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### **A STUDY ON THE ROLE AND IMPORTANCE OF CLUSTER POLICIES IN IMPROVING INTERNATIONAL MARKETING PERFORMANCE OF SMEs**

**I. Kahraman Arslan** 

Istanbul Commerce University, Turkey  
Email: karslan@ticaret.edu.tr

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#### **Abstract**

This study examined the benefits of the cluster approach in foreign trade and whether the effect of export performance of SME's has tried to put forward through the cluster approach Kuyumcukent formed in Istanbul, Turkey. As a result of the research, it is determined that Kuyumcukent cluster increases competitive power and export performance of SMEs; however, this case is not caused by only cluster but is related with the company's own performance. Aim of the study was to determine what sort of opportunities Kuyumcukent cluster provides to exporting SMEs and how it affects their export performance and to reveal the requirements and expectations of the firms. For the sample of the study, exporter firms in Kuyumcukent have been selected. In the direction of the information received from Istanbul Jewelry Exporters' Association, 90 jewelry firms engaged in exporting in Kuyumcukent have been determined to be interviewed. With the intention of Kuyumcukent cluster turning into a mature cluster and improving export performance of all businesses; various suggestions have been made such as ensuring information flow by developing the relations based on trust in the cluster, encouraging firms for shared R&D and innovation, solving capital and financing problems and cluster management organizing the international fair organizations. In this study, the advantages of cluster approach in foreign trade have been examined and it is aimed to reveal whether SMEs have effect on export performance through Kuyumcukent cluster approach that has been formed in Istanbul, Turkey.

**Keywords:** Cluster, Export Performance, Competitive Power

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#### **1. Introduction**

In the current economic world, there is a constant and huge interest in cluster and cluster policies in both developed and developing countries. Cluster policies have been perceived as one of the main policies that could be used for developing global competitiveness. In essence, cluster policy is based on the opinion of which clusters will improve productivity, innovativeness, competitiveness and employment in businesses within the clusters. Cluster development is a strategy that deals systematically with innovation, productivity and competitive power and has become a center of attention globally. In fact, there are national or regional cluster support programs in every EU country.

Over the past decade the importance that has been placed on utilizing cluster approach as an instrument in improving competitiveness has increased and cluster has become one of

the key components of competitive strategies. It can be seen that with cluster approach, the cluster that have been formed by countries, regions and cities by creating a difference constitutes important factors with companies and cooperating companies located near them such as experienced labor force, productivity growth, innovativeness, faster growth and competitive advantage.

Cluster is concentration of a certain field in a geographic area. As this concentration can be a natural concentration, it can be a concentration planned by public administrations. In economic sense, clusters are production network created by firms independent of each other at the same time interconnected with value added production line (Ogut and Karayel, 2011). The goal of Turkey, the sixth biggest economy of Europe and one of the top 20 economies in the world, has been determined as to join world's top 10 economies in 2023 and to increase export to 500 billion dollars. The goal of increasing export capacity will be possible with Small and Medium-Sized Enterprises (SME) which is the backbone of the economy gravitating towards export beside domestic production.

Questionnaire and thorough interviews have been conducted with SMEs that export in Kuyumcukent in an attempt to measure the effect of cluster on export performance of SMEs. In research results, it is determined that international competitive power and export performance of SMEs located in the cluster with Kuyumcukent cluster, however, this case is not only related with cluster but it is also related with the business' own performance. As a result of the research, it is seen that Kuyumcukent is not a developed cluster, it is a cluster desperate for development. A great majority of those who participated in the study has stated that out of the promised advantages of the cluster, easy access to qualified employees, area's becoming attractive for new investments and ventures, recognition in local and international markets and an attractive image is provided in Kuyumcukent. On the other hand, it is determined that the other advantages such as increase in unique designs with R&D and cooperation, increase in labor force quality with trainings and seminars, ease of finding capital and source of finance, increase in market share by participating in common local/foreign fair organizations have not been provided in Kuyumcukent.

## **2. Conceptual framework of cluster**

The concept of cluster was first used by Porter (1998) as systematic. According to Porter (1998) cluster is geographic agglomeration of companies, suppliers, organizations and related institutions which are independent of each other at the same time interconnected in a particular field. In other words, clusters are regional agglomerations where SMEs are majority which provide services and goods connected with a main production activity in a limited area where located in a particular social life or in a network of residential areas.

