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**Identification of at least three possible business clusters with the potential to export to EU (and regional markets) and outline a proposed export strategy**

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*Now that companies can source capital, goods, information, and technology from around the world, often with a click of a mouse, much of the conventional wisdom about how companies and nations compete needs to be overhauled. In theory, more open global markets and faster transportation and communication should diminish the role of the location in competition. After all, anything that can be efficiently sourced from a distance through global markets and cooperate networks is available to any company and therefore is essentially nullified as a source of competitive advantage. Michael E. Porter (1998)*

## **1. Abstract**

The concept of industry clustering has generated much discussion in regional economic development theory and practice in recent years. Yet it is fair to say that an accepted definition or a unified theoretical framework has failed to emerge from the discussion, as the concept often seems to enliven itself under divergent theoretical approaches, including but not limited to work on agglomeration economies, industrial districts, business networks, knowledge spillovers, and regional innovation systems. This report provides a review of the viability of starting a process of clustering of economic activity and its presumed link with regional economic development in Syria. While there is undoubtedly some overlap on some of the explanations offered by various theoretical perspectives, the concept of clustering has been used so widely in varying contexts and in a multifaceted manner that it risks creating more confusion than clarity, especially in empirical research.

## **2. Key Words:**

Industry clusters, industrial sector activities, agglomeration, industrial districts, knowledge spillovers, competitiveness.

### 3. List of Abbreviations

ASCER	Association of Ceramic Tile Manufacturers of Spain
AVA	Agro-food & Veterinary Authority of Singapore
CAD	Computer-aided design
CAM	Computer-aided manufacturing
CITER	Centro Informazione Tessile Emilia-Romagna
GAFTA	Greater Arab Free Trade Area
HS	Harmonized system
ISO	International Organization for standardization
ITC	International Trade Center (UN)
OIM	Open Innovation Model
SEBC	Syrian European Business Centre
SME	Small and Medium Enterprises

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## 5. Executive Summary

1. In both developed and developing countries there is mounting evidence that clustering and networking helps small- and medium-sized enterprises (SMEs) to raise their competitiveness. The role of public policy in this process is less clear. The European experience suggests that local and regional government can play an important role, particularly where it cooperates with private sector organizations. Equally if not more interesting experiences can be found in developing countries.
2. Research on clustering in developing countries has been inspired by the competitiveness of industrial districts in advanced countries. The success of the Italian regions and other European regions in the 1970s and 1980s exemplifies the power of collective efficiency focused on the need of demanding customers.
3. Drawing firm policy lessons from these European experiences is more difficult than appears at first sight, partly because the link between public policy and private performance is under-researched. Nevertheless, these experiences contributed to a double shift in the industrial policy debate: towards more concern with the role of regional and local government, and joint public/private sector initiatives.
4. Since in the European success stories, regional or local government became active only at a relatively advanced stage of industrial development, they do not provide policy lessons for making embryonic clusters grow. More can be learnt from cases where public policy helped to bring about cooperation of enterprises even though the critical mass was sometimes small and previous linkages were few.
5. These experiences suggest that working with groups of enterprises can increase the leverage of public resources. The collective approach has lower transaction costs and facilitates mutual learning; and it can be used for both forming new networks and for upgrading existing clusters.
6. We detect that industrial clusters are viable and feasible in Syria; the sectors analyzed have some Strengths and Weaknesses may be resolved improving cluster strategy.
7. To Syria industry, setting up a cluster strategy may be a great opportunity to improve efficiently, higher the profits, consolidate them in international markets, warrant employee, create new business opportunity, and generate an economy of scale. It's necessary to improve an Action Plan supported by the entrepreneurs, private organizations like Chambers of Industries, SEBC, and the authority like the Ministry of Industry.

## 6. Introduction

Once considered to be vestiges of the traditional sector, to be swept away by the process of modernization, small- and medium-sized enterprises (SMEs) have, in the last decades, become one of the main targets of policies aimed at creating growth and employment in developing countries.

Support for SMEs is generally based on three assumptions:

1. The first is that there are benefits for the country as a whole from having a strong SME sector. It sustains a broad and diversified private sector and creates employment.
2. The second is that a strong SME sector will not emerge without support from the State. Small enterprises suffer disadvantages in markets because of their size.
3. The third aimed at the smallest enterprises have been justified more in terms of their welfare impact than their economic efficiency; support for micro enterprises is seen as a way of creating durable job opportunities.

The policy for SMEs can be particularly effective when:

- It is driven by the need to meet the demands of the customer. A customer-orientation forces firms to tackle their key problems of competitiveness, and successful interventions are those which establish the means by which SMEs can learn about and from the needs of their customers and obtain the technical assistance which enables them to meet these needs.
- It is directed at groups of enterprises. This has two advantages:
  - 1) the collective approach has lower transaction costs than assistance to individual enterprises;
  - 2) it helps generate relationships between enterprises which improve their efficiency through the development of cooperation and maximize the potential of the group through the development of mutual learning.
- It will be argued that these two features establish the condition for the cumulative capacity to upgrade and become less dependent on support from outside. Being competitive is a process of remaining competitive through improvement. The objective of policy intervention at the micro level should be to develop the capability of groups of firms to generate processes of improvement deriving from inter-firm linkages and contact with the market. Thus, public support for a given purpose gradually becomes unnecessary and can shift to new challenges.

## **6.1 Taking lesson from other experiences**

The rapid growth of the Third Italy<sup>1</sup>, and in particular the rapid growth of SME-based industries, was associated with the concentration of firms in particular sectors and localities. Such clusters were able to establish a strong position in world markets in a number of so-called traditional products - shoes, leather handbags, knitwear, furniture, tiles, musical instruments, food processing - and also in the industries which supply machinery to these sectors. In a 'traditional' industry, such as shoes, clusters of SMEs were able to expand production and exports in the 1970s and 1980s at a time when large enterprises in Britain and Germany were in decline (Rabellotti 1995a: 30-31<sup>2</sup>).

Perhaps most important, such clusters seemed to have the capacity to upgrade their production. The close proximity of raw materials suppliers, equipment suppliers, component producers, sub-contractors and final goods producers, together with a combination of both intense rivalry between firms and cooperation in producers' associations seemed to be able to drive the whole cluster forward.

The apparent vitality of clusters of small and medium-sized firms in Italy led to a considerable interest in the bases of their success.

From this international debate the following have emerged as the main attributes of industrial districts: geographical proximity, sectorial specialization, predominant of small and medium sized firms, close inter-firm collaboration, inter-firm competition based on innovation, a socio-cultural identity which facilitates trust, active self-help organizations, and supportive regional and municipal government.

It should however be emphasized that there are many variations amongst European industrial districts and that the weight of the above attributes varies a great deal. Furthermore, industrial districts are not merely a European phenomenon; similar experiences are reported from North America and Japan.

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<sup>1</sup> The concept of the Third Italy (coined by Arnaldo Bagnasco) started to be used in the late 1970s. The Third Italy includes the regions of Umbria, Marche, Emilia-Romagna, Friuli-Venezia-Giulia, Veneto, Trentino-Alto Adige and Tuscany.

<sup>2</sup> Rabellotti 1995a, 'Is there an "industrial district model"? Footwear districts in Italy and Mexico compared', World Development Vol 23 No 1

### **6.1.1 Case Study: The provision of services by CITER in Italy**

The group of measures, which has attracted most attention in the Italian industrial district debate, is the provision of real services.

Real services in the Third Italy can be best illustrated with the example of CITER (Centro Informazione Tessile Emilia-Romagna). CITER is located in Modena, and operates in the knitwear field. The centre provides five major services:

- It edits a half-yearly periodic report on international market trends and on activities of competitors at home and abroad.
- It informs artisans about the prices and nature of yarns, which are available on the market.
- It keeps members informed on technological developments, by preparing technical notes on relevant machinery and by collecting relevant literature.
- It has a CAD/CAM station for use by its members.
- It informs the local business community about the fashion trends. Because of its close relationship with the large department stores, CITER can obtain privileged information on the purchasing trend of various fashion lines offered on the market. It also collects data on the evolution of tastes, values and motivations of the consumer, and purchases the expensive catalogues of fashion institutes around the globe.

### 6.1.2 Case Study: Tile sector in Spain

Tile of Spain, from ASCER, was founded in Castellon, a Spanish cluster of tile industries.

ASCER (Association of Ceramic Tile Manufacturers of Spain) was founded in 1977 in accordance with the 19/1977 Professional Organizations Act (Ley de 19/1977 de Organizaciones Profesionales). It replaced and increased the activities of the National Syndical Group of Tile Industries (ANSIA), which had been operating since 1959 and in turn was officially recognized by the Group of Tile Manufacturers, an organization that arose in the 40s.

Other company organizations in the tile industry had existed previously. The oldest written information kept regards the Tile Manufacturers Society created in 1927, with its head office in Onda (Castellón). Thus, evidence is provided that the existence of ceramic tile associations goes back a long time.

ASCER is considered to be an organization that provides support, defends and promotes the general and common interests of the ceramic industry. Its activities are defined by the convenience or need to act jointly in those fields in which companies, on their own, cannot successfully perform certain acts, or may do so at high costs.

As the matters dealt with are specific and occasional, joint action requires great functional flexibility that allows to effectively responding to the constant changes of the environment. Thus, functional flexibility is the main denominator of the type of work performed by the Association.

The centre also provides the following major services:

- It edits a periodic report on international market trends and on activities of competitors at home and abroad.
- International promotion.
- Sectorial study
- It keeps members informed on technological developments, by preparing technical notes on relevant machinery and by collecting relevant literature.
- It has a network of ceramic study departments in Co-operation between Schools of Architecture and the ceramic tile industry.
- It informs the local business community about the sector trends, new material, new technology.
- An annual Tile of Spain Awards of Architecture and Interior Design

A very interesting lesson, that seems similar to Syrian actual industrial situation, is that in the case of Europe, the emergence of the industrial districts did not result from consciously pursued local or regional industrial strategy. It seems that the districts cases went through two stages:

Spontaneous growth, and

Institutionally enhanced growth.

There was no clear cut dividing line, but there was a common pattern of institutions playing more of a role in the later phase than in the earlier growth

phase. In other words, to the extent that policy implications can be drawn from this experience, they are not concerned with the emergence of industrial districts but with the path they took once they existed.

Policies adopted in European industrial districts were primarily about enabling already existing and dynamic clusters of firms to perform better, or to respond to new challenges. In these cases, there was already a strong basis on which policy could work. A vertically disaggregated yet linked production system was already in place. Policy built on these linkages. It supported or enhanced the dynamism of the district, but it did not create it.

As a first conclusion we can affirm that for Syrian policy makers, it is important to discover, first, whether there is one possible cluster or many, and, second, the means of moving along the path(s) to the destination(s). In order to explore these two issues, it is necessary to consider the factors, which underlie the competitive success of the industrial districts.

