

Turkish business expands abroad

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Turkey's economic profile is multi-dimensional in nature. Tourism is a significant economic sector, while textiles and clothing are the most important manufacturing industries, supplying the largest percentage of goods for export. Other important industries include iron, steel, cement, chemicals, and the automotive industry. The country is targeting 7 per cent growth for this year and around 4.5 per cent for 2011. Turkey has grown, cumulatively, by 71 per cent during 2004-09.

The Turkish private sector is dominated by a number of large holding companies, whose senior management is typically controlled by prominent families. The best known and strongest of these are the Sabanci Holding and Koç Holding companies, both of which have a significant presence in most sectors of the economy. In order to limit outside interference in company management, most large businesses only float a small portion of company shares in the public market. Increasingly, Turkish firms are leading lights in many manufacturing industries, notably in construction, furniture, textiles, food-processing and carmaking. Unlike finance, which has largely stayed in Istanbul, such businesses have tended to develop most in fast-growing Anatolian cities such as Bursa, Kayseri and Konya.

Foreign investment has made all of Turkish business more competitive. There is enormous investment potential for growth in energy, finance, cement and construction. Energy consumption is one-third of that of the European average. The same growth potentials are also valid for the cement and construction sectors.

Turkey is now the world's biggest cement exporter and second-biggest jewellery exporter. Its construction order book is surpassed only by China's. It is Europe's leading maker of televisions and DVD players and its third-biggest maker of motor vehicles. Turkish multinationals like Enka construction, Arçelik, Turkcell, Çalık Holding and Koç are growing fast.

In recent years a growing number of Turkish holding companies have begun centring their growth strategy on acquiring companies or brands in other countries. After acquisitions in previous years by Turkish companies such as Arçelik, Ülker, Eczacıbasi, Beko, Zorlu Holding, Borusan, the Çalık Group and Uzel, new companies are also becoming increasingly involved in such overseas purchases. Yıldız Holding, meanwhile, has been known for its partnerships with global brands. The group is one of

the candidates for the purchase of Britain's United Biscuits. Arçelik and Setur, subsidiaries of Koç Holding, also have acquisition plans on their agendas. Limak Holding, active in the construction, cement, energy and food sectors, is seeking a foreign cement facility acquisition.

According to investment consultants, some Turkish banks currently have the power to purchase banks in Europe, with Ziraat Bank, Vakıfbank and İsbank among the Turkish banks looking for purchases. A great number of Turkish textile brands have also begun to examine companies that are on sale due to the recent crisis.

Turkish companies have experienced the disadvantages of being dependent on a single market during the last two economic crises, and have begun seeking new companies to get power in their region. Turkish holding companies attach particular importance to developing neighbouring markets, with Egypt, Ukraine and Russia among the attractive markets. Many of Turkey's large groups and holdings, from Koç to Sabanci and Doğuş to Ülker, are looking for a foreign company or brand acquisition opportunity. Holding companies in the white goods, energy, textile, airlines, transportation, medical, construction, media and communication sectors are also keen on acquisitions.

Turkish companies' acquisitions abroad differ in their growth strategy, sector, targeted country's market and competition conditions. However, the general tendency in purchases is to find a company with a good customer portfolio, distribution channel and a successful business model. The cement group of Sabanci Holding, one of Turkey's leaders, is currently studying 15 different acquisition alternatives abroad.

Eczacıbasi Holding's building products subsidiary, which has accelerated its investments in previous years to strengthen its international operations, is another company looking for a successful purchase. But analysts say that potentially troubling structural weaknesses lay ahead. Much of Turkey's recent success has rested on relatively low labour costs, compared with a higher-cost European market. Yet as the country has already found with textiles, there is almost always another source that can offer even lower labour costs. China and India have become big threats to much of Turkey's low-skilled industry. Meanwhile, in September, Sabanci Holding dethroned Koç Holding to become the largest industrial corporation in Turkey, after attaining a net asset value of US\$14 billion. **F**