OECD (1996) defines cluster as production network of strongly interconnected companies in a production chain where they provide added value to each other, customers and agencies which produce information. UNIDO (2010) defines cluster as agglomeration of enterprises which produces and sales products connected with each other or supplementary of each other on geographic and sectoral basis.

When looked at definitions of cluster, three common characteristics of cluster stand out. First of them is geographic agglomeration and proximity of firms in the cluster. This simplifies the information transfer between firms and related institutions. Second of them is relevant firms being connected with each other in terms of production process and being able to act jointly in product, input and service fields. Third common characteristic is that they increase innovativeness in cooperation with other institutions such as university, non-governmental organizations (Oguzturk and Saricoban, 2013).

In cluster definitions, geographic proximity and communication that resulted from this proximity and interaction that creates value chain stand out. Within this context, choice of close location to each other provides direct and indirect interaction between firms and to create added value and improvement. The clusters that consist of similar and supplementary firms and related institution include vertical relations with supply chains in commerce and horizontal relations due

to producing supplementary goods, providing service, technology, input and being similar to in terms of labor force.

## **2.1. Clusters and primary characteristics**

Clusters are based on systematic relationships. This relationship can be created with the purpose of producing a product, technology, natural resources, talent, need for cooperation or to access chains of distribution easily. Firms getting together for capitalizing on various advantages such as raw material, market proximity have introduced competition and cluster policies. Cluster increase companies' performance because all components such as suppliers, customers, rivals, university research center, organizations existing together in a particular geography allow for them to be involved in the same activity by increasing connection amongst institutions.

Clusters have geographic proximity and spatial limitations. Companies have tendency to be close to each other due to the advantages such as raw material, supplier, easy skilled labor force and information sharing. Proximity includes social proximity with the interaction aspect between business executives and employees, technology proximity in terms of common technology use and technology differences between them and market proximity on the sense of whether businesses have similar or related customers (Cruz and Telxeira, 2009).

There is a specialization among cluster members. Therefore, firms can focus on their major activities and delegate other subsidiary activities to other actors of the cluster. As specialization can include one sector, it also includes sub-sectors and related sectors. Thus, by specialization increasing the demand for additional resources and related sector, it increases cooperation within the cluster and commitment. Firms that are getting the opportunity of producing with low cost as a result of cluster and their supplementaries create a wide pool and at the same time due to the specialized qualified labor force, service quality improves.

## **2.2. Advantages expected from clusters**

Clusters form in line with certain purposes and within advantage expectations. Within this context, when a firm joins the cluster, they want to benefit from some opportunities. Being a member of a cluster primarily provides opportunities to more efficient works in providing input, information, technology, reaching related institutions, coordinating relationships and encouraging improvement. Specialized and experienced worker pool in the clusters allows enterprises to save on time by reducing the search and operation costs. At the same time, having the input supplier base, operation costs have been also reduced (Tonkal and Testik, 2012). Therefore, clusters facilitate scale economies. Firms in specialized clusters focus on their own businesses due to co-marketing cost, specialized supplier and enterprise, support services and able to reach higher output levels.

Second, clusters create productivity growth and flexibility. Firms in clusters increase productivity by using marketing, technical and competitive information and by making a common R&D projects with suppliers in the cluster. Proximity of the firms to each other in clusters simplifies the access to the new technology, to the new information in the cluster by reducing the operation costs and they contain the opportunities SMEs could not reach. Clusters increase competitiveness by providing flexible specialization models to small firms in contrast to solid models (Timurcin, 2010).

An important advantage of clusters is also learning and innovativeness. By presenting the important information to firms such as marketing, customer, supplier, the technology used in the sector, clusters provide an environment where innovativeness can improve. For instance; computer companies in Silicon Valley, one of the most important technology clusters of the world, fulfill the needs of customers quickly in proportion to the firms located in other areas. Because companies in the cluster by quickly obtaining the source that they will use in innovative operations, get back to their customers immediately with the involvement of local suppliers and partners in the process. By the time the firms that are located outside the cluster meet the

customer demand by reaching the farther suppliers and provide other organizations, they will waste a great deal of time (Meyer-Stame, 2003).

Another advantage of clusters is that they provide ease of entry into the sector. Waste of time is prevented in clusters with information gathering and feasibility by presenting the necessary input, talent, labor force to new enterprises. At the same time, cluster reduces the risks of firms by presenting an internal market in itself, allows new entrants to reach suppliers more easily. Another advantage provided by clusters is that competition motivates cluster members and keeps them close. Firms that produce similar things will have tendencies to be close and competition will increase. This competitiveness environment encourages firms to produce new products and to enhance the quality. It enables firms that have similar production line to compare each other in the cluster and assess the company performance. Moreover, firms being in a cluster will gain them a prestige in society and market (Yigit, 2014).

