

Lester Crane: Getting Approvals After the Fact

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BASED IN CHICAGO, the Lester Crane Company is a privately owned manufacturer of specialty construction cranes. It makes large shipbuilding cranes and small mobile cranes, such as mini-boom cranes designed for moving prefabricated pieces of reinforced concrete and which are typically used in assembling power plants, roads, and airport runways. Lester's gross sales for the last fiscal year were over \$780 million, with 60% of the total in exports.

Lester Crane in the Global Market

Lester's global managers work out of the company's International Sales Office headquartered in Chicago. To ensure that Lester's products meet the standards and codes of the various countries to which they are exported, these managers may make five or six trips per year to a region, mostly for the purpose of initiating or furthering negotiations needed to obtain governmental approvals. Most trips involve face-to-face meetings with assorted influential contacts and government bureaucrats responsible for granting approvals for products to be imported to their country.

Depending upon the nature of the negotiations, an approval process may take several weeks, months, or in some cases, even years to complete. Governmental code approvals tend to be very complex everywhere and vary considerably from country to country. For example, the United States requires tests under load of a crane's capabilities and limitations, while some other countries require only mathematical calculations of a crane's practical limitations. Some

Note: Thanks to James Porter and the business writing staff at Purdue University and to Tim Peeples and Bill Hart-Davidson for ideas on classroom use.

governments expect both load tests and mathematical calculations, while still others devise regulations on a case-by-case basis. Code approvals, either *type* or *machine*, are also needed. *Type* approvals, although difficult to obtain, cover a variety of cranes which can be grouped in the same class. For example, while Lester's Sprint 50 and Sprint 60 mini-boom cranes are slightly different (e.g., wheel sizes differ), both models are based on the same design and, therefore, can be covered by the same type approval. Somewhat easier to get is a *machine* approval for a specific model. However, such an approval cannot be applied to other models, regardless of how similar in design, appearance, and function they may be (e.g., a machine approval for a Sprint 50 cannot be used for a Sprint 60).

Given the complicated maze of requirements, it is imperative that the Lester Crane Company maintain good relations with officials in all of the countries to which it ships its products. To obtain approvals and otherwise operate in those countries, Lester Crane representatives rely heavily on personal relationships with many individuals, including their customers, influential individuals, and government bureaucrats responsible for granting code approvals, although it is widely known that *bribes* may be involved in many countries.¹ Lester does not seek to understand the inner workings of the arrangements made on its behalf by local associates and allies.

Lester Contacts in the Middle East

Whatever the country in which Lester Crane is selling, management considers it necessary to enlist local assistance in obtaining code approvals from the relevant government agency or ministry. In Egypt, for example, Mr. Latif Abdel-Messih, a local employee, often negotiates the labyrinth of Egyptian national bureaucracy; he seems to know whom to talk to about what and how to win over the various individuals involved. In Saudi Arabia, Lester has benefited from the friendship of a Saudi prince whose keen knowledge of bureaucratic channels and many contacts have allowed him to secure quicker-than-usual approvals for Lester equipment. Most recently, this prince gained import clearance in the record time of less than a week for cranes needed to complete two new air bases for the Saudi Royal Air Force in which he had served.

Another contact who had been especially helpful in recent years was Mr. Fritz Canmeyer, the US government's Commercial Attaché for the Middle East region. Commissioned to further the interests of American corporations in the region, Mr. Canmeyer also happens to be a long-time friend of Mr. Henry Frederick, Chief Manager of Lester's International Sales Office in Chicago. Mr. Canmeyer has vast experience working with upper-level officials in the Middle East and often intervenes on Lester's behalf—gently but successfully encouraging government leaders to get import clearance for Lester's cranes.

Lester's Middle East sales managers also have found that Arab businessmen (and "men" is literal here) tend to be more responsive if negotiations progress slowly rather than rapidly: pressing an issue too quickly seems to appear pushy, impatient, or cold to their Arab counterparts. In fact, Lester management finds that Arab businessmen seem to regard extended personal discussions and informal banter as the typical way business is done, for even the smallest transaction.

Impact of Middle Eastern Religious and Cultural Traditions on Business

Lester Crane management has found that religious traditions within most Middle Eastern cultures significantly impact business in the region and must be taken into account in all negotiations. Saudi Arabia, for example, is nearly 100% Muslim and the site of two of Islam's holiest cities, Mecca and Medinah. In fact, the Saudis view themselves as the designated guardians of these shrines. Not surprisingly, the Islamic religious calendar influences business in all Arab countries, especially those like Saudi Arabia where it is the official calendar of both church and state. An apt example of religious influence on business is Ramadan, a month-long Islamic observance of fasting and prayer which occurs at a different time each year as determined by the lunar calendar. During Ramadan, Muslims spend much time with their extended families, and while in some Arab countries *officially* people are supposed to conduct business as usual, in reality the pace of business slows markedly everywhere.

