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# IBM Operations in Peru

Vicente Saric

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# **IBM OPERATIONS IN PERU**

**Prepared**

**for**

**Management 491**

**Prepared**

**By**

**Vicente Saric**

**May 1992**

**Carbondale, Illinois**

## INTRODUCTION

The 1980's changed the computer history with IBM announcing its newly developed Personal Computer. The economy of the world changed, transforming into a global economy where changes in a nation brought about changes in other nations. Also during the mid to late 1980's, the personal computer market became a very competitive one, where only the ones with better economies of scale were able to survive.

Changes in the world brought about changes within the whole IBM corporation and subsidiaries. An overview of the IBM as a whole will be given, and the Peruvian business environment will be discussed so that the reader can have an idea of how difficult it is to do business in Peru. This project will focus its attention on the operations of IBM in Peru and why they are so successful there.

## TABLE OF CONTENTS

|                                                          |           |
|----------------------------------------------------------|-----------|
| <b>IBM INTERNATIONAL .....</b>                           | <b>1</b>  |
| <b>PERUVIAN ECONOMY .....</b>                            | <b>3</b>  |
| <b>IBM OF PERU .....</b>                                 | <b>7</b>  |
| <b>Strategies and Control .....</b>                      | <b>8</b>  |
| <b>Corporate Communications .....</b>                    | <b>10</b> |
| <b>Personnel Hiring, Training, and Development .....</b> | <b>10</b> |
| <b>Competitors .....</b>                                 | <b>11</b> |
| <b>Market Share, Sales Volume, and Growth .....</b>      | <b>12</b> |
| <b>Business Description .....</b>                        | <b>13</b> |
| <b>Strategies to be Taken .....</b>                      | <b>14</b> |
| <b>Products Currently Sold and Major Costumers .....</b> | <b>15</b> |
| <b>CONCLUSIONS .....</b>                                 | <b>17</b> |
| <b>EXHIBITS</b>                                          |           |
| <b>Exhibit 1 -- IBM Divisions .....</b>                  | <b>E1</b> |
| <b>Exhibit 2 -- Industrial Electricity Tariff .....</b>  | <b>E2</b> |
| <b>Exhibit 3 -- Monthly Unemployment Growth .....</b>    | <b>E3</b> |

|                                                             |           |
|-------------------------------------------------------------|-----------|
| <b>Exhibit 4 -- Population Of Peru .....</b>                | <b>E4</b> |
| <b>Exhibit 5 -- Geographic Area .....</b>                   | <b>E5</b> |
| <b>Exhibit 6 -- Distribution Channels .....</b>             | <b>E6</b> |
| <b>Exhibit 7 -- IBM of Peru Costumers by Segments .....</b> | <b>E7</b> |
| <b>Exhibit 8 -- Accumulated Inflation of Peru .....</b>     | <b>E8</b> |
| <b>Exhibit 9 -- IBM of Peru Departments.....</b>            | <b>E9</b> |

## **APPENDIX**

|                                                              |           |
|--------------------------------------------------------------|-----------|
| <b>Appendix A -- IBM of Peru Machinery Description .....</b> | <b>A1</b> |
|--------------------------------------------------------------|-----------|

|                         |           |
|-------------------------|-----------|
| <b>REFERENCES .....</b> | <b>R1</b> |
|-------------------------|-----------|

## **IBM INTERNATIONAL**

IBM is one of the most powerful corporation in the world , in the United States and internationally it has become the computer industry's standard. They sell computer systems, peripherals, software and services. IBM is divided by geographic areas (Exhibit 1), this help delegate authority and decision making to the respective country offices in which they operate; and allows them to grow worldwide in a more effective manner.

During the 1980's the corporation the company grew rapidly, mainly due to their international operations rather than their home ones. This was due to the competition it faced from new emerging computer firms, and already established one. In the market of PC's, IBM is no longer the leader, companies like Compaq and Dell have been feeding on IBM's market share. Due to the hard global economic crisis and competition, IBM has been forced to restructure its corporate structure.

Nowadays, competition is forcing changes in the structural system of IBM. They have developed a new policy, downsizing, which focuses on eliminating levels of management to reduce the overall organization and to flatten the structure. Flatter organizations tend to have better communication between upper and lower level management, and tends to increase capacity to adapt to the new environment, and lowers total managerial costs. In 1987, IBM headquarters was reduced by about forty percent<sup>1</sup> , which led to a significant drop in administrative

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<sup>1</sup> Van Fleet, Contemporary Managment

costs. The sales force has been increase to ensure excellent costumer service, and each country is encourage to decentralize its operations.

In Europe IBM went through a massive reorganization to adapt to its environment. The first part of that reorganization involved delegation to local subsidiaries in Europe, marketing activities constitute most of that delegation, since the intent was to make the firm more responsive to customers. The second part of the organization was to split IBM - Europe into two groups, each reporting to the Paris headquarters. France, Italy, and West Germany, the fastest growing countries for IBM, made up a one group and all the others made up the other.

The presidents of each countries local subsidiary report to a group executive, these group executives are part of an executive operating committee that is responsible for IBM Europe's overall operation performances.

IBM's reorganization has also involved it domestic operations, it has begun a five year program to reduce its overall size by around twenty thousand persons through a gradual process. IBM's employees are provided with several benefits to encourage their resignation and make it easier. By early 1988 about fifteen thousand employees had chosen early retirement<sup>2</sup>.

Financially, IBM is a very solid company, even though in 1991 its United States operations had a negative net earnings <sup>3</sup>(refer to Exhibit5). This caused IBM to drop from AAA bond class rating, the safest bond you can invest in, to AA bond rating, the price per share also dropped in 1991.

