

THE CITY OF CUNNING ENTREPRENEURS

Kayseri

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Kayseri has been known as the land of cunning entrepreneurs. During Ottoman times its Muslim (mainly Turks) and non-Muslim (Armenians, Jews, and Greeks) populations created a lively and prosperous city economy. They produced a range of high quality products from *pastırma* (cured beef) to carpets and metal work. The city has also been an important trade centre since ancient times. The people of Kayseri are famous throughout Turkey for their quick wit, intelligence and entrepreneurial talents. Coming from Kayseri has long been considered something to boast about.

Relying mainly on indigenous capital Kayseri was long able to maintain its economic vitality. However, its economy showed signs of slowing down in the late 1980s and 1990s. With some notable exceptions such as *Beğendik*, a successful retailing concern, and the denim manufacturer, *Orta Anadolu Mensucat*, Kayseri's recent economic progress has been hampered by a lack of structural change and vision. This has been disappointing for local

businessmen and trade organisations. Per capita income in Kayseri rose from \$1,177 to \$1,548 between 1987 and 1994, below the national average.

Kayseri lags behind comparable towns such as Konya in central Anatolia. While Kayseri ranks tenth among Turkish cities in terms of socio-economic development, its share of gross domestic product is small. According to the latest figures of the State Planning Organisation (DPT), between 1987 and 1994 Kayseri's share in the gross national product remained unchanged at 1.2 %. Kayseri typifies Turkish cities in this respect as the data also show that regional disparities did not diminish during the same period. Many small and medium-sized towns in Turkey barely held their weak position vis-a-vis the most prosperous Turkish metropolis, İstanbul.

The crucial question for Kayseri, as well as many other medium-sized cities in Turkey is how to commence and sustain economic development. How can rapid economic growth be achieved in Kayseri? Can successful entrepreneurs and innovative

businesses like *Beğendik* or *Orta Anadolu* be emulated? The city needs to develop its physical and human capital, it needs new technologies, strong international links, and a new entrepreneurial and collective spirit.

The background

Kayseri has been the principal industrial and commercial centre of Central Anatolia for many decades. Industrial development started much earlier than in other Anatolian towns. Because of its central location, the city received high levels of public sector investment during the early periods of the Republic. The first state venture was *Hava İkmal*, an aeroplane factory, in 1927. This was followed by a series of textile and weaving businesses such as the *Bünyan* factory (1933), the *Sümerbank* cloth factory (1936), and a sugar factory (1955). These investments created many jobs and raised incomes in the region. Through the development of skills and production techniques, private sector firms were able to benefit from these state operations in the 1960s and the 1970s. Building on

local manufacturing traditions, food processing, furniture and carpet industries gradually developed.

In the mid 1970s the city became one of Turkey's first producers of consumer durables, manufacturing refrigerators, ovens and sewing machines. As Turkish agriculture became mechanised, Kayseri became a producer of farming equipment. In 1990, according to the Department of Industry, 60 % of Turkish milk processing machines were produced in Kayseri.

Despite its successful growth in the 1960s and 1970s, the city's economy was unable to provide enough jobs and income for its provincial population. Kayseri has therefore been one of the central Anatolian provinces which experienced emigration to Western Europe. In the mid 1970s, European aid agencies attempted to stimulate economic and social improvements in the affected provinces through development programmes such as REMPLOD, launched by the Dutch government.

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The co-ordinator of the programme described Kayseri in 1974 in the following terms:

“Current developments within the world of enterprise in Kayseri are characterised by ‘trade-capitalism’, utterly dependent on the demand side of the economy and by the lack of any important technological development.”

Kayseri missed an important chance to utilise European capital and technology for industrial growth. In the 1970s international programmes such as REMPLOD encouraged joint stock investments by Turkish workers abroad. Along with the Turkish government, they also promoted the formation of workers' companies.

Eventually, a total of 38 companies were established in Kayseri with the savings of migrant workers and local people. However, due to poor management, financial problems and abuses, only two of them survived. This experience discouraged further attempts by migrant workers to invest in joint venture companies. Workers' savings were instead channelled into home and land ownership and consumer goods. Construction firms, real estate agents and consumer goods retailers have been the major beneficiaries of this trend. Consequently, returning *gasterbeiters* have preferred to set up small businesses and rely on income from unproductive sectors of the economy.

