

RACE to the Top

Turkish manufacturing company Ford Otosan is on the right track to achieve its goal of becoming the leading player in the country's automotive product and services industry.

Images by Ismail Ikiz

Ford Otosan has a very clear vision: to be the number-one customer-focused company of its kind in Turkey. General Manager Haydar Yenigün says it is a realistic goal for the automotive producer, and since his appointment in 2012 he has focused on creating excellence within the workforce and supply chain to achieve it.

"We are willing to be, and we are powered to be, the number-one company in Turkey," Haydar says. "The number one in terms of revenue and remuneration, the number one in terms of volume of production and volume of capacity, and the number one in terms of profit to our shareholders. Our aim

is to be the largest, biggest, and the first 100-year-old industrial company in Turkey; and our management and all of our workforce is now engaged to fulfil this goal. We are working very hard to make it happen."

The Ford Otosan of today was established in 1959 as Otosan, and has been Ford Otosan since 1997 when Ford Motor Company and Koç Holding equalled shares, but has roots dating back to the 1920s. It was originally founded as Otosan A.Ş. and was the first automotive company in Turkey.

Ford Otosan has three production facilities in Turkey. It is headquartered at the Kocaeli plant in Gölcük, with İnönü and Yeniköy

being the other two facilities. The Kocaeli site was opened in 2001 and has always been the main global centre for the Transit commercial vehicles and Transit Connect compact minivan, although production of these stopped in 2013. It has an annual production capacity of more than 300,000 vehicles and has its own port to cater for its export trade.

Ford Motor Company and Koç Holding have equal shareholdings, with the public holding the remaining 17.92 per cent of the shares. Ford Motor Company is a global automotive industry leader based in Dearborn, Michigan. It manufactures and distributes automobiles including the brands Ford and Lincoln across six >



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continents. The organisation has more than 160,000 employees and 70 plants worldwide. It also provides financial services through Ford Motor Credit Company.

Koç Holding is Turkey's largest industrial and services group in terms of revenues, exports, market capitalisation, and number of employees. It holds leading positions with strong competitive advantages in energy, automotive, consumer durables, and finance sectors, which offer strong long-term growth potential.

Haydar joined Ford Otosan in 1987 and initially worked at the Kocaeli plant. He was a trained mechanical engineer after graduating from Yıldız Technical University in Istanbul, Turkey. In 1990 he took two years off for military service before returning to take on the role of method engineer in the stamping and welding management division.

"I started working in the manufacturing areas and climbed up in the organisation," Haydar says. "Just before my position as general manager in 2012, I was the assistant general manager responsible for the operations of the company and all of the production facilities."

Other roles he has held before becoming general manager with Ford Otosan have included project engineer and project team leader in the new projects welding management department, welding manager in welding management, and assembly manager in assembly management.

Haydar is a member of the Automotive Manufacturers Association Board, the Kocaeli Chamber of Industry Board, the Turkish Industry and Business Association US-TR Business Council, and US-TR Economic and Commercial Strategic Cooperation Framework.

"There has been lots of progress within the company throughout its history," Haydar says. "When the business was established it was very small, then after the equalisation of shares with Ford Motor Company and Koç Holding in 1997 it gave us the opportunity to increase our production and continue to develop.

"We have always believed that Ford Otosan is the 'bright and agile' child of its perfect parents Ford Motor Company and Koç Holding. I believe that Ford Otosan has priceless knowledge

about business governance with the help of this marriage.

"I always state that every achievement we have had so far is the team's success. I personally don't believe that any success story can be realised by only one person. This is a team-orientated workplace. So, based on this point of view, the greatest achievement of ours was to convince Ford Motor Company and Koç Holding to equalise their shares in Ford Otosan and make the decision to build a greenfield site."

This was the point at which the shareholders started constructing the greenfield Kocaeli plant—a long and challenging journey that had a happy ending. The site was built to have a capacity of 110,000 units over three years. Of that, 40,000 units were for the local market only, while the remaining portion of 70,000 was for both domestic and export markets.

