

Growth Quality

By Sefa Targit

It is seen in the Istanbul Elevator 2005 Exhibition that the Elevator Industry in Turkey has growth significantly recently. Let us examine the background of the exhibition and the operating plan that should be followed.

Since the exhibition has become renown internationally, actually the status of the local industry should be evaluated separately from the exhibition. Naturally, these two concepts show up as parallel to each other, but it is not required that they are always at the same level completely.

In today's environment, where the aspects and concepts are being shaped, the steps that will be taken impulsively will cause that the targets cannot be achieved. Since growing emotionally can cause many bad results for the country, the sector and the companies; now it is time to review the mental aspects of growing and the thesis in this regard.

The situation shown by the following variables in a definite time is called as hugeness (1).

The said variables can be listed as follows:

- The book value of the total assets of the company;
- The book value of the net assets of the company;
- The market value of the shares of the company;
- Number of persons employed;
- Ratio of director / personnel;
- Organizational complexity degree;
- Volume of sales;
- Investment volume;
- Production volume;

The increase in the factors in a definite is called as growth.

As it is understood from the definitions, while the bigness or hugeness is a static concept that shows a moment in time, growth is a dynamic concept that shows the change in time. The dynamic concepts need a good management more than static concepts and management of growth is a considerably complex issue.

In Turkey, as in all other countries, all companies are not at the same level in regard of capacity and total quality concept. The leader or driving companies or the organizations formed by joining of such companies leads the sector to higher levels. Such companies endeavor to enhance the country image based on their own targets and in general they achieve this. As a result of such achievement – as in Istanbul Exhibition – the companies that have acquired a high-level strong demand and credibility but that are under the limit in regard of production capability will be searching for a way to grow in near future.

Making a decision for growing may be early for some companies but late for others. Since there will be some drawbacks in both situation, it is required to take the correct decision in regard of the time and way of growing.

In case of an early decision for growing, the following problems may occur:

- 1- The owner – director may lose control
- 2- The volume of sales and profitability may not cover the fixed costs occurred by the growth
- 3- The resources may become widespread unnecessarily
- 4- The risk of bankruptcy increases

In case of a late decision for growing, the following problems may occur:

- 1- Idleness (inactivity) may occur in management
- 2- The opportunity for growing may be missed because of the change in conditions
- 3- Disappointment, and consequently motivation loss may occur among the directors
- 4- The qualified personnel that cannot be satisfied will be lost
- 5- It will become difficult even to maintain the current status

Now it will be useful to examine the implementation process after giving the definitions and decision phase.

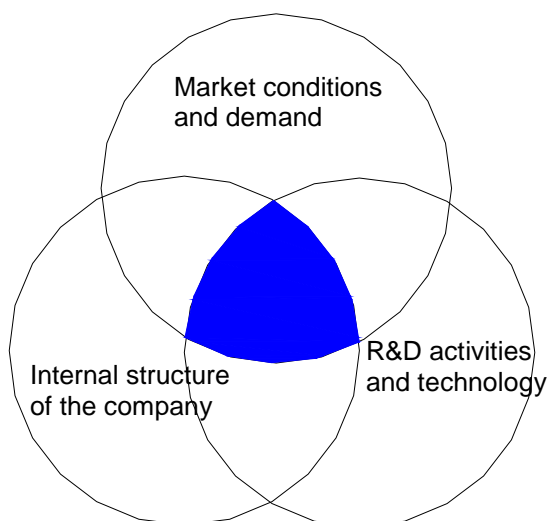
The industrial production consists of the following three components:

- 1- Natural resources
- 2- Capital
- 3- Labor

In accordance with the current terminology, these are:

- 1- Raw material and energy
- 2- Plant and Machinery Park
- 3- Human resources

It is clear that these three factors should increase together, as practicable, for growing. To increase one of these factors without determining which one of them limits the growing will not be a solution for growing. If we add the market conditions that is a significant variable in the open market economy in these factors, then the result can be illustrated as below:



The level of growth that can be achieved is as much as the area of the intersection of these three circles. In other words, you can grow as much as you intersect these three elements.

Three different methods can be followed for obtaining the resources required for growing (2):

1- Internal growing methods:

The companies with large research&development investments and strong management and technical staff may use this method. This method is in compliance with medium and long term growing policies. The growth is provided through the use the current resources of the company more efficiently and/or the increase in the added value that will occur with the ideas that will be produced.

2- Methods for growing by cooperating with the external resources:

The companies that require to get results in a short term and that do not have sufficient internal structure for growing implement this method. Mergers, shared investments, license contracts, working with affiliated companies can be included in this method.

3- The method of withdrawing and redirecting the investments:

The implementation ways of this method are withdrawing the investments in accordance with the requirements of the new market conditions and focusing on one channel by decreasing the variety of the products.

Self-confidence, which is a must even for producing only one product, may become a negative factor in process of growth; the director of the company will feel that he has the power to produce and sell the same product with large numbers, i.e. 1000 pieces, he thinks that the sole deficiency is capital. All failures and collapses are bound on lack of capital.

At this point, it is useful to look at the definition of the capital. The capital is the real assets, valuable papers that can be realized and wealth or in technical expression I can be called as "financing capital". However, the real capital includes the physical components such as machinery, factory building, installations etc., which can be deemed as manufacture factors (3).

During the process of converting the resource called as wealth into real capital, the targets of growing cannot be achieved if the human resources, technology - in summary the information investments - are undervalued.

In other words, if you equip a company with 5 units machinery park and 10 personnel, 1000 m² area with 20 units machinery, 40 personnel and 4000 m² area, it is not sure that the production will increase four times.

A failure type that we often meet is that a company owner, who faces with the increased demands, receives money from his friends and acquaintances in order to enlarge his business and then he disappoints. The situation of the companies established by collecting money from Turks living abroad is similar ...

Joining a demand that becomes visible and wealth that has not become a real capital means nothing in regard of growth and profitability.

The modern growing strategies require using resources effectively, enhancing the quality of labor, increased R&D investments, encouraging creativity, following the new technologies and developments and being ready for risks.

We all should wish that our companies with good will and faced towards higher targets will achieve the desired point by following the right route with right means and in right speed. We should not neglect solidarity in this regard.

We should mention to the internal solidarity in companies- a very important issue - when solidarity is taken into consideration. If there is no dimension related with the status of the employees in the vision of the companies that plan to grow, it will be a too optimistic approach to expect increase in productivity of the company. The results of growing should absolutely be reflected to the employees and blue and white collared personnel should be able to make ends meet.

The sustainable growth should be carried out with the participation of all components of production and the results should be reflected to all components realistically, as practicable.

(1) Dr. Sera Özbaşar, Büyüme Stratejileri ve Yönetimi, P. 32

(2) Dr. Sera Özbaşar, Büyüme Stratejiler ve Yönetimi, P.134

(3) Prof. Dr. Besim Üstünel, Ekonominin Temelleri, S.38

() First published in Asansör Dünyası magazine May 2005 issue.*