

NEWSLETTER

INTERNATIONAL

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TURKEY



TURKEY – ECONOMIC GROWTH DESPITE TURBULENCE



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"GERMAN-TURKISH ECONOMIC RELATIONS WILL CONTINUE TO GROW"

How is the German economy represented in Turkey today?

Economic and friendly relations between Turkey and Germany have existed for over 200 years. The presence of German companies such as Deutsche Bank, Bosch and Siemens goes back to the times of the Ottoman Empire. Their engagement in the country was based mainly on infrastructure projects towards the end of the 19th century.

Today, the Federal Republic of Germany is the Republic of Turkey's largest trading partner. The bilateral trade volume amounted to USD 37.7 billion in 2020 and German companies are among the leading investors in direct foreign investments (FDI). There are currently around 7,500 companies with German direct investments active on the Turkish market. They employ 120,000 people and represent an FDI of over USD 10 billion.

What challenges do German companies face on the Turkish market? How are they reacting to the current economic turmoil?

During our "World Business Outlook" survey last autumn, we asked our member companies what issues they felt could pose a risk to their business operations in Turkey. 77% of them saw the devaluation of the Turkish lira as the greatest risk factor, 62% of the respondents were concerned about the economic policy framework and 36% indicated that financing could be an issue.

In general, it can be said that German companies with investments in Turkey stay in the country even in difficult times because they know the strategic advantage of the Turkish market. Currently, the Covid-19 pandemic and the general economic situation in Turkey have had an adverse impact on a number of foreign investments. Our survey shows that investors are cautious. However, it also shows that investment activities are increasing again.

We can also see some important positive signs in our conversations with local business representatives, partners and members. At the height of the crisis, Germany was the most reliable country in Europe to which Turkish companies could continue to export their products and services. That was important for Turkish-German relations.

How does the AHK support its member companies in Turkey?

AHK Turkey acts as the first point of contact for all Turkish and German companies that want to get involved in Turkey or Germany. Through the DEinternational Turkey service unit, we offer all the services that companies need for successful engagement.



Dr. Thilo Pahl

Managing Director of the German-Turkish Chamber of Commerce and Industry (AHK Turkey), Istanbul

As a membership based organisation, AHK Turkey consists of sector-specific working groups where topics that are of interest to the relevant industry are discussed. The results of these discussions are then presented in position papers. In this way, on the one hand, an intensive exchange of ideas between the members is achieved and, on the other hand, solutions for specific topics are developed.

AHK Turkey discusses these position papers with the responsible decision-makers at the highest level in order to initiate solutions for the problems addressed therein. There are currently ten working groups which cover the following sectors: energy, automotive, health, women, textiles, retail, vocational training and further education, logistics, digitization as well as banking and finance.

For many years AHK Turkey has been organizing business events with top-level guest speakers. These events give our members the chance to keep up to date with the latest economic and business developments, find new business partners and opportunities, and widen their business network as a whole.

In addition, AHK Turkey offers free workshops for its members. These workshops cover various topics such as HR, customs, taxes and finance.

What are the most important industries or sectors in Turkey today? What sectors should German companies be investing in?

From a German perspective, the automotive industry and mechanical engineering are the investment areas with the greatest relevance. Investments in the pharmaceutical and medical industries, retail trade, renewable energies and the textile industry are also significant.

The breadth and depth of the Turkish economy offers German companies a wide range of investment opportunities. Location factors such as a qualified workforce and low production costs are met and attract German investments. Other important location factors that influence investment plans are incentives to reduce or postpone the tax burden, easy market access and comprehensive protection of copyrights.

Where do you see the Turkish market in five years? What perspectives do you see for the German-Turkish economic relations?

We expect that economic relations between Turkey and Germany will continue to grow. Germany continues to pursue its goal of promoting effective bilateral economic relations with Turkey.

We share the view of other European chambers of commerce such as the Italian, French, Dutch and Belgian chambers that a modernized customs union between the EU and Turkey will be economically beneficial to both sides. Turkey will remain an important manufacturing and trading partner for Europe. We see, for example, Turkey's potential in the field of renewable energies as a driver for this positive assessment.