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<sup>2</sup> Van Fleet, Conteporary Managment

<sup>3</sup> 1991 IBM Annual Report

## PERUVIAN ECONOMY

The Peruvian economy is very instable, like many third world nations; and Peru's environment makes it difficult to invest and work in it for many reasons.

The first reason is the government policies which is not adequate for the country and for the development of the industry. Countries such as the United states, Great Britain, France, and Japan enjoy considerable Government stability, so a firm choosing to conduct business there can be relatively certain of what its right , privileges, and obligation are. On the other hand, political condition in countries such as Peru , have been instable, and inadequate for firm that want to invest in the country. That is why foreign firms are reluctant to invest in Peru, because dramatical changes in government policies can bring about major losses .

The second reason is the terrorism or guerilla activities, whose groups, such as shining Path and Movimiento Revolucionario Tupac Amaru, attack the principal companies in a regular basis, destroying the industrial machinery, and therefore the infrastructure of the company, leaving the employees of the company without work; thus contributing to the terrible economic situation in Peru , and increasing the unemployment. It is important to point out that some of the attacks are due to the fact that big companies do not want to pay the "cupo" , an illegal payment made to the terrorists to secure their companies from the attacks .

During the first two years of President Garcia's mandate (1985-1990), the economy seemed to be blooming, but it was not really blooming, it was the effect of Garcia's freezing of the prices and the subsidizes to principal foods and gas. The economy grew in proportions that it had not seen in years, everything seemed to

be going great, until 1987 when his government run out of money because his inept subsidizing policy drained of the reserves of the country. It was obvious that his policy was not going to work in the long run, because the price of the products were not in accordance to the real prices, for example the price of a can of coke cost more than a gallon of gas.

So the President had the brilliant idea of overtaking the private bank sector and insurance companies, because according to him the private sector was in the control of a few hands and they were repressing the majority of the country, who are poor. He justified this action by saying that this would be to the benefit of the nation, and the resurgence of the industry. But the reality was other, he needed money to continue with his subsidizing policy, and the only way of doing this was by taking over the banks. When he announced his plans, the whole nation was against him, and under one leader, Mario Vargas Llosa an opposition movement called 'Libertad' was born. During this time, inflation started to grow at incredible proportions (refer to Exhibit 8), the economy deteriorated and the foreign investment completely stopped.

During the years of 1985 through 1990, the control of currency exchange and control of the shipments of the dividends to the exterior causes the companies that were installed in Peru to stay in Peru, and those that were no in it to stay out, and in the case of IBM, which was installed there, continued there business and investment. This government controlism contributed to the increase of the product prices, since the financial costs of capital were depreciating rapidly and the only way of recovering them were by charging a higher price.

In 1990, President Fujimori took over the nation, which was in the worse economic conditions it had every been. In addition, President Garcia had told him that his government had left 200 million dollars in reserves stored at the Banco Central de Reserva; but the new government went to the bank it found no reserves; due to the corruption of the Garcia's government, Fujimori had to rebuild a nation with no money.

The first policy Fujimori implemented was the open market economy, in attempts to make the industry more competitive and to have inexpensive prices for foreign products. Today in Peru, product prices have decreased dramatically, since there is more competition in the market. This new policy demands more efficiency in production for companies if they want to compete, and the mechanical systems, communication systems, and information systems are vital to achieve this.

In an attempt to push the industry Fujimori decreased the electricity tariff (Exhibit 2). Also he stopped the laboral stability policy, and companies that couldn't hold all their employees started firing them which contributed to the increase of unemployment (Exhibit 3). For more than a year Fujimori tried to pass new laws throughout the congress to better the industry, but since his party in the congress did not have majority, his laws were not passed. For that reason, and the corruption of the congressmen, in April 5, 1992 President Fujimori decided to close the congress a measure that is supported by the **Peruvian Constitutional Laws**, and a by the first time in Peru the poor, middle class, and the rich agree with Mr. Fujimori, because they see that is the only solution to terminate with the corruption and the only way out of the 'hole'.

Despite of Fujimori's measures to solve the problems of Peru and the success he has had in slowing inflation (Exhibit 8), Countries such as the United States do not agree with his harsh policies because they label it as 'the end of democracy in Peru. But my personal opinion as a Peruvian, is that this measures could be for the benefit of the economy, industries can re-emerge; socially, terrorism has been controlled in one month like it hasn't been done in years; and finally politically, in eighteen months Fujimori will re-open the congress and hopes are that the new batch of politicians will not be as corrupt.

## **IBM OF PERU**

IBM of Peru is one of the strongest corporations in the nation, and in computer technology they are the industry leader with a 70% market share. It is divided into five departments: marketing, finance, customer service, business systems, and personnel.

Their mission<sup>4</sup> in Peru is as follows:

**" To be recognized :**

**By the market, as the best provider in solutions in the information systems industry.**

**By the community as an active participant in the development and progress of the nation.**

**By us as a special place where to work.**

**In addition, be recognized by everyone as a team of individuals who serve their clients with a passion for quality, and obsession for the success of our clients, of our company and its associates, of the nation, and every one of us."**

It is crucial to point out that IBM does not manufacture machines in Peru, it solely markets the machines given to them by the headquarters. What they provide is service to this machines, and support by developing software that meets the needs of their clients. Since the market is a recessive one, it is vital to satisfy the requirements of the client if they want them to come back.

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<sup>4</sup> IBM of Peru office

Due to the economic instability of Peru, big corporations like IBM have a difficult time adapting to the general environment of the nation. In Peru, the market has a major role in pushing changes in strategies and policies in IBM, due to the economic situation of the client, for example it might have change their policy of payments to be able to continue to sale. Also due to the always changing economic conditions, the PC lines are greatly affected, the other lines maintain their market since big corporations need them for improving their products and efficiency.

