



Success Story

Turkey's contribution to defining and creating a global citizen

Interview with Dr. Yılmaz Argüden, Chairman of ARGE Consulting, Istanbul & Rothschild-Turkey, and Coordinating Chairman of Turkish-American Business Councils

TAIK: ARGE Consulting has been recognized as an international role model with its corporate social responsibility approach and rated one of the top three management consulting firms in Turkey, sharing this distinction with globally famous Mc Kinsey and Accenture. What achievements do you most like to cite that have helped ARGE to this distinction?

Yılmaz Argüden: ARGE Consulting which celebrated its 17th anniversary this year, is recognized for improving management quality and helping development of nongovernmental organizations in Turkey. ARGE Consulting, has been the choice of more than 200 leading institutions in more than 500 projects as the management consulting firm to work with. During this period,

- ARGE, has helped numerous leading companies in their industries with new strategic initiatives to improve their profitability and market values.
- Numerous ARGE clients have been recipients of National and European Quality Awards. Turkey has become one of the leading countries in Europe in terms of the number of European Quality Award recipients she hosts. ARGE is an accredited consulting firm for Turkish government's Turquality program.
- Governance of many institutions; and careers and performance of thousands of professionals are being managed by the governance and human resources systems established with ARGE's institutional development projects.
- ARGE, has also been a leader in introducing new management concepts in Turkey such as 'balanced scorecard', 'intellectual capital', 'value management', 'change management', 'reputation management', 'good governance and NGOs', and in developing management models such as "ARGE Corporate Governance Model" that measures behavioral aspects of corporate boards.
- A leader in Corporate Social Responsibility ARGE, is the first Turkish firm to sign the Global Compact in Turkey, and UN's Caring for Climate initiative.
- ARGE's policy of encouraging its employees to donate one day a week for non-profit activities and its achievements in the community has resulted in ARGE being selected as one of the top three companies to Shape the Future with its corporate social responsibility approach by Generation Europe at The European Parliament in 2002.
- ARGE Consulting has been the only Turkish company to be featured in the European Commission publication named, 'Responsible Entrepreneurship'.
- ARGE's corporate social responsibility approach has been featured in a case study prepared by the Bosphorus University and made available to other universities by the European Case Clearing House and numerous European executives visited ARGE to use our approach as a benchmark for their CSR programs.

- ARGE consultants are Certified Management Consultants by ICMCI, many of whom are EFQM quality assessors with world class experience in a large number of projects.

TAIK: Among your many other important responsibilities, in 2005 you were appointed as a Senior Advisor to Rothschild among other prominent people such as Gerhard Schroeder, former CEOs of British Telecom, Coca Cola, US Eximbank, Volvo and Governor of Bank of England; and in 2007 you were appointed as the Chairman of Rothschild in Turkey. How would you describe Rothschild's presence in Turkey, and how do you see the investment bank's activities in Turkey evolving in coming years?

Yılmaz Argüden: Between 2005 and 2007 Rothschild has advised more than \$20 billion worth of mergers and acquisitions involving Turkish companies. Merger Market named Rothschild as the number one investment bank operating in Turkey for the period 2005-7. As part of its strategy to render high quality specialist advice to large corporations, prominent family businesses, and successful entrepreneurs, Rothschild has developed an active presence in the Turkish Mergers & Acquisitions market. Recently, Rothschild has been the advisor to the Turkish Government on privatization options for Türk Telekom, formation of Avea through the merger of Aycell & Aria, and sale of Telsim to Vodafone. Rothschild has also been the advisor to the Çolakoğlu family in selling part of their shares in Türk Ekonomi Bank to BNP Paribas and to GE Consumer Finance in its purchase of shares of Garanti Bank, to Dexia on its acquisition of Denizbank, and more recently Cadbury Schweppes on its acquisition of Intergum, as well as helping Turkish companies such as TAV and Borusan in their international acquisitions.

Given that the Turkish economy presents one of the highest growth rates among the OECD countries and among the largest 20 economies in the world, Rothschild expects the interest of international investors to continue to increase. We also believe that, continued commitment of Turkey to the privatization program and the desire of key Turkish families to focus their business portfolios increase the likelihood of further M&A activity in Turkey. Finally, the increasing interest of Turkish entrepreneurs in developing their business in the international arena, either in Europe or in the region, means that acquisition opportunities will be followed aggressively. Therefore, Rothschild with its strong presence in more than 30 countries and a deep sector and geographic understanding will be well placed to provide M&A advisory services in Turkey.

TAIK: As the Coordinating Chairman of Turkish-American Business Councils you have been actively working to enhance Turkey's attraction as a global investment destination. In your conversations with investors who are interested in investing in Turkey, what points do you emphasize with them most?