Industrial districts in Europe appear to have secured competitive advantage in the supply to demand niche markets. They have done this by competing mainly on the basis of quality, design, speed of innovation and speed of response. This might seem far removed from, for example, the cotton knitwear cluster of Tiruppur in South India. This cluster has achieved great success in exporting basic cotton textiles, but as yet it shows little capacity to move into higher value market niches (Swaminathan and Jeyaranjan 1994<sup>3</sup>). An enormous gulf remains between the small knitwear firms of Tiruppur and the 'networks of technologically sophisticated, highly flexible manufacturing firms' which Piore and Sabel (1984: 17)<sup>4</sup> characterize as the basis of the Italian success. However, it will be argued here that these differing cases do have important things in common, and that what they have in common provides the potential for clusters such as Tiruppur to upgrade their facilities and become technologically more sophisticated and more capable of competing in demanding markets. What they have in common is the competitive advantage, which arises when enterprises, which are clustered together, are driven forward by the needs of demanding customers.

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<sup>3</sup> Swaminathan, P. and Jeyaranjan, F., 1994, 'The knitwear cluster in Tiruppur: an Indian industrial district in the making?', Working Paper No 126, Madras: Institute of Development Studies

<sup>4</sup> Piore, M. and Sabel, C., 1984, *The Second Industrial Divide: Possibilities for Prosperity*, New York: Basic Books

### 6.1.3 Case Study: SINGAPOUR Agro-food Business Clusters

Three Agri-Food Business Clusters have been formed for food fish, vegetable and fruit, and meat businesses. The business clusters concept was initiated by AVA<sup>5</sup> and are chaired by the private sector with AVA providing the secretariat support. The members are major players in the industry or key representatives from the trade associations. They serve as a bridge of communication between the industry and the government on issues concerning food sourcing and facilitation of the food trade.

Main mission is to promote and expand the development of fruits and vegetables trade in Singapore. As a contact point to promote member's interest, the association helps to foster closer links amongst members and facilitate, the association helps to foster closer links amongst members and facilitate valuable networks with the various government ministries and trade organizations.

The terms of reference of the Clusters are as follows:

- To identify new sources of food for Singapore. In particular, identify the sources of food for the Singapore market;
- To devise strategies on how best to move towards a diversified food supply and look into investment opportunities for Singapore importers to invest in food production and processing at source;
- To communicate strategies on food sourcing between AVA and importers/traders;
- To identify the challenges and problems faced by the Singapore importers/traders; and
- To share information on trade statistics, food quality and safety practices, and developments in the agriculture and food industry.

The trade associations in the agri-food businesses are:

- Singapore Fruits & Vegetables Importers & Exporters Association
- Seafood Industries Association Singapore
- Meat Traders' Association Singapore
- Poultry Merchants' Association
- Singapore Fish Merchants' General Association
- Punggol Fish Merchants' Association
- Egg Import/Export Trading Association

AVA has create a Singapore Agro-food Business Directory were is possible reach the contacts of all the major agro-food traders are listed in the Singapore Agro-Food Business Directory published by the Times Business Information Pte Ltd for AVA. This comprehensive online directory on Singapore's agri-food business industry connects companies with business partners on the World Wide Web. Over 6,000 companies involved in agriculture and food business related activities are listed in the directory.

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<sup>5</sup> AVA: Agri-food & Veterinary Authority of Singapore. <http://www.ava.gov.sg>

#### **6.1.4 Case Study: Wenzhou footwear industry**

Footwear industry: Change in global production and China's opportunity

The footwear industry, one of China's traditional low technology sectors, has been viewed as a 'sunset activity'. Compared to other sectors its technological change has been slow. For a long time the sector has been exposed to severe international cost competition that has led to a decline in production sites at 'old' locations and migration of the industry to 'young' locations in low wage regions (Shamp & Main 2003). Labor costs continue to be a dominant factor in competitiveness. Entrepreneurs are induced to search for countries and regions with lower wages. More efficient use of labor is required even in regions/countries usually considered as sources of unlimited cheap wages.

Assembly of shoes began shifting from developed countries in the 1960s first to Japan; then to Korea and Taiwan; and in the early 1980s to Southern China. In the mid-1980s when Taiwan and Korea supplied 45 percent of world footwear exports, 80% of Hong Kong manufacturers shifted a significant part of their shoe production to mainland China especially Guangdong Province. By 1994 the world exports share of Taiwan and Korea had dropped to 7 percent while Mainland China's share grew to 50 percent from 8 percent in 1986. With the support of a strong plastic industry and technology research on footwear-manufacturing at home, Taiwan is in a strong position for production of rubber and man-made leather shoes. Over 90% of Taiwan's footwear factories (more than 1,000 companies) have set up plants in mainland China, especially Fujian Province and Guangdong Province.

Lucheng Association of Shoes Industry first concentrated on enhancing the reputation of Wenzhou shoe products. Now the Association has 1138 member enterprises and 26 association branches. Since its establishment the Association has made great efforts to improve shoe quality by training on production and design and introduction of advanced equipment. It organized local managers to visit their counterparts in the US, Italy and Korea and has also helped member enterprises to expand sales channels--with annual shoe exhibitions in cities around China since 1996 and by contact with foreign customers such as the trade association of Italy. Its International Shoe Equipment Material and Technology Exhibition has become one of the most professional exhibitions in Asia. Recently the Association organized development of an electronic information network. The Association also works as a bridge agency between the shoe industry and the government passing policy to enterprises and transmitting the requirements of enterprises to the government.

## **7. T.O.R Objectives**

### **7.1 Global Objective**

The overall objective of the assignment is to analyze business sectors in Syria with the potential to form effective clusters that can export successfully to European and regional markets.

### **7.2 Specific Objectives**

The specific objective of this assignment is to identify at least three clusters in the various sectors with the potential to export and make recommendations in order to make the sectors more competitive. Provide guidelines regarding the most appropriate export strategies for the selected clusters and suggest business opportunities for sectors within the E.U. markets. Finally, define paths of possible collaboration with similar clusters operating in the E.U

### **7.3 Requested services**

- Meet with stakeholders, institutions and government departments to search for data and information relevant to the mission.
- Study and analyze the information and data obtained.
- Identify the sectors with potential to set up successful clusters (if any).
- Where possible, identify some of the enterprises that could integrate the clusters.
- Provide guidelines to make the proposed clusters more efficient and to help the internationalization of the clusters (export to EU markets)
- Define cluster specifications and by-laws governing the clusters.
- During the assignment, the SEBC will support the work of the consultant by providing information about the sectors and knowledge of the Syrian business environment.

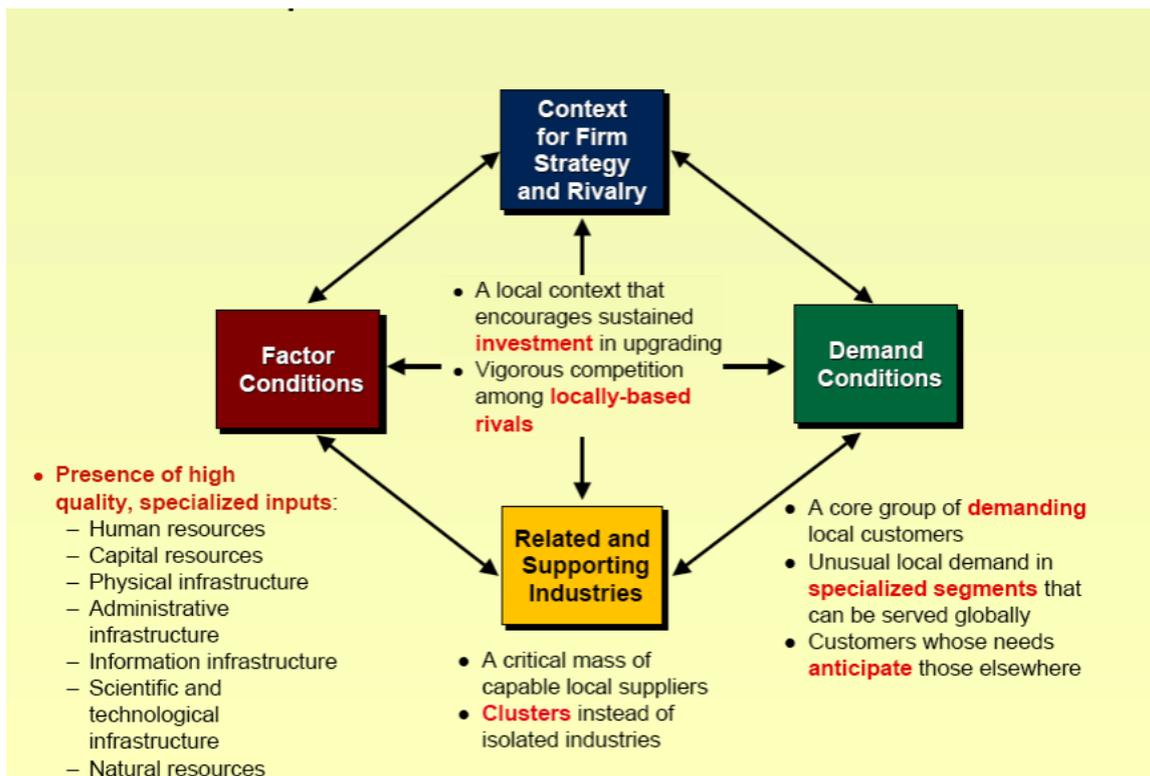
### **7.4 Requested outputs**

- Identification of at least the three sectors where clusters with export potential could be created.
- Suggest some enterprises that could be part of the identified clusters.
- Provide a SWOT analysis of the selected sectors.
- Definition of minimum standards for enterprises to be part of the clusters.
- Provide relevant and comprehensive guidelines to develop internationalization (export) strategies to position the clusters in E.U. markets.
- Summary of cluster specifications.
- Conclusions and recommendation for future cluster development.

## 8 The Industrial Cluster

The term cluster was utilized extensively by Porter (1998)<sup>6</sup>, who proposed applying a “diamond approach” to determine whether a cluster can maintain competitive advantage relative to other clusters. Once a cluster is formed, Porter deems it to be “innovative” if four conditions – factor conditions, demand conditions, related industries, and firm strategy/rivalry – are satisfied.

Figure 8.1.1 Porter’s Diamond approach



According to Porter (1998, 2000), clusters capture important linkages, complementarities, and spillovers in terms of technology, skills, information, marketing, and customer needs that cut across firms and industries. These advantages allow firms in the cluster to become more productive and innovative, thereby increasing competitiveness.

Competitive advantage is forged both through intensified inter-firm rivalry and geographical proximity. Since Porter<sup>7</sup> has rooted and promoted his cluster concept within an overarching focus on the determinants of “competitiveness” (of firms, industries, 14 regions and nations) in today’s global economy, his work has a great influence in policy circles (Martin and Sunley 2003)<sup>8</sup>. In fact, the last decade has witnessed a substantial growth in the number of cluster-based economic

<sup>6</sup> Porter, M. E. *The Competitive Advantage of Nations*. New York: Free Press, 1998.