"At the time that we decided and established the greenfield site we were not allowed to export," Haydar recalls. "But in three or four years time, once we had started building the structures, it became very successful in terms of the quality and the efficiency of our production. We relied on every safety, government, and environmental rule that was established by the European Union and became a global company."

The Kocaeli plant got the title of being a greenfield site thanks to it having a leading edge with its sustainability business practices. It shows leadership in human rights issues such as diversity, health, and discrimination, and uses systematic evaluation around countries and issues. It plays an important role in the local Turkish community, bringing in new jobs and valuable export earnings.

Right from the planning stage, the plant was developed to be one of

"It means structuring the future, managing the growth, contributing to the Turkish automotive industry, representing Turkey in the international field, and feeling proud of the success." - Beyçelik Gestamp, CEO, BARAN ÇELİK

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Ford's greenest facilities. During its construction, 400 trees were relocated and since then more than 17,000 new trees have been planted on the premises.

Inside, the paint shop is one of the most environmentally friendly of its kind in Europe with near-zero emissions and it exclusively uses water-based paints for the electro coat, primer coat, and base coat stages of production. In the body shop, Kocaeli uses the latest generation spot-welding transformers, which use 40 per cent less energy than previous models.

The Transit and Custom vehicle models are being produced in this plant and they have been recently renewed with a \$630 million investment.

Ford Otosan's İnönü plant is located in Eskişehir and produces cargo trucks, tractors, power trains, and engines—including its own heavy-duty engine Ecotorq. It has an annual production capacity of about 66,000 engines, 10,000 trucks, and 140,000 power trains. Last year it reached a production capacity of 15,000 trucks and its cargo vehicles were exported to more than 50 countries across three continents. İnönü is the only plant in Turkey to combine vehicle, diesel engine, and power train production diversity under a single roof.

The third plant, Yeniköy, is the newest addition to the Ford Otosan group. It is within the Kocaeli facility and was part of a US\$0.5 billion investment made by the business. It is the only production centre in the world to make the new light commercial vehicle models, Transit Courier and Tourneo Courier, which were launched last year.

The Yeniköy plant is fully equipped with environmentally friendly high-tech applications and it is working to minimise energy consumption thanks to a special painting system, which is being used for the first time in Turkey. About 130



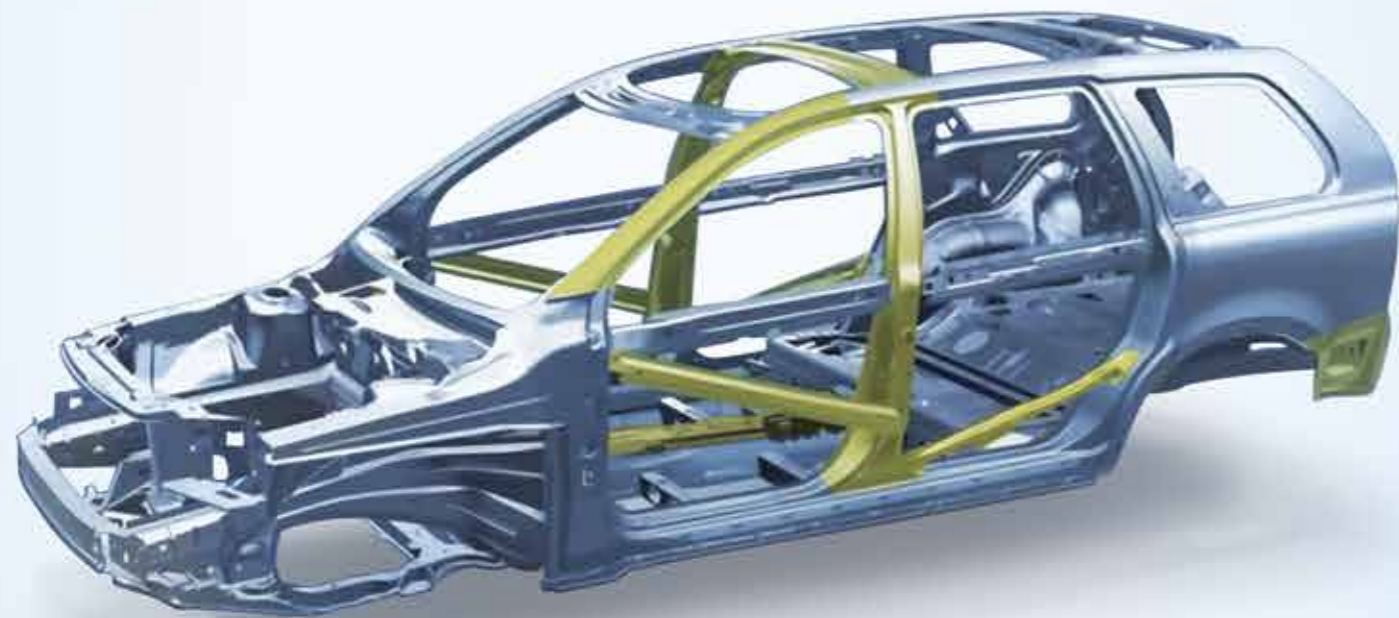
advanced technology robots are being used on the production lines to maintain efficiency and vehicle quality, while the space has also been designed ergonomically to support workers' health.

