

Business Case No. (1)



Business Case

**Adzyaman Textile Cluster Centre Turkey,
a regional collaboration to empower suppliers**

Prepared By:	the RESPECT project www.responsible-practices.eu
Authors:	CSR Turkey
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INTRODUCTION

A business case has two primary objectives:

- To present decision-makers with key information about social initiatives in term of responsible supply-chain management in a consistent, balanced format that facilitates the evaluation, comparison and prioritization of competing initiatives.
- To guide a group of suppliers, buyers and managers in developing their vision and plans to prepare for responsible initiatives.

A RESPECT Business Case is designed to provide a common starting point for discussion and illustrations during the RESPECT training and coaching sessions. However, no two business cases are the same.

The present case study shows an example of good industry practice where supply chain stakeholders find innovative and responsible solutions to boost regional employment and economy. Through productivity and CSR empowerment, suppliers can be stronger stakeholders and have more leverage in the purchasing process.

TABLE OF CONTENT

INTRODUCTION.....	2
EXECUTIVE SUMMARY.....	4
1 BUSINESS NEED AND CURRENT SITUATION.....	5
2 HISTORICAL BACKGROUND.....	6
3 ENVIRONMENT AND THE CONTEXT.....	7
4 BEST PRACTICES PRESENTATION.....	8
5 RESULTS AND RECOMMENDATIONS.....	9



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EXECUTIVE SUMMARY

Adzyaman Textile Cluster Centre is a good model for best practices: highlighting the commitment to increasing corporate and social sustainability within the textile industry and in the region. The Centre was formed by the small and medium enterprises (SMEs) in Adzyaman province (in East Anatolia) with the support of the United Nations Development Programme, International Competency Research Organization, Entrepreneur Support Centre and other stakeholders from public institutions, non-governmental organizations, and universities.

The Centre aims to help Adzyaman's textile SMEs build business competency, product development, marketing, and innovation. This important regional development strategy assists SMEs in reaching international production standards; in particular increasing social compliance and environmental standards, important for companies competing and working at the international level.

The initiative aims to increase the competitive capacity of the region (Adzyaman, Kahramanmaraş, Gaziantep, Malatya, Mardin, Diyarbakır). In order to do that the initiative organizes players to contribute to the development of business in the region.

This initiative is a good model because it functions as a multi-stakeholder collaboration, a model that can be adapted by other companies, sectors and regions. The success derives from the fact that it makes good business sense, incentivizing SMEs improve their labour and environmental standards, and allow them to be competitive in international markets.

1 BUSINESS NEED AND CURRENT SITUATION

Textiles and clothing are among the most important sectors of the Turkish economy and foreign trade. Accounting for about 6-7% of the GDP together, these two sectors are the core of Turkish economy in terms of GDP contribution, share in manufacturing, employment, investments and macroeconomic indicators. These sectors had a 18.5% share in total export volume in 2011. There are more than 40,000 textile and clothing companies, mostly SME's, in Turkey.

Turkey is one of the main actors in the world clothing industry. Turkey ranks 8th in world cotton production and 4th in world cotton consumption. The Turkish clothing industry is the 6th largest supplier in the world, and the 2nd largest supplier to the EU. The Turkish textile and clothing industry has a significant role in world trade with the capability to meet high standards, and can compete in international markets in terms of high quality and a wide range of products.¹

International textile companies seem to prefer Turkish textile producers because of the cheap labour costs, reflected in lower prices. However, countries like China, India, Pakistan and Egypt have challenged Turkey's position as a cheap producer.² Although cheap labour force may seem to be an advantage for international competition, it is not advantageous in the long term. Cheap labour creates poor working and environmental conditions and feeds the informal employment that harms the economy and society at large. According to a 2008 statistic, 2, 5 million of the 3 million workers in the textile sector in Turkey are informally employed. Despite these facts, the traditional strategy for the sector is still considered to be: "produce the most suitable for the cheapest price".³

To improve the labour and environmental standards of SMEs, different business models must be developed to encourage the integration of sustainability into daily business operations. The multi-stakeholder approach motivates companies to create strategies: the government aids by enacting public policy, companies create incentives, NGOs provide technical assistance, and universities deliver academic works and field study. All these stakeholders come together and produce a common policy in order to increase collaboration and the formation of a common strategy.

¹ Republic of Turkey – Ministry of Economy, 2012

² Tekstil Sektörünün Mevcut Durumu ve Sektöre Yönelik Stratejik İstihdam Politikaları, Çalışma ve Sosyal Güvenlik Bakanlığı Tekstil İstihdam Stratejisi Raporu, Prof. Dr. Güler aras, Yıldız Teknik Üniversitesi, Mart 2010

³ Bakoğlu Deliorman, R., Türk Tekstil ve Hazır Giyim Sanayisi Üzerine Değerlendirme Raporu: 2005 ATC Anlaşmasından Sonra Türkiye'deki Tekstil ve Giyim Endüstrisi ve Geleceği, DGB Bildungswerk ve Birleşik Metal-İş yayını, İstanbul, 29 Sayfa (2009)

2 HISTORICAL BACKGROUND

In 1997, there were 4 Entrepreneur Support Centres in South East Anatolia, including Adzyaman. In 2002 the Adzyaman Center started a clustering project with the textile companies operating in Adzyaman, Kahramanmaraş, Malatya, Şanlı Urfa, Gazi Antep and Diyarbakır. For the project, approximately 120 enterprises were contacted and interviewed to identify the current mutual collaborations. After the interviews, analysts developed a cluster map to define the networks between the organizations. In the cluster map, it was observed that the mapped network was lacking some key players (iplik, boyama, baskı tesisleri, tekstil makine üreticisi, aksesuar üreticisi).