“TURKISH EMPLOYEES ARE ADAPTABLE AND RELIABLE”

How did the companies that you managed operate in Turkey? What market entry strategies did they pursue?

The companies I've run for the past 28 years have all followed similar strategies. Their interest in Turkey was based on the size of the market with its over 80 million inhabitants, the good infrastructure, the qualified workforce and the advantageous geographical location for exports.

My last company, BSH Hausgeräte GmbH, managed a region comprising over 100 countries from Turkey - the Turkish organization is responsible for the emerging markets. At the same time, Turkey is the largest production location for the entire BSH Group. For many other international companies, too, Turkey has developed into an important manufacturing and logistics center over the years.

The companies I managed entered the Turkish market through acquisitions. But of course, this is not the only way. I also know many companies, especially medium-sized ones that founded a subsidiary and started with the import business. Afterwards, they set up a production facility in Turkey.

There is no “standard solution” for entering the Turkish market. The strategy must be developed on a case-by-case basis depending on the strength of the product and the competitiveness of the company.

For what reasons has Turkey developed into an important production location for German and other European companies?

In addition to the positive location factors already mentioned, Turkey is open to foreign companies. This applies to the state and the authorities, as well as to the population. These factors persist, regardless of how other framework conditions may change.

Many Germans consider Turkey to be an attractive country, and Germany and Turkey have been partners for many years. Despite certain cultural differences, sustainable relationships based on historical and economic ties are maintained. Germany is Turkey's largest trading partner.

Incidentally, I also saw many innovative technological solutions that were developed by Turkish startups and then rolled out very successfully in other countries. There is potential here that courageous and fast companies can leverage.



Haluk Kaya

has worked as a top manager for various international companies in Turkey, including Procter & Gamble, Cadbury and Mondy. For the last eight years he has been the Managing Director of the Emerging Markets region at BSH Hausgeräte GmbH.

What should be considered when managing employees in Turkey?

I would like to comment on this with regards to blue-collar and white-collar workers separately. In general, however, I consider Turkish employees to be extremely adaptable and reliable.

Leadership doesn't work much differently in the White-collar area than in Germany. Generation Z expects a modern management style that is consequently also conducive to the company's image. Turkish employees are generally loyal and interested in long-term careers.

A process-based work organization is quite practicable - it should be noted, however, that Turkish employees are proactive and want to contribute their ideas.

It is not uncommon for the manager to be seen as a person of trust and less as a manager with whom one simply has a contractual relationship. I think this is a very important factor in ensuring sustainable employee productivity. The "democratization" of the working environment is an important issue that the younger generation attaches great importance to.

For production employees, what has been said above applies in principle with regard to loyalty and trust. Here, I would attach great importance to continuous training of the employees, as well as to building trusting relationships.

In Turkey there are no work councils, but there are employee representatives or similar representative structures, and trade unions.

How are German and other European employers viewed by Turkish employees today?

Every company - no matter where it comes from - should document that it is ready for a long-term commitment in Turkey. Germans and German companies are generally perceived very positively in Turkey and German products have an excellent reputation.

Young executives and other White-collar workers keep track of exactly how much the company invests in their personal future and careers. In this regard, German companies are perceived as systematic and reliable employers. For many young employees and managers, European companies are still attractive employers because they also offer international career paths.

Even blue-collar workers do not have any negative prejudices, and feel particularly proud when a European company produces internationally sought-after goods on Turkish soil and with Turkish workers.

What do you recommend to a European company that wants to enter the Turkish market?

There are certain prerequisites that must be met to ensure a successful market entry into Turkey:

1. A well thought-out, long-term strategy and a competitive product.
2. A clear understanding of the needs and expectations of the Turkish customer.
3. The right filling of key positions right from the start. Often, a mix of expatriates and Turkish managers is the right solution.
4. Networks play a major role in Turkey and investments should be made into this.
5. Good advisors on local regulatory issues are important - not only at the beginning of the market entry, but also later.
6. The complexity of the market, also with regard to rapidly changing economic and regulatory framework conditions, makes a high degree of flexibility necessary.