As well as the three production plants, Ford Otosan has its Kartal Parts Distribution Centre and Gebze Engineering Centre. The key enabler of successful products for Ford Otosan is its Product Development Centre with more than 1,400 employees in Istanbul's Sancaktepe region.

After the production of Ford Otosan's old Transit and Transit Connect models was stopped in 2013, 2014 was a transition year with new product launches. With the completion of these innovations, which include recent projects such as the Mondeo, Ecosport, Transit Courier and Tourneo Courier, the company's domestic sales increased.

"We are now in a capacity of 415,000 units per year in terms of production," Haydar says. "We were building only 30,000 to 35,000 units a year 15 years ago, >

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before the joint venture in 1997. So that shows a big step forward from where we were to where we are now.

“What I always communicate with people in this company is that the past 15 years is good proof that we will continue our journey to grow larger than where we are at the moment. This is a key point of our company.”

Since its foundation, Ford Otosan has always had a strong emphasis on product research and development. Its Kocaeli plant is officially registered as a research and development centre by the Ministry of Science, Industry and Technology.

Ford Otosan has the highest R&D expenditure ratio in the Turkish automotive industry and is endowed with the ability to design any financially viable project from scratch. The business boasts being one of Ford’s top-three research and development centres in the whole of Europe.

It was responsible for the Anadolu model in 1966, which was the first

domestic passenger car to be designed by Turkish engineers, and Erk—the first local diesel engine—which was released 20 years later.

Aside from the vehicles and parts it sends to more than 70 countries around the world, Ford Otosan is also a pioneer with its export of engineering services. It increased this component of the business to US\$50 million in 2011, and that has been steadily increasing in the years that have followed.

Ford Otosan is well placed to achieve its aims of further expansion and growth. As of September last year it was ranked third in the total industry in market share, second in the light commercial vehicle segment, first in medium commercial and second in heavy commercial.

It is positioned as the commercial vehicle production hub of Ford Europe and its Kocaeli and İnönü facilities are among the region’s best vehicle production centres. Enjoying leadership on all fronts thanks to its strong distribution, sales, service, and export

organisation, Ford Otosan is also the highest-dividend-paying automotive company listed on the Istanbul Stock Exchange (ISE).

Part of Ford Otosan’s strategy to be number one in the country’s automotive product and services industry is to ensure the long- and short-term success of the business. To do this it makes it a priority to invest in attracting and maintaining quality staff. There are roughly 10,000 people working for Ford Otosan across its four facilities, which makes it the biggest employer in the whole of Turkey.