Yılmaz Argüden: Turkey is at the centre of an economic and political area known as 'Eurasia', where three regions of the world, Europe, the former Soviet Union and the Middle East intersect. The proximity to the Balkans and the rest of Europe as well as to the growing emerging markets in Central Asia, the Middle East, and North Africa creates unique business opportunities. The experience of numerous global firms confirms Turkey as a predominant investment location and export platform. Companies like Microsoft, Coca-Cola, GE, Procter & Gamble and Phillip Morris, as well as international investment institutions like the World Bank Group's International Finance Corporation have already selected Turkey as a regional base. Turkey is fast becoming a 'production centre for Europe' in diverse industries, but in particular in automotives.

Turkey is also the leading investor in the Caucasian and Central Asian Turkic Republics. Due to her strong cultural and historic ties, Turkey provides privileged access and a

perfect base to develop business with these countries.

The international image of Turkey in terms of a destination for investment is generally shaped by the diverse market opportunities, both domestic and export-oriented, that Turkey offers. The potential of these markets covers over one billion consumers.

Growth rates since 2001, on the other hand, have been the highest in the OECD area. What is different from the past is the fact that in the period since 2001, Turkey has carried out some of the most impressive and long-awaited structural reforms, which were recognized by the international community: the EU has agreed to open full membership negotiations with Turkey and the IMF declared Turkey a success story. It would not be an exaggeration to suggest that in the absence of a force majeure, Turkey is set on the right track for economic growth of satisfactory levels.

Furthermore, the long-term perspectives look even more promising. With Turkey's population growth rate having fallen from over two per cent to roughly 1.5 per cent, it is on the verge of entering a 'golden demographic period' similar to what East Asia experienced in the 1980s, where the productive working population is the largest relative to children and retirees, providing the potential for even more rapid income growth.

This situation is likely to be a panacea for improving European competitiveness as well as Turkish competitiveness. The continuation of reforms to bring Turkey into full EU membership will not only increase the confidence in the Turkish potential and investments in Turkey, but is also likely to make Turkey indispensable for the EU. For example, with her renowned hospitality, quality of medical care and pleasant climate, Turkey is likely to become the 'Florida of the EU', in terms of caring for the old.

Only a few emerging markets in the world have the potential of attracting investment both for export as well as for their domestic market. Turkey is in a privileged position to create a 'virtuous investment cycle', with a more competitive domestic business environment further strengthening Turkey as a platform for exports, and exports in turn stimulating firms to upgrade and better serve the domestic market. This is true not only for products, but also for the young managers. Young Turks are being employed by global firms throughout the world, with their professionalism and flexibility to deal with a wide range of circumstances. The Chairman of Pfizer suggests that, the most important export of their Turkish operation is qualified managers / leaders.

Recently, Turkey has become one of the top countries to host European Quality Award winners, and Turkish brands are becoming household names in a wide range of countries. In short, with her high growth potential, qualified workforce and managers, and the entrepreneurial spirit, Turkey provides an important potential market for global businesses. Furthermore, regional political stability can only be established on a sustainable basis if the economic development spreads throughout the region. The engine for growth in the Balkans, Caucasus, Central Asia, and the Middle East is likely to be Turkey. Perhaps most importantly, as an observer of the Turkish economy has put it, 'Turkey will be the "viagra" for Europe' by becoming the key agent to help improve European competitiveness.

TAIK: As the former Chairman of TAIK, what do you think about the future of Turkish-American relations?

Yılmaz Argüden: The relations between Turkey and the United States are based on common values and ideals with regard to democracy, freedom, human rights, and free market economy. Turks and Americans are so committed to these values and ideals that they did not hesitate to fight for them at the other side of the world, namely Korea. It was the same ideals that fueled our cooperation in Bosnia, Somalia, and Afghanistan.

As is the case in most relationships, from time to time there are ups and downs due to differences of interests and priorities. For example, the differences that led to the 1964 Johnson Letter, arms embargo during 1975-1978, and the differences in the priorities in the operations conducted in northern Iraq led to some tensions between our countries. However, the devotion of the peoples of both countries to the same ideals helped us establish a very sound basis for cooperation and we have managed to overcome those differences.

