Lessons from Turkish Hiddenchampions

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Goal

- To understand the dynamics of Turkish hiddenchampions
  - Hiddenchampions are firms with revenues less than 4 billion dollars and are one of the top three firms with respect to their market share (sales figure) in a specific market (Eastern Europe, Russia, Europe, Middle East, …..)

Context: Turkey

- Turkey has the world's 15th largest GDP-PPP and 17th largest Nominal GDP

	1999	2009
GDP per capita (current US$)	3,816	8,215
Foreign direct investment, net inflows (% of GDP)	0.4	1.4
Exports of goods and services (% of GDP)	19.4	23.2
Merchandise exports to high-income economies (% of total merchandise exports)	74.9	59.1
Merchandise exports to developing economies in Europe & Central Asia (% of total merchandise exports)	8.7	13.3
Manufactures exports (% of merchandise exports)	79.1	80.2
High-technology exports (% of manufactured exports)	4.3	1.9

2010 rankings

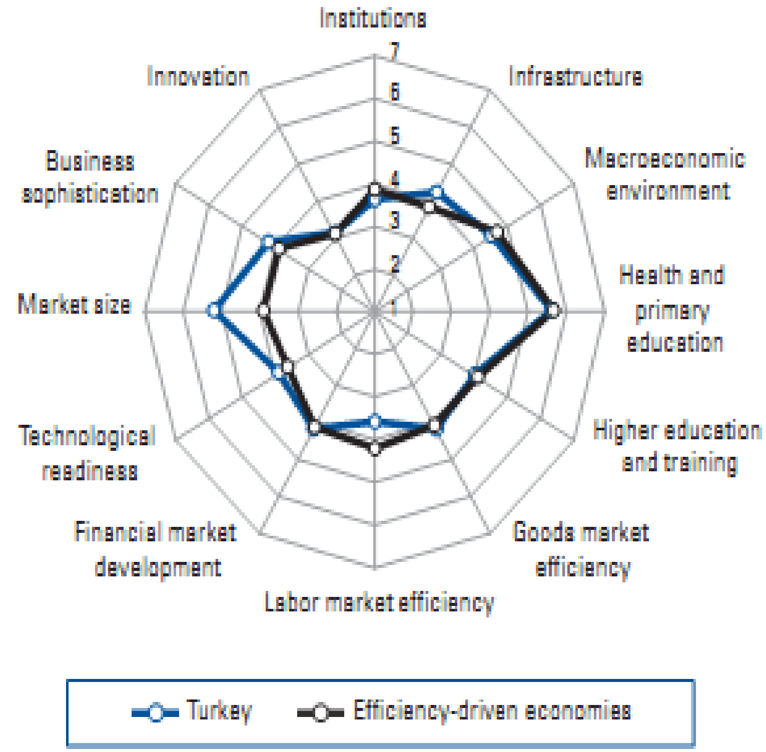
- Global Competitiveness Index:
  - Turkey ranks as the 63rd out of 135 countries
- Human Development Index:
  - Turkey ranks 83rd

Global Competitiveness Index

	Rank (out of 139)	Score (1–7)
GCI 2010–2011	**61**	**4.2**
GCI 2009–2010 (out of 133)	61	4.2
GCI 2008–2009 (out of 134)	63	4.1
Basic requirements	**68**	**4.5**
1st pillar: Institutions	88	3.6
2nd pillar: Infrastructure	56	4.2
3rd pillar: Macroeconomic environment	83	4.5
4th pillar: Health and primary education	72	5.6
Efficiency enhancers	**55**	**4.2**
5th pillar: Higher education and training	71	4.0
6th pillar: Goods market efficiency	59	4.2
7th pillar: Labor market efficiency	127	3.6
8th pillar: Financial market development	61	4.2
9th pillar: Technological readiness	56	3.9
10th pillar: Market size	16	5.2
Innovation and sophistication factors	**57**	**3.6**
11th pillar: Business sophistication	52	4.2
12th pillar: Innovation	67	3.1

Stage of development

1	Transition 1–2	**2**	Transition 2–3	3
Factor driven		Efficiency driven		Innovation driven



Methodology

- Top 500 Companies list provided by the Istanbul Chamber of Industry
- Firms with export activities