<sup>7</sup> Porter, M.E. 2000. *Location, competition, and economic development: Local clusters in a global economy*. *Economic Development Quarterly* 14 (1): 15-34.

<sup>8</sup> Martin, R. and Sunley, P. 2003. *Deconstructing clusters: chaotic concept or policy panacea?* *Journal of Economic Geography* 3 (1): 5-35.

development initiatives in many parts of the world (Waits 2000<sup>9</sup>, Wolfe 2003<sup>10</sup>).

Globalization is not a new phenomenon, but its importance is still growing at an ever-faster pace. All economies must either cope with this reality or gradually lose their vitality. If economies successfully and positively respond to this world trend, their development will be ensured.

Industrial cluster policy is subtle and complex, requiring not only a traditional combination of targets and policy measures but also related arrangements such as economic reforms, deregulation, construction of infrastructure, establishment of legal systems, and so on. In addition, any successful economy must now meet global standards; without carrying out the reforms necessary for meeting these standards, no region can attract global resources.

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Porter (1990), who has advanced the cluster concept as a business strategy to increase competitiveness and productivity, has developed a very broad definition of the cluster concept. Accordingly, clusters include:

1. Buyers and suppliers of inputs,
2. Service providers as well as providers of specialized infrastructure.

Clusters also include:

1. Regional resources and infrastructure,
2. Governmental and private institutions:

Universities,  
Vocational training providers,  
Standards-setting agencies, and  
Trade associations;

that provide specialized training, education, information, research, and technical support.

## **8.1 The competitiveness of industry cluster**

The competitiveness of industry clusters is thus derived from the concentration of related industries, suppliers and services in the same place, access to supporting economic infrastructure, rivalry and collaborative efforts between firms and other institutions, and knowledge spillovers (Porter 1990, 2000<sup>11</sup>).

The clusters include different agents that are interconnected in order to produce

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<sup>9</sup> Waits, M.J. 2000. *The added value of the industry cluster approach to economic analysis, strategy development, and service delivery*. *Economic Development Quarterly* 14(1): 35-50.

<sup>10</sup> Wolfe, D. 2003. *Clusters from the inside out: lessons from the Canadian study of cluster development*. Paper presented at the DRUID summer conference. Copenhagen, June 12-14, 2003.

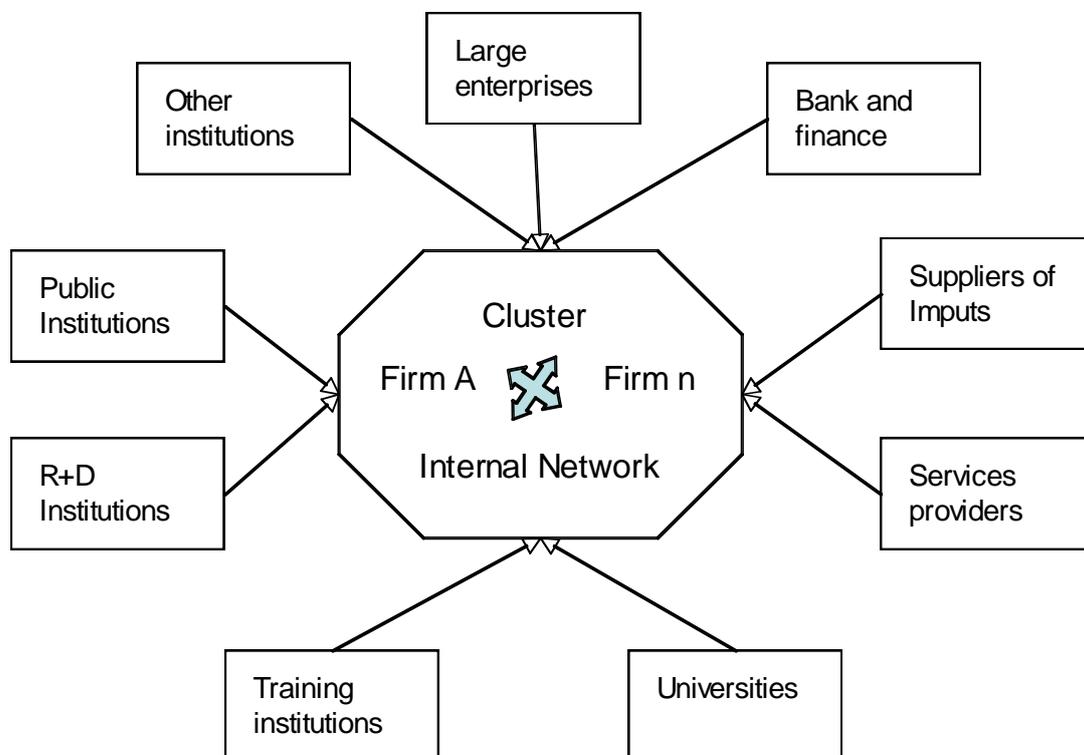
<sup>11</sup> PORTER, 1990; *The Competitive Advantage of Nations*, Macmillan, London

complementary goods that are usually produced through the exploitation of a value chain where common inputs, specific skills, and technologies are used. The limits of a cluster are defined by the interconnections and the complementarities that are established between the industries and the institutions that play an important role in the reinforcement of the competition that is generated in the market (Porter, 1998<sup>12</sup>).

The clusters not only promote the competition but also stimulate the cooperation. Therefore, the cooperation (mainly, in terms of the vertical value chain) can involve companies of industries and local institutions that are interconnected. This represents an alternative way of organizing the value chain.

The enterprises can be simultaneously very cooperative and sophisticated. They may also use advanced technologies in order to reach high levels of productivity. However, the way that companies compete in international terms is determined by the quality of local economic environment. The modern competition depends on the productivity. It depends neither on the access to the inputs nor the dimension of the enterprises. In this sense, higher levels of productivity are originated through the cooperation among the agents that are integrated on the networks of knowledge clusters in which the enterprise participates.

**Figure 8.1.2 Internal and external network of a cluster**



<sup>12</sup> PORTER, 1998; "Clusters and the New Economics of Competition", *Harvard Business Review*, November – December, 1998, p. 77 - 89

## **8.2 Improve an Open Innovation Model (OIM)**

With cluster we are able to implement an OIM. The implementation of an open innovation model makes it clear that enterprises should use external ideas, as well as, internal ideas, and also external and internal paths to the market, as the enterprises want to develop their technology. This new model requires that ideas both flow out of the enterprise, in order to promote adequate targets for their monetization, and flow into the enterprise, by pushing new offerings and new business models (Chesbrough, 2003<sup>13</sup>).

OIM may provide a fundamental advantage, that is, the reduction of the error of both ignoring a winner and backing a loser. Furthermore, it moves the enterprises closer to the main research that is developed outside their boundaries. It also enables the recovery of false negatives. These are projects that are initially taken as worthless, but that turn out to be very valuable in the market.

The core idea about the scheme of open innovation that is now presented consists on the promotion of innovating innovation through the design of institutional networks that should be oriented to the combination of different scientific areas. This process involves several entities located inside or outside the clusters.

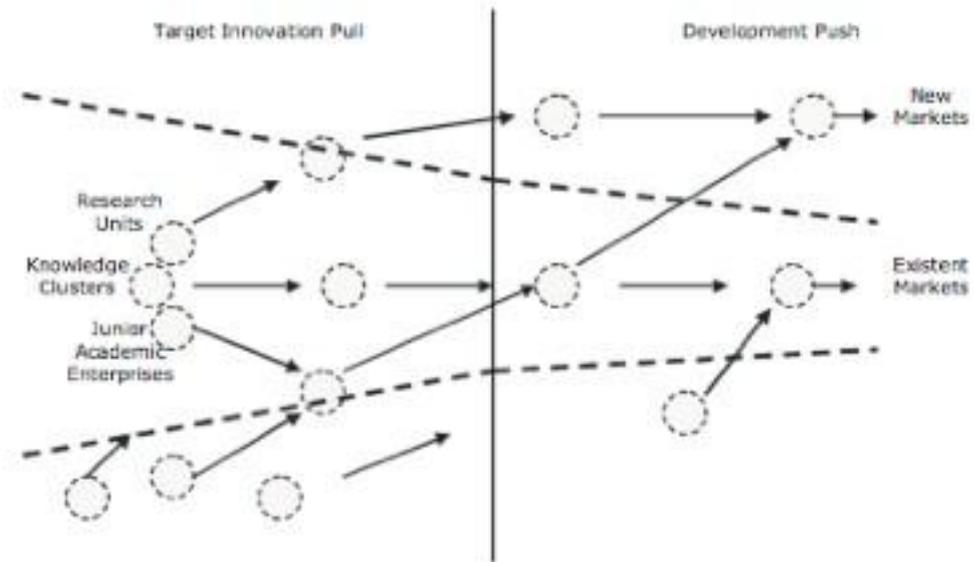
The logic of open innovation is based on a landscape of knowledge produced in the scope of institutional networks that involve both traditional and emergent clusters. This way, the knowledge that is going to be used by the enterprise should not only result from the internal research. Instead, it should incorporate external research that may contribute, on the one hand, for the expansion of the pathways to the market and, on the other hand, for the costs reduction.

The modus operandi is based on the systematic scan of the innovating ideas that are born at the start-up enterprises, and at the research units that are catalyzed by the Universities. From this, it results that the enterprises that belong to a certain cluster may access to the finest research discoveries without providing much internal research of their own.

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<sup>13</sup> CHESBROUGH, 2003; *Open Innovation – The New Imperative for Creating and Profiting from*  
*Harvard Business School, Boston, Massachusetts.*

Figure 8.2.1 Open Innovation Model



## 9 The Mission Approach

In accordance with Project leader, I start analyzing the possible sectors to define a first group of industries and propose the idea to them.

To accomplish with the objectives of the mission I've defined a three phases program:

- Selection of three sectors
- Selection of the enterprises of each sector
- Fieldwork activity:
  - Meeting with enterprise visiting the factory
  - Realization of in-depth interview with manager and entrepreneur
  - Realization of two focus groups Agro-food industry (canned food industry, spices and legumes) Footwear industry in Aleppo
  - Collection of quantitative data with two questionnaires (Annex 1 and 2)

My first objective was to optimize time to achieve the mission objective and obtain all the information necessary to produce the outputs required by SEBC:

### 9.1 Justification of the selection of three sectors

With SEBC we identify two possible sectors (agro food and footwear). We consider interesting evaluates the feasibility and viability of two clusters in agro food industry; a first sector focused on canned food industry, a second one focused on spices and legumes industry, and a third sector of the Aleppo footwear industry.

I have taken as a basis to analyze Syrian sector and subsector the statistics prepared by the International Trade Centre (ITC) since it is very difficult to obtain updated statistics about Syrian industry from local agencies. The advantage of ITC statistic is that they are available on the World Wide Web and their last data is the 2006. The statistics include estimates and adjustments made by the ITC in order to make all the statistics consistent.