### Strategies and Control

The strategy used to manage the personnel implements the norms established by IBM for the world. The employee's salary is in accordance with the country's market salary for a specific profession. Also the salary varies depending on the position they occupy in the company, if a position requires more responsibility then the salary of that position will be higher, and benefits will be given. Benefits included bonuses, shares of IBM stock, and dental plan<sup>5</sup>.

The marketing strategy that they use is called, by them, market driven. Clemet Dumler<sup>6</sup>, marketing manager of IBM Peru, described how they implement this. He said that IBM gives the client what they need, and they dedicate most of their time on giving them what they need. He said that in the past they had worked independently but that is not feasible anymore, they had to let go their sales force and contract dealers, and had to develop a system of integration between them, dealers, and marketing contractors. He noted that the difference between a dealer and marketing contractor is that the dealer buys the stock from IBM and therefore

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<sup>5</sup> Ernesto Nunez, Former Personnel Manager of IBM Peru

<sup>6</sup> Interview (Jan 1992)

owns it, while a marketing contractor sells as IBM with a an IBM contract, therefore they don't own the stock.

IBM applies the personnel program called Performance Planning Counseling and Evaluation(PPC&E). With this program they evaluate their employees, and see if their goals for the period have been met. After the evaluation is complete they will decided whether or not to increase the salary of the employee, again this depends on their performance.

Another method of control they use is by giving each branch manager a number of shares of the stock of computers and they are supposed to sell all of their shares. If they don't sell their shares an analysis of their branch will be made to see why they didn't meet their goals, and if this analysis turns unsatisfactory, the manager will be relocated to another branch, giving him a second opportunity to prove himself. If, on the other hand, they branch exceeds the its shares, the manger will be invited to join the Golden Circle and he will receive a bonus for his outstanding performance

### Corporate Communications

IBM is one of the few companies in Peru that have implemented the electronic office environment. All memos an letters within the organization are sent via the computer reducing the use of paper. Every employee has access to a computer and must read his/her mail once a day to stay up to date with the company matters. They use the system called PROFS developed by themselves.

Mail going outside the company is sent by paper, and for this purpose, the branch managers share 12 secretaries. If the mail is going to any other IBM in the world, then they use the satellite dish hooked to Intel Peru to send electronic mail to this remote locations.

A policy IBM has an open door policy towards employees. Any employee can talk to any echelon of the corporation. This is useful when an employee has a conflict with his/her immediate superior. Also there are two monthly meetings in which programs of speak up and questionnaires are implemented at every level, and a weekly bulletin regarding upcoming events, policies, and promotions.

#### Personnel Hiring, Training, and Development

IBM Peru hires individuals who show they have potential to go far. They take in graduates from the top university's of Peru, and those with degrees from abroad in engineering, science, and business.

Once an employee is hired, he/she will go through a three month training program in his/her related area, and will be tested periodically. Once the individual has satisfactorily passed the tests, after the 3 month period, he will be assigned to a position in the company.

When an employee is promoted, he will go through training before being allowed to take his new position, thus giving him the tools he will need for his new position.

IBM Peru rarely hires managers for their top position from outside the company, it is also very rare to see a manager sent from the headquarters to take occupy an opening in the subsidiary. They have a policy of molding their own managers from within the company, which gives them a better understanding of the company since they have been there for years.

### Competitors

IBM has two groups of competitors in Peru : the various small dealers of PC clones, and the mainframe dealers. IBM lets dealers take care of the PC market, The dealers are also responsible for servicing the machines.

IBM Peru focuses on the marketing of the mainframes such as the AS 400. This machines are sold by marketing contractors, since dealers couldn't afford to keep a large enough stock size due to their cost. What IBM provides is the service and support of this machines.

Their competitors in the mainframe market are DEC, UNYSIS, Data General, and NCR. This competitors have very little invested in Peru, so IBM is not worried with them yet, and NCR's basic market is that of cash registers rather than integrated systems.

### Market Share, Sales Volume, and Growth

IBM share market share in Peru is one of the highest of the whole corporation worldwide, with 70%<sup>7</sup>. This outstanding market share, as Mr. Dumler explained, was caused by the distance that existed between Peru and the international community. When foreign investors took their money elsewhere, and companies took their profits and invested outside of Peru, while IBM continued to invest in the nation. In the start of the 1990's, Peru got closer to the international community, and by then IBM was the "owner" of the market.

The volume of sales is of \$100 million per year, and in the last four years it grew at a rate of 10%<sup>7</sup> per year, and if you compare this to the IBM geographic area sales, you will see that in 1990 sales of these decreased while Peru's increased (refer to Exhibit 5). Also the market share grew by 1% per year in the last 5 years<sup>7</sup>.

It is important to note that in the past 10 years the sales of the company increased while the GNP of the nation declined.

### Business Description

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<sup>7</sup> Clement Dumler, Marketing Manager IBM

IBM of Peru employs 350 individuals of which 65% are direct face to face contact with the client. Also 80% of their employees are professionals<sup>8</sup>. IBM's profit is derived from the sale of machines, software, and from the services which they give. 60% of the profits come from sales of machinery, 30% is derived from sale of software, and 10% from services. Software sales and services have a high rate of growth, while the sale of hardware is expected to contribute to only 40% of the total revenues by the end of 1995<sup>9</sup>. The sale of machines is done in dollars, because it is more stable than the sol; while the monthly services are charged in soles.