Turkish Hiddenchampions interviewed

Name	Market leadership description	Revenue 2009 (Mio €)	Employees 2009
Aksa	#1 in USA in acrylic fiber for outdoor products	503	900
Alvimedica	Technological innovation leader in interventional cardiology products	7	200
Arbel	#1 in the world in red lentil	200	750
Ege Cooling Systems (Safkar)	#1 in Eastern Europe and Middle East	N/A	
Eko Textile (Suwen, Gossard)	#3 in Europe in lingerie and underwear (biggest producer in CEE, Europe, and M. East)	22	1,590
Kanca Hand Tools	#1 in Europe in vice	52	420
Kordsa	#1 in the world in cord fabric for tire reinforcement and mechanical rubber	650	6,000
Mutlu Batteries	#1 in Russia and CIS in transportation & industrial batteries (biggest manufacturer in M.East & E.Europe)	112	695
Şişecam Group (Paşabahçe)	#1 in CEE, Middle East and Middle Central Asia, #2 in Europe, #3 in the world in glassware.	1,700	12,753
Yünsa	#1 in Europe in worsted yarn fabric	64	1,516

Company	Sector (main product)	% of sales exported # countries	Plants abroad	Intellectual assets
Aksa	Fibers (synthetic fiber)	%40, more than 50 countries	1 (Egypt)	1 patent, 7 trademarks
Alvimedica	Medical (polymer coated stent)	%44, more than 30 countries	-	10 brands, 1 patent
Arbel	Red Lentils	%70, 85 countries	19 plants in 2 countries (Canada, Australia)	10 brands
Eko tekstil	Lingerie (women underwear)	%95, 15 countries	3 countries (Egypt, Morocco, Ukraine)	3 brands&2 ut. models
Kanca	Hand tools	%50, 20 countries	-	3 utility models
Kordsa	Yards and cord fabric (nylon and polyester yards)	97%, many countries	11 plants in 9 countries (US, Germany, Brazil, Argentina, China, Indonesia, Egypt, Thailand, Turkey)	4 patents, 4 brands, 2 utility models
Mutlu	Battery	25%, more than 25 countries	-	4 patents, 20 trademarks
Safkar	Refrigeration	30%, 33 countries	1 (Algeria)	4 patents, 3 brands
Şişecam	Glassware	%55, 140 county	many facilities in 8 countries (Georgia, Russia, Ukraine, Egypt, Bulgaria, Italy, Bosnia Herzegovina)	110 brands, 10 patents
Yünsa	Yarn and worsted fabrics	%70, more than 60 countries	-	4 brands