Lester's managers have also observed that issues of gender complicate Middle Eastern business transactions with Western firms. While some countries, such as Egypt, commonly employ women as govern-

ment officials, the more conservative Gulf countries rarely, if ever, employ women in public life. While the realm of business is predominantly male, raising small children, preparing meals, and housekeeping are usually designated as "woman's work." Expected to be inconspicuous in public and loyal to their husbands, many Muslim women proudly wear the *hejab* (headcovering), considering it to be a religious affirmation; some even find it liberating, providing a way for them to remain anonymous and sex-neutral in public.

Lester Crane Company's attempts to use its women managers as contacts with local officials in the Middle East have largely failed; consequently, some of Lester's best salespeople have been shut out of contracts in male-dominated Arab countries. For example, while Patricia Petzold successfully secured code approvals from the Egyptian government for several construction cranes, in Kuwait she was kept waiting for three days, never got to meet with Kuwaiti officials, and thus could not complete the job. When a male colleague, whose knowledge of the equipment was inferior to Ms. Petzold's, was flown in to assist her, he was received by the appropriate Kuwaiti officials shortly after his arrival and completed the negotiations with little difficulty.

Recent Business in Saudi Arabia and the Current Crisis

In January, the Saudi government placed a rush order for two dozen Sprint 50 mini-boom cranes, which are of the same basic design as Sprint 60s. The Saudi royal family needed these cranes delivered quickly in order to finish bridge construction in the Tiran Straights in time for an upcoming ceremony. Not surprisingly, the family assisted Lester with the negotiators, obtaining the requisite type approval without going through the normal, more time-consuming channels. The approval expired in April when the cranes were delivered.

In February, Gulf Equipment Company, a Saudi Arabian company owned by a Saudi citizen, Mr. Nasser el-Rifai, and the sole construction dealership in Jeddah, placed a rush order for twenty Sprint 60 mini-booms. Mr. el-Rifai's business had been very successful, largely because his contacts with various Saudi princes provided him with a near monopoly on major construction jobs. For the past five years,

Mr. el-Rifai's Gulf Equipment Company has been Lester's largest customer in the Middle East region. Mr. el-Rifai's Lester order was for delivery of five Sprint 60s by June 22, an additional ten by July 15, and the last five by August 1. These delivery dates were specified in the contract, which stated that Lester Crane Company bore sole responsibility for securing Saudi governmental code approvals.

In early June, eight of the cranes were completed at the Chicago plant and prepared for shipment to Gulf Equipment in Jeddah just in time to meet the June 22 delivery date. The remaining twelve cranes were being assembled well ahead of schedule. Ms. Sally Alvarez, Assistant Middle East Sales Manager, was slated to handle the initial shipment. Mr. Frederick assured her that the necessary approvals were covered under a January contract with the Saudi government, so no face-to-face customer contact should be required; meanwhile, he would be spending the week in Cairo nailing down approvals for a different project.

On June 2, Ms. Alvarez received an e-mail message in her Chicago headquarters office from the Lester expediter at the Chicago plant, Mr. Howard Stibb, stating that the plant had no record of the code approvals needed to deliver Sprint 60s to Gulf Equipment. When she checked the Gulf Equipment file, Ms. Alvarez discovered that Lester's type approval had expired in April after the Saudi royal family's order had been delivered, and Mr. Frederick had obtained neither a type nor a machine approval for the Gulf Equipment order. Evidently, he hadn't realized the type approval had expired. Given this situation, Ms. Alvarez began to consider options to get some kind of extension on the expired type approval or perhaps pursue a machine approval, at least to cover the earliest delivery dates.

Ms. Alvarez quickly drafted and faxed a letter to Lester's primary contact in Jeddah, Mr. Mohammed el-Shafie. As supervisor of the Jeddah Bureau of the Saudi Royal Ministry of Construction and Land Management, Mr. el-Shafie was officially responsible for issuing code approvals. Known to be somewhat reserved, Mr. el-Shafie had a reputation as a competent and honest bureaucrat who had some influence with officials in Riyadh, the Saudi capital. Mr. el-Shafie responded

with a letter faxed the next day, June 3. While Ms. Alvarez was reading Mr. el-Shafie's letter, her computer flashed an e-mail marked "URGENT" from Mr. Jeff Fern, Lester's Production Manager at the Chicago plant.

NOTE

¹According to an article by Edmund L. Andrews in the November 21, 1997, edition of *The New York Times* ("29 Nations Agree To Outlaw Bribing Foreign Officials" [p. A1]), twenty-nine nations belonging to the Organization for Economic Cooperation and Development (OECD) agreed in principle the previous day to outlaw most forms of bribery of foreign government officials. While the treaty, if ratified, would forbid most kinds of corporate bribery, the majority of payments to political parties would continue to be legal. OECD members are to present the treaty to their domestic legislatures by April 1998; if ratified, it would take effect by the end of that year.

path: salvarez@slick.lester.com
return: exped@slick.lester.com
2 Jun 0000:14:45:59//

To: Sally Alvarez, International Sales
From: Howard Stibb, Expediting
Date: June 2, 0000
Re: Government code approval for Order GulfE13

We're ready to ship the first of the Sprint 60s out to Saudi, but we don't seem to have any approval documents on file. Does your office have them?