Within this context, being member of a cluster provides having inputs, accessing to information, technology and related institutions, ensuring coordination of firms, encouraging improvement and more efficient work. Enterprises located in a dynamic cluster have been specialized and lower the search and operation costs in the recruitment and save time by having access to experienced worker pool. At the same time, a well-developed cluster attracts skilled labor by lowering the employment risk at different locations. Also, by having a good supplier base, it uses the suppliers in the cluster instead of remote suppliers, thus reducing transaction costs, and eliminating import and delay costs. As a result of trust ties among cluster members, it contributes to sharing information such as market, technique and technology and increasing competitiveness. These bonds among cluster members cause the formation of value chain and to increase each other's performance (Lund-Thomsen and Pillay, 2012).

In addition to such reasons, clusters play a key role in information exchange between the firms and in the formation of cooperation network. Therefore, a common information pool that has been created by the experience of the firms emerges and the firms can take advantage of this pool. Also in the cluster; firms, instead focusing on all fields of the sector, have the advantage of focusing on certain fields. In a way, distribution of work among firms occurs because of the cooperation provided by the cluster between the firms. The coexistence of rival companies makes it easier for customers to pick for the most profitable firm according to their needs in that area. In that case, competition among the firms increases in order to attract customers and the importance has been placed on innovation increases. Therefore, firms can reach a level where they can compete at global market.

Within cluster, members who synergize with manufacturer, customer, R&D, education, co-marketing relations increase productivity and innovation by reducing the operation costs. With regards to marketing, clusters make it possible for firms to learn market information within the cluster and to develop a product according to that and to achieve competitive advantage. This also provides an advantage to customers. Competition between enterprises enables them to provide services and products with higher quality and allows customers to achieve these products with more reasonable price (Acar and Gunes, 2017).

Another advantage of cluster is simplification of determining basic desires that they see necessary or fixing common problems they expect them to be solved for the sake of firms' improvements and becoming more competitive in international arena. Specifying the common desires, problems and deficiencies allows government and actors, who will provide support firms, to act healthier and helps them to take more effective decisions. Thus, improvement rate of the firms increases further.

Finally, cluster will have advantages such as enabling firms to have very close working relationship with educational institutions such as universities. Companies and firms that are working in the same sector, gathered around the same geography and collaborate with each other and that are competitive and open for improvement, allow universities that will focus on these sectors to be constructed on those areas. Clusters are a complex organism where they include many cooperative cells inside of it. The progress a single cell can make naturally is smaller than the one a big organism can make. Thanks to cluster, firms become more profitable, innovative and effective than the time where they act individually. They reach the level where they can compete globally and this increases the export. So, every firms win with cluster.

### **2.3. The actors present in the cluster**

As mentioned in the definitions of cluster, firms are the main actors of clusters. However, firms are not enough alone due to their structure, they require a structure with many actors for ensuring cooperation, communication and network structure. Within this context when the actors of the cluster are analyzed, there are institutions such as public institutions (government, ministries, etc.), research communities (university, laboratories, research centers), financial institutions (banks, insurance companies, financial enterprises), cooperative institutions (chambers, cooperatives, unions) besides enterprises (Giuliani, 2007).

The role of public institutions, one of the actors of cluster, is to lead and encourage other actors by ensuring the necessary environment for the formation of cluster. Governments develop national and regional cluster policies, other public institutions take initiatives for its application. The role of research communities (university, laboratories, research centers) is to develop new technology and to educate required labor force by improving the cooperation with the cluster. Financial institutions (banks, insurance companies, financial enterprises) play a key role in the growth of cluster by providing credit facility to the firms. Lastly, cooperative institutions (chambers, cooperatives, unions) develop cooperation among the firms and contribute to the formation of cluster's own identity by ensuring trust in the cluster.

### **2.4. Cluster approach and competitive power relationship**

In the world where boundaries disappear with globalization, one of the most important subjects for firms is competition and to provide competitive advantage. Generally, competition is defined as the effort of two or more people to outdo one another. In terms of economics, competition can also be described as an effort of a business to beat other businesses in the sector in which it operates in order to obtain particular benefits (Erkut, 2011). Competitiveness is a particular industry, region or country to have a sustainable production ability within the frame of external factors.