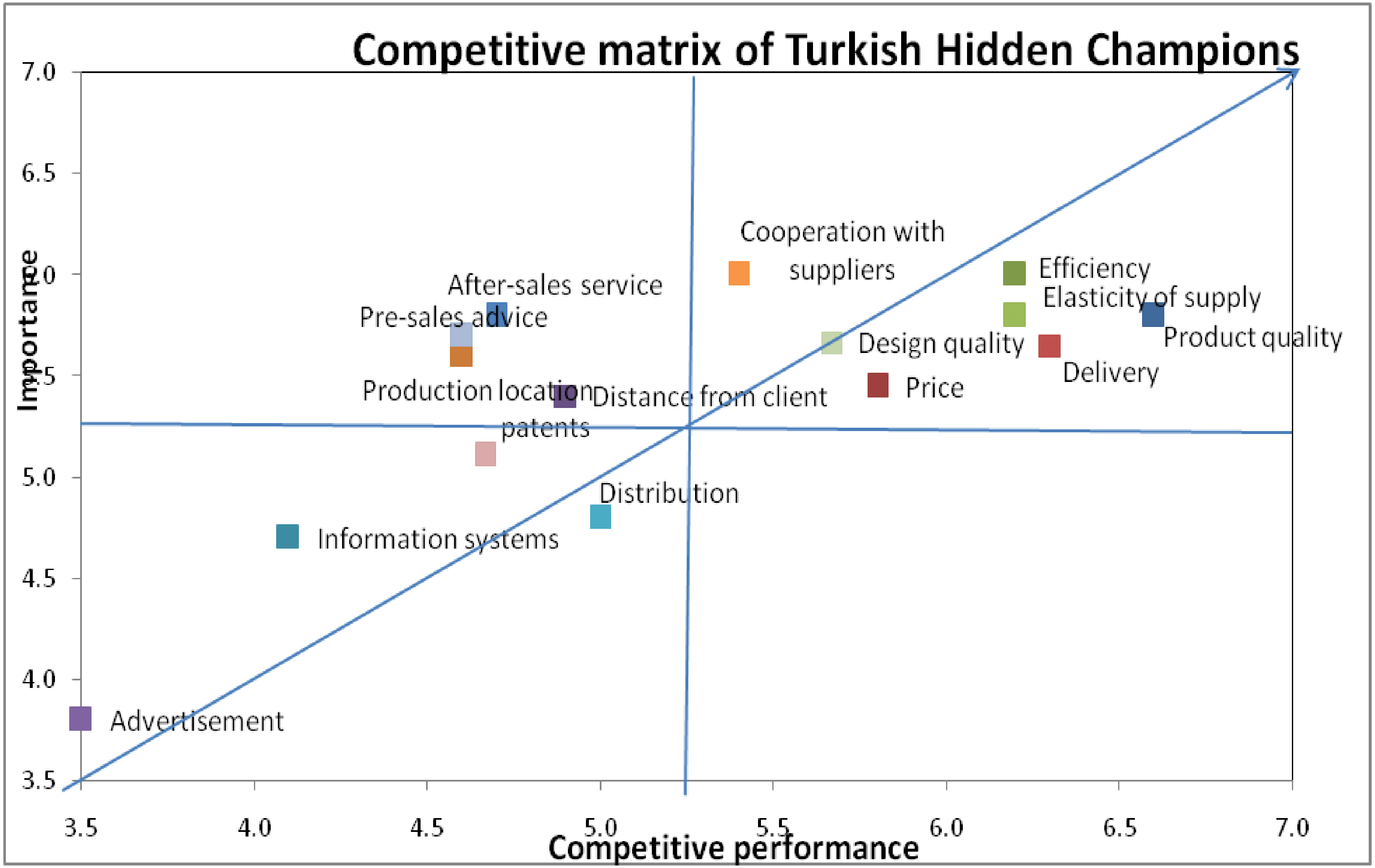
Innovative products

- Carbon fiber (aircrafts, wind turbine blade).
- Diagnostic catheters, guiding catheters, PTCA balloon catheters (solvable polymer coated stent)
- Lingerie and outwear made of combed cotton
- Nylon and polyester cord fabric
- Forged parts
- Batteries for transportation vehicles to industrial batteries
- Air conditioners/cooling systems
- Float glass, glass household articles, glass packaging and glass fiber
- Worsted yarn and fabric

Innovative processes

- 6 out of 10 produce abroad; 4 in developing countries
- Platform technologies
- Dealership networks
- Utility models rather than patents
- R&D
- Design

Competition



Strategy

- Customer relations: after-sales service
- Use the domestic demand to build initial tangible and intangible assets for internationalization
- Export to Western Europe & East European and Russian markets
- Network with multinationals (use their relations to reach other markets)
- Member of international associations
- Acquisitions

Governance

- 6 out of 10 are in stock market
- Family-owned but professionally run

Comparisons

- Turkish hidden champions face on average 20 competitors while Simon’s HCs faced only 6 to 7 competitors (not oligopolistic)
- Sell higher quality goods for cheaper prices
- Innovativeness of our companies does not necessarily show up in the number of patents the firms have
- Related diversifications in which they can benefit the common core technologies not soft diversification

Some challenges

- Rely on the leading export industries of Turkey, auto, textiles, and food
  - Technical base: Medical, glass, fiber
- Quality-price
- Emphasis on process innovation
- Champions need to establish stronger brand images

- High growth: their growth in the last decade ranges between %38 and %275 in the number of employees, and between %4 and %550 in revenues
- BUT not stable growth

Theoretical questions

- Country of origin effect
  - establish stronger brand images
  - target smaller niches where will face less competition

- Final products to be used by the end customers vis-à-vis intermediary products
  - Customer relationships
- Technology-non technology products
- Focused versus not focused products/ economies of scale and scope
  - Focused: Alvimedica, Yunsa, Kordsa
  - Non focused: Şişecam
  - the core technology same for all

Thank You.