In order to coordinate the network, a local developing committee was formed, creating an effective multi-stakeholder platform. The committee consists mostly of main actors of the province, for example:

- Chamber of Commerce and Industry (ATSO);
- Republic Of Turkey, Ministry Of Development - South-eastern Anatolia Project (GAP)
- Development Agency (Silk Road Development Agency);
- Southern Anatolia Exporters Association (GAIB);
- SME Development Organization (KOSGEB)
- Local Businessmen

The committee meets bi-monthly to improve communication networks in the region. As of now there are 37 short, medium and long-term projects being developed for this purpose. Presently the committee, now known as the Clothing in Adzyaman Cluster Organization (ATEKS), has taken a major leadership role in promoting regional business development and communication.

3 ENVIRONMENT AND THE CONTEXT

To understand the importance of this initiative, it is important to know the context and environment in which this project is being implemented.

In Adzaman, 25% of industrial companies are in the textile and clothing industry. In addition, the sector employs 35% of Adzaman's work force. While there are no significant unregistered companies in the region, informal labour hiring is still observed in almost all companies.

In Adzaman, 71,8% of textile workers are women. Most of Adzaman's textile industry is cotton based knitted clothing industry, which employs women as machine operators. The fact that the industry in Adzaman is mostly based on cotton clothing production accounts for the high ratio of female workers.

There is also a textile vocational high school in Adzaman University.

The textile industry in general is pulled in two different directions when it comes to production: low costs and fast lead-times. Almost all clothing companies, particularly in Adzaman, are sub-contracted by regional and national clothing companies, who simultaneously expect reduced prices (mainly through employment) and improved production times.⁴

⁴ Diagnostic Study Report, 2011 – Harnessing Sustainable Linkages for SMEs in Turkey's Textile Sector

4 BEST PRACTICES PRESENTATION

The Centre's collective initiative acts a best practice model for Turkey, aiming, above all, to increase the competitive capacity of the region (Adzyaman, Kahramanmaraş, Gaziantep, Malatya, Mardin, Diyarbakır). Except for the suppliers, the initiative brings the related stakeholders together, including public and civil society organizations, and academics. In order to stay both competitive and responsible, the stakeholders should support the implementation of this project. The organization allows for enhanced stakeholder communication, which in turn promotes understanding of the expectations and responsibilities in this initiative.

The initiative strengthens the suppliers' means of working together and tries to bring a standard sustainability strategy in the entire region. This project has brought together the region, including the cities of Malatya, Gaziantep, Diyarbakır, Mardin, Adana, Kahramanmaraş and Urfa. The initiative could be adapted in other regions, which could be organized as a CSR centre for socially responsible production.

Overall this initiative has raised the question of how to adopt CSR policies, and what challenges are regularly faced? In order to form answers to these questions and create dialogue on the topic, Adzyaman Textile Education Centre and ATEK Adzyaman Textile and Confection Businessmen Association were established. The centres have published literature in order to create a streamlined understanding of the needs and challenges, including the titles Clustering Analysis in Adzyaman Textile, and Adzyaman Textile and Confection Catalogue.

Under the initiative 37 projects have been developed, 69 new firms established, 5000 new people employed and the overall migration level decreased. In addition, the project has implemented 50 different sustainability-training programs that have been implemented in 2000 companies. This initiative is a practical and innovative tool for responsible customers who are increasingly demanding better working conditions. The perception is that improved communication between supplier and buyer will allow buyers to support, through their purchasing behaviour, companies that are supporting sustainability.

5 RESULTS AND RECOMMANDATIONS

United Nations Development Programme selected the Center's initiative as one of the best practices in 2005. Further, Small and Medium Enterprises Development Organization is renewing its support for the initiative.

The Centre has the potential to become *Turkey's* Textile and Confection Production Centre, coordinating production and communication throughout the country. Beyond the textile industry, it acts as a model, kick-starting sustainability efforts in the tourism sector in the province Bolu.

This initiative is still new, and there is much room for growth. Some problems that must be resolved include the lack of financial regulation for SMEs, the lack of trust and sharing knowledge between companies, and the insufficient dialogue with the state. Further, pricing still remains a problem. Companies, in general, want to make profit, and this can be a hindrance to developing a sustainable business.

Thus, the whole project can be either a risk or opportunity depending on the steps taken. In order to achieve successful CSR, it is important to promote the multi-stakeholder approach and ensure every player is aware of its own responsibility in the project. Increasing the CSR trainings, introducing best CSR cases to the region, and also inviting customers to the region to advocate for CSR would help build awareness of social and environmental sustainability.

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For further information please consult:

- the RESPECT website www.responsible-practices.eu
- the case studies: www.responsible-practices.eu/index.php/m-r-factory/m-cases