Nowadays clusters are formed with many purposes such as to increase national, regional or industrial competitive power, to support new technology development, to enter new markets, to increase export (Gultekin, 20115). Clusters develop competitiveness. Entrepreneurs can detect the voids in the sector with cooperation in the cluster and information sharing and increase innovations by producing new products. Thus, both competitive power the firms have in the region and international competitive power through export capacity increase.

Competitive advantage has been described by Porter (1998) as a case of where a firm sustaining profit over the sector it operates. Within this context, according to Porter (1998), competitive advantage is divided into two as cost and differentiation. Cost advantage has been explained as the firm delivering the benefits offered by its competitors at a lower cost, differentiation advantage is to deliver a benefit that competing products do not have. Clusters enable to achieve competitive advantage by presenting the information, talent and motivation to the member firms that their competitors do not have (Eroglu and Yalcin, 2013). Competitive advantage creates top value for those firm customers and top profit for the firm itself.

Clusters benefit competitive power of the firms in three ways (EC, 2016):

- Increasing the productivity of the businesses: Being part of a cluster is useful for achieving qualified labor force, information and talent with the productivity provided by geographic concentration, providing cooperation with companies in the cluster and for increasing development and motivation. First, a well developed cluster simplifies the access to privatized information. The firms located in the cluster sharing the information such as market, technical and competition allows this information to be used for correcting the deficiencies. Thus, productivity and innovativeness capacity of the firms increases.
- Supporting and developing innovativeness. Cluster develops innovation ability as well as productivity. The firms in the cluster see innovations and meet the customers' demands more quickly than the firms outside the cluster. At the same time,

entrepreneurs in the cluster notice more easily the inadequacies in the product and services. Thus, they discover innovation opportunities way before than the firms outside. Also, the firm obtains the resource that will be used for the innovation rapidly in the cluster. With participation of the local suppliers to the process, demands of the customers are met faster.

- Accelerating the commercialization process. Clusters support the emergence of new business opportunities that expand and strengthen themselves. Existing labor force makes it easier for new products to be commercialized, marketed and new firms to be established due to the factors like suppliers. The advantages a member of cluster SME have such as information, labor force and infrastructure increase the demand for the cluster and depth of the cluster by drawing the attention of other SMEs. Lowering obstacles on entering the sector in clusters pave the way for new firms to choose to be established in the cluster instead of independent locations. For instance; Silicon Valley one of the most important informatics clusters, is a cluster where a large number of new firms are established.

## **2.5. Effect of clusters on marketing function**

Clusters comprise a basis for almost all marketing operations. In fact, some cluster structures contribute as showrooms. The players of a cluster closest to the end consumer are the players that have the chance of closely observing the marketing trends. These firms share the projects with other players that may achieve them competitive advantages by creating differentiations on the products they see. Therefore, the firms in the cluster learning the marketing trends from the firms close to the market and finding the opportunity to develop their products according to that may help them to have an edge over their outside competitors.

On the other hand, rapid liberalization of international trade has revealed the problems SMEs have on adapting the free trade. In achieving the position of a medium-sized or large-sized firm by changing their structure in competitive international market, small firms are having difficulties compared to the closed economy conditions. Especially, the firms which have been caught off guard by competition conditions are going through adaptation process. In addition, most of the small-sized firms quickly accept the new commercial formations with their efforts and try to shape the firm structure as these formations wanted. Small firms are aware of the fact that they are able to adapt faster to international markets when they export (Pyke and Lund Thomsen, 2015). Considering many businesses in Turkey that produce goods and/or service are players that operate as SME; increasing international competitive power of these players through clusters is quite important.

## **3. Cluster practices in Turkey and Kuyumcukent cluster example**

Cluster studies have been carried out for developing the International Competitiveness in Turkey. Ministry of Economy supports the cluster organizations in order to increase export. In accordance with these goals, a system where the firms, Ministry of Economy and cooperation institutions (exporters unions, chambers of commerce and industry, organized industrial zones) acting jointly has been formed. Within this context, content and process of the support that will be provided to the firms that consist of needs analysis, employment, education and consultancy programs, foreign marketing, purchase committee and individual consultancy is determined.

However, people in Turkey do not enjoy acting as a group and they refrain from these types of studies. There is a lack of trust among the society. For instance, the firms in Turkey prefer to act individually and thus they may not lean towards cluster. Yet, at the same time Turks like to follow successful people. Therefore, convincing the leading people of the sector in that area is crucial for a cluster study. Convincing process is the biggest problem one can encounter in Turkey. For they have a structure where they aim for concrete gains in the short term. So cluster study is a long process that requires extreme effort and participation.

