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# Behind THE Wheel

In only 14 years, Ünal Kocaman and his team have managed to turn CMS from a small family business to one of the largest companies of its type in Turkey and Europe.

Images courtesy of CMS

It's said that you can't reinvent the wheel, but that's just what CMS has been doing for the past 14 years with its alloy wheels. Beginning its life as the first aluminum casting company in Turkey, producing engine parts for local automotive companies, CMS evolved to be one of the biggest producers of light aluminum alloy wheels in the world. Supplying some of the biggest brands in the industry, including Mercedes-Benz, Renault, Fiat, Porsche, Toyota, and Volkswagen, CMS has cemented itself as an industry leader in a little over a decade. *The CEO Magazine* spoke to CEO Ünal Kocaman about where the company has come from, how it has achieved such success, and what's next.

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- Ünal Kocaman

**The CEO Magazine: What was your professional background prior to becoming CEO at CMS?**

**Ünal:** I started working here in 2000 as a finance coordinator. Two brothers were running the company at that time. The company ran in excess of US\$40 million, and they produced 1.4-million wheels. At that time, I had just come from the big conglomerate Yasar Group—one of the biggest groups in Turkey at that time. I was the finance coordinator for the group, the Yasar Holding Paint and Chemical Group. I left Yasar in 2000 to go to CMS. At the time, CMS was newly established. It had just separated from its partners and was looking for a new way. It was a transition period because it was a family

company with two sons coming in to take over running some parts of the business from their father. So we worked together, with the father and his sons. There was also a general manager at the time.

I had started my professional career at Garanti Bank, one of the biggest banks in Turkey, as an auditor. Then I transferred to Çimentas Co that operates in the cement sector and then I returned to Yasar Group, which was producing chemical fertilisers, and then I was appointed to the painting and chemical branch of the group. Therefore, I had the opportunity to bring my different experience and skills I had gained from several industries including the painting, banking, and finance sectors to CMS Group. I decided >



to move to CMS because it was a family-oriented company. Today, we are worth approximately US\$500 million; in 2000, the company value was approximately US\$40 million. We are a good example of a growing company in emerging markets; we've had huge growth prospects from 2000 to today. Today, CMS is the third biggest company in Europe and is one of the biggest companies in Turkey [in its industry].

**You've had massive changes in the past 10 years. What have been the biggest challenges?**

The biggest challenges we faced and overcame were earning sufficient EBITDA, creating value to become a sustainable company in order to fulfil our customers' and stakeholders' expectations, securing the business model, and applying corporate governance rules. First of all, we started with a clear strategy and we had to understand the reality of the markets and align ourselves accordingly. It means we had to create that scale and we had to become a real champion, otherwise we cannot survive in this sector. In 2001, we had a meeting with the owners—the brothers are president and vice president now—and we set our strategy to increase our scale. We defined the sector as a commodity market for this reason. We needed to create sufficient capacity in order to become a competitive company in Europe. At that time, less than four million capacity was not feasible to be sustainable in this sector because if you want to create sustainable factories you have to increase capacity. After three and a half years we did this. We decided we wanted to become one of the biggest companies in Europe and increase our scale because the market price fell sharply and there was cut-throat competition in the market. Otherwise, your overhead burdens would be significant in your total costs and revenues. Increasing capacity enabled us to earn sustainable margins. At that time, that was our main strategy.

The other thing is that the company has a great culture.



Probably due to the founders—the family. We have very close relationships with the employees, the family has a good relationship with their employees, and they are still very dedicated to their jobs and their business. They are a family business but they are very successful; they are able to work as professionals. The family is very good at working with other professionals because they speak their language and they are also very humble, low profile, and they listen to people.

Another thing is we had to recruit talented people. It is very important for us to retain our talented workers for a long time. In addition to that, management continuity is part of our success formula.

**How have you worked with key suppliers over the years to form stable and strong partnerships?**

We are supplying our products to almost all automobile companies in Europe and Turkey. Therefore, we have to keep our quality level almost perfect. For this reason, we have been selecting our suppliers since 2000 very carefully in order to sustain our quality level and competitiveness in the long term. We consider our suppliers

as our partners and we have been constantly developing our local suppliers in line with our quality concept and customer expectations.

We learn a lot from our customers. They are implementing the latest technologies in every field. One thing is that automobile companies have suppliers in different sectors and they have to think about intuition, implementation, and collaboration. Watching this, we have learned some things from them that we have now implemented with our suppliers.

Another thing is the company culture and history. We always keep our promises to our suppliers. It gives us huge credibility in the eyes of our suppliers. They are seeing that we are family, we are keeping our promises, we are accommodating them.

CMS is, in terms of its foundations, a very healthy company financially. It provides us credibility in the eyes of our suppliers and customers. If our suppliers and customers face problems, we try to help in terms of the financial, technical, and other areas. Finding ethical suppliers is our main philosophy; we are looking for companies that are ethical. If they are not ethical then we will not



deal with them, because we have to respect our customers and the community that we live in. That's our approach.

**What do you think sets CMS apart from its competitors?**

Our vision is very clear; we know where we are going. We are a 100-per-cent family-owned company but we believe in the corporate governance rules. We are implementing all those rules in our company even though we are not a public company. We've been doing that since 2005. We are also trying

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to improve our management technology, in terms of using value-based management systems. We're creating new measurement systems, measuring when and how we become successful. All those things separate us from our competition. We are always implementing value-based management practices to maximise the company value. We always look for optimised capital cost structures, and use leverage to expand the company. Ultimately, we respect the community, respect the work, respect the customers, and respect our stakeholders. We stick to our core values, which were set by our founder, and we believe in the culture. Culture is essential to success. I also care very much about social and economic developments in the world. I am following that very closely. We have to understand the meaning of the world. Otherwise, we cannot manage the company, because it affects our business. That is why we are very strict in monitoring all those issues.

**What are CMS's plans for future growth over the new few years?**

First of all, the reach today is nine and a half million wheels. Our strategy is to have opportunistic growth; if we see an opportunity arise anywhere else, we will be there. After this growth, after the US\$500 million company value, we are a mid-sized company in the global market. We have to act differently to acquire a big company, or to have a partnership with one of the biggest companies in Europe or in the world, and in some prospective markets like Russia. In the near future, if there are opportunities that arise anywhere in the world, we will be there, but we don't want to make a greenfield investment.

Our approach for growth is acquiring a new aluminum company which creates synergies in terms of revenue, EBIT, technology, HR, or market share. ●

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