For this reason, the foundation of the relations between Turkey and the United States is very sound. We should take two important global developments into consideration as we consider the future of the relations between countries. First of them is the increase in the mutual dependence of the countries. The destruction of the rain forests in Brazil has effects to the global climate. The SARS disease that originated in China could threaten Canada in a very short time after its origination. The increase in the number of the AIDS patients in Africa could become among the biggest problems of the world in a very short time. The huge increase in the demand of Asian countries could make other countries to endure higher energy and logistical costs. A terrorist group in a distant place of the world could commit attacks to the most powerful country of the world. It is for this reason that the countries sharing same ideals and values should increase the cooperation they have. Turkey and the U.S. share common concerns towards many regional problems and act in cooperation in the regions like Balkans, Caucasus, the Middle East, and Central Asia. Turkey and the U.S. also hold similar positions over such issues as the expansion of the EU and the NATO, and the strengthening of international institutions.

The other important development is that the relations between countries are becoming multidimensional. Civil society is taking an ever increasing role. The relations between the countries are no more solely determined by the governments; the role of the business world, worlds of academics and arts, and the non-governmental organizations in these relations is growing. Success in public policy making would be increasingly difficult, if one misses the meaning of this transformation. This is so, because the NGOs are instrumental in shaping the global standards, in the gathering and dissemination of the information that feeds decision making, and problem solving. For example, the sensitivity towards the environmental problems has been developed by non-governmental organizations. Important developments such as the ratification of the "Universal declaration of human rights," prohibition of land mines are all results of civilian initiatives. Most importantly NGOs bring participatory democracy to life. Therefore, TAIK has much to contribute to the development of Turkish-American relations.

TAIK: You have recently received "Distinguished Citizenship Award" for 'a successful career and extraordinary achievements, as public servant, entrepreneur and businessman, and for your innovative leadership in promoting Turkey throughout North America.' Previous recipients of the Award included Richard B. Cheney, Alexander M. Haig, Dr. Zbigniew Brzezinski, Richard Holbrooke, as well as the Founder of Atlantic Records Ahmet Ertegün, Chairman of the leading Turkish conglomerate Mustafa V. Koç, Chairman of Turkish Chambers of Commerce and Industry Rifat Hisarcıklıoğlu, and NATO's Civilian Representative in Afghanistan Hikmet Çetin. What are some of the achievements of TAIK where you held leadership positions such as Vice-Chairman and Chairman for more than a decade?

Yılmaz Argüden: TAIK held over 1,000 meetings in a bid to contribute the development of Turkish American relations. In attendance to those meetings were, Turkish Presidents, Prime Ministers, various ministers, prominent representatives of the business, and academic worlds along with the U.S. President, U.S. Secretary of State, various ministers, Speaker of the House and many members of the Congress and staffers, respectable representatives of American business world and speakers from think tank organizations. We have managed to inform over 10,000 attendees in these meetings. The

meetings contributed to the deepening and spreading of the relations.

TAİK has also contributed to the important developments in the Turkish-US relationship. Among those developments were:

- Turkey's counting among the 10 Big Emerging Market
- Improving the risk rating of Turkey by U.S. Ex-Im Bank
- Extensions of the textile quotas for Turkey
- Implementation of Appalachia-Turkey Trade project
- Representation of private sector in Business Development Council
- Representation of private sector in the meetings of the Economic Partnership Commission
- Establishment of a Turkey Caucus in the U.S. Congress
- Refusal of the recognition of alleged Armenian Genocide in the U.S. Congress
- Contributing to the opening the TÜSIAD-US office
- Making the ATC-TAİK Annual Conference in Washington the biggest bilateral conference in Washington
- Encouraging and supporting the American companies to invest in Turkey
- Encouraging the cooperation with third countries (Central Asia, Afghanistan, Iraq)
- Achieving a balance of the bilateral trade and spreading the trade across different sectors

We believed that increasing both the volume of business and the number of participants in business activities between our countries will help deepen the sound relations between Turkey and the U.S. Therefore, TAİK has focused on introducing the Turkish economy and the companies in the United States, and improving the Turkish-American business development opportunities. Following topics were among our priorities:

- Increasing the commercial and industrial cooperation potential
- Identifying impediments to the commerce and investments and lobbying for their amelioration
- Improving the financing capabilities
- Introducing Turkey and the Turkish economy in the U.S.
- Introducing the business opportunities of the U.S. in different regions of Turkey
- Encouraging the cooperation with third countries

In order to realize these goals TAİK has:

- Held meetings in different cities of Turkey with the aim of sharing information regarding how to develop business with the United States and similarly in number of different States within the US,
- Developed content for improving the understanding of the public about the depth and importance of the Turkish-American relations, establishing relations with the press in a bid to make information sharing more prevalent,
- Informed the public opinion about the different aspects of the relations between Turkey and the U.S., supporting the research projects and presenting the success stories of the Turkish-American cooperation,
- Provided updated information regarding the business opportunities between two countries by means of launching the web site www.turkey-now.org

TAİK believes in the importance of cooperating with public and civil sector institutions, universities, and think tank organizations sharing similar goals. Our main target has been to contribute to improving the economic and commercial relations between Turkey and the United States, as we believed that contributing to the deepening of the economic dependencies of our countries is the best way to harmonize the priorities of Turkey and the U.S. in many areas.

