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# Optimal Growth

As Jordan's information-technology (IT) industry continues to evolve, Optimiza, a local IT company, is emerging as one of the most significant players in the regional market. In an exclusive interview, **Naseem Tarawnah** speaks to Optimiza's CEO, **Hazem Malhas**, about the company's rapid growth and its future plans for expansion.

At first glance, the Optimiza office looks like your average villa in Amman. Concealed by trees and shrubbery common amongst the residential homes throughout Shmeisani, it is far from the tall, glossy, cold, glass-and-steel buildings one might associate an IT company with; especially one of Optimiza's caliber. Considered the rising star of the local and perhaps regional IT industry, Optimiza's prowess and reputation in the sector surpass its humble abode.

While the Optimiza brand itself is merely two years old, the company can trace its origins back to its first acquisition of the Jordanian IT company CEB, which was established in the 1980s. With a paid-up capital of \$35 million, Optimiza began 2007 with full force, acquiring various companies including MenalTech, a leading Jordanian company that specializes in human-resources (HR) development systems. In what may be considered as the shortest amount of time imaginable, Optimiza has managed to enter regional markets through mergers and acquisitions throughout last year, allowing it to open offices in Saudi Arabia, Qatar, Kuwait, Jordan, Libya and the United Arab Emirates (UAE), and creating a network of IT professionals that is, simply put, a force to be reckoned with. In a single year, the company's net profits rose by 24% to reach a level of \$407,580, while generating sales growth upwards of 91%. Last month alone saw Optimiza purchasing 70% of Saudi Arabia-based IT company, Royah, under a merger agreement with Al Malaz Group. The deal saw Optimiza's total professional workforce increase to roughly 550 engineers and consultants, with nearly half being based in the Saudi kingdom.

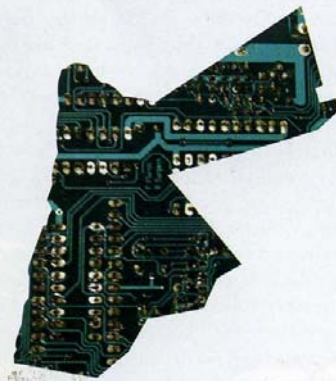
Indeed, the company has undeniably been riding the wave of Jordan's IT industry that has experienced solid growth in recent years. As it continues its journey towards becoming a regional IT hub, Jordan has managed to attract the attention of various multinational IT companies including IBM, Microsoft, Cisco Systems, Sun Microsystems and Oracle, with the Kingdom's revenues generated by the industry reaching around \$440 million in 2004 alone.

Recently, *Jordan Business* was able to speak to Optimiza's CEO, Hazem Malhas, about the company's phenomenal and rapid growth, as well as on what the future holds for the IT sector in Jordan.

**Last month alone saw Optimiza purchasing 70% of Saudi Arabia-based IT company, Royah, under a merger agreement with Al Malaz Group.**

**JB: How did the idea for Optimiza come about, and what makes its emergence so timely?**

**HM:** Nearly three years ago, I saw an opportunity. I felt that the Middle East was booming and the price of oil was not at the levels it is today, but I also realized the potential for growth was huge and that IT and consulting would be in high demand. Yet, at the time there were no large-scale regional players to undertake the larger projects being carried out in the region. Most of the companies were small and financially weak, which did not allow them to cope with larger projects that entailed higher risks. As for multi-nationals, most are not present in the Middle East, and those that are only focused on the larger



opportunities. Most of the world's economies have managed to create a second-tier that operates alongside the multinationals, but on a local level.

With this in mind, we embarked on that exercise [to create a company], by first preparing a business plan in March 2006, and then partnering up with Capital Invest as well as the Kawar Investment Group. We then identified and acquired a publicly-traded company called Al-Fares in July of that same year, which, in turn, had already acquired one of the oldest IT companies in Jordan. Al-Fares became our vehicle of consolidation; we raised our capital in January 2007, and began acquiring specific companies by the summer, in what we called a "transformational merger." Our goal was not to acquire these companies because they were necessarily fantastic operations, but because the combination of the consolidation would unlock a lot of value in the market.

