

# SESSION 1

## ***SMEs & Big Business linkages: living in a global competitive environment***

***Thursday 9 April 2009, 09.30 – 12.30***

*The general objective of this short paper is to provide the distinguished participants with the broad scope of the discussions that will take place during this session of the conference and with the details of the session's structure. While suggesting an overall framework as well as some keywords for the proposed issue it aims to set the tone of the debates.*

*The distinguished participants are kindly invited to feel free to refer to the subjects proposed below as a support in order to guide the design of their interventions during the session.*

### **Detailed programme**

***Moderator of the session: Osman Arolat, Chief Columnist DÜNYA Gazetesi***

09.30 – 10.30	<b><i>Round Opining Remarks</i></b> <b>Hüseyin Aydın, CEO Halkbank</b> <b>J.M. SEVERINO, CEO, Agence Française de Développement (AFD)</b>
10.30 - 11.00	<b><i>Coffee Break</i></b>
11.00 – 12.30	<b><i>Round Table and Interaction with the audience</i></b> Vice President of Istanbul Chamber of Commerce and of Union of Mediterranean Chambers of Commerce (to be confirmed) <b>Tarik Tunalıoğlu, General Manager Renault Turkey</b> <b>Mohamed Lamine Dhaoui, Chief, Industrial Policy and Private Sector Development UNIDO</b>  <b>Turkish SME CEO, case study (to be determined)</b>
12.30 – 14.00	<b><i>Lunch organised by Themes tables and chaired by a panellist, an expert , AFD, Dünya and sponsor</i></b>

### **Proposed Format of the Session**

**The session's structure will be as follows:**

Presentations by the Chairmen in the Opening Remarks dealing with the overall issues related to the proposed subject and briefly detailed below. Each presentation is limited to 30 minutes.

Opening Remarks will be followed by a Round Table during which the keynote speakers will have the opportunity to:

- Contribute to the debate by presenting their experience and point of view concerning the discussed subject.

- Participate to the discussion that will follow the presentations of the Chairmen of the session moderated by a professional media host. The discussion will be substantially in line with the issues detailed below.
- Engage into interaction with the audience during the whole length of the Round Table.

### **Practical Issues:**

Various support tools (short media, PowerPoint diaporama etc) may be provided by the panellists. Please do not hesitate to come back to us for more information. However please note that the documents should be in English.

Presentations as well as Round Table Discussions should be conducted in English. There will be simultaneous English/Turkish translation.

The distinguished participants are invited to attend after the session a Lunch with the audience. Each panellist will chair an assigned table. Members of the audience will choose their table according to the issue presented by the panellist.

### **Important:**

**Please note that every panellist is expected to provide the organizers beforehand the conference with a short memo, not longer than 2 Word pages, which will include:**

- A short presentation of the panellist (biodata, experience in the considered field of activity). This information will be used only for conference purposes in the program as well as for the presentation of the panellist during the session.
- The panellists' position regarding the proposed issues, the subjects on which he/she would like to elaborate more specifically, the business cases, experiences and best practices that he/she would like to mention. This part is intended for the organizers and will NOT be published.

### **Targeted audience of the conference:**

- Turkish SMEs
- SMEs from Mediterranean and other emerging countries
- Banks and Development Banks interested in the Turkish market
- Business associations, Industrial Zones and Chambers of Commerce
- Export credit insurance and Venture Capital companies
- Turkish authorities (i.e. Ministry of Finance, Under secretariat of Treasury , State Planning Organisation, Central Bank, Ministry of Industry and Trade)
- Local and International Media

### **Suggested Scope of the Session**

*The conference is oriented towards the business community and is designed to address best practices, funding opportunities as well as to identify trends and innovations in SME sector development.*

*This session will focus on the local - to international - commercial and financial links between SMEs and transnational companies in the context of growing competition and on-going global trade liberalization. It will give the scope of the conference, shedding a light on the challenges that SMEs face in the global economy and the benefits they can draw from it.*

### **1°- Opening Remarks:**

Few topics are more intensely debated than the merits and costs of global economic integration. And few are more in need of a robust set of facts on which to base assessments. In particular SMEs face many new challenges on their national territory. What are the conditions and factors of their successful development in an increasingly competitive world?

The dispersion of international production and the expanding number of intertwined multilateral and regional trade agreements are changing the global economic landscape. Market “rules” rapidly evolve and companies must adapt in order to remain competitive. As a consequence, many firms have modified their strategies and have become transnational, increasing their presence in emerging and developing countries. This is source of new opportunities for SMEs.