The services which the company gives are: leasing program, maintenance, and software support. The leasing program was very well liked, since Peru is a poor country and business people have tight budgets and they couldn't afford the mainframes otherwise, for the leasing, IBM of Peru buy the computers from IBM Latin American headquarters and rents them to the Peruvian businessmen (Exhibit 6).

The terms on leasing are: renting for three years, financed sales at 18 months, and sales done through a financial or leasing company. The software they sell are operating systems, programming languages, Query programs (consulting), application software, e.g. hotel packages or Bank transaction programs, and information systems -- turn key systems -- in accordance with the requirements of the client (support from 90 days to several years).

Also IBM sell software for each platform, the type of computer, they market in the nation.

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<sup>8</sup> Augusto Aguirre, General Manager of IBM Peru

<sup>9</sup> Clement Dumler, Marketing Manager of IBM Peru

### Strategies to be Taken

Since the market for support service is increasing, problem solving services such as software, IBM has decided to open a branch in order to meet the demand for this kind of service.

In their sector of small accounts, they are trying to broaden their marketing network, by getting attracting new marketing contractors, and by trying to penetrate the departments which amounts to only 10 percent of their business operations. This is a big market to look into since Peru has 23 departments, and one of them, the capital takes 90 percent of their business. Looking at Exhibit 4 you can see that more than one department has over 800,000 persons, thus meaning a metropolitan area is there. If IBM focuses their efforts on this untouched market, their growth could be further increased.

The dealers, who sell the PC's which they buy from IBM Latin American Headquarters and are shipped via IBM Peru (Exhibit 6), have a 36 percent market share and they expect this to grow by 20 percent in the next 3 years<sup>10</sup>. This is due to the future introduction of the PS/1 Latin American version in Peru, which is expected to be marketed in March, 1992.

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<sup>10</sup> Celement Dumler, Marketing Manager of IBM Peru

### Products Currently Sold and Major Costumers

IBM markets 3 groups of computers: heavy duty, intermediate, and PC's. The heavy duty group is composed of the AS 400 and RS 6000 (risk architecture equivalent to the UNIX environment). The RS 6000 is the newest system they have, and it is in its introductory stage in the Peruvian market, this system has an approximate cost in the market that ranges from dollars \$20,000 to \$500,00, and only 100 units are in use in the nation. The AS 400 has 1,2000 units in the nation, and is the largest sold among the first two groups.

In the intermediate group, the series 390 is the only one marketed in Peru, and about 100 companies utilize this system in Peru, its price ranges from dollars \$100,000 to several million, and due to its high cost only 200 units are being utilized . Finally, the PC group has the PS/2 system and starting in March, the PS/1 Latin American version; 7,500 are currently use (out of total of 30,000 used in the market) the PS/2 systems, and their price ranges from dollars \$1,500 to \$30,000.

The major costumers of the firm are banks, the government and armed forces, and processing companies (refer to Exhibit 7). This firms rely on IBM because of their support, and since they are known for their turn-key systems, in which they see what you need and they install it. Then the only thing you do is turn the machine on.

In an interview with Italo Marsano Del Solar<sup>11</sup>, co-owner of Fundicion del Callao, he told me that his firm bought an IBM system 36 for two reasons: for their technical service and support, reliability and their warranty.

In contrast with companies that sell inexpensive computers, IBM has higher prices than the market, but Fundicion Callao decided to go with IBM because they provided them with service of analysis of what they need for their operations, and developed software that supported this operations. In addition, after the system was installed, IBM provided Fundicion del Callao workers with training to operate the software.

The company has had the machines for more than five years now, and they haven't given them much trouble. If any trouble appeared, they promptly showed up to fix the problem.

Mr. Marsano said that due to the technological changes, Fundicion del Callao will buy new systems from IBM, and they were happy to know that they were going to take their old machines as trade in.

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<sup>11</sup> Phone Interview, April 1992

## CONCLUSIONS

The research for this project has been very beneficial because it helped me understand the complexity of an international corporation. IBM is an organization whose major strength are their prestigious image, the market share they have been able to achieve, their financial capacity that enables them to purchase equipment and lease it to businesses that would otherwise be able to afford it , they have a vast experience in computer affairs, and are also very knowledgeable of the Peruvian environment because they have been doing business there since 1932.

The weaknesses I have found in IBM, is their high prices. They are definitely not the least costly solution in the market; and because of their big size, their price policy has to be more rigid than other companies on the market in order to cover their costs. This is the main reason why the small businesses prefer to acquire the PC clones, since they perform as good as IBM PC's and they are less costly.

To compete in the computer market it is necessary to market PC's against IBM, since IBM has a strong hold of the mainframe and minicomputer market; and as Mr. Marsano del Solar said, the extra money they spend on buying the IBM systems is a good investment, since they give excellent software and technical support, which is a major concern for big companies.

To effectively compete with IBM, a business will need to provide the same quality of service and support and, at the same time, have a lower pricing strategy.