While many of the companies we have acquired were established as early as 1983, if

not before, the Optimiza brand is only two years old. The purpose of the brand was to overcome any potential internal sensitivity that comes naturally with the acquisition of various companies in the same field. However, MenalTech, a company we acquired at the end of 2007, retained its independence because it is very focused on HR management IT systems. As it was doing very well, we did not want to fully integrate it into the group.

**JB: Last year, Optimiza's sales grew by roughly 92%. What is the primary strategy that you attribute to all the growth you have been experiencing, and will it continue to rely merely on acquisitions?**

**HM:** Yes, our strategy is essentially one of growth. In such a field, you can either have organic growth or expand through mergers and acquisitions; so far, we find ourselves doing both. Fortunately, we have experienced tremendous growth. Last year, after various acquisitions, our revenue grew to JD13 million, and this year we are targeting JD25 million, but it seems we will be achieving in the ballpark of JD30 million and over. Growth last year stood at 92% and we are projecting growth to be around 150% this year.

Today, our strategy is based on three pillars. The first revolves around growth and expansion, exemplified by our opening of offices all over the Gulf. The second pillar is acquisitions, and fortunately we are at a point where we can really cherry-pick the companies we want to acquire. Finally, the third pillar is a function of us becoming a world-class sales organization. This business is all about being close to the market, close to the customer and being heavily engaged with your clients. Altogether, we are hoping this strategy will make us in five years' time the largest systems integrator and consulting company in the Middle East.

When it comes to the third pillar, we now develop our own software and sell our own assets such as licenses. We also have HR systems, document-management systems, as well as many IP-based products.

Our strategy is based on large-scale proj-

ects, usually involving IT-integration systems and IT-infrastructure projects in various fields, including government and banks. Optimiza is a company that is vertically organized, so we have a team that focuses on healthcare, while other teams are more concerned with banks, telecoms, government and even education. Our future lies in being vertically organized. It is the combination of all these efforts that produces the end results.

**JB: Your growth so far has been nothing short of spectacular. However, being a company that has grown primarily through acquisitions, how difficult was it to raise the initial capital needed to make such massive investments? Did this process increase your risk?**

**HM:** The key is to have a good investment team on your side. This is why I feel it is important that the investment-banking sector in Jordan develops further in order to support ventures such as ours. Ideas, entrepreneurs and businesses all need the support of investment banks, who in turn, give them the options and solutions for their funding needs. In our case, this was coupled with a solid management team, a great financial team and various partners such as lawyers and auditors. It was really a team effort that required the commitment and leadership of the investors, as well as the alignment of the interest to move in that direction. Nothing is easy, but it becomes easier when you do it right.

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**JB: With Optimiza being an emerging player in the local IT sector, have you felt the impact of the national IT-drive that began in 2000? More specifically, do you feel there is now an over-abundance of IT graduates and professionals, or have many of them left to acquire Gulf-based jobs in the same field?**

**HM:** Naturally, this industry depends on young talent. In order to keep your machine running, you have to constantly recruit fresh graduates, train them, orient them and develop their skills. This is typically implemented worldwide; the core always revolves around youth.

Meanwhile, I feel that we have already contributed a lot to reversing the process of brain-drain by bringing many Jordanian IT professionals back from the US, Canada and even Australia. Many of them held very senior positions abroad and have been exposed to the environment of professional services. By coming back, they have, in turn, provided the leadership and the mentorship for those young Jordanians who have not had such exposure to such an environment. This is why we have injected the company with people from IT giants like IBM, as well as from reputable management-consultancy firms, and these make up the bulk of our management team today. Meanwhile, we also have employees who have been with the [acquired] company for over a decade, and they all go through orientation and training programs to shape their thinking towards helping Optimiza become a world-class organization, and not just a local Jordanian company.

