

# Vehbi koc case study global finance

Business



The government offered firms Incentives to enter manufacturing, allocated foreign exchange to promote favored sectors, and gave state contracts to facilitate construction and international trade” (peg. 7). Beehive believed that there would be a large opportunity to do business with American firms, so he sent an agent to the United States to obtain agency contracts with several U.

S firms of which he was successful in closing a deal with General Electric (GE). With these new agency deal in place Bevel established Ram Commercial Corporation (Koch).

The GE agreement came the first Joint venture deal with a foreign company In Turkey. After the GE deal, Bevel pursued a business deal with Ford to become Ford’s first dealer assembler which ultimately became Tattoos, Turkey’s first assembly company in the automotive sector. Beehive then pursued additional Interests by creating multiple partnerships furniture, refrigerator production, cast iron radiators, construction, gas cylinder manufacturing, electrical cable company, automotive group and other sales companies.

In 1963 Bevel created a holding company as a result of the number of impasse he was Involved In. These holding companies were organized Into four groups: an automotive group, an industry group, a trading group and an LIP group. This holding company was called Koch Holdings and it was comprised of over 29 companies. Beehive had been successful building his business group because of the business environment of Turkey during the period of 1950 – 1980.

There was an absence of foreign competitors, which has encouraged the growth of business groups. “ The international environment, bureaucratic and legal obstacles, exchange controls and import restrictions, and political instability resulted in one of the lowest levels of foreign direct investment in the world” (peg.

7). This environment served as an ideal ground for Beehive to build his business group.

Beehive also focused on several Joint ventures with established American firms, which had the technical resources to assist him and several partnerships with local firms. In addition, Beehive business also created businesses that became the suppliers to his manufacturing organizations, thereby controlling all aspects of his manufacturing operations. Beehive has created great relationship within the government of Turkey and was able to capitalize on fiscal policies beneficial to his organization and also allowed him to secure government contracts.

Beehive’s business model will not be sustainable with the liberalizing of Turkey.

Some of the main drivers of Beehive business model success was the protectionism policies, bureaucratic and legal obstacles, exchange control and import restrictions Turkey had in place during the sass’s through 1980 period. With Turkey moving too verbalized structure these benefits would be replaced with a new direction of allowing free imports and abolishing many of the trade restrictions.

Pain & Company (a consulting firm) hired by Beehive to examine the organization uncovered that of the 92 companies within the business group, only a few of them were profitable. In addition, they found that the “organization was too diversified with had little synergy’ (peg. 16).

One of Beehive’s companies, Arcadia had become a large entity within the protected Turkish market and concerns had arose regarding how they would fair hen the market opened up to foreign competition in Turkey.

In addition his company Tattoos had the largest automotive network in Turkey with partnerships dependent upon Ford and Fiat that could not be in Jeopardy with the eliminated legal and bureaucratic barriers being removed. The current business model will not be sustainable, as many of his companies would not have the scale to compete with the new large foreign competitors. Beehive will have to divest his holding group of the non-competitive entities and focus on his companies where he has achieved nominative advantage to survive in the new liberalized Turkey government.

Beehive should also look into overseas markets to access where his companies can compete competitively.

Beehive formed his relationship with international companies by traveling to the United States and meeting with executives from Ford and GE. “ In 1946, when 272 Ford military trucks on their way to China were stranded in Turkey due to political turmoil, Beehive had purchased them from Ford” (peg. 8).

This action on Beehive’s part was a move to strengthen his relationship with Ford as a credible businessman.

In addition, when Beehive traveled to the United States he had brought with him a letter from the Prime Minister Menders as the endorsement that that the Turkish government would support a Joint venture with incentives.

Beehive also structured many of his business deals with international companies serving in the role as technical assistants and gained technology licenses from GE and Busch-Siemens. I believe Beehive was successful in establishing his relationships with international companies by his tenacity and his strong political relationship he maintained with Turkey.