## IBM DIVISIONS

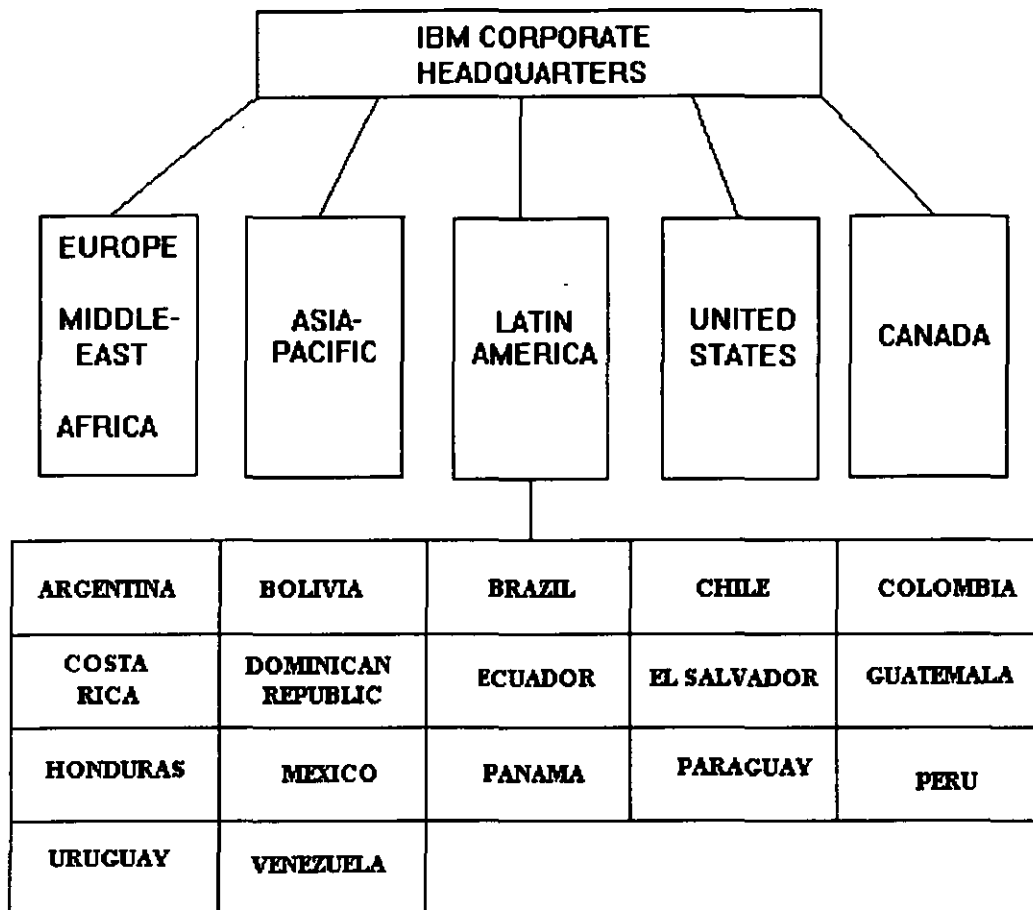


EXHIBIT 1

## INDUSTRIAL ELECTRICITY TARIF