Current trends

Retail and wholesale trade occupies a central position in Kayseri's economy. In 1994, a fifth of the 8,112 business establishments in Kayseri were in the retail and wholesale trade sector. The second largest sector was





construction (15.6 %) and this was followed by furniture manufacturing (5.9 %). Meat processing, wooden furniture, carpet and textile production and bedroom furnishings are the most developed industries holding a leading market position in Turkey as a whole. However, most business establishments are very small firms, employing fewer than 10 workers. In 1992 there were only 142 manufacturing firms employing more than 10 workers.

In addition to “traditional” industries, Kayseri also has successful “modern” businesses. In 1994 there were 1,269 modern construction companies in Kayseri. These firms have been rapidly developing and have captured a strategic position in central Anatolia. The building sector developed along with urbanisation and modern construction firms followed the increasing demand in housing and urban expansion. In the 1950s, Kayseri had one of the first urban development and land use

plans outside Turkey’s major cities. Many construction companies also enjoy proximity to the capital city,

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Ankara, which controls the public contract bidding process.

Some of the best developed firms of Kayseri can be found in textiles, retailing and the wholesale trades. The textile and weaving industries are especially diversified. They are the

city’s major job creating and export-oriented industries. *Birlik Mensucat* and *Orta Anadolu* are the most successful textile companies among many. Although their establishments date back to the 1950’s, they successfully adapted new technologies and remained competitive in international markets. *Birlik’s* cotton yarns and fabrics and *Orta Anadolu’s* denim have gained an international reputation over the years. The latter company is also famed for its use of the most advanced computerized production techniques in weaving.

Some others among Kayseri’s best developed firms can be found in the retail and wholesale trades. Its foodstuff wholesalers have controlled the central Anatolian market for decades. Kayseri’s entrepreneurs embraced the idea of modernisation in retail trade.

A success story: Beğendik

The Beğendik family, a well-

established foodstuffs and nuts wholesaler, opened its first supermarket in Kayseri in 1986. This was a bold move, since even large cities in Turkey did not have many supermarkets back then, apart from a few municipal enterprises. However, Beğendik not only proved successful as a business venture, it also quickly changed the whole concept of shopping in Kayseri. By the early 1990s Beğendik had successfully adapted western technology and management techniques.

The company started to look for larger markets, and opened one of the first modern department stores in Ankara in 1993 and a supermarket in 1995. This was followed by another large store in Istanbul. Today Beğendik is competing against retail giants such as Carrefour and Migros to capture the booming Turkish retail market. It also has plans to go abroad. The company moved its headquarters from Kayseri to Ankara, formed a new management structure, and took on experienced professional staff.

It is hard to measure the positive effects of such a fast growing business

not readily available in the city.

Beğendik's success alone cannot transform the city economy. Kayseri is not likely to benefit from individual glories. Instead it requires a much wider, more deep-rooted business growth to attract new investment. Certain conditions need to be fulfilled before the population's "natural" entrepreneurship can be harnessed.

Needs

The people of Kayseri are justifiably proud of their entrepreneurial tradition. However, we have seen that despite the success of Beğendik and some other businesses, the local economy is no better overall than Turkey's other medium-sized cities. Kayseri businessmen must wish that they could distinguish themselves as they did during the Ottoman Empire and before. To do this, the town and its companies must adapt to more modern and competitive business practices. Kayseri needs innovation and application of new technology to business, well organised business sites, education and training and the active involvement of local organisations. Innovation and

beef crisis in Europe. Carpet weaving, another important industry, suffered tremendous losses in its market share because of cheap Chinese carpets.

The city needs appropriate business sites and urban services. Organised sites for small industry are a common feature of Turkish cities, and Kayseri could boast of an industrial zone as long ago as the 1950s. Subsequently, a series of small manufacturing sites were constructed using government credits. This helped the growth of small firms in the city. However, there is no land available in Kayseri at present for many businesses. The Kayseri industrial zone, set up in 1976, is now almost fully developed.