**JB: Did you manage to preserve the majority of the employees from the companies you have acquired in recent years?**

**HM:** Employee retention is a very critical issue in our sector today, especially in Jordan. I think we have so far succeeded in retaining the talented employees. However, we lost some due to the pressure that is emerging from the Gulf, as we could not match the salaries many people were being offered. Nevertheless, today, with our expansion in such markets as Saudi Arabia, the UAE, Qatar and Kuwait, we are able to offer the same opportunities to those wanting to work in the Gulf to come and work with us over there.

**JB: While much of Optimiza's business centers on providing IT solutions, be it in the form of selling licenses, systems or even consultations, you recently entered into a partnership with Chinese computer giant Acer. Does this**



Hazem Malhas

**signify the desire for Optimiza to develop a more mainstream retail division of the business?**

**HM:** We have partnerships with everyone. From Acer to Dell, Microsoft, Oracle, CISCO, and HP. While we are now entering an arrangement whereby we can sell Acer products, this will only be for large-scale purposes and not personal use.

**JB: Having branched out across the region, what are some of the unique projects Optimiza is currently working on, both locally and abroad?**

**HM:** Some of our interesting projects include automating an entire hospital in the Iraqi city of Basra, as well another in Qatar, where we can provide entire management-information systems. We are even in

the process of developing the IT strategy for the Supreme Higher Council for Education in Qatar, as well as the project-management and HR systems for one of the largest banks in the region.

Locally, we are implementing a new e-service for the Greater Amman Municipality, focusing on the issuance of vocational licenses that are mandatory for every business in the city. It was a unique and large-scale project that involved many government entities, ranging from the Ministry of Health to the Civil Defense Department and the Amman Chamber of Commerce. We also managed to implement a new court-management system for the Ministry of Justice in Jordan. Today, if you visit the central court in Abdali, you will see touch screen-enabled kiosks that give you access to information concerning your case.

**JB: Being a company that is obviously introducing new technologies and mechanisms of IT integration to Jordan, how difficult do you find it to change business attitudes to new technologies, especially in the business culture of the service industry where people are more accustomed to face-to-face interaction?**

**HM:** I believe there are two types of opportunities. There is the opportunity that a client presents to you as an IT company in the form of a proposal. This is the type of opportunity that indicates the client has done their homework and is essentially prepared to implement such a project. On the other hand, there is the type of opportunity you create for yourself by presenting it to a client. In such a case, you have to qualify if the client is actually ready, as the biggest risk lies in them being unprepared to absorb the technology, or if the leadership is not fully committed.

The types of services we provide as an IT company depend greatly on the leadership of our clientele. If they are the types of persons who use IT to create a competitive advantage that reduces costs, increases efficiency and improves productivity, then these are the persons we will invest with. Moreover, IT does not mean you automate inefficiency. Therefore, there needs to be a level of consultancy investment. This is what

I feel distinguishes Optimiza in the region, concentrating as we have on consulting, optimization, project management and strategy. We consider technology as a tool, but at the heart of one's operations, you need to automate and re-engineer efficient processes.

**JB: You obviously work in a very competitive market, where technology is constantly changing. Every so often, new technologies that are introduced revolutionize the entire way a operates, with the recent introduction of iris-recognition technology to banks providing an interesting example in this regard. How does a large-scale IT company such as Optimiza deal with these sudden and revolutionary changes?**

**HM:** When the introduction of a new technology causes sudden changes in the regular processes of operation, this is exactly where we come in. We make sure that the current demand of organizations like banks and telecoms are met with the right set of products and tools that deliver their requirements. New technologies simply create additional and new opportunities for us, and we work to upgrade a company's IT infrastructure and system to complement the new technology. This is especially true when you look at evolving sectors such as banking. In this case, we see unexpected changes coming from legislation, for example, by way of the anti-money laundering law. This meant that the IT systems in all Jordanian banks needed to be changed to meet the new demands.