On the other hand, jewelry industry in Turkey is a sector that has high added value and export volume. Export in this sector has started in 1983 with the ban lifted on export and export

of gold nuggets has been authorized at the same period. Following these developments, transition from craft production to a capital-intensive industry has been completed by taking a leap forward after 1990s. With this liberalization process, World Gold Council opened an office in Istanbul and Gold Exchange in 1995, the most important gold refinery of Turkey Istanbul Gold Refinery was founded in 1996.

In such an environment, over the past decade export rate in jewelry sector in Turkey has shown substantial increases. Total jewelry industry export grew from 65 million dollars in 1995 to 4.3 billion dollars in 2014. Looking at the sector in terms of production, Turkey has an important potential. Turkey has a total capacity of 400 tons of gold to produce. Jewelry is manufactured by utilizing 75% of that capacity. 30% of the produced jewelry have been sold to domestic market and 70% of them to foreign markets (Ecerel *et al.* 2012).

There are approximately 6,000 manufacturers and 35,000 jewelers in Turkey and 250,000 people have been employed. Cities where the sector is most developed are Istanbul, Ankara and Izmir. Concurrently some cities in the East and the Southeast are important as well due to the cultural reasons. There are around 1,530 manufacturing firms in Istanbul and 95% of Turkey jewelry industry export is carried out by the firms in Istanbul.

### **3.1. Foundation process and characteristics of Kuyumcukent**

Because jewelry industry contains labor intensive manufacturing process, proximity and regional agglomeration have occurred at every period and Istanbul has become an important center for jewelry center throughout history. With the foundation of Grand Bazaar in 1461, the concentration of the sector in here was achieved. Even at that period jewelers were a part of particular spatial agglomeration. That area being a tourism region, cultural and commercial heritage and its proximity-to-market have become advantageous for this sector. However, environmental pollution caused by jewelry sector, being unable to preserve historical heritage and transportation and infrastructure problems have arisen over time. Because of these reasons, new jewelry workshops have not been licensed and it has been determined gold and silver manufacturers to be relocated to a new region.

All these developments have obliged a new spatial formation for jewelers. In an attempt to agglomerate all manufacturers, suppliers, wholesalers and retailers who operate in the sector and to ensure these businesses to benefit from services such as infrastructure, security, works have been started to found Kuyumcukent. With this goal, Workplace Housing Cooperative with 1,600 partners was founded in 1988 and the construction of Kuyumcukent began in 1994. The structure whose first phase was completed in 2005 consists of two unconnected blocks as workshops block and stores block. In workshops block, there are workshops from 25 m<sup>2</sup> to 2000m<sup>2</sup> and service stores. Right now approximately 1,000 workshops operate. There are various jewelry and retailer stores, restaurants, cafés, cinema and meeting rooms in the stores block. The total cost of Kuyumcukent has been estimated as 200 million dollars. Value of Kuyumcukent which has %100 local capital and 1,875 partners has been estimated as 1 billion dollars.

In order to improve Kuyumcukent and make it attractive, a shopping mall was opened under the name of "Wedding World" in 2010. The shopping mall has 130,000 m<sup>2</sup> closed space and 53,000 m<sup>2</sup> store space, it gives opportunity to those who prepare for wedding to find all their needs in a single place. Kuyumcukent is not just a cluster that consists of only manufacturers and workshops. Also, Wedding World shopping mall includes jewelry stores and all sectors related to wedding and marriage such as wedding dress, furniture, organization, marriage ceremony and wedding venue.

As a result of rapid growth of Kuyumcukent and showing development, cooperative gave their position a professional management and Kuyumcukent Management Corporation was founded. It has been managed by Kuyumcukent Management Corporation as of 2004. Another company that operates in Kuyumcukent besides Kuyumcukent Management Corporation is Kuyumcukent Real Estate Investment Corporation. This company mainly focusing on investing activities has completed the Istanbul Vizyon Park and Merkez Plaza project for the completion of second phase of Kuyumcukent. Istanbul Vizyon Park and Merkez

Plaza, which has A class multipurpose offices that are smart and is suitable for production, rest areas and congress center and consists of five separate blocks, was completed in 2012. Within the scope of Istanbul Vizyon Park and Merkez Plaza projects, the area enjoys new workshops, office buildings that have total 500,000 construction area and a 6,000-car parking garage. Besides related institutions, a five-star hotel that will welcome local and foreign sector guests will be located here. Istanbul Vizyon Park has made the area more attractive by providing higher quality services to the firms in terms of modern and infrastructure facilities.