Howard Stibb

Figure 1. Howard Stibb's E-mail Message to Sally Alvarez

2 June 0000

Mr. Mohammed el-Shafie, Supervising Manager
Royal Saudi Ministry of Construction and Land Management
Jeddah Bureau
200 Sharia Malik Faisal, Suite 1
0000 Jeddah, Kingdom of Saudi Arabia

Dear Mr. el-Shafie:

I trust that all is well with you this summer. It has been quite some time since we last met, and I look forward to the next meeting between my company and your nation's government. Our relationship has proven fruitful in the past for all of us. We at Lester Crane Company, as well as all Americans, are eager to maintain the cordial relations between our two peoples.

Just one of the many ways in which our exchange in manufactured products has helped to strengthen your country's position is in the sharing of technology and equipment. This is evident in the form of planes and vehicles, but also in the strengthened base facilities, including the new air bases for which some of Lester's own products, the "Sprint 50" and the "Sprint 60" mini-booms, have been used. At the time those machines were ordered, our organizations did not have a chance to meet, since your government saw it necessary--due to the timing of the Tiran Straights bridge project--to grant emergency machine approval of the "Sprint 50" mini-booms, equipment that is quite similar to the "Sprint 60" model. According to our records, the type approval for the "Sprint" series of cranes expired on 15 April this year.

We have recently received an order for 20 more "Sprint 60" mini-booms from Gulf Equipment, located within your own home city. Both Lester Crane Company and Gulf Equipment need to secure your Ministry's approval of this

Figure 2. Sally Alvarez's Letter to Mohammed el-Shafie

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equipment before we can deliver it to Jeddah. Lester needs to make deliveries of the cranes to Gulf Equipment on June 22, July 15, and August 1; therefore, we need to work swiftly. The two options that are available to us appear to be: (1) an extension of the type approval for the "Sprint" series; or (2) a new machine approval for the "Sprint 60" model. Please advise which of these options would be the least time-consuming for your office. Either my colleague, Mr. Henry Frederick, or I can arrange to be in Jeddah for a meeting any time next week, or one of us could fly directly to Riyadh, if that is more convenient for your government. Please let us know soon when and how we can arrange a meeting. Thank you very much.

Yours most sincerely,

Sally Alvarez
Assistant Middle East Sales Manager
Lester Crane Company

Figure 2. Concluded

ROYAL SAUDI MINISTRY OF CONSTRUCTION
AND LAND MANAGEMENT

Sally Alvarez, Asst. Manager, International Sales
Middle East Division
Lester Crane Co.
8899 W. North Ave.
Chicago IL 00000

3 June 0000

Mrs. Alvarez:

Thank you for your letter. I hope that all is well with Lester Company and you. I hope your family is healthy. You have a little girl at home too, no? Also, please send my regards to Mr. Frederick, your colleague. I hope he is all well.

We are very busy trying to finish all of our work because Ramadan is coming soon, God willing, and we will not be at all able to begin new negotiations in the meantime. Our holiest time approaches, the time that we spend not for our own selves, but for Allah. We spend much time with our families. I shall see all of them during Ramadan.

I look forward to meeting with you and your colleagues to discuss the approval of my government for your most recent order #GulfE13. We may meet here in Jeddah on July 20 or July 21 or later, since Ramadan begins in four days and then afterwards we have the Eid el-Fitr feast for 5 more days. Ramadan will last until July 14 this year. Either option that you mentioned--an extension of the type approval which expired 15 April

Figure 3. Mohammed el-Shafie's Reply Letter to Sally Alvarez

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or the machine approval for the "Sprint 60" --are no problem; we can do as you wish.

Ramadan Kareem!

Sincerely,

Mohammed el-Shafie, Supervising Manager

Figure 3. Concluded

Author: Jeff Fern, Production Manager
Date: 6/3/0000 10:17 AM
Priority: URGENT
To: Manager, International Sales, Middle East
Subject: Government Codes Approval for order #Gulfe13

We're on a tight schedule on these Sprint 60s and can't afford any delays if we are to deliver to Gulf Equipment in Jeddah by June 22. We need to start shipping these things out of here by the end of the week. Howard Stibb in Expediting told me he would contact you about getting those approval forms so we can move the first shipment out.

If there's any problem, let me know right away. We don't have any time to spare the way it is.

Figure 4. Jeff Fern's Memo to the International Sales Office

Assignments

Assignment 1: Plan a Strategy

Assume you are part of the management team assembled by Henry Frederick to work with Sally at the Middle East Office on the problem with the shipment of Sprint 60s to Gulf Equipment. Plan a strategy for getting this Gulf Equipment deal on track as soon as possible, including securing the necessary approvals from the Saudi government. Determine the people that you may need to contact and work with in order to accomplish this on time: Jeff Fern's frantic memo (Figure 4), for example, seems to require a reply, as does Howard Stibb's e-mail message (Figure 1). Decide the purpose and the media for each message.

Assignment 2: Draft a Key Document

Assuming the role of a Middle East Sales Manager in Lester Crane Company's International Sales Office, draft one of the most critical documents needed to address the current problem.