(Base: August 90 = 100)

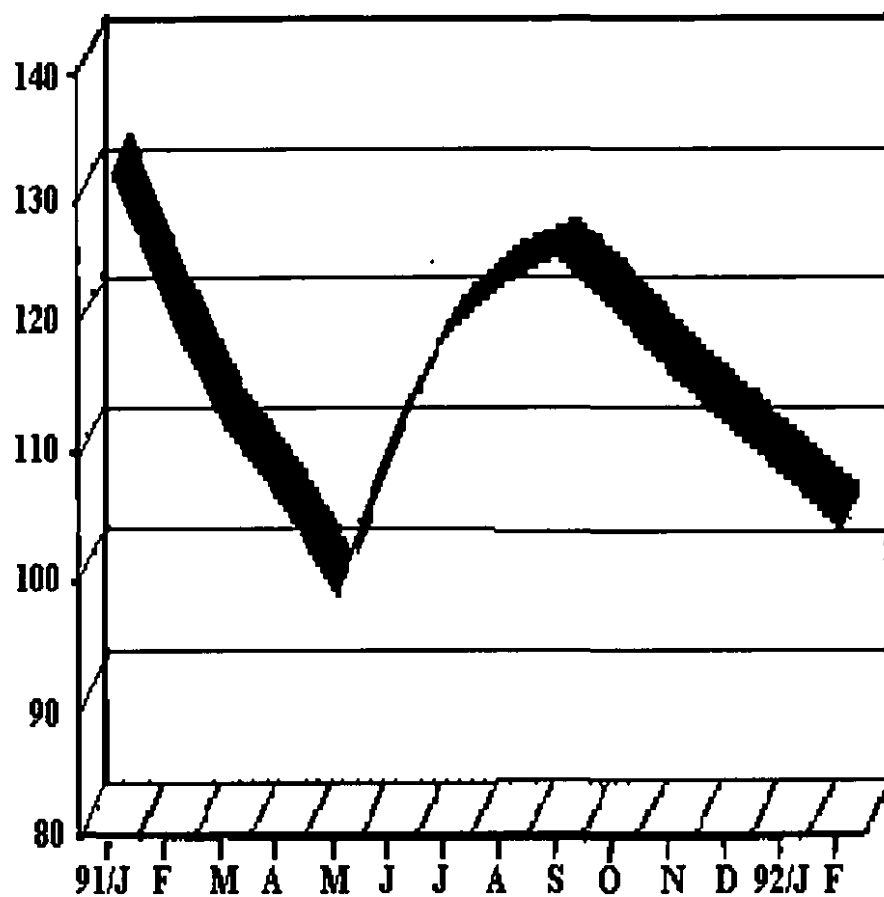
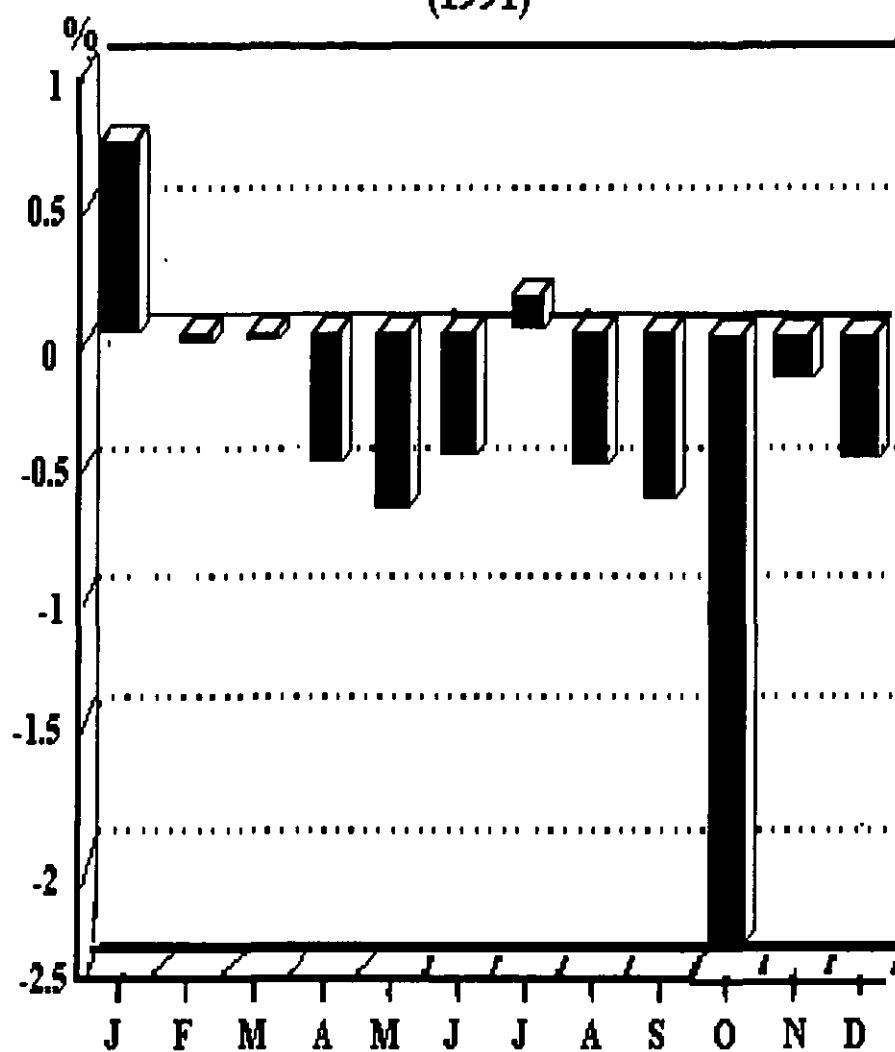


