindered access to it is imperative. Government sponsored educational programs and IT rich curricula are essential. Business awareness cultivation through seminars and workshops is a must. In-house training is unavoidable. Financial incentives that help small and medium sized companies cope with the still relatively high initial setup costs are crucial. Infrastructure improvements are vital.

Individuals, businesses, and governments must collaboratively confront the complex challenges that remain. Continued growth and use of the Internet and e-business strategies and technologies in the Middle East region is as much certain as it is inevitable. However, monumental changes do not happen overnight. And, as we have already seen, high expectations can only end in disappointment and disillusionment. We are at the beginning of a transformation, a gradual one, and one that will take time, effort and commitment.

As the Middle East moves faster into the Internet revolution, consumers will become more sophisticated with more choices. Companies in the region will have to be able to live up to consumer expectations in a global marketplace. To do so they must make the most of what these new technologies offer. The enablement journey for any company will help it reap the primary benefits that the technology offers: the ability to create innovative products and services quickly, inexpensively and profitably.

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