Kuyumcukent and Istanbul Vizyon Park include research institutions, financial institutions and cooperation institutions from cluster actors. There are Istanbul Chamber of Jewelry from cooperation institutions, Precious Metals and Precious Stones Market Operation and Storage Center from financial institutions and from research centers Istanbul Commerce University Jewelry Engineering Research and Application Laboratory. Istanbul Vizyonpark includes CBRT (Central Bank of the Republic of Turkey) Group Center, Group Centers of National Banks, CBRT Depository and Trust Center and Mint Accounting Venue.

### **3.2. Method and aim of the research**

Questionnaire form used in the application was developed as a result of adopting the forms previously used in studies that analyzed the cluster tendencies according to the sector. Questionnaire form was organized as 4 sections and 20 questions. In the first two sections of the questionnaire, demographic information were included and in order to obtain information the general structure of the firm; the questions about legal status, number of employees, area of activity and sales revenue were posed. In the third section, questions regarding the export information were asked. Information were obtained about for how many years the firm exports, to which countries and with what purpose, the problems they encountered during export and whether Kuyumcukent provides solution to that problems. In the fourth section, the questions were posed concerning the firm's information about cluster and what sort of advantages they gained. An attempt were made to learn about in what degree the business performance had been affected after they had started to operate in Kuyumcukent, whether the export increased or not and, whether they benefited from it and their view on what should be done.

### **4. Research findings**

Within the scope of the research, a thorough interview and a questionnaire was applied to the firms which operate in the jewelry sector in Kuyumcukent. Participants of the questionnaire were firm owners, firm partners or executives. Majority of the participants were young and dynamic individuals who were university and high school graduate (77%) and were between the ages of 20 and 39 (74%). Younger people's being majority is an advantage for understanding the benefits of cluster and for development of cluster strategies.

80% of the interviewed individuals were male, 20% of them were female. It was determined in thorough interviews that women were less employed in the production section in jewelry sector because of heavy work conditions. Generally, it was established that firm owners, partners and executives were men; women were employed in areas where it requires fine craftsmanship such as stone dressing. 52% of the participants speak English and very few of them speak French, Arabic, German and Russian. The ratio of those who do not speak any foreign language is 33%, which indicates that there needs to be studies towards learning a foreign language by cluster executives in Kuyumcukent.

In the second section of the questionnaire, data were revealed regarding the business structures by posing questions about legal status, number of employees, area of activity and sales revenue in order to learn about the general structures of businesses. Accordingly, the majority of the firms' being in a corporation and limited company status is a sign of jewelry sectors consisting of capital companies.

87% of the firms that joined the questionnaire were carrying out design, production and trading activities whereas only %13 of them were dealing with trade. As the jewelry sector requires design and product skills, majority of the firms do design and production activities



themselves. Huge majority of the firms consisting of micro and small-sized enterprises is caused by the fact that production process of jewelry sector requires specialized job and craft area. Due to the fact that jewelry sector is a sector where its added value is high, although firms have characteristics of SME in terms of number of employees, it is an important sector in terms of generating income.

In the third section of questionnaire study, questions were asked to the firms about export information, the problems they encounter during export and the contribution of Kuyumcukent to the firms. Large majority of the firms (67%) had been exporting for less than 10 years. This pairs with the export data of jewelry sector. As it has been mentioned before, jewelry sector has increased their export rate in the last 10 years by taking a leap forward. It is understood that 66% of the export goes to Middle East, 16% of them goes to European countries, 6% of them goes to Russia, 5% of them to the U.S., 2% goes to the Far East and the other 2% to the Middle Asia. The firms have stated in thorough interviews that jewelry sector is very important in Middle East culture and they continue their works towards these countries. Of the European countries, it is determined that Italy and Germany are the largest export market.

The firms that were operating before moving to Kuyumcukent were asked whether they had been exporting in previous years and it was determined that 77% of them had been exporting and 23% of them had started their exporting activities after moving to Kuyumcukent. Majority of the firms (68%) have answered the question of "lack of quality and standardization in products" which is one of the problems SMEs encounter in export as there is a problem of quality and standardization. Solution of this problem has a vital importance for cooperation and cluster.