EXHIBIT 2

# MOTHLY EMPLOYMENT GROWTH (1991)



**EXHIBIT 3**



#### POPULATION OF PERU

|               |         |
|---------------|---------|
| TUMBES        | 103839  |
| PIURA         | 1125865 |
| LAMBAYEQUE    | 674442  |
| CAJAMARCA     | 1045569 |
| AMAZONAS      | 245.56  |
| LORETO        | 445368  |
| SAN MARTIN    | 319751  |
| LA LIBERTAD   | 962948  |
| ANCASH        | 818289  |
| HUNACO        | 484780  |
| UCAYALI       | 200869  |
| PASCO         | 213125  |
| LIMA          | 4745877 |
| JUNIN         | 852238  |
| HUAN          | 346797  |
| ICA           | 433897  |
| AYACUCHO      | 503392  |
| APURIMAC      | 323346  |
| CUZCO         | 832504  |
| MADRE DE DIOS | 33007   |
| AREQUIPA      | 706580  |
| PUNO          | 890258  |
| MOQUEGUA      | 101610  |
| TACNA         | 143085  |

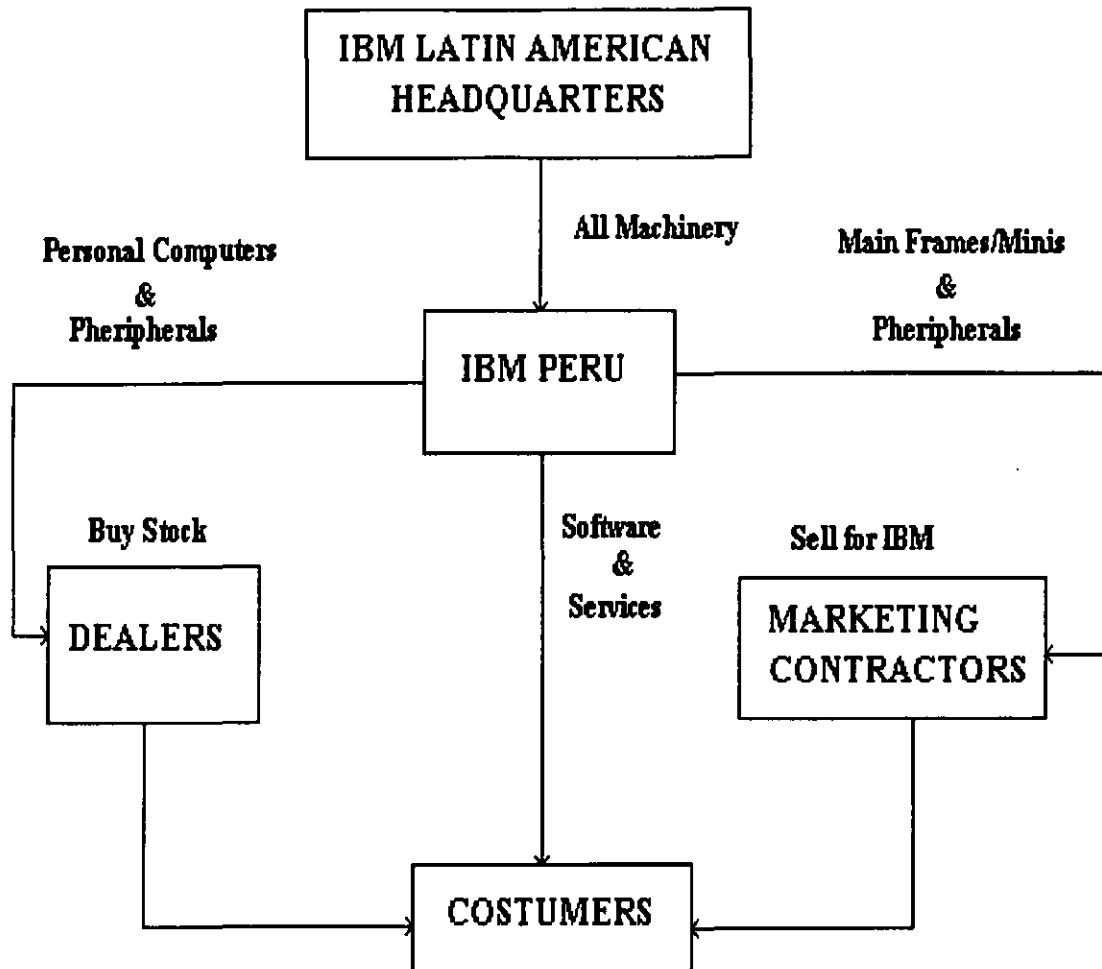
#### EXHIBIT 4

# GEOGRAPHIC AREA

| <b>(Dollars in millions)</b>     | <b>1991</b> | <b>1990</b> | <b>1989</b> | <b>1988</b> |
|----------------------------------|-------------|-------------|-------------|-------------|
| <b>United States</b>             |             |             |             |             |
| Revenue- Customers               | 24,434      | 27,132      | 25,745      | 25,320      |
| Interarea Transfers              | 7,688       | 6,195       | 5,476       | 4,951       |
| Total                            | 32,102      | 22,327      | 31,221      | 30,271      |
| Net earnings                     | (2,394)     | 1,459       | (325)       | 1,408       |
| Assets at December 31            | 43,417      | 43,452      | 41,635      | 39,245      |
| <b>Europe/Middle East/Africa</b> |             |             |             |             |
| Revenue- Customers \$            | 26,136      | 27,234      | 23,170      | 21,600      |
| Interarea Transfers              | 1,264       | 2,997       | 2,676       | 955         |
| Total                            | 26,974      | 28,210      | 24,271      | 22,555      |
| Net earnings                     | 1,264       | 2,997       | 2,676       | 2,349       |
| Assets at December 31            | 30,725      | 30,689      | 24,732      | 22,745      |
| <b>Asia Pacific</b>              |             |             |             |             |
| Revenue- Customers \$            | 9,271       | 9,564       | 9,202       | 8,824       |
| Interarea Transfers              | 1,680       | 1,496       | 1,673       | 1,837       |
| Total                            | 10,951      | 11,060      | 10,875      | 10,661      |
| Net earnings                     | 446         | 1,151       | 1,296       | 1,394       |
| Assets at December 31            | 13,241      | 8,646       | 7,666       | 7,633       |
| <b>Latin America</b>             |             |             |             |             |
| Revenue- Customers               | 4,951       | 5,088       | 4,593       | 3,937       |
| Interarea Transfers              | 3,932       | 1,615       | 1,461       | 1,290       |
| Total                            | 8,883       | 6,703       | 6,054       | 5,227       |
| Net earnings                     | 204         | 420         | 173         | 328         |
| Assets at December 31            | 7,121       | 6,357       | 5,395       | 4,951       |
| <b>Eliminations</b>              |             |             |             |             |
| Revenue \$                       | (14,118)    | (10,282)    | (9,711)     | (9,033)     |
| Net earnings                     | (84)        | 13          | (62)        | 12          |
| Assets                           | (2,031)     | (1,666)     | (1,694)     | (1,501)     |
| <b>Consolidated</b>              |             |             |             |             |
| Revenue \$                       | 64,792      | 69,018      | 62,710      | 59,681      |
| Net Earnings                     | (564)       | 6,020       | 3,758       | 5,491       |
| Assest at December 31            | 92,473      | 87,568      | 77,734      | 73,037      |

