Consistency and sustainability

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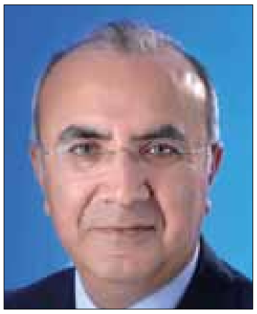

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has been the Chairman of KPMG Turkey since 2009. In 1982 he joined the Ministry of Finance and in 1985 was promoted to tax inspector. From 1987 to 1995, he worked at Arthur Andersen and then until 2004 at KPMG Turkey. From 2004 to 2007, he was the Vice President of the Savings Deposit Insurance Fund of Turkey until 2007 when he rejoined KPMG as a Tax Partner.

In July 1944, in Bretton Woods, a small town in the USA, the United Nations held a Monetary and Financial Conference. The most important result of the conference was that the dollar was seen as the only currency that could be tied to gold and that all other currencies should be set accordingly.

Then in 1971, when the USA announced that it would no longer index the dollar to gold, the Bretton Woods system crashed.

The similarity between the financial crisis that resulted from that system crash and the financial crisis we face today is the increase in the amount of dollars in countries outside the USA and the resulting decline in the value of the dollar. This process, that today we could call the beginning of globalization of capital, gained speed, expanded and became widespread. With additional repercussions, today's business world and the companies that create it took shape.

Companies that used to be national swiftly turned global. Banking evolved and investment banking became an important concept. Investors became complex; retirement funds, private investment funds and corporate investment funds gained importance. Leverage based sales models surfaced. Companies and CEO's began to lose power. It can be said that power shifted from management to investors.

The investor growing stronger, demanded short term results as opposed to long term ones; and so shorter terms were set, a culture shaped by long term relationships and alliances swiftly changed; value was placed not on profit share but on the price of shares; it became more profitable to buy and sell rather than to hold on to shares. For example in the USA, at the beginning of the 70s stock would be held on to for 40 months on average. In the 2000s this number dropped to 4 months. With the explosion of technology in the nineties traditional performance measures like price versus profit rates, if not completely discarded, became suspect.

Companies were constantly on display. "Company Attractiveness" became the focus. Change, flexibility, dynamism were the foundations of this

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attractiveness. Companies like Enron in an effort to meet this investor need (or should we call it scrutiny?) 'lost their way' and became corrupt. So much so that company consistency or inactivity (it is so difficult to differentiate between these two) became a sign of weakness. The idea that an inactive company (which can definitely be defined as consistent) could not bring innovation to the market and could not create new opportunities almost became a belief.

Technological developments in communication and production took the meaning out of the word 'new'. Communication became instant and global. Information that once verbally moved down the command chain, was now interpreted by middle channels under set rules. E-mail and other similar applications eliminated hierarchy and the steps in between; software made the production and distribution of information both instant and widespread. All of these, took away modulation and interpretation of commands and led to a new type of centralization which we call the information age.

We can say that we are living with internationalized companies that for a long time have had short term value, who have fragile network structures, who are technologically complex, and whose employees lack commitment . It seems that with every passing day, this situation, not limited to companies, presents itself before us more clearly as a sustainability problem that needs to be overcome.

Even though we have not as yet found solutions to important issues facing corporate management, including issues not limited to the global characteristic of the business world that we have spoken of here, but also, issues such as climate change, the cost and sustainability of energy resources, the rapid consumption of natural resources, increases in population, the transient nature of lifestyles and consumer behaviour, we still need to state the issues one more time.

In the end it all boils down to sustainability.

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