Companies that meet these requirements will find an attractive market in Turkey that continues to offer many opportunities.

"THERE IS A LIGHT AT THE END OF THE TUNNEL"

How has the demand for executive search developed over the past twelve months?

COVID-19 has shaken up the Turkish labour market as well. It has significantly affected some of the industries that are of particular importance to the Turkish economy. This applies primarily to tourism and gastronomy.

In Turkey, CT Executive Search works mainly with European medium-sized companies. Many of them come from the capital goods sector - automotive suppliers, producers of building materials.

Many of these companies survived the lockdowns imposed in the past year, with sales remaining relatively stable for the most part. The biggest challenge for our clients was addressing the supply chain issues and maintaining production under Covid conditions.

Given the pandemic-induced global market uncertainty, travel restrictions, and a temporary pause in market expansion plans, recruitment on several occasions was put on hold, and addressed only when it was absolutely necessary.

At this point, recruitment activities in countries such as Russia (due to easier travel conditions) and China (due to the strong economy) are generally picking up. This is a trend that we hope to see quite soon in Turkey as well – there definitely is a light at the end of the tunnel.



Christian Tegethoff

Managing Director
CT Executive Search

Luckily, current press coverage with regards to the political and economic situations in Turkey has not deterred companies with long term investments in the country from pressing on and taking advantage of the opportunities offered by the large market on their doorstep.

What positions do you usually recruit for in Turkey?

Not only is Turkey interesting as an export destination, it has also established itself as a production hub for the Near and Middle East. At the same time, the country is integrated into the European supply chains. Thus, about half of the mandates processed by us and our Turkish partner have to do with production and administration, while the other half is related to sales.

We typically recruit for positions that report to the company's European headquarters. Mostly, these are managing directors, plant managers, finance directors, sales managers and other positions at the local C-level.

For executive positions that require in-depth research in Turkey, we work closely with our Istanbul-based partner company. Through this German-Turkish cooperation, we ensure that the candidates presented can be successful in the Turkish market and at the same time fit into a European corporate culture.

This is particularly important for managing directors - the management team has an important bridging function between the Turkish market and the company headquarters.

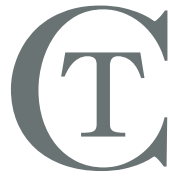
What is your recommendation for companies seeking to fill an executive position?

We always recommend that key positions be filled systematically. This applies to Turkey as well. Our experience in many countries shows that the company's success is largely determined by the competence and motivation of the managing directors. This applies to both market entry and expansion.

A thorough analysis of the active and passive pool of candidates guarantees that the best candidates the market has to offer are available to fill the key positions. Most companies today rely on Turkish candidates, but expats can also make sense, for example if the emphasis is on the transfer of company standards in the technical or cultural area. Interculturally versed expats can act as "advocates" of the Turkish market and represent its interests in a comprehensible manner at the head office.

When it comes to talent acquisition, some companies put emphasis on Europeans with Turkish roots as potential candidates. Many see this as an ideal combination of both worlds: European training and knowledge of how European companies work, coupled with a knowledge of Turkish business culture, language, and traditions.

We definitely recommend looking at the international pool of candidates of Turkish origin. In individual cases, however, it must always be checked to what extent the candidates' image of Turkey corresponds to the current situation, whether there are local networks and how willing they are to live and work in Turkey in the long term.



EXECUTIVE SEARCH



EXECUTIVE SEARCH EXPERTS IN EASTERN EUROPE AND THE EMERGING MARKETS

CT Executive Search focuses on placing key positions in Eastern Europe and the Emerging Markets – in Russia / CIS, Africa, the Middle East and Asia. We are experts in cross-border search processes and identifying high-performing candidates, adding value to international companies. Leveraging a broad network of analysts and consultants across Eastern Europe and the emerging markets, CT Executive Search has established itself as a reliable partner to well-reputed multinational companies.

MOSCOW

CT Executive Search LLC
Central Office
Shlyuzovaya nab. 8,1
115114 Moscow, Russia
Telephone: +7 499 678 2111
E-Mail: office@ct-executive.com

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