# DISTRIBUTION CHANNELS

## EXHIBIT 6



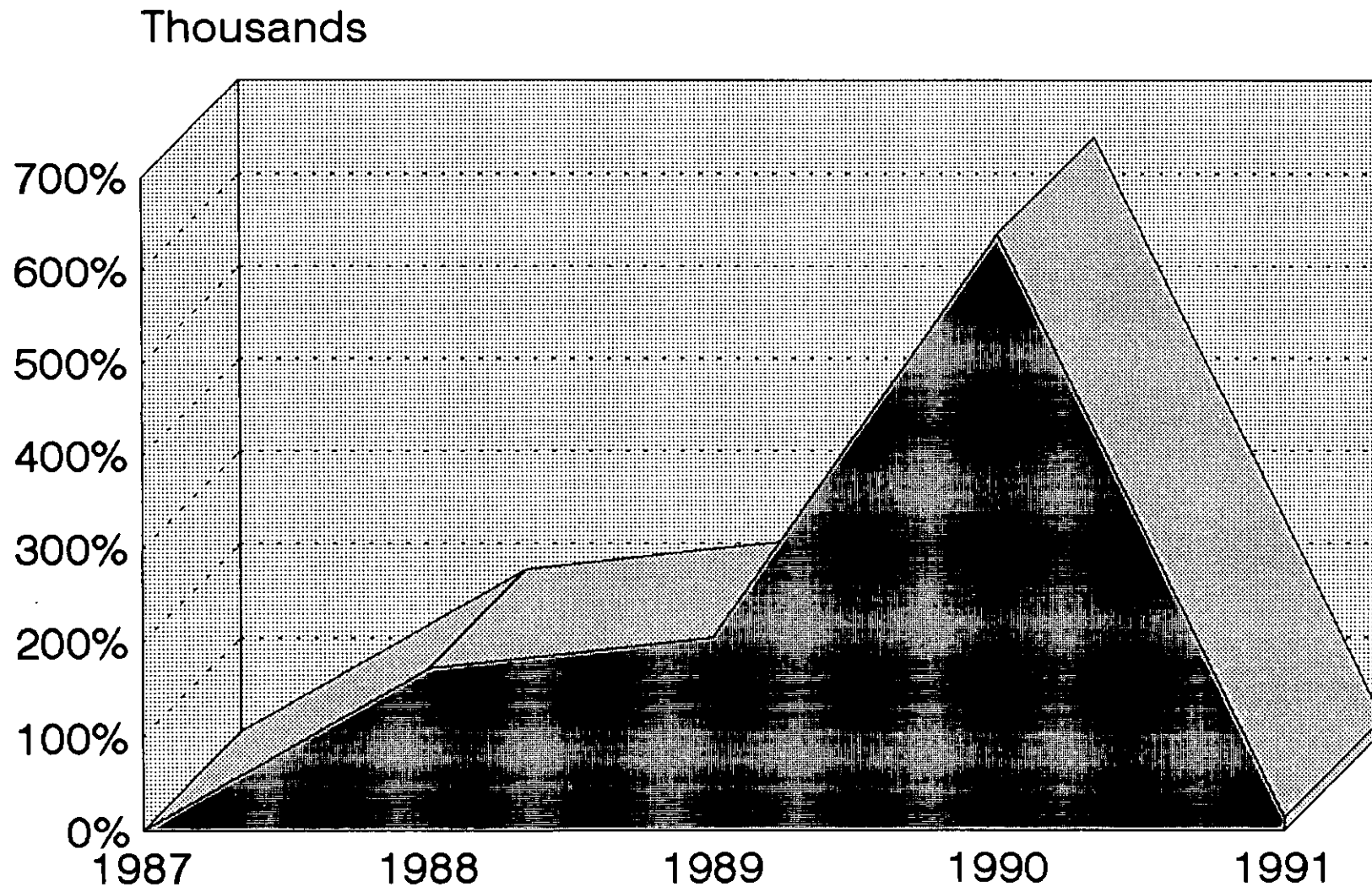
## IBM OF PERU COSTUMERS BY SEGMENTS

|                     |                                                                                     |                     |                                                                                              |
|---------------------|-------------------------------------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------------|
| <b>BANKS</b>        | Banco de Credito<br>Banco Continental<br>Interbanc<br>Banco de Lima<br>Banco Latino | <b>DISTRIBUTION</b> | Drogeria Khan<br>Richard O' Custer<br>Quimica Suiza<br>EFESA<br>Nicolini<br>Backus<br>Pilsen |
| <b>UTILITIES</b>    | Electrolima<br>ESAL - Water<br>ENTEL- Communications                                | <b>GOVERNMENT</b>   | Economy and Finance dept.<br>Banco Central de Reservas<br>National Banc                      |
| <b>ARMED FORCES</b> | Army<br>Navy                                                                        | <b>CONSTRUCTION</b> | Cosapi<br>Bertolero                                                                          |
| <b>PROCESSING</b>   | Occidental - Minero Peru<br>Southern<br>Petro Peru                                  |                     |                                                                                              |

### EXHIBIT 7

# ACCUMULATED INFLATION IN PERU

## EXHIBIT 8



# IBM OF PERU DEPARTMENTS

## EXHIBIT 9

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### GENERAL MANAGEMENT

— MARKETING

— FINANCE

— BUSINESS SYSTEMS

— PERSONNEL

— COSTUMER SERVICE

## **HISTORY OF IBM IN PERU**

### **APPENDIX A**

IBM opened its doors for business as a subsidiary in Peru in 1932. At that time they sold typewriters, balances, and timing clocks. In 1958, IBM decided to bring the Ramac machines to Peru, this were bought by Instituto Nacional de Estadisticas to conduct and store the census data, and this is when IBM formed a liaison with the government.

IBM realized that the businessmen in Peru were not aware of the benefits of the integration of the computers in their companies. This is why they decided to give talks to businessmen to bring them up to date on the technological advanced and their application in the business world. This helped them gain a positive image among the Peruvian people, and when in 1967 it marketed their system 360, the government and the major banks bought their equipment. An added incentive for buying IBM's products was the training of their costumers in operating and maintaining their own systems.

In 1970 Mr. Velasco, a leftist dictator, took over the nation, and while many businessmen lost their property and businesses, IBM was not touched. On the contrary, his government bought many machines from IBM to modernize the customs service at the airport, the Social Security Service, the Ministerio de Guerra, and public utilities. The popularity of IBM with the government was due to the programs the company had to contribute to the bettering of the community, such as buying books and donating them to the public libraries. IBM also had a

policy of not interfering with the government, in other words being a perfect citizen.

During the 1970's IBM started to sell not only to the government and Banks, but to distribution companies and processing firms. During the early 1980's IBM started selling the newly developed personal computers, but the PC clone market grew much faster due to their lower product prices, that is why in the mid 1980's IBM decided to let dealers take over the PC market and just concentrate in the sale of mainframes and minicomputers.

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