BARIŞ ÖNEY, GLOBALTURK CAPITAL

'It can be difficult to achieve harmony'

Turkey is attracting huge interest from foreign private equity and infrastructure investors. But cultural challenges require careful consideration, maintains Globalturk Capital's Barış Öney

There seems to have been a marked uplift of investment into Turkey recently. What explains this?

Turkey has been attracting foreign direct investment (FDI) consistently for the last six years; more than $100 billion of FDI came into the country in this period, all in the form of M&A. $14 billion of this FDI was private equity. I expect $100 billion to $150 billion in the next three to five years, with private equity making up a much larger portion.

There are many reasons for this, the first of which is the success of the Turkish economy, which started its march with the major restructuring plan put in place by the International Monetary Fund (IMF) in various areas after its major crises in 2001. This has been followed by a single-party government staying in power for nearly 10 years and aggressively promoting investments in Turkey and exports to new markets.

Furthermore, the world macro situation left Turkey like an investment oasis in the region, considering the Arab spring and European crises. It has also emerged as an alternative to the BRIC (Brazil, Russia, India and China) cluster, especially to Russia and India.

On top of this you have a growing population of young, workaholic entrepreneurial businessmen and professionals, an expanding middle-class consumer base and the increasing export of Turkish content and culture, in particular TV content to countries throughout Central and Eastern Europe (CEE), the Commonwealth of Independent States (CIS) and Middle East, Europe and North Africa (MENA).

***Öney**: foreign investors often lack control they're used to*

Turkey may seem a daunting environment for some. What are the challenges and how can they be overcome?

The main challenge we see is the clash of corporate culture that happens after an M&A transaction completes.

Foreign investors – whether they are strategic or financial – partner with the founding Turkish shareholder through a majority or minority stake, or through a joint venture. In the vital six- to 12-month period following deal completion, the two parties – with very different business cultures – are not used to operating according to the new rules set forth in the shareholders agreements.

The foreign investor often finds that they don't have the level of control they are used to and that their board representative, who is likely working on a "fly-in, fly-out" basis and may even be substituted over the course of the investment, is having to defer to the decisions of the Turkish partner on the board. It can be quite difficult to achieve harmony between these two figureheads with differing mentalities. When it goes wrong, it can degenerate into a quite unpleasant, dysfunctional – often public – situation, which in turn can put investors off the market for a good period of time.

The best way to avoid such situations is by engaging with experienced and qualified "glo-cal" venture partners like Globalturk Capital, who understand both global and local business practices.

What interaction have you had with the infrastructure sector specifically, and how would you evaluate Turkey as a market for infrastructure investment?

My acquaintance with the infrastructure business has been primarily in the telecoms and energy businesses. I worked for Turkcell for many years and advised numerous telecoms, IT and technology companies as their corporate finance advisor. Mobile and fixed-line telecoms operators have made impressive investments in numerous areas and have become much better than many of their global peers.

Energy is Turkey's biggest challenge. Turkey imports almost all its oil and natural gas and therefore needs huge amounts of investment. I worked at Turkish Petroleum many years ago, and recently have been assisting Genel Energy, an oil and gas company traded on the London Stock Exchange, and Hittite Solar Energy, which has developed direct steam generation technology at various capacities.

Over the next 10 years, billions of dollars of investment needs to be pumped into the energy and ICT sectors to meet demand. At the same time, there are utilities to be privatised, a lot of construction work to be done in the cities, new roads, railroad bridges and tunnels being planned, and opportunities in a growing healthcare industry. ■

Barış Öney is managing partner at Globalturk Capital, the pre- and post-investment management and advisory services firm based in Istanbul