Rooted in their local environment, SMEs prove to be valuable partners to larger companies, in particular as concerning local knowledge and networks. Linked to local SMEs, transnational companies manage to operate more effectively, optimize costs, achieve quality and flexibility, as well as to maintain “social license to operate”. In return, such linkages enable SMEs to develop locally, bringing positive social and economic impacts to the wider community.

***In the Opening Remarks, Hüseyin AYDIN and Jean-Michel SEVERINO***, will put these issues into perspective by elaborating on globalisation, the opening of national markets, the rules of trade as a driving factor for development, the challenges and difficulties SMEs have to face and on the existing opportunities.

*Their presentations will be followed by a Round Table organized taking into account the memos received from each of the keynote speakers. Reactions to the Chairmen’s presentations would be complemented by insights addressing the subjects detailed below.*

*The keynote speaker is the ambassador of his/her subject, however the other speakers will have the opportunity to speak as per their wish mentioned in their memo. The moderator will organize and liven up the discussion.*

## **2°- Round Table and Interaction with the audience**

### **a. The Turkish SMEs case**

*Vice President of Istanbul Chamber of Commerce*

In Turkey, small and medium sized enterprises (SMEs) constitute the backbone of the Turkish private sector – representing the lion’s share of companies, employment and making about 65% of all production. Although structural impediments to their development still subsist, in a sense the competitiveness of Turkish SMEs sets the benchmark for the whole region. What are the factors that have allowed this dynamism?

- What are the main characteristics of the Turkish SME sector, their strengths, their weaknesses and their role in the development of Turkey during the past decade?
- Policy and communications barriers to integrating developing economies into the global economy are declining. This creates opportunities for transnational companies willing to restructure their production along new value chains. What is the competitive advantage of Turkey in that sense? What are the local supports they can take advantage of?
- What is the nature of the opportunities for Turkish SMEs to integrate global markets? What are the specific impediments to that integration?
- How to assess the competitive challenges for Turkish SMEs in future? For example, is informal economy an issue at all in Turkey? What are the drawbacks and benefits of a manufacturing versus service industries oriented SME sector?

### **b. A business case: SME subcontractors in the automobile sector**

**Tarik TUNALIOĞLU** *General Manager Renault Turkey*

The process of globalization is not uniform across all industries, and there are large differences in the extent to which developed and developing economies have been integrated into a single global market. The automobile sector is a flagship example crossing as well the issues for SMEs and transnational companies:

- Relationships between SMEs and large corporates as an essential factor for growth and competitiveness on the one hand and business value on the other. To what extent is this true?
- SMEs have to adapt to the technological evolutions and to the management constraints of the ordering parties in order to meet the requirements of global markets. What is the role of the transnational company in the gradual adaptation of local subcontractors? How flexible has the Turkish SME subcontracting sector proven to technological innovations?
- Thus, what is the assessment of the impact of the presence of a global company in a given territory?
- What are the most common strengths and weaknesses of the Turkish SMEs that a company like Renault Turkey has to deal with?

### **c. The importance of organized networks**

**Mohamed Lamine DHAOUJ**, Chief, Industrial Policy and Private Sector Development UNIDO

One of the main impediments encountered by SMEs willing to enter in the subcontracting market is to get in touch with national or foreign contractors. Networks have been established for this purpose and UNIDO has acted in this respect as a catalyst on an international level. Since 1985 "Subcontracting and Partnership Exchange (SPX)" have been created and the one in Turkey is particularly active.

More recent networks have been created, such as GOAL (Global Outsourcing and Linkages). Their mission is to foster industrial development through R&D, evaluations, consultancy services and international cooperation by creating business partnerships and facilitating the environment. Therefore they contribute to an equitable and sustainable private sector development.

In 2007, UNIDO experimented in South Africa a new development programme for suppliers with the aim of benchmarking the current capacities of suppliers and of reaching later on the required levels to become the suppliers of the main contractors.

- What are the advantages these subcontractors' networks offer to Turkish SMEs, and what benefits can be expected in terms of growth potential, development and technology transfers?
- What is the mission of the Subcontracting and Partnership Exchange (SPX)? What is the role of the SPX in Turkey?
- How does the GOAL network operate and what are the opportunities available to the Turkish SMEs?
- R&D is one of the notable weaknesses of Turkish SMEs. How does UNIDO address the issue of the "knowledge economy" for small businesses in the emerging countries?