Other interesting items in ITC statistic is also the sector and subsector classification where their statisticians are confident about the data as:

- **Star:** where the growth rate is high compared to that of World trade and the growth has been consistent over a number of years.
- **Emerging:** where the growth rate is high compared to that of World trade but the growth has only been consistent over recent years.
- **Traditional:** where the exports have been existing for a long time, even though they may be growing or declining or stable.
- **Snail:** where exports are hardly growing or declining.

## **9.1.2 Canned food industry**

### **9.1.2.1 HS 20: Vegetable, fruit, nut, etc, food preparations**

ITC classifies this sector as “emerging” because the exports growth is fairly recent. The main products are: fruit and nuts preserved in sugar, Jams, fruit jellies and marmalade (which the ITC have classified as a “star”), prepared or preserved vegetables, not frozen, and cucumbers, gherkins and onions preserved in vinegar.

Syria exported US\$ 151 million in 2006. The sector is increasing its World market share by some 44% pa. Interestingly, there are some 26 products under this heading, which have export values greater than US\$ 100,000 and 34 export markets with demand greater than US\$ 100,000, indicating that the growth is broadly based. Moreover, the share of the top three export markets comprises only 54% of total exports, which reinforces the notion that the exports are broadly based.

Interestingly, the value of prepared and preserved tomatoes is only worth some US\$ 7 million, compared with the export of fresh tomatoes of nearly US\$ 166 million. Usually, tomatoes, which are not of a standard to be exported fresh, are peeled or made into purée and canned or put into plastic sachets. Of course, fresh tomatoes, which are not of export standard, are probably being sold on the domestic market. Yet, one would have imagined that the export of prepared or processed tomatoes would have been far higher, given the value of fresh tomato exports.

The main destinations are Iraq, Kuwait, Egypt, Saudi Arabia and the Lebanon. Although Iraq may be the largest market and is a new destination reflecting the troubles in that country and the difficulties faced by manufacturers there, there is a healthy diversification in markets with significant sales going to Kuwait, Egypt and Saudi Arabia. In order to hold on to the market in Iraq and in the Lebanon, the Syrian exporter needs to establish a niche, say for quality that would cause Iraqi and Lebanese buyers to continue buying even when local production facilities are restored.

Exporting preserved fruit and nuts in sugar should not be impossible for Europe. Already Syrian exports constitute 13% of World exports of the subsector. Most consumers as typical of the Middle East see these products in the same way as “Turkish Delight” is always associated with the Middle East and Turkey. Even manufacturers in Europe display Middle Eastern imagery on the packaging of “Turkish Delight” to emphasize the origin of its recipe. Any negative imagery of the Middle East certainly does not apply to these products.

The way into European markets for all products in this sector is through manufacturing for already established named brands retailers/wholesalers, such as supermarkets. Usually, supermarkets have products with their own brand name sitting on the shelves with other named brand products. The own-brand products are usually priced slightly lower than the named-brand products. Consumers, for their own needs, often buy the supermarket brand products, as

they are cheaper, but when giving a gift to somebody else will choose the named-brand product. There are people who perceive a taste difference (and if the named brand manufacturer is not the same as the supermarket brand manufacturer, there may well be a taste difference) and so prefer to buy non-supermarket brand products.

The manufacturer, providing that he makes both products, does not mind that the sales are overwhelmingly the supermarket brand because his named product is sitting there with the image of being slightly better. Possibly because, in the public's mind, his product is perceived to be better, the manufacturer can sell his named product to other shops. The fact that he is selling to supermarkets under their own-brand label would be perceived as an assurance to other retailers that the manufacturer's products are of quality and, as a producer, he is dependable. Providing that the price of his own-brand product is not priced too low by the supermarket, the other shops would not fear being undercut.

**Table 9.1.1. Syria's Exports - 20 Food prepared (2006, US\$ 000)**

Industry	Exports (US\$ 000)	As a share of world exports (%)	No products USD 100.000	of >	No markets USD 100.000	of >	Share of top 3 export markets (%)	Structural Performance
2000 All industries in sector 20	151.082	0,4	26,0		34		54	Emerging
2006 Sugar preserved fruits and nuts	61.299	13,1	1,0		11		80	
2007 Jams, fruit jellies & marmalades	36.648	2,1	2,0		16		81	Star
2005 Prepared or preserved vegetables (excl. frozen)	20.464	0,3	7,0		22		57	Emerging
2001 Cucumbers, gherkins and onions preserved by vinegar	16.748	1,4	2,0		12		78	Emerging
2002 Tomatoes prepared or preserved	7.276	0,3	2,0		8		68	Emerging
2009 Fruit & vegetable juices, unfermented	6.132	0,1	6,0		9		71	Emerging
2004 Prepared or preserved vegetables (incl. frozen)	1.578	0,0	2,0		3		90	
2008 Preserved fruits	567	0,0	3,0		1		55	
2003 Mushrooms & truffles, prepared or preserved	369	0,0	1,0		1		93	
<b>Leading partners</b>								
World	151.082	0,4	26,0					
Iraq	30.182	0,1	11,0					
Kuwait	28.330	0,1	11,0					
Egypt	23.159	0,1	3,0					
Saudi Arabia	20.110	0,1	10,0					
Lebanon	19.780	0,1	10,0					

### 9.1.3 Spices and legumes.

#### 9.1.3.1 HS 07: Edible vegetables and certain roots and tubers

Syria is a major exporter of edible vegetables, roots and tubers with an export value of US\$ 388 million in 2006. This amounted to 1 % of World trade. 43% of the exports were of tomatoes, which accounted for 2.9% of World trade in that vegetable\*<sup>14</sup>. The whole sector is classified as “Emerging” by the ITC because the development of the sector has accelerated in recent years, with the exports of a range of other vegetables growing faster tomatoes.

Although the major export is tomatoes, worth a little under US\$ 168 million in 2006, a wide range of other vegetables are exported. The next largest exports are of:

- Frozen vegetables (US\$ 55 million) which seems to be enjoying a very fast growth rate with its share of the World market increasing at 142% pa, and
- Dried, shelled (peeled) vegetables with US\$ 52 million of exports and a growth in its share of the World market at 44% pa.

But there are also a number of other vegetables also being exported in a fresh or chilled state: lettuce, chicory, carrots, turnips, beetroot, potatoes, cabbages, cauliflowers, onions, garlic, leeks, cucumbers and gherkins and other leguminous vegetables.

Overall, there are 37 different vegetable subsectors being exported in 2006. It may be noticed that the other higher valued export subsectors have a growth in the share of World trade higher than the overall growth in the share of World trade for the sector. Hence, it may be assumed that the growth in exports of tomatoes is slower than for other vegetables.

The main markets are Saudi Arabia, the Lebanon, Iraq and Kuwait. But slightly less than 10% are being exported to Europe. Nevertheless, there were some 31 different countries buying at least US\$ 100,000 worth of edible vegetables from Syria in 2006.

In fact, this sector seems very promising with the exports growing at 41% per annum and at its share of the World market increasing at 28% pa. This compares with growths in the share of World trade for Turkey of only 6% pa and Tunisia of 18% pa. Jordan exports, on a per capita basis, US\$ 37 per year compared to Syria's US\$ 21 per person per year. Although Jordan's exports are only increasing World market share at 1% pa, it has a significant export base which would indicate that possibly Syria could possibly capture part of Jordan's market.

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\*<sup>14</sup> Actually, tomatoes and cucumbers are fruits, but by convention or taste are treated as vegetables.

In recent months, shortages of food around the World, which have been prevalent for many years, are coming to the notice of the World as a whole and are being reflected in rising food prices. This would seem to be a good opportunity for Syria to develop its food agricultural potentials and to capture new export markets. It is noteworthy that the population is increasing rapidly in Syria, developing these sectors now would mean that Syria always has sufficient food to meet domestic demand as the population increases year-by-year simply by diverting exports to the domestic market.

#### **9.1.3.2 HS 09: Coffee, tea, mate and spices**

The ITC have classified Syrian exports of this sector as a “star” with exports worth US\$ 184 million. Most of these exports are of seeds of anise, bedian, fennel, coriander, cumin and others, worth US 178 million. The ITC have classified this subsector as “emerging” indicating the growth has been fairly recent.

Ginger, saffron, thyme, bay leaves and curry exports are worth US\$ 1.5 million but are declining as a share of World trade. However, exports of pepper, peppers and capsicums, though of small value at US\$ 194,000 are increasing its World market share at 50% pa. The ITC have classified this subsector as “emerging” indicating that the growth is fairly recent.

The main export markets are the UAE, Saudi Arabia, Egypt, and Morocco and interestingly, Brazil.

**Table 9.1.2 Syria's Exports - 07 Edible vegetables and certain roots and tubers (2006, US\$ 000)**

<b>Industry</b>	<b>Exports (US\$ 000)</b>	<b>As a share of world exports (%)</b>	<b>No products USD 100.000</b>	<b>of &gt; No markets USD 100.000</b>	<b>of &gt; Share top 3 export markets (%)</b>	<b>of Structural Performance</b>
0700 All industries in sector 07	387.716	1,0	37	31	66,2	Emerging
0702 Tomatoes	165.662	2,9	1	12	77,3	
0710 Frozen vegetables	55.109	1,4	5	13	83,1	Emerging
0713 Dried vegetables, shelled	51.995	1,2	7	19	69,1	Emerging
0709 Vegetables, fresh or chilled	24.096	0,3	3	8	73,8	
0708 Leguminous vegetables, shelled or unshelled, fresh or chilled	15.113	1,8	3	8	79,4	Emerging
0705 Lettuce and chicory, fresh or chilled	13.973	0,8	3	6	88,2	
0706 Carrots, turnips and salad beetroot, fresh or chilled	13.943	1,3	2	9	81,0	Emerging
0701 Potatoes	12.629	0,5	2	10	70,3	
0711 Vegetables, provisionally preserved (unfit for immediate consumption)	11.883	2,4	2	9	67,2	Emerging
0704 Cabbages and cauliflowers, fresh or chilled	9.026	0,6	2	6	89,9	Emerging
0712 Dried vegetables	5.955	0,3	3	4	90,2	Emerging
0703 Onions, garlic and leeks, fresh or chilled	5.108	0,2	2	4	94,0	Emerging
0707 Cucumbers and gherkins, fresh or chilled	2.988	0,2	1	3	96,1	Emerging
0714 Manioc, arrowroot salem (yams) etc	224	0,0	1	0	79,2	
<b>Leading partners</b>						
World	387.716	1,0	37			
Saudi Arabia	123.236	0,3	21			
Lebanon	68.192	0,2	19			
Iraq	65.266	0,2	21			
Other Europe n.e.s	35.085	0,1	7			
Kuwait	20.447	0,1	22			