The education and training of manpower is very important for economic and social development. The labour market is unorganised and largely dominated by unskilled peasant migrants. The temporary hiring of workers, a practice dating back to the 19th century, is still practiced in Kayseri. This takes place in the *amele pazarı* (worker's market) where unemployed men meet and wait to be hired. Workers are usually only educated to primary

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on the city economy. Although the Beğendik family maintain close ties with Kayseri, and have regional offices, storage and manufacturing operations there, they are seeking new opportunities elsewhere. This is not simply because Kayseri not a big enough market for the business. There is also the fact that much of the infrastructure and services required by a complex retailing business are

technology have not been strong points of Kayseri's manufacturing businesses. There is a dearth of new technology and marketing techniques, not to mention long term planning. Two recent crises indicate that the city economy is not immune to international developments. Kayseri's meat processing industry, which uses imported beef, slumped dramatically in the aftermath of the

school level. Standard high school graduates have no special knowledge or skill. Vocational and technical high school graduates are almost outnumbered by those of *imam Hatip* (religious schools). The Apprenticeship Training School in Kayseri is too small to serve the whole city. Moreover, it fails to teach modern production techniques.

Consensus and collaboration

among local organisations are necessary in order to assist economic development. In the past, Kayseri missed some opportunities due to the lack of active participation of local organisations. The local government, business associations and the chambers of commerce and industry must coordinate their efforts in order to channel entrepreneurial spirit of the city into overall success.

Prospects and proposals

For financial independence and coordinated business development, the city needs a local investment and development bank. There have been several unsuccessful attempts to set up a bank of this kind in the past. This bank ought to be managed by local actors such as the local government, business associations and government agencies. Relying on local capital, it should finance infrastructure projects and development initiatives in the city.

Kayseri also needs to develop new industries besides traditional ones. The city can benefit from its strategic geographical position and should attract defence-related investment from Ankara and Kırıkkale. Another potential investment field is information technology. Turkey is far behind other countries in this respect. In collaboration with the local university many businesses can find international information technology partners. Successful examples such as India offer many cases that can be emulated. These are ambitious long-term projects which would bring many businesses to work together in various subcontracting relationships. The city economy would benefit from increasing complexity of business links.



Kayseri's entrepreneurial tradition is an asset currently lying dormant but not extinct

This would also be a challenge for old-fashioned labour intensive businesses.

Tourism while currently underdeveloped, is potentially a very promising sector in Kayseri. In fact, not much effort is required to lure tourists to the Kayseri region. For example, Sultan Sazlığı is one of the most interesting natural sites in Turkey. The Cappadocia region has unique cultural and archeological sites. Mount Erciyes offers wonderful opportunities for year-round skiing and trekking. The Kayseri region has Seldjuk architecture and Armenian churches of the late Ottoman period. These and many other historical sites need to be preserved and promoted.

The city economy should gradually be opened to outside competition and international markets. A free trade zone, which is currently still at the planning stage, could be a step in the right direction. In addition, however, the city economy ought to develop strong links with Europe, the Middle East, Central Asia, and the Far East.

Kayseri's townships need new job opportunities and investments. The development of businesses and industries has not spread to the rural parts of the Kayseri region. Except for Hacilar, which is famous for its manufacturers, the townships of Kayseri remain highly rural and are largely unaffected by economic growth. Kayseri's socio-economic development is far more advanced than that of its provinces. While Kayseri ranks 10th in terms of socio-economic development in Turkey, its outlying townships lie far below (e.g. Hacilar [91], Develi [252], Sariz [556], Tomarza [585]). This also indicates that productive and commercial capital do not circulate well in the region.

An improvement in Kayseri's human and physical resources is crucial in order to achieve a competitive and growing urban economy. Modern new industrial sites with proper roads, urban services and communication should be developed. It is important to provide better vocational education. Skill upgrading projects should be launched for the sake of local industry and businesses. Lastly, social and cultural life needs to be diversified. The local government can take the lead in promoting cultural, artistic and social activities.

Kayseri has many reasons to be optimistic about its future. We should not forget its entrepreneurial tradition, an asset currently lying dormant but not extinct.

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