

Press Release - Birth of VC in Turkey - October 17th, 2000

It was a busy morning for all the 65 Industrialists from Taiwan at MIT Sloan School of Management. They spent their early hours brushing up their knowledge on technology strategy and finally just before lunch, they began discussing on the globalization of venture capital. Simon Johnson - Assistant Director of the MIT Entrepreneurship Center - had chosen 3 comparable models for his presentation: Latin America, Germany and Turkey. The crowd had never heard about Turkey in this context until Johnson introduced Osman Boyner - a co-founder of the Turkish Venture Capital Association and an MBA Student at Sloan. Boyner was comparing Turkey's strengths and weaknesses to the German and Latin American model. "Turks love technology and are very entrepreneurial. It is in their blood, but they lack the number-one requirement for a successful venture capital industry: co-operation; especially co-operation between the "new educated people" and the "old family-based conglomerate money". He talked about the lack of communication between the major players, the government and the foreign venture capital industry. The genuine belief was that TVCA as a non-profit organization would increase this communication and provide a boost to the venture capital industry in Turkey.

Turkish Venture Capital Association was formed after some intense brainstorming sessions during the summer of 2000. Kenneth Morse, a co-founder and member of the advisory board, - Managing Director of the MIT Entrepreneurship Center - was visiting Istanbul in June 2000 as a guest of the MIT Club of Turkey. He gave a presentation on entrepreneurship and venture capital to a group of 60 people from the MIT and Harvard Club of Turkey - many of them related to the venture investment field. The idea of a forum was born in conjunction with a local version of an MIT \$50K business plan competition. Caglasu Altinkopru, a co-founder and consultant at Bain, Cuneo e Associati, finds the idea a must. "During the conception, birth and early growth stages of this new industry," declared Altinkopru, "such a forum where venture capitalists can cooperate and share their vision will be crucial." Understanding the vital importance of such activities, Global Securities decided to sponsor the first of the annual business plan competition.

Venture Capital is still quite a new term in Turkey, but since the macro-stabilization program was introduced at the end of 1999, many "young Turks" who were educated abroad are returning from schools and jobs in the US and Europe to enter the field. By focusing on technology-based

ventures, they aim to increase Turkey's global competitiveness and fuel the countries economic growth. The absence of a common playing field or "rules of engagement" has made progress slow. The new-entrants face a lack of generally accepted legal infrastructure (no allowance on stock-options, tax irregularities), a lack of coordination in the international arena, and even more important a required knowledge about the industry itself. The Turkish Venture Capital Association was born out of the need to build a spirit of collaboration and to address these issues as a non-partisan, non-profit organization. It was established by the leading alumni of MIT and Harvard University.

Having visited a networking event organized by the MIT E-Center and MIT Club of New York in August in New York, Turgay Ozkan - MIT Club President, and a co-founder of TVCA - became very impressed by the power and momentum which derives from cross sharing information through networking. "In a country where the institutions necessary for sustained economic development are not yet fully in place," observed Turgay Ozkan, "world standard frameworks must be formed to attract the necessary foreign capital." With a managing director experience at the Turkish Eximbank at the late '80s and early '90s, Ozkan learned well the value of having constructive relations with the government. "TVCA will play a valuable role educating the government for the necessary legal framework needed to enable the Turkish Venture Capital industry to grow." He believes that the advisory board, who among others consists of Osman Birsen, chairman and CEO of the Istanbul Stock Exchange, will be a crucial component in facilitating the constructive relations with the existing institutions.

Evren Unver, a co-founder of Turkish Venture Capital Partners, a VC fund focussing on telecommunication investments in Turkey, believes that TVCA must play a strong role in communicating the opportunities in Turkey with the foreign VC industry. "Most of our investor presentations to foreign venture-capitalists start with a heavy sales pitch for Turkey. Our prospective investors first want assurances about the country, and only then will they look at our fund and our targets of opportunity. A bi-partisan forum like TVCA will add immense value and reduce the "sales cycle" for Turkish venture capital firms."

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