**Table 9.1.3 Syria's Exports - 09 Coffee, tea, mate and spices (2006, US\$ 000)**

Industry	Exports (US\$ 000)	As a share of world exports (%)	No products USD 100.000	of > No markets USD 100.000	of > Share top 3 export markets (%)	of Structural Performance
0900 All industries in sector 09	184.456	0,8	14	52	38,1	Star
0909 Seeds of anise, badian, fennel, coriander, cumin, etc.	178.140	44,1	5	50	38,7	Emerging
0902 Tea	3.135	0,1	3	3	96,7	
0910 Ginger, saffron, turmeric, thyme, bay leaves & curry	1.514	0,2	2	6	55,8	Snail
0901 Coffee	1.395	0,0	3	6	60,6	
0904 Pepper, peppers and capsicum	194	0,0	1	1	81,4	Emerging
0908 Nutmeg, mace and cardamoms	44	0,0	0	0	100,0	
0903 Mate	24	0,0	0	0	100,0	
0906 Cinnamon and cinnamon-tree flowers	0	0,0	0	0	0,0	
0907 Cloves	0	0,0	0	0	0,0	
<b>Leading partners</b>						
World	184.456	0,8	14			
United Arab Emirates	30.197	0,1	3			
Saudi Arabia	21.324	0,1	6			
Egypt	18.677	0,1	3			
Brazil	15.381	0,1	2			
Morocco	12.869	0,1	2			

## 9.1.4 Footwear Industry

### 9.1.4.1 HS 64: Footwear, gaiters and the like, parts thereof

Syria exported US\$ 153 million in 2006 and is increasing its penetration of the World market by 18% pa. Overall Syria exports products worth over US\$ 100,000 in 19 different categories. The main exports are HS 6405, Footwear not elsewhere specified, worth US\$ 86 million\*<sup>15</sup>, followed by HS 6402 Footwear with outer sole and uppers of rubber or plastic with US\$ 32 million, and HS 6403 Footwear with outer sole of rubber, plastic or leather and uppers of leather with US\$ 21.6 million.

Two subsectors are growing very fast, albeit from very small values in 2001. These are HS 6406 Parts of footwear (US\$ 8 million) with its share of World trade growing at 123% pa and HS 6401 (US\$ 3 million) with its share of World trade growing at 215% pa.

The main export countries are Saudi Arabia (US\$ 34 million), and Libya (21 million), followed by Turkey, the Sudan, and Ukraine. The exports to Turkey, worth in 2006 US\$ 17.7 million, have been increasing their penetration of the Turkish market by at 162% pa.

The potential to increase exports is good. Tunisia exported US\$ 520 million in 2006, but it has not increased its share of the World market since 2001, compared with Syria growth of 18% pa. If Syria exported the same amount per head of population as Tunisia (the respective values are: US\$ 8,000 and US\$ 51,000) then Syrian exports would be US\$ 965 million, an increase of over six fold.

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\*15 Believed to be thongs

**Table 9.1.5 Syria's Exports - 64 Footwear, gaiters and the like, parts thereof (2006, US\$ 000)**

Industry	Exports (US\$ 000)	As a share of world exports (%)	No products USD 100.000	of > No markets USD 100.000	of > Share of top 3 export markets (%)	Structural Performance
6400 All industries in sector 64	152.811	0,2	19	40	48	Emerging
6405 Footwear	85.764	3,1	3	28	48	Star
6402 Footwear, outer soles and uppers of rubber or plastics	32.167	0,2	4	26	60	
6403 Footwear, upper of leather	21.555	0,1	4	12	80	Emerging
6406 Part of footwear; removable in-soles, heel cushion etc; gaiter etc	7.931	0,1	4	13	70	Emerging
6401 W/p foot, outer sole/upper of rubber/plastic upper not fixed to sole nor assembled	2.889	0,4	1	3	92	Emerging
6404 Footwear, upper of textile mat	2.505	0,0	3	7	50	
<b>Leading partners</b>						
World	152.811	0,2	19			
Saudi Arabia	34.331	0,0	6			
Libyan Arab Jamahiriya	20.783	0,0	9			
Turkey	17.687	0,0	7			
Sudan	12.668	0,0	5			
Ukraine	12.367	0,0	7			

## 10 The field work Methodology

### 10.1 Personals face-to-face in-depth Interviews

This methodology helped me to collect very rich information by Key informer. Also, the face-to-face in-depth interview with local experts was useful to understand other questions related with the object of the survey.

In-depth, qualitative interviews are excellent tools to use in planning and evaluating training programs and career path. An in-depth interview is an open-ended, discovery-oriented method that is well suited for describing both program processes and outcomes from the perspective of the target audience or key stakeholder.

The goal of the interview is to deeply explore the respondent's point of view, feelings and perspectives. In this sense, in-depth interviews yield information.

There are key characteristics that differentiate an in-depth, qualitative research interview from a regular interview. Some key characteristics of in-depth interviews include:

1. **Open-ended Questions.** The questions I've proposed were worded so that respondents cannot simply answer yes or no, but must expound on the topic. (See annex 1)
2. **Semi-structured Format.** Although I had some pre-planned questions to ask during the interview, my strategy was allow the questions to flow naturally, based on information provided by the respondent. In any case I've never insist upon asking specific questions in a specific order. In fact, the flow of the conversation dictates the questions asked and those omitted, as well as the order of the questions.
3. **Seek understanding and interpretation.** I tried to interpret what I've heard, as well as seek clarity and a deeper understanding from the respondent throughout the interview.
4. **Conversational.** The meeting was conversational, but my role was primarily that of a listener. There should be smooth transitions from one topic to the next.
5. **Recording responses.** The responses are recorded with written notes.
6. **Record observations.** It was very important for me to observe and record non-verbal behaviors on the field notes as they were taking place.
7. **Record reflections.** I recorded my views and feelings immediately after the interview as well.

In essence, in-depth interviews involve not only asking questions, but the systematic recording and documenting of responses coupled with intense probing for deeper meaning and understanding of the responses. Thus, in-depth interviewing often requires repeated interview sessions with the target audience under study. Unlike focus group interviews, in-depth interviews occur with one individual at a time to provide a more involving experience.

Personal interviews involve the face-to-face questioning of people selected for their particular knowledge, interests, or availability rather than at random.

## **10.2 Focus group**

### **10.2.1 Why focus groups?**

Focus groups are fundamentally a way of listening to people and learning from them. Focus groups create line of communication. This is most obvious within the group itself, where there is continual communication between the moderator and the participants, as well as among the participants as well. Moderators should be motivated to listen and learn from the participants. This is not a passive process. Research team members are responsible to decide which topics they want to hear and to focus the discussion on the things that they want to learn. Every group has its own dynamics; therefore they need to acknowledge the participants' priorities if they want to hear their thoughts and ideas.

### **10.2.2 Advantages**

Examination of the literature reveals that focus groups provide a number of advantages relative to other types of research:

- 1) Focus groups provide data from a group of people much more quickly and at less cost than would be the case if each individual were interviewed separately. " They also can be assembled on much shorter notice than that required for a more systematic, and larger survey.
- 2) Focus groups allow the researcher to interact directly with respondents. This provides opportunities for the clarification of responses, for follow-up questions, and for the probing of responses. Respondents can qualify responses or give contingent answers to questions. In addition, it is possible for the researcher to observe non-verbal responses such as gestures, smiles, frowns, and so forth, which may carry information that supplements (and, on occasion, even contradicts) the verbal response.
- 3) The open response format of a focus group provides an opportunity to obtain large and rich amounts of data in the respondents' own words. The researcher can obtain deeper levels of meaning, make important connections, and identify subtle nuances in expression and meaning.
- 4) Focus groups allow respondents to react to and build upon the responses of other group members. This synergistic effect of the group setting may result in the production of data or ideas that might not have been uncovered in individual interviews.
- 5) Focus groups are very flexible. They can be used to examine a wide range of topics with a variety of individuals and in a variety of settings.
- 6) Focus groups may be one of the few research tools available for obtaining data from children or from individuals who are not particularly literate.
- 7) The results of a focus group are easy to understand. Researchers and decision-makers can readily understand the verbal responses of most respondents. However, this is not always the case with more sophisticated survey research that employs complex statistical analyses.

### **10.2.3 Limitations**

Although focus groups are valuable research tools and will offer a number of advantages, they are not a panacea for all research needs and they do have their limitations. Many of these limitations are simply the negative sides of the advantages listed above:

- 1) The small numbers of respondents that participate even in several different focus groups and the convenience nature of most focus group recruiting practices, limit significantly generalization to a larger population. Indeed, persons who are willing to travel to a locale to participate in a one- to two-hour group discussion may be quite different from the population of interest, at least on some dimension, such as compliance or deference.
- 2) The interaction of respondents with one another and with the researcher has two undesirable effects. First, the responses from members of the group are not independent of one another, which restrict the generalizability of results. Second, a very dominant or opinionated member may bias the results obtained in a focus group. More reserved group members may be hesitant to talk.
- 3) The "live" and immediate nature of the interaction may lead a researcher or decision-maker to place greater faith in the findings than is actually warranted. There is a certain credibility attached to the opinion of a live respondent that is often not present in statistical summaries.
- 4) The open-ended nature of responses obtained in focus groups often makes summarization and interpretation of results difficult
- 5) The moderator may bias results by intentionally or not providing cues about what types of responses and answers are desirable.

Thus, it could be underlined that focus groups offer important advantages; however, these same advantages have associated dangers and limitations. Focus groups are used most often as a preliminary stage in a larger research program that includes a larger, more representative survey of the population, or as a means for adding insight to the results obtained from a survey (Walker 1985). It should not be overlooked; however, the fact that there are cases in which focus groups alone may be a sufficient basis for decision making. It is true that focus groups yield qualitative data obtained from relatively small numbers of respondents who interact with one another; yet, this is exactly their purpose. There are those who would use focus groups to explore all manners of research questions. This view, however, is as inappropriate as the view that dismisses the focus group as having no utility. The focus group is one tool in the social scientist's research tool kit and it should be used where it is appropriate and for the purposes for which it was designed.

### **10.2.4 Managing focus groups**

#### **10.2.4.1 Making Small Talk**

Small talk is essential just prior to beginning group discussion, since its purpose is to create a warm and friendly environment and to put participants at ease. The following are some guidelines on how moderators should behave during the small talk period.

- Greet participants on arrival and make them feel comfortable
- Talk casually and comfortably about issues of minor importance
- Avoid key issues that will be discussed later in the session
- Ask participants to fill a registration form (The registration form should include questions about demographic characteristics, particularly those characteristics that is not appropriate to be discussed during the interview).
- During the small talk period the moderator should observe participant interaction, noting individuals who dominate the group, are excessively shy, or consider themselves experts.
- The small talk period should last only 5-10 minutes.

#### **10.2.4.2 Introducing the Focus Group**

The first few moments in a focus group discussion are critical. In a brief time the moderator should create a thoughtful, permissive atmosphere. Much of the success of group interviewing can be attributed to this 2-4 minute introduction. Excessive formality and rigidity can stifle the possibility of dynamic interaction among participants. By contrast too much informality and humor can cause problems in that participants might not take the discussion seriously. The recommended pattern for introducing the group discussion consists of the following:

- Welcome
- Overview of the Topic
- Guidelines or ground rules (guideline on how the discussion should be guided: number of questions, level of moderator involvement)
- Opening question (typically an open-ended question that allows participants to tell about how they see or understand the phenomenon under investigation. The question could ask for a definition, an explanation, or an overview of how users have experienced the availability of public sector information in their country).