Governments are usually the biggest investors in the local economy. However, increasingly we are seeing some interesting projects emerge from the private sector. For instance, Hikma Pharmaceuticals and Saraya are investing heavily in the SAP system, which is a cutting-edge enterprise resource planning system (ERP).

**JB: Last month, Optimiza was one of the most actively-traded stocks on the Amman Stock Exchange (ASE). With local and regional stock markets experiencing various fluctuations in recent months, how has the company survived the turbulent atmosphere?**

**HM:** This is an interesting question as our stocks were locked up for a year - a lock-up that was removed only recently. At that

time, the founders and the shareholders were around 200; today, we have crossed the 3,000 mark. I believe that people, especially young investors in the market, are in need of a new local success story, and this has contributed to the excitement surrounding Optimiza. We have invested heavily in raising awareness about the company and what we are doing, and I think people want to be proud of a new, successful Jordanian company.

While this has been fairly exciting for us as a company, it has only served to emphasize the responsibility of the management team to deliver the required demands. After all, the value of a company is a reflection of its financial results and the intangible assets it owns. I believe we have done well in implementing our value-creation model, and people now have more trust in the management team and the board's leadership. As management, we don't really pay attention to fluctuations in the stock market, focusing instead on delivering the results that support the value of our share.

**JB: Many of Optimiza's acquisitions have taken place in the Gulf - a market that represented 55% of sales last year. With Saudi Arabia being home to your latest acquisition, a 70% share in the IT company Royah, what makes these markets so particularly unique, and to what extent will the acquisition of Royah help consolidate your holding in the Saudi market?**

**HM:** In our industry, the three largest regional markets today are without a doubt Turkey, Israel and Saudi Arabia. Within the context of our broader company strategy, we have always had a focused strategy on the Saudi Arabian market in particular, as it is the largest. Royah has a great track-record and a very qualified management team, which has made the company fairly profitable. The company also has various lucrative blue-chip accounts, including Saudi Telecom, the Ministry of Foreign Affairs, Jeddah Municipality, Arabsat, and the Savola Group. We felt the synergy between our two companies made it a perfect fit, which I believe will add a lot of value for our customers and the market more generally. Royah is now our third acquisition in Saudi Arabia, after Aragon Consulting and G-Tech.

**JB: In recent years, many of the larger Jordanian companies, especially those that are publicly traded, have started implementing corporate social responsibility (CSR) programs. With Optimiza looking to join the folds of this strata in the Jordanian business community, are there any CSR programs that you are looking to get involved in?**

**HM:** We are already becoming quite active in the community. Optimiza has committed to Her Majesty Queen Rania's Madrasati initiative, to help improve public schools. We are also in talks with a government agency to provide expertise and support in a specific field we cannot yet disclose details on. Also, we are building our internal CSR program that will see us talking to various universities to see how we can get involved on the student level, as well as in funding research. I believe that Jordan today is at a crossroads when it comes to research and development, and Optimiza would like to be in a leadership position in supporting its evolution in the Kingdom.

**JB: On a more personal level, having spent a great deal of your career, first in the local logistics and then IT, what, in your opinion, are the major obstacles that still stand in the way of Jordan's developing IT sector?**

**HM:** I think the IT industry in Jordan is now in a great position to grow. What it requires is the implementation on the ground of larger projects, and those can only be provided by the government. I believe the government has a tremendous responsibility with regards to supporting the sector, as they do in all advanced economies.

Worldwide, the main driver for the IT industry has always been the government, especially in the fields of defense and security, and international experience has clearly demonstrated that governments will support their IT industry through these fields. I think the Ministry of Information and Communications Technology should focus more on encouraging Jordanian IT companies to form consortiums that allow them to take on the larger projects, while building greater capabilities to export the local IT know-how abroad. Today, staying fragmented and small will not help local companies compete globally. ■