In 2007, the business had 300 engineers and that number has since swelled to more than 1,350. These people work on Ford Otosan and other company product projects; for example, the Ford diesel engine. A brand-new, 13-litre heavy-duty engine is set to be launched from the Turkish facilities. Haydar realises the importance of having a highly motivated, well-trained, and intelligent group of employees.

“Without people we couldn’t make it. I have to say that, especially with

the engineers and blue-collar workers on the shell floors, Turkey has a big power because culturally we like to work in these kinds of environments. So people are very eager about finding a job in a properly established company like Ford Otosan.

“Like any other big employer, we are ensuring we are giving them lots of opportunities in terms of their own development. We train people a lot before we let them work on the shell floor. We give them 10 consecutive days of training in the classroom as well as on the shell floor and then we examine them to see whether they’re good to go to the production facility. If they’re not we can go back and train them again or if they are successful we let them work.

“On top of that we are giving 250 hours of training to them every year. The content of that training is safety, efficiency, quality, and those kinds of things. We also establish a good working pattern on our shell floor just to encourage people to do their work better than how it is defined. What I mean by that is, for example, we have always kept people as one group on our shop floor and then we encourage them to think about how they can make their job better.

“In other words, we don’t limit our people. We are telling them: ‘This is your job definition; please do it; the minimum requirement is this; and then please tell us how can we make this job better in terms of less stress, more quality, more safety, and things like that.’ We speak to people about how we can help make their working environment better in all aspects.”

To support its employees and reward them for their dedication and hard work, Ford Otosan has founded a number of social clubs.

“We are growing together with Ford Otosan. We recently expanded our cooperation by designing and manufacturing the headlights and taillights of the global Ford Courier model. We are proud to offer our services and products to our worldwide customers through our global presence.” - Ahmet Bayraktar, President, Farba-odelo

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These include windsurfing and sailing, scuba diving, cycling and motorcycling, chess, skiing, and cinema and theatre groups. The aim of these is to bring employees who share similar interests together. In addition, there are ‘in-company courses’ which are held for employees at reasonable fees. These include painting, Latin dance, and theatre courses.

Haydar says Ford Otosan is lucky to be in an ideal geographic location which is between Asia and Europe, and close to North Africa. “From a logistic point of view I believe that we are in a perfect location. For example, from our plant in Turkey and production facility we are building cars for Turkey and Europe but we are also selling 82 per cent of our production to more than 106 countries. So only a very small part of production is actually being sold in Turkey.

“Our plant is at the seafront so therefore we have our own pier where we can export all of our products using the big vessels, and those vessels go automatically to Europe, the UK, or directly to North America. So this is a big opportunity and I think Turkey is very powerful in this. Ford Otosan is utilising this power to be successful.”

Challenges that Ford Otosan has faced throughout its existence have included the 2008 GFC, and two domestic economy crises in Turkey. “I believe that we manage the economical fluctuations quite well, which is

the nature of being in an emerging market.” Haydar says.

“In the case of an economic downturn, we always apply unique and sharp actions. We start applying very intensive cost and expense cut rules without any exceptions. We were very successful in approaching these unstable conditions every single year with a different work plan so we were able to manage them well.

“I recall that during the 2001 crisis in Turkey, we made a 10- to 25-per-cent salary cut in managerial positions and tried to create a budget for blue-collar employee wages. Of course, we did get their buy-in on this decision. If we could not create the right mood and level of morale in the company we could not make it.

“One other action I recall is that we terminated all outsourced services in the company and asked for volunteers from our core team to do these services during that period. And at the end of the hard times, we always thank people and give them recognition as they deserve.”

The business prides itself on operational excellence by having a powerful and properly established supply base. Since its inception, the company has been working with numerous suppliers and nurturing those vital relationships.

“When we were about to build our greenfield site, which was decided in 1997, I was responsible for >

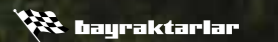
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making all the arrangements for the new site as a project manager. I decided to visit all the suppliers' places. When I say suppliers, I mean it in two different ways: one is the machine suppliers that we use for making the products in production; the second is suppliers for the automotive parts.