#### **10.3.4.3 Asking Questions**

Several things are worthy of remembering when asking question:

- A question route or topic guide should be designed
- Questions should be carefully phrased and appropriately sequenced.
- Questions should be asked in conversational manner
- Moderators should alter the sequence of questions or topics if some of them have already been discussed or answered in previous discussion.

Above from the above guidelines it is also wise for moderators to be aware of the following time constraints. As it is already been mentioned focus groups are typically 60 to 120 minutes long. The 2 hours limit however is a physical and psychological limit for most people. Thus, it is prudent not to surpass the 2 hours limit, unless there is a special event circumstance that makes it comfortable for participants, such as providing lunch or dinner. Another issue that needs to be addressed, when conducting focus groups sessions, is that some questions can be answered in a matter of seconds while others demand additional time. It is useful, therefore, for moderators to consider the categories of questions and their time

requirements when finalizing question topics for discussion. Generally speaking, if a focus group becomes larger or if participants are experts (i.e. existing users), then it is better to keep the number of questions to a minimum.

#### **10.2.3.4 Listening**

One of the greatest challenges for novice moderators is to make the distinction between people talking and people answering the question. It is dangerous to assume that participants are answering the question that was asked because they are talking. Therefore moderators should consider the following:

- When the discussion shifts quickly off topic, moderators should pull it back to the original intent.
- Considering the type of the question, the importance of that question, whether participants are becoming redundant to their answers, the remaining time, moderators should decide when enough has been said on a particular question/topic and when to ask the next one.

#### **10.2.4.5 Closing the Discussion**

The moderator has several options for closing the focus groups. Some of the most common ones are the following:

- Summarize briefly the main points of the view and ask if this perception is accurate.
- After the 2 to 3 minutes summary is completed, the moderator should invite comments, amendments or corrections.
- The moderator should ask if the participants have any questions (inviting question can be illuminating and provide insights that can be incorporated into subsequent focus groups).

#### **10.2.4.6 Debriefing the discussion**

As soon as participants leave, the moderator should debrief the discussion, procedure which can vary from 10 minutes to as long as an hour, depending on the complexity and the interests of the research team. While debriefing, moderators should consider responding to the following questions:

- What are the most important themes or ideas discussed?
- How did this differ from what moderators expected
- How did these differ from what occurred in earlier focus groups?
- What points need to be included in the written report?
- What quotes should be remembered and possibly included in the report?
- Were there any unexpected or anticipated findings.

## 11. Cluster proposed

Resulting from the work done during the mission, the existence of three possible clusters has been verified. As we pointed out at the beginning of this report (paragraph 9.1), two of them belong to the food industry (subsectors canned food and spices and legumes) and a third one to the footwear industry.

The enterprises in these three activities are SMEs family businesses that sell a portion generally below 30% of their production in the local market and the rest is distributed among the markets belonging to GAFTA<sup>16</sup> and mainly European, American and Canadian countries, not excluding Eastern countries and/or Oceania. The sale of its products in these markets goes through agents or distributors who, broadly speaking, buy EXW the production and introduce it in the markets through their distribution channels. In most cases the companies don't know the destination of the products and particularly:

- the market segments in which the product is introduced
- its positioning
- typology of final consumers that buy their products
- sale channels
- and the product retail price.

In any case (except for participation in a fair) an analysis work on the objective Markets has been carried out, by means of an expansion strategy:

- selection of the objective market/s,
- analysis on these markets demand
- product tests
- analysis on the product positioning
- selection of distributors based on their client list
- positioning strategy.

Following we present an analysis of the three potential clusters, their SPOT and the summary of the focus group carried out with the entrepreneurs.

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<sup>16</sup> Greater Arab Free Trade Area is composed by: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania. Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, UAE, Yemen

## 11.1 Agro-foods Industry two Clusters

### 11.1.1 General evaluation of cluster potentiality

Evaluation of influence (-;+;+/-)	Items
-	Processor linkages with agriculture have deteriorated
-	Low average quality of soils and high instability of climate
-	Water resources are decreasing.
-	Relatively low level of development of related industries
-	Transport sector is relatively inefficient, technical conditions of roads are deficient
-	Lack of environmental law
+/-	Supply and placement contacts are in short-term stable with respect to exports, less so for domestic sales
+/-	Financial sector is still developing, despite some improvements
+/-	EU standards are rigorous
+	Long tradition and consolidation of sector
+	Some companies have already started to invest in improving equipments and plants

### 11.1.2 Demand

Evaluation of influence (-;+;+/-)	Items
-	Significant local demand, but for lower quality and low price product
-	Limited domestic market for quality
-	Weak knowledge of the final consumer needs and requirements (international market)
+	Good knowledge of the final consumer needs and requirements (local market)
+	Large external market for quality (gourmet), differentiation, biological, ethnic and functional

### 11.1.3 SWOT

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Well-established manufacturing traditions.</li> <li>• Human resources known for their proven professionalism.</li> <li>• Specific technologies, even if quite obsolete</li> <li>• Intense activity and dynamic development of private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Human resources qualification.</li> <li>• Packaging</li> <li>• No specialization (great number of family product and variety)</li> <li>• Suppliers</li> <li>• Lack of skills in business communication and sales</li> <li>• Access to credit or finance</li> </ul>
<b>Opportunity</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Customer Learning</li> <li>• Specialization (increasing added value)</li> <li>• Innovation</li> <li>• Cluster cooperation</li> <li>• Local International Law</li> </ul>	<ul style="list-style-type: none"> <li>• No market strategy</li> <li>• High depending on international buyer</li> <li>• Emerging country</li> <li>• Chang in costumer habit of consumption</li> </ul>

#### **11.1.4 Focus group with Agro-food Syrian entrepreneur**

On Monday 18th we carried out the focus group with companies producing prepared and canned food (canned food industry, spices and legumes) at the Chamber of Industry of Damascus.

Those present at the focus group were presented the project, study cases and were given a questionnaire (annex 1) where the benefits of clusters to entrepreneurs were summarized and a series of statements related to clusters to which the participants answered whether they agreed.

The focus group lasted 120 minutes, of which 90' were devoted to debate.

#### **11.1.5 Main results of focus group.**

- Strong mistrust on entrepreneurs' side for fear of losing their current autonomy.
- Although they understood and shared the benefits of the development of a cluster, they remain in expectancy.
- The chamber of commerce and in particular the Food Industry Community are in favour of the initiative and they consider it a great opportunity.
- All of them agree with the fact that, in spite of selling a great part of their production in the international markets, they don't actually control the process and therefore they don't know how to export.
- They all see that they are vulnerable in aspects such as:
  1. marketing intelligence,
  2. promotion,
  3. cost control,
  4. adaptation of their production to international markets,
  5. positioning of their products
  6. negotiation with potential distributors and/or buyers.

#### **11.1.6 Key factors for cluster viability.**

The major problem of Agro food industry is the weakness in marketing. Most companies are well equipped and technically able to produce a good product.

Aside effect of this lack of marketing is the situation where buyers and companies looking for subcontracting are not aware of the opportunities in Syria.

Cluster should try to initiate an activity to improve this situation. This could be done via a kind of informative "Industry Directory" where brief company profiles are given, but also by providing industry and country information.

This "Directory" will be then offered to potential buyers and companies looking for subcontracting. An internet version of the "Directory" should be also available.

Most of the other problems are company based and individual. Each company has a different situation and must develop individual concept to overcome the problems it is facing.

When it comes to the most important aspects, such as product development and marketing, no money is left. Here the cluster should support the singles SMEs.

### **Promotion and Sales Support**

Furthermore some activities are recommended:

- Selection of a number of really interested and capable companies to start-up the cluster and support them in marketing and promotion
- Hold seminar as mentioned and supply individual assistance for market concept, product development (limited) and start-up with the production.
- Development of individual company market approach based on strength sand weaknesses and willingness to co-operate with Cluster
- A first activity of the cluster may be organize different promotion tours according to market approach: start-up, high added value, in Italy, England and Germany.
- Organize incoming buyer mission from EU markets to link companies to added-value contractors.
- Visit trade fairs in Spain, France, Turkey, for market research and contacts.
- Cost structures of most companies are diffuse! Here Cluster should improve situation by offering some seminars and supplying training and assistance
- Press work to improve image of Syria and knowledge about shoes industry capability and potential for exports into Central- and South-EU.

**Table 11.1.1 Similar clusters in Europe.**

<b>Cluster</b>	<b>Employees</b>	<b>Size</b>	<b>Spec.</b>	<b>Focus</b>	<b>Stars<sup>17</sup></b>	<b>Innovation</b>	<b>Exports<sup>18</sup></b>
Bretagne (Rennes), FR	67 830	1.36%	2.89	7.83%	***	Medium	Strong
Pays de la Loire (Nantes), FR	61 321	1.23%	2.15	5.83%	***	Medium	Strong
Wielkopolskie (Poznan), PL	51 813	1.04%	2.83	7.69%	***	Low	Strong
Lietuva, LT	46 712	0.94%	2.15	5.85%	***	Low	Strong
Weser-Ems (Oldenburg), DE	37 744	0.76%	2.02	5.48%	***	Low	Strong
Lombardia (Milan), IT	107 806	2.16%	0.97	2.64%	**	Medium	Strong
Cataluña (Barcelona), ES	103 066	2.06%	1.19	3.22%	**	Medium	Strong
Danmark, DK	76 203	1.53%	1.07	2.91%	**	High	Very strong
Vlaams Gewest (Antwerpen), BE	64 903	1.30%	1.20	3.27%	**	High	Strong
Emilia-Romagna (Bologna), IT	63 745	1.28%	1.32	3.58%	**	Medium	Strong
Veneto (Venice), IT	62 162	1.25%	1.16	3.14%	**	Medium	Strong
Mazowieckie (Warszawa), PL	55 653	1.11%	1.81	4.90%	**	Medium	Strong
Rhône-Alpes (Lyon), FR	51 608	1.03%	0.99	2.68%	**	High	Strong
Piemonte (Turin), IT	47 876	0.96%	1.01	2.74%	**	Medium	Strong
Ege (Izmir), TR	47 217	0.95%	1.84	4.98%	**	N/A	Strong
Castilla y León (Valladolid), ES	46 869	0.94%	1.86	5.05%	**	Low	Strong
Voreia Ellada (Thessaloniki), GR	45 855	0.92%	1.47	3.98%	**	N/A	Weak
Nord - Pas-de-Calais (Lille), FR	42 596	0.85%	1.40	3.81%	**	Low	Strong
Ireland, IE	42 333	0.85%	0.98	2.66%	**	N/A	Very strong
Slaskie (Katowice), PL	36 991	0.74%	1.49	4.04%	**	Low	Strong

<sup>17</sup> The amount and quality of knowledge circulating and spilling over between firms located in a cluster is dependent upon the cluster's size, the degree to which it is specialised and the extent to which the locality (the region) is geared towards and focused upon production in the relevant industries comprising the cluster. These three factors, size, specialisation and focus, reflect whether the cluster has reached 'specialised critical mass' to develop positive spill-overs and linkages. The European Cluster Observatory shows the extent to which clusters have achieved this specialised critical mass by employing measures of these three factors as described below, and assigning each cluster 0, 1, 2 or 3 'stars' depending on how many of the below criteria are met.