It is determined that large majority of the firms that joined the questionnaire encounters the problem of lack of target market analysis and product promotion. In thorough interviews conducted with the firms, it is identified that the largest foreign market for jewelry sector is Middle East region and they have information about this region. About whether market shares increase with domestic/foreign fair organizations, a good part of the participants (57%) think that attending domestic/foreign fair organizations does not increase their market share. Organization of common fairs by the cluster management is very important for increasing the export capacity of businesses and to be successful in a cluster. Therefore, conducting studies about organizing common fair with businesses in Kuyumcukent is very crucial.

Large majority of the firms that joined the questionnaire have stated that productivity is low and costs are high in the sector due to the fact that the sector is based on hand work and specialization. 58% of the firms have stated that productivity have increased after moving to Kuyumcukent, 35% of them stated that there is no effect and 7% of them stated that productivity has increased. Therefore, following policies that increase productivity and decrease costs will be important for reducing this problem. On "increasing productivity with scale economy" which is one of the advantages of cluster, an important part of the participants (58%) have speculated that they increased their productivity by benefiting from scale economy in Kuyumcukent. Increasing productivity by benefiting from scale economies is an important advantage in clusters. Businesses develop their innovation ability with productivity growth and improve their competitive power. This indirectly contributes to export performance. Therefore, developing policies should be considered in order to increase productivity of the businesses in Kuyumcukent.

The main problem SMEs encounter in export is the financing problem. As many SMEs in our country experience, a large part of the SMEs in Kuyumcukent (75%) experience financing problem as well. Providing financing support to the firms by cluster management in order to increase cluster and export performance needs to be considered. In addition to this, 69% of the firms have determined that their capital requirement has increased after moving to Kuyumcukent, 31% of them have stated it is stable. This result corresponds to the financial problem that majority of the firms in the questionnaire have been experiencing in export. Capital and financing problem should be solved for sector growth and to steer towards export. On another advantage of clusters "finding capital and sources of finance has become easy", large majority of the firms that joined the questionnaire does not think that finding capital and sources of finance has become easy. Difficulty of finding capital and finance is one of the main problems

which SMEs encounter. Therefore, conduction studies about finding capital and finance in the cluster for increasing competitive power and export performance of businesses is very important.

A large part of the businesses' positive response (62%) to the sentence "providing easy access to qualified employee with qualified labor force pool" which is one of the advantages that cluster provides to the firms shows that there is no problem finding qualified employee. Due to the fact that it is a sector where it requires specialization and skill it is determined in thorough interviews that businesses being located in the same geographical location enable firms to have easy access to employees. This is a positive result for Kuyumcukent cluster. However, the importance of the problem SMEs encounter during exporting "lack of qualified foreign trade employee" has been indicated. Similarly, it is determined that there is a dual structure in Kuyumcukent on "benefiting from each other's specialties and knowledge". While some of the firms support the share of specialty and knowledge, some of them think that they see the firms in Kuyumcukent as their competitors and therefore, it is not right to share knowledge and specialty.

58% of the firms have answered to the question of whether moving to Kuyumcukent has contributed to the solution of their export problems as no, 42% of them have answered as yes. In thorough interviews conducted with businesses, it is stated that solution has been found to their quality, standardization and not being able to cooperate with similar businesses problems after moving to Kuyumcukent. This has led to an increase in sales and number of customers, however, an increase in costs also has occurred. It is expected from cluster to decrease the costs creating productivity and scale economy.

The businesses which think that their number of customers have increased have emphasized that Kuyumcukent is a brand and therefore customers easily can find what they are looking for in the sector. On the other hand, according to the the businesses who state that their number of customers have decreased, modes of transportation in Kuyumcukent is inadequate and Grand Bazaar attracts more customers because it is a touristic and central place. Approximately half of the businesses have stated that after moving Kuyumcukent their amount of production and sale and number of countries have increased. Some of the businesses have emphasized that the number of countries is unrelated with the cluster, it is related with the business's performance. Production growth in the large majority of the businesses (69%) is the indicator that Kuyumcukent had positive effect on the firms.

On "international competitive power and increase in firm's export performance", a good part of the businesses that participated in the questionnaire think that cluster has increased the international competitive power and export performance of businesses. This is a positive situation for cluster. 58% of the firms have stated that after moving to Kuyumcukent, their competitive power has increased, 31% of them have stated that operating in Kuyumcukent has no effect on competitive power and 11% of them stated that their competitive power has decreased. Competitive power increase in the majority of the businesses indicates that Kuyumcukent is a cluster model. Kuyumcukent contributes to the firms to be successful in international markets by increasing the competitive power.