"But in both cases, I should say that, in those days, I had to find suppliers who were capable of providing services and products to Ford Otosan to help with our major project and using the big

greenfield site. Then I had to try to convince suppliers to invest, and following that I had to try to train the suppliers about what was going to be happening in the future in terms of the automotive business.

"But I think that now when I go out for supplier visits, which I do fairly regularly, I see a major difference between where we were 15 years ago and where we are now. The suppliers start becoming an equal in terms of their collaboration with us.

Together we are paying attention to safety and, of course, paying attention to quality. This is especially so when they are making huge investments.

"I can say that 15 years ago all of our suppliers either had one role or production facility; however, nowadays I can see that many suppliers are doing much more than just that. A lot of our major suppliers are building parts in Turkey and then exporting them further afield. They are making huge progress with growth in a couple of ways.

"One way is organic growth, which they are doing a lot of here in Turkey. They are growing here and that means they are then able to purchase some companies in Europe and even some companies in Asia. This enables them to become a company which is growing very dramatically.

"An example of this is our stock plants supplier in Turkey, which, for example, has been able to purchase a company in Germany and has now become a key supplier in this region also. So these are all very important processes in our supply base.

"I am sure that we will continue to see more examples of this because Turkey is going to be a hub of automotive in the next 10 to 15 years. I easily see that this is the direction that Turkey is headed and I am sure that it will lead to doors being opened in places such as the US, North America, Central America, and also into Mexico. So these suppliers will open another door to grow their business a bit more than what they had done before."

Haydar notes that the number of suppliers Ford Otosan utilises has reduced over the years as its systems become more structured and streamlined. "Let me give you an example with sheet metal suppliers," he says. "Sheet metal is what we use to build the body shells on our vehicles and in the one car there are normally more than 400 pieces of sheet metal that we use. We used to have roughly 40 to 50 suppliers supplying the parts to Ford Otosan for body shell components. Now we have eight.

"We've limited the number of suppliers of sheet metal down to eight to make the process that we have more capable. We prefer to establish a good system within our organisation and to have everyone respect government regulations, safety regulations, and quality regulations in a proper way. We want everyone to be on the same page and this is easier with fewer suppliers.

"In order to make this happen we reduced the number of suppliers and then let them work with Ford Otosan on a larger scale than before. That means the production level has increased and we can create more value within those companies and within our own. We believe that this is the best way for us to go."

By doing this it gives the small pool of suppliers a greater opportunity to make more money and revenue, Haydar explains. That means they are able to invest based on what Ford Otosan's recommendations

"Our suppliers need more money, so rather than supporting them with additional payments or credit, we let them make more business for Ford Otosan. This allows them to be able to fund their businesses by themselves."

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are to have a high level of automation and efficiency with innovative technology.

"Our suppliers need more money, so rather than supporting them with additional payments or credit, we let them make more business for Ford Otosan. This allows them to be able to fund their businesses by themselves. There's a logic behind that and I have to say that it has worked very well."

Haydar has a positive outlook on the future of Ford Otosan. He believes the Turkish automotive industry is moving forward well and that his business will continue to play a key role in that,

especially in regard to commercial vehicle production.

In 2012, the company took on Ford's new global brand motto, 'Go Further'. The idea behind it is to give customers and employees the promise that Ford Otosan is always working to create a better world for them. It also refers to pushing the boundaries of innovation and production to provide the best product and service possible.

Haydar states, "We are committed to working continuously to increase the Turkish economy level to become one of the 10 largest economies worldwide." •



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Prof. Dr. Ahmet Kirman
Vice Chairman and CEO
of Şişecam Group

US\$85 million, is now the biggest automotive glass manufacturer of Romania with its capacity of 800,000 vehicle sets/year.

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Dr. Reha Akçakaya
Executive Vice President
for Flat Glass Business
Şişecam Group