<sup>18</sup> The values we assigned are:

- "Weak" if a country's share in a given cluster is less than its share in overall exports
- "Strong" if the exports in a cluster divided by overall exports were within 1 to 2 limits
- "Very strong" value was assigned if the countries share in a cluster was at least twice as large as its overall share

Del-Alfold (Szeged), HU	34 101	0.68%	2.89	7.85%	**	Low	Weak
Lodzkie (Lodz), PL	32 952	0.66%	2.46	6.67%	**	Low	Strong
Dogu Karadeniz (Trabzon), TR	32 281	0.65%	6.66	18.08%	**	N/A	Strong
Kujawsko-Pomorskie (Bydgoszcz), PL	29 442	0.59%	2.80	7.59%	**	Low	Strong
Podkarpackie (Rzeszów), PL	25 155	0.50%	2.60	7.06%	**	Low	Strong
Lubelskie (Lublin), PL	24 238	0.49%	2.79	7.57%	**	Low	Strong
Lüneburg, DE	21 868	0.44%	2.10	5.69%	**	Low	Strong
Guneydogu Anadolu (Gaziantep), TR	21 632	0.43%	2.94	7.97%	**	N/A	Strong
Oberpfalz (Regensburg), DE	21 396	0.43%	2.24	6.07%	**	High	Strong
Bati Marmara (Edirne), TR	18 281	0.37%	2.26	6.14%	**	N/A	Strong
Warminsko-Mazurskie (Olsztyn), PL	17 952	0.36%	2.77	7.52%	**	Low	Strong
Podlaskie (Białystok), PL	15 329	0.31%	3.10	8.40%	**	N/A	Strong
Lincs (Lincoln), UK	14 902	0.30%	2.29	6.20%	**	High	Weak
Lubuskie (Gorzów Wielkopolski), PL	10 926	0.22%	2.24	6.08%	**	Low	Strong
Alentejo (Setúbal), PT	10 064	0.20%	2.21	5.98%	**	Low	Strong
Opolskie (Opole), PL	9 303	0.19%	2.04	5.53%	**	Low	Strong
Andalucía (Sevilla), ES	51 801	1.04%	0.70	1.89%	*	Low	Strong
Île de France (Paris), FR	49 654	0.99%	0.39	1.06%	*	High	Strong
Valencia, ES	49 205	0.99%	0.92	2.50%	*	Low	Strong
West-Nederland (Amsterdam), NL	45 787	0.92%	0.52	1.42%	*	N/A	Very strong
Istanbul, TR	43 426	0.87%	0.92	2.51%	*	N/A	Strong
Stuttgart, DE	37 405	0.75%	0.95	2.57%	*	High	Strong
Sud - Muntenia (Ploiesti), RO	34 837	0.70%	1.49	4.04%	*	N/A	Weak
Dogu Marmara (Bursa), TR	33 399	0.67%	1.80	4.87%	*	N/A	Strong
Nord-Est (Iasi), RO	33 276	0.67%	1.48	4.00%	*	N/A	Weak
Centru (Brasov), RO	32 389	0.65%	1.55	4.21%	*	N/A	Weak
Malopolskie (Kraków), PL	30 211	0.61%	1.94	5.28%	*	Low	Strong
Aquitaine (Bordeaux), FR	30 029	0.60%	1.29	3.50%	*	Medium	Strong

Sud-Est (Constanta), RO	29 860	0.60%	1.47	3.98%	*	N/A	Weak
Zapadne Slovensko (Nitra), SK	29 123	0.58%	1.45	3.92%	*	Low	Strong
Kentriki Ellada (Patras), GR	29 056	0.58%	1.44	3.90%	*	N/A	Weak
E Anglia (Ipswich), UK	28 612	0.57%	1.10	3.00%	*	High	Weak
Jihovýchod (Brno), CZ	28 035	0.56%	1.48	4.02%	*	Medium	Strong
Midi-Pyrénées (Toulouse), FR	28 017	0.56%	1.32	3.59%	*	High	Strong
Nord-Vest (Cluj), RO	27 995	0.56%	1.36	3.69%	*	N/A	Weak
Yuzhen tsentralen (Plovdiv), BG	27 913	0.56%	1.92	5.22%	*	N/A	Strong
Münster, DE	27 604	0.55%	1.46	3.95%	*	Medium	Strong
Bati Anadolu (Ankara), TR	26 208	0.53%	1.42	3.85%	*	N/A	Strong
Schwaben (Augsburg), DE	25 623	0.51%	1.68	4.56%	*	High	Strong
Centro (Coimbra), PT	25 387	0.51%	1.42	3.85%	*	Low	Strong
Latvija, LV	25 385	0.51%	1.05	2.84%	*	Low	Strong
Detmold, DE	25 346	0.51%	1.41	3.83%	*	Medium	Strong
Murcia, ES	24 601	0.49%	1.79	4.86%	*	Low	Strong
Severovýchod (Hradec Králové), CZ	24 431	0.49%	1.37	3.72%	*	Low	Strong
Stredni Morava (Olomouc), CZ	24 383	0.49%	1.76	4.78%	*	Low	Strong
Castilla-La Mancha (Toledo), ES	24 252	0.49%	1.28	3.47%	*	Low	Strong
Schleswig-Holstein (Kiel), DE	24 233	0.49%	1.16	3.16%	*	Medium	Strong
Thüringen (Erfurt), DE	23 908	0.48%	1.28	3.47%	*	Medium	Strong
Akdeniz (Antalya), TR	23 627	0.47%	1.35	3.66%	*	N/A	Strong
Yugozapaden (Sofia), BG	23 059	0.46%	1.00	2.72%	*	N/A	Strong
Dolnoslaskie (Wroclaw), PL	22 932	0.46%	1.50	4.08%	*	Low	Strong
Alsace (Strasbourg), FR	22 665	0.45%	1.46	3.95%	*	High	Strong
Centre (Orléans), FR	22 531	0.45%	1.16	3.14%	*	Medium	Strong
Eszak-Alfold (Debrecen), HU	22 460	0.45%	1.74	4.71%	*	Low	Weak
Niederösterreich (St. Pölten), AT	22 013	0.44%	1.40	3.79%	*	Low	Strong
Oberösterreich (Linz), AT	21 511	0.43%	1.41	3.81%	*	Medium	Strong
Jihozapad (Plzeň), CZ	21 303	0.43%	1.48	4.03%	*	Low	Strong
Leics, Rut and Northants (Leicester), UK	20 861	0.42%	1.04	2.83%	*	High	Weak

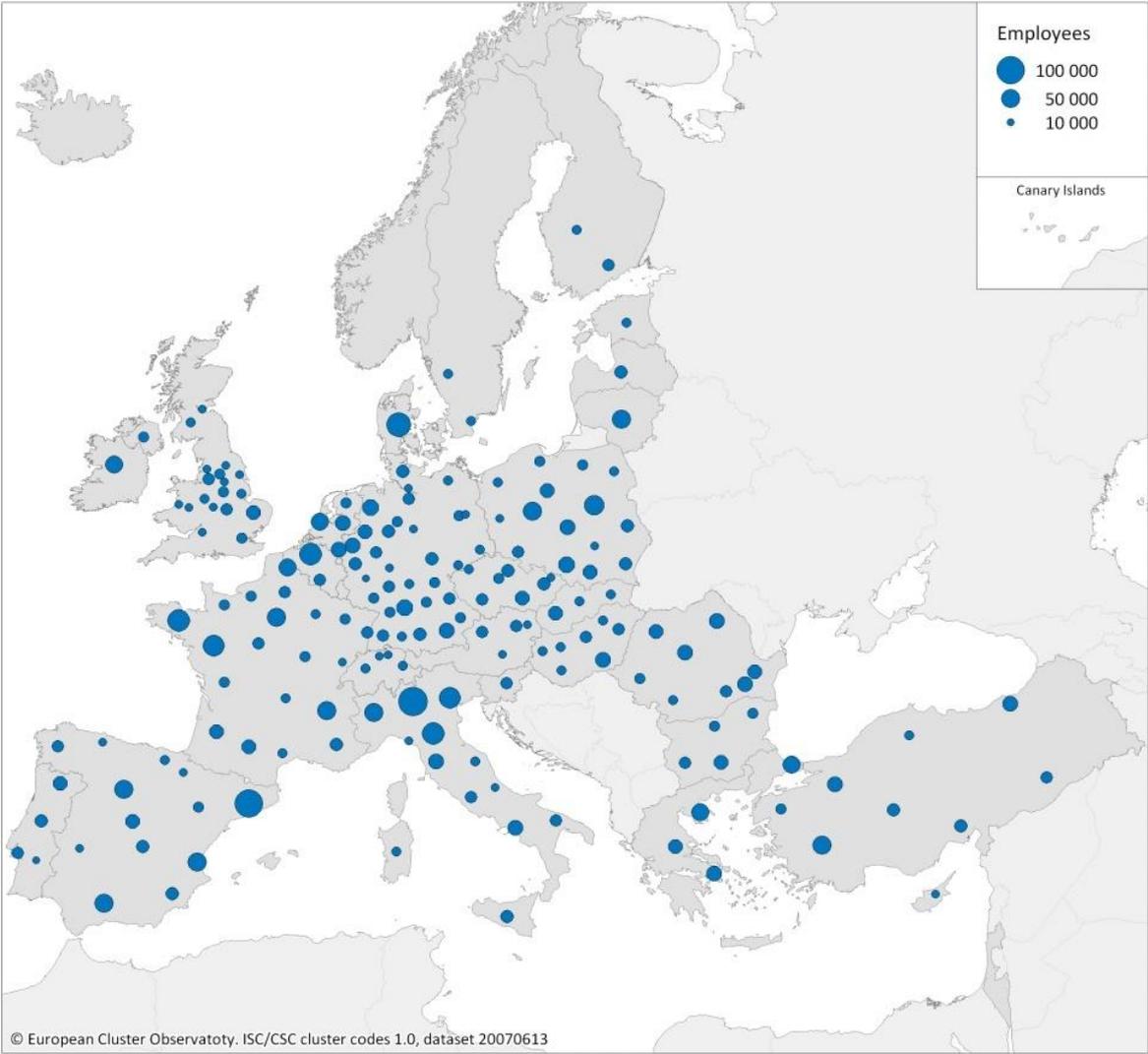
Slovenija, SI	20 489	0.41%	0.97	2.62%	*	Medium	Weak
Picardie (Amiens), FR	20 186	0.40%	1.51	4.10%	*	Medium	Strong
Freiburg, DE	19 743	0.40%	1.05	2.85%	*	High	Strong
Lorraine (Metz), FR	19 684	0.39%	1.18	3.20%	*	Medium	Strong
Hannover, DE	19 515	0.39%	1.06	2.89%	*	High	Strong
Basse-Normandie (Caen), FR	19 354	0.39%	1.80	4.88%	*	Medium	Strong
Pomorskie (Gdansk), PL	19 313	0.39%	1.67	4.52%	*	Low	Strong
Vest (Timisoara), RO	19 235	0.39%	1.19	3.22%	*	N/A	Weak
Haute-Normandie (Le Havre), FR	18 730	0.38%	1.30	3.54%	*	Medium	Strong
Poitou-Charentes (Poitiers), FR	18 464	0.37%	1.46	3.95%	*	Low	Strong
Bourgogne (Dijon), FR	18 077	0.36%	1.45	3.93%	*	Low	Strong
Niederbayern (Landshut), DE	17 592	0.35%	1.80	4.87%	*	Medium	Strong
Rheinhessen-Pfalz (Mainz), DE	17 397	0.35%	1.09	2.96%	*	High	Strong
Stredni Cechy (Prague Surroundings), CZ	17 064	0.34%	1.21	3.28%	*	Medium	Strong
Aragón (Zaragoza), ES	17 053	0.34%	1.20	3.26%	*	Medium	Strong
Severozitochien (Varna), BG	17 052	0.34%	1.85	5.01%	*	N/A	Strong
Severni tzentralen (Rousse), BG	16 830	0.34%	1.86	5.05%	*	N/A	Strong
Mittelfranken (Nürnberg), DE	16 583	0.33%	0.98	2.65%	*	High	Strong
Oberfranken (Bayreuth), DE	16 321	0.33%	1.69	4.60%	*	Medium	Strong
Mecklenburg-Vorpommern (Rostock), DE	16 181	0.32%	1.23	3.33%	*	Low	Strong
Eszak-Magyarország (Miskolc), HU	16 116	0.32%	1.51	4.10%	*	Low	Weak
Stredne Slovensko (Zilina), SK	15 932	0.32%	1.23	3.34%	*	Low	Strong
Sud-Vest Oltenia (Craiova), RO	15 711	0.31%	1.17	3.18%	*	N/A	Weak
Severozapad (Ústí nad Labem), CZ	15 484	0.31%	1.22	3.32%	*	Low	Strong
Közép-Dunántul (Székesfehérvár), HU	15 246	0.31%	1.33	3.60%	*	Low	Weak
Unterfranken (Würzburg), DE	15 120	0.30%	1.30	3.53%	*	High	Strong
Zachodniopomorskie (Szczecin), PL	14 940	0.30%	1.85	5.02%	*	Low	Strong

