

Press Release

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COVID-19'S ECONOMIC EFFECTS ARE MORE SERIOUS AND LONGER THAN THE AUGUST 17 EARTHQUAKE

Businesses Seek Way Out With New Products and Service

TÜRKONFED has made a report in cooperation with the UPS Foundation, with the results of the workshops organized in the Covid-19 process with partnership of SMEs operating in different business lines, especially in the service sector and manufacturing industry. In the report, which reveals the needs of businesses in the coming period and their expectations from business organizations with the applications they plan to implement, it was noted that the economic impact of Covid-19 on businesses is deeper and will last longer than the 17 August 1999 Marmara Earthquake. It was emphasized that more than 200 businesses participating in six workshops are still in crisis or in the recovery process.

The report also indicates that 67 percent of businesses that are in the process of recovery primarily focus on developing new products and services, in order to move from the crisis to the recovery phase.

August 16, 2020 / Istanbul- Turkish Enterprise and Business Confederation (TÜRKONFED) prepared a report titled "Covid-19 / Business Recovery Process" in cooperation with the UPS Foundation. The report was created by gathering the results of the six workshops that TÜRKONFED organized with more than 200 SMEs in different business lines, especially in the service sector and the manufacturing industry, during the Covid-19 period, and from the meetings with representatives of Turkish business organizations.

The economic impact is more serious and higher than the August 17th Earthquake

The report, which reveals the needs of SMEs and their expectations from business organizations, aims to support the resilience of businesses by increasing their competitiveness by "reducing bankruptcy and business interruptions". In the report, where the impact of Covid-19 on the economy will be around 4-6 percent in GNP, the report reminded that this ratio caused 60 percent of SMEs to shut down and those who survived to suffer an average of 40 days of business interruption. It was pointed out that although it has similar characteristics and effects to that of the 17th August 1999 Marmara Earthquake, the current situation is "deeper and longer lasting".

It is stated that the impact of Covid-19, unlike the earthquake, did not cause physical destruction but a "sense of security" and a loss of "trust", and it is underlined that these concerns were also experienced during the 2008 financial crisis while extending the recovery process. Emphasizing that the uncertainty created by the expectation of the second wave will cause businesses to experience

"tides" until the end of 2020 between the crisis and recovery phases, it was stated that Covid-19 will force the adaptation capacity in every field and cause the recovery process to prolong. Focusing on the Crisis, Recovery and New Normal phases, the report cites an increase in the turnover of businesses or taking various decisions to achieve this increase, among the main criteria for the transition from crisis to recovery.

Those who make the right decisions at the right time can overcome the crisis faster

In the workshops, the actions of businesses in the crisis and recovery phase were also evaluated with special group coaching sessions and interactive questionnaires. In the report, which states that those who took the right decision at the right time overcame the crisis faster and achieved a stronger recovery, it also indicates that approximately 60 percent of the enterprises showed a will in this direction. During the crisis period, 70 percent of these enterprises established a temporary alternative working scheme, 67 percent reduced their expenditures and 41 percent preferred to focus on R&D activities.

The rate of "making the right decision at the right time" has reached up to 70 percent in the enterprises that are in the recovery phase. In this phase, 86 percent of the enterprises tended to review their business models, 73 percent to determine new supplies and demands, and 54 percent to restructure the new supply.

For recovery, two out of the three businesses focused on new products and services.

In the report, which indicates that 67 percent of the businesses in the process of recovery are developing new products and services primarily in order to focus on moving from the crisis to the recovery phase, only 57 percent of the enterprises (the first three months, from the crisis phase) were noted that the transition to the recovery phase mobilized the necessary resources, and 38 percent tested new products. The report states that these actions are complementary, and that it should start as soon as there is a recovery in the turnover of businesses.

In the report emphasizing that the enterprises participating in the workshop took steps to strengthen their initiatives for the supply-demand balance in the crisis phase during the recovery period (3 to 6 months on average), it is underlined that 39 percent of them implemented the innovations, 89 percent of the businesses organized the necessary resources and 50 percent of them had commenced mass production.

85 out of 100 businesses need training and coaching support

The six workshops held with different main themes also revealed the expectations of the participating enterprises from the upper umbrella organizations and business organizations in the "crisis and recovery phase". 85 out of every 100 businesses stated that they needed support in the field of training and coaching, and stated that they expect contributions from business organizations, especially in the fields of "financial education", "experience sharing", "empathy and business continuity".

While management tools took the second place in the expectations of businesses from business

organizations with 82 percent, insurance, Personal Protective Equipment (PPE), financial support packages and ways to get out of the impact and create opportunities were listed among the demands. Analytical analysis, which is requested by 80 of every 100 businesses, also included trend & impact analysis and information sharing. The report also identified the expectations of businesses from business organizations in areas they believe will provide multiple benefits through cyber literacy, partnership support, best practice workshops and lobbying.

None of the businesses were able to move to the "new normal"

The report, including the determination that businesses have not yet shifted to the "new normal", which is defined as the last phase of Covid-19, also helped to identify new normal trainings in the manufacturing industry and service sector. While 57 percent of the enterprises stated that improvements on a sectoral basis, 29 percent on the company dynamics and 14 percent on the developments in the supply chain will accelerate the recovery processes, they said that they consider customer satisfaction, market share and revenue growth as success criteria, respectively.

In the new normal phase, which covers an average of three years, 50 percent of the enterprises stated the supply chain, 33 percent innovation, 17 percent low cost, as the factor of increasing competitiveness in production and service provision. In the report, which underlines that the management style and behaviors of the business owners accelerate the transition to the normalization phase of the enterprises, 50 percent of the enterprises stated that "relationship management and communication" is significant, while only 25 percent think that it is important to have a command of "expertise and technical skills" and "regulations and trends".

In the report, in which the demands of SMEs were revealed, the capacities of business organizations in four countries for crisis management and recovery were also scrutinized. Along with Turkey; Italy, England and South Korea's three largest business organizations are studied in the report, emphasizing that umbrella organizations stand by enterprises.