TAİK: Your most recent book "Boardroom Secrets" was among the best sellers and

Bülent Eczacıbaşı, a leading Turkish industrialist and a member of the European Business Round Table, called you a 'management guru' for this book. You are also an Adjunct Prof. of Strategy at two leading universities, Bosphorus University and Koç University, and serve on the boards of numerous global companies. How do you manage your time to get so many things done in parallel?

Yılmaz Argüden: Time is the most democratically distributed resource: Everybody has 24 hours a day.

The secrets of time management are well known: (i) Have a vision. Plan ahead, preemptively. Earlier one starts a project, the costs would be lower and the probability of success is higher. (ii) Take charge of your agenda, prioritize. Focusing on important and relevant issues decreases the likelihood of emergencies that need to be attended. For example, for a student who does his/her homework regularly everyday, an announcement of an exam is not an emergency. On the other hand, for a student who studies only just before exams, such an announcement would be an emergency!! (iii) Work with good people and delegate whenever you can. Developing your colleagues makes your job easier and frees you to focus on other important issues. (iv) Create an environment of trust, treat people fairly. Such an environment enables mobilization of others' resources when needed.

The difficult part is the discipline to apply these principles and to choose and develop the right people. I truly believe in the power of sharing knowledge and helping development of others. Such behavior is mutually reinforcing. Also eagerness to learn and continuously improve, as well as a dedication to sharing speeds up building experience which accumulates over time. In short, writing and teaching are actually one of the best means of continuously developing oneself.

TAIK: You have led the Privatization Program at its early stages, been a Chief Economic Advisor to the Prime Minister. Lately you were asked by the State Planning Organization to Chair the Development Strategies Advisory Council comprising former Ministers and Undersecretaries of Economy and numerous academicians and were invited to be member of the Internal Revenue Service Advisory Council. You Chair Tüsiad's Public Sector Reform Group and you are a founding Board Member of TESEV, a think-tank focusing on good governance. Why are you so interested in the public sector?

Yılmaz Argüden: People as they formed communities, also established the public sector to manage part of their resources collectively. Public sector directly manages more than a third of world resources. Therefore, improving the management quality of the public sector improves quality of living in that community. Decisions concerning society were once made collectively by those who had the right to vote. Such "participatory" democracy later evolved into "representative" democracy as both the number of participants and the variety and complexity of issues increased. As a result, barring some exceptional circumstances, such as Switzerland, representative democracy came to dominate.

Now, this trend is being challenged. Increases in the number of educated people and the advances in communication technologies led to masses of informed citizens who are eager to be involved in public decision making processes. They are not satisfied with a limited role of having the right to choose representatives every four to five years. One important cause of dissatisfaction is caused by the cases where the interests of the representatives and those whom they represent do not quite match resulting in, what the economists call, the 'agency problem'. Participatory democracy in a new form gains currency: International organizations and NGOs play a part in public policy making alongside elected representatives.

Success in public policy making would be increasingly difficult if one misses the meaning

of this transformation. This is so, because the international community and the NGOs are instrumental in shaping the global standards, in the gathering and dissemination of the information that feeds decision making, and in problem solving. Most importantly they bring participatory democracy to life. They also help establish new markets and innovative implementation mechanisms. We should not forget that the task of the international community and the NGOs is not to replace elected representatives or governmental organizations, but to support and improve their performance through a participatory approach.

Turkey's claim to be one of the leading forces in the world can become a reality only if our society as a whole accepts and implements the principles of participatory democracy. However, particularly in NGOs good intentions are not enough and their management quality should be improved in order to find effective solutions to social issues such as those identified by the Millennium Development Goals.

Also it should be realized that the prevailing understanding that state is more important than the people could only be reversed, if the people can demonstrate that they could take charge in solving their local community issues and effectively participate in NGOs to contribute to the solutions of broader public policy issues. This confidence could only be built, if NGOs themselves exhibit good governance principles and provide exemplary success stories.

Therefore, at ARGE, despite being a small strategy boutique of less than 20 employees, we have not only tried to play an instrumental role in establishing some of the best known NGOs, such as The Turkish Educational Volunteers Foundation (TEGV), The Turkish Economic and Social Studies Foundation (TESEV), and Corporate Volunteers Council (CVC), and help initiate and lead The National Quality Movement, under auspices of National Quality Association (KalDer), to promote management quality in all walks of life, but also volunteer our time for such requests to participate in public policy formulation efforts.