76% of the businesses have stated that their product range has increased after moving to Kuyumcukent and 51% of them have stated that their R&D, innovation ability has increased. Related findings indicate that firms' competitive power has increased in Kuyumcukent and they have increased their product range in order to compete with their competitors. However, majority of the businesses (58%) have answered to the question of "lack of R&D, innovation" as a big problem for export.

In the last section of the questionnaire, on "achieving cost advantage by using raw material manufacturers and suppliers" a good part of the participants think that they achieve cost advantage with shared raw material goods in Kuyumcukent whereas 40% of them think that they achieve no cost advantage. This finding is important for pointing out that there needs to be studies about cost advantage in Kuyumcukent.

To the "area's becoming attractive for new investments and ventures", a large part of the participants (62%) think that Kuyumcukent has made the area attractive for new ventures. The area's becoming more attractive is positive for cluster and allows businesses to obtain new

opportunities and cooperation. In interviews conducted with the firms, firm executives have stated that projects such as hotel, plaza will be constructed to the area and this finding corresponds to the findings.

## **5. Conclusion**

Nowadays with globalization, SMEs having to compete with their not just local but also with their international competitors have led the countries to pursue new policy. Cluster policies have become an important instrument for countries. Many studies have been conducted on cluster from especially 1990s in the world, from 2000s in Turkey. Many of conducted studies state that clusters provide advantages to the businesses. Clusters present opportunities to the businesses on improving the cooperation and innovativeness, increasing the international competitive power and export.

Considering that fact that 99% of the businesses in Turkey consist of SMEs, it is clear that increasing their international competitive power and export performance is important for Turkey. Clusters present opportunities to SMEs such as common supply, common marketing, R&D studies, easy access with accumulation of qualified employees in cluster, productivity growth, businesses developing their innovation skills, financing facility, export, market, supplier and easy access to information. However in order for cluster to survive, information and communication infrastructure needs to be provided, and should be supported with education and studies that improve quality. To improve cooperation, to carry out marketing and public relations; activities and studies need to be conducted for cluster to be internationalized.

In research results, it is determined that international competitive power and export performance of SMEs located in the cluster with Kuyumcukent cluster, however, this case is not only related with cluster but it is also related with the business's own performance. As a result of the research, it is seen that Kuyumcukent is not a developed cluster, it is a cluster desperate for development. A great majority of those who participated in the study stated that out of the promised advantages of the cluster, easy access to qualified employees, area's becoming attractive for new investments and ventures, recognition in local and international markets and an attractive image are provided in Kuyumcukent. On the other hand, other advantages such as increase in unique designs with R&D and cooperation, increase in labor force quality with trainings and seminars, ease of finding capital and source of finance, increase in market share by participating in common local/foreign fair organizations have not been provided in Kuyumcukent.

These are the suggestions for turning Kuyumcukent into a mature cluster and to increase the export performance of the SMEs in the cluster:

- To form a platform in the cluster to provide information and communication among members,
- To get the businesses to see each other as partners not as competitors and to develop relationships in the cluster based on trust in order to fasten up the information flow on topics such as technology, market, export,
- To determine strategies according to the requirements and demands of members by grouping up periodically with cluster member businesses, sector representatives, public institutions representatives, academic representatives and cooperation institutions representatives,
- To develop cooperation among businesses in order for businesses to benefit from each other's information and specialties,
- To develop international competitive powers by increasing common R&D studies and innovativeness,
- To conduct a study by cluster management in order for businesses to increase their competitive power by achieving cost and productivity advantage,
- To organize activities such as training, seminar, workshop to improve the quality of labor force and develop the designing skills of employees,
- To advertize at national and international level in an attempt to promote the cluster,

- To internationalize the cluster by participating in international conferences and events and becoming a member of international cluster networks,
- To cooperate with financial institutions to solve the problem of capital and financing, one of the main problems that businesses encounter in export,
- For businesses to conduct a target market research, overseas committee visits and organize trips,
- To determine a vision and program and regularly follow the cluster activities as it is the case with successful cluster examples,
- To organize cooperation days, international and domestic fairs by cluster management,
- To inform businesses in the cluster about the supports such as governmental incentives, fair supports, cluster projects.

Academic studies can be conducted on these issues, taking into account the problems and suggestions listed above. In this case, both contribute to the literature and a solution to Kuyumcukent's problems is produced.

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