TAIK: In 1999, you have been selected by the World Economic Forum as a "Global Leader for Tomorrow" for your commitment to improve the state of the world. You have also taken part in the Global Digital Divide Task Force. What is your dream?

Yılmaz Argüden: I believe improving quality of management, improves quality of life. Therefore, improvement should be a continuous process. This in turn, requires a passion for learning, dedication to sharing, and an environment of trust. Building trust requires "regarding others, as we regard ourselves."

Let me elaborate on building trusted governance mechanisms. Human rights are no longer conceived in the traditional sense, i.e. in a sense limited to civil and political rights such as the right not to be discriminated against on the basis of race, colour, sex, language, religion, social class or political opinion; the right to vote, freedom of speech and freedom of press and the like. Nor can the democracy be limited any longer to exercising the right to vote for electing representatives.

Both the human rights and democracy in our rapidly changing world refers to the extent to which large masses of people have access to sources of knowledge and to means of communication. This is the only way for people all over the world to have a say in their future and to take part in decision-making processes which directly affect their lives. This is the modern content of democracy and human rights. This is good governance.

Today, individuals' urge to shape their future collectively is greater than ever. Their quest for new ways of governance is leading to fundamental changes whereby individuals,

private and public institutions try to harmonise their diverse interests through complicated interactive decision making processes. New governance mechanisms involve new, variable partnerships, and networks whose rules of engagement are yet to be formalized.

Today, protection of free trade and clean environment, fight against terrorism and international crime organizations, and issues such as celestial property rights require supra-national governance structures. As important powers and functions are transferred away from the nation-state through consensual delegation of sovereignty, governance is inescapably becoming multilevel, as we can observe from the case of the European Union. And the key issue is becoming the inclusion of the masses into these multi-level governance structures.

We should be aware of the two main threats originating from the nature of globalization-localization dualism and their potential for both integration and exclusion at the same time. The first of these threats is the ethnic, national or religion based conflicts which display a tendency to spread, and in some cases turn into ethnic cleansing. Stopping that nightmare will doubtlessly be one of the top priorities of a new global governance structure committed to the vision of democracy and equity.

In addition to this threat which tends to divide people with their geographic borders, common ancestry or religious beliefs, there is the danger of discriminating people on the basis of their social positions. This is an outcome of the communication revolution which has de facto enabled present level of globalization. Currently, there are serious imbalances in the ownership of means to access information and even the most basic technology.

Lack of appropriate infrastructure and the lack of education to participate in the new world of "connected society" is presenting a serious threat to establishing new governance structures based on the principles of democracy and equity. For the "connected society", the focus of exchanges in a wide range of fields from economy and politics to culture and social life is shifting from the real to the virtual sphere; and patterns of life, work, and sharing relationships are undergoing radical changes. At the same time, those who are unable to catch up with this revolution are left outside the system at an alarming rate. This development presents the danger of an alienated two-tier society in contrast to the exciting prospect of efficient governance patterns based on the principles of democracy and equity.

Unless we can provide an equitable access to knowledge and means of communication among the people, we cannot lead humanity to a world free of discrimination, prejudice, and animosity. This requires not only a reform in what and how we teach our children, but also a rethinking of the global priorities to make education of the masses as global citizens the top priority.

Otherwise, humanity will be shaken at a global scale, by the fault line between the enlightened and the ignorant. This fault line differs from the geological ones in that it is in the minds of people, the most valuable piece of property in the new millennium. Therefore, it is more difficult to observe and more difficult to repair.

In order to solve the root causes of this problem, we need good governance at both local and international level. Global governance has two prerequisites. First is the representation of non-governmental organisations in the international arena along with the governments. The past half-century has witnessed the emergence of vigorous global civil society. Today a multitude of institutions, voluntary organisations and networks covering women's groups, trade unions, co-operatives, neighborhood watch associations make an important contribution in many fields, both nationally and internationally. They offer knowledge, skills, enthusiasm, a non-bureaucratic approach and grassroots perspectives. Excluding these from international problem-solving processes and

restricting representation only to governmental level reduces the opportunity to develop creative solutions to global issues.

The second is the need to provide large masses of people with the necessary means that would make them not only duly interested in, but also adequately informed of, the affairs that influence their lives. This requires the right to have an access to means of education and information technology, i.e. an equitable and fair distribution of such means.

Educated people are essential ingredients to participative democracy and good governance. In short my dream is to make education a top global priority and to help public, private, and volunteer organizations continuously improve their management quality, in order to help improve quality of life.