Eesti, EE	14 921	0.30%	1.02	2.76%	*	Medium	Strong
Dresden, DE	14 778	0.30%	1.06	2.86%	*	High	Strong
Ostschweiz (St. Gallen), CH	14 751	0.30%	1.20	3.27%	*	N/A	Strong
Nyugat-Dunantul (Győr), HU	14 718	0.29%	1.37	3.70%	*	Low	Weak
Del-Dunantul (Pécs), HU	14 374	0.29%	1.64	4.44%	*	Low	Weak
Chemnitz, DE	14 009	0.28%	1.12	3.04%	*	Medium	Strong
Auvergne (Clermont-Ferrand), FR	13 732	0.28%	1.38	3.75%	*	Medium	Strong
Bati Karadeniz (Samsun), TR	13 728	0.28%	1.62	4.41%	*	N/A	Strong
Champagne-Ardenne (Troyes), FR	13 054	0.26%	1.31	3.56%	*	Low	Strong
N Yorks (York), UK	12 955	0.26%	1.41	3.82%	*	Medium	Weak
Moravskoslezsko (Ostrava), CZ	12 809	0.26%	0.96	2.62%	*	Low	Strong
Steiermark (Graz), AT	12 413	0.25%	1.06	2.89%	*	High	Strong
Navarra (Pamplona), ES	12 390	0.25%	1.77	4.79%	*	Medium	Strong
Gießen, DE	11 670	0.23%	1.43	3.89%	*	High	Strong
Asturias (Oviedo), ES	10 948	0.22%	1.07	2.91%	*	Low	Strong
Cyprus, CY	10 800	0.22%	1.25	3.40%	*	Low	Weak
Extremadura (Mérida), ES	10 780	0.22%	1.20	3.26%	*	Low	Strong
Swietokrzyskie (Kielce), PL	10 772	0.22%	1.99	5.40%	*	N/A	Strong
Franche-Comté (Besançon), FR	10 559	0.21%	1.19	3.24%	*	Medium	Strong
E Riding and N Lincs, UK	10 487	0.21%	1.07	2.90%	*	Medium	Weak
Magdeburg, DE	9 907	0.20%	1.11	3.02%	*	Low	Strong
Nisia Aigaiou, Kriti (Iraklion), GR	9 781	0.20%	0.97	2.64%	*	N/A	Weak
Yugoiztochen (Burgas), BG	9 478	0.19%	1.72	4.66%	*	N/A	Strong
Saarland (Saarbrücken), DE	8 905	0.18%	0.99	2.68%	*	Medium	Strong
Tirol (Innsbruck), AT	8 707	0.17%	1.16	3.15%	*	Medium	Strong
Orta Anadolu (Kayseri), TR	8 561	0.17%	1.43	3.87%	*	N/A	Strong
Limousin (Limoges), FR	7 277	0.15%	1.35	3.67%	*	Medium	Strong
Cornwall and Isles of Scilly (Truro), UK	6 734	0.13%	1.38	3.75%	*	High	Weak
Trier, DE	6 343	0.13%	1.69	4.57%	*	Medium	Strong
Vorarlberg (Bregenz), AT	6 230	0.12%	1.52	4.13%	*	Medium	Strong

Halle, DE	6 150	0.12%	0.97	2.63%	*	Medium	Strong
La Rioja (Logroño), ES	6 070	0.12%	1.72	4.68%	*	Low	Strong
Kärnten (Klagenfurt), AT	5 708	0.11%	1.08	2.93%	*	Medium	Strong
Ortadogu Anadolu (Malatya), TR	5 486	0.11%	1.59	4.32%	*	N/A	Strong
Severozapaden (Pleven), BG	5 020	0.10%	1.59	4.33%	*	N/A	Strong
Basilicata (Potenza), IT	4 901	0.10%	1.04	2.83%	*	Low	Strong
Ísland, IS	4 594	0.09%	1.12	3.03%	*	N/A	Weak
Hedmark og Oppland (Lillehammer), NO	4 537	0.09%	1.15	3.13%	*	N/A	Weak
Dessau, DE	4 461	0.09%	1.22	3.31%	*	Low	Strong
Malta, MT	3 789	0.08%	0.97	2.63%	*	Low	Strong
Molise (Campobasso), IT	3 653	0.07%	1.35	3.68%	*	Low	Strong
Burgenland (Eisenstadt), AT	3 128	0.06%	1.32	3.57%	*	Low	Strong
Kuzeydogu Anadolu (Kars), TR	2 859	0.06%	1.30	3.53%	*	N/A	Strong

Source: European Cluster Observatory

Figure 11.1.1 Food regional cluster in Europe



**Table 11.1.2 Potential participant to Agro food clusters**

No	Company	contact	Telephone	E-mail	Website
1	Al Durra Food Product company	Emad Al-Nen	963 11 5216888	aldurra@tarassul.sy	www.aldurra.com
2	Al Hamwi Co.	Mr. MHD al-Hamwi	963 11 6714731		
3	Al Judi Mountain	Khale Hillali	963 11 5233709	k.h@aljudi.net	www.aljudi.net
4	Al Raki	Yihya Drgham	963.11.6214007	<a href="mailto:info@alraky.com">info@alraky.com</a>	<a href="http://www.alraky.com">www.alraky.com</a>
5	Al Sarayji Trading Est.	Mr. Ammar al-Sarayji	963 11 3311465		
6	Alsalam	Hasan Krunbeh	963 11 5216765		
7	Assad & Betenjaneh	Mr. Housam al-Asadi	963.11.3714066-22		
8	Delta Foods	Bachar Fahdeh	963 11 69299010	comercial@deltafoods.sy	www.deltafoods.sy
9	Food industry Comunita	Essam Zamrick	963 11 2216829	<a href="mailto:rynoud@net.sy">rynoud@net.sy</a>	
10	Kemeh Co. for Food Products	Mr. MHD Samir Kemeh	963 11 6411850		
11	Mobakher	Samer Almobakher	963 11 5217803	<a href="mailto:sales@mobakher.com">sales@mobakher.com</a>	www.mobakher.com
12	Rabbath Canning Industry (Delta Foods)	Mr. Naji Rabbath	963 11 69299010-040	<a href="mailto:info@deltafoods.sy">info@deltafoods.sy</a>	<a href="http://www.deltafoods.sy">www.deltafoods.sy</a>
13	Ramadan Food	Mr. Mhd Mazen Ramadan	963 11 4532050		
14	Rashad Sweets	Mr. Adel Hamada	963 11 8880968		
15	Rino For Flavors And Food Industries	Mr. Essam Zamrik	963 11 8215000-1-3		

16	Sabouni Co.	Mr. Hatem Alsabouni	963 33 418118	<a href="mailto:info@sabouni-group.com">info@sabouni- group.com</a>	<a href="http://www.sabounigroup.com">www.sabounigroup. com</a>
17	Sham Garden	Samer Bayrakdar	963 11 5466660	<a href="mailto:samer@shamgardens.com">samer@shamgardens. com</a>	<a href="http://www.shamgardens.com">www.shamgardens. com</a>
18	Youssef Rabbath and Cos.	Mr. Youssef Rabbath	3311842-3-4		

## 11.2 Footwear Clusters

### 11.2.1 General evaluation of cluster potentiality

Evaluation of influence (-;+;+/-)	Items
-	Relatively low level of development of related industries
-	Transport sector is relatively inefficient, technical conditions of roads are deficient
+/-	Supply and placement contacts are in short-term stable with respect to exports, less so for domestic sales
+/-	Financial sector is still developing, despite some improvements
+/-	EU standards are rigorous
+	Long tradition and consolidation of sector
+	Some companies have already started to invest in improving equipments and plants

### 11.2.2 Demand

Evaluation of influence (-;+;+/-)	Items
-	Significant local demand, but for lower quality and low price product
-	Limited domestic market for quality
-	Weak knowledge of the final consumer needs and requirements (international market)
+	Large external market for quality
+	Change in the cycles of shoes market (short fashion cycles and Pronto Moda)

### 11.2.3 SWOT

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Presence of leather tanning industry.</li> <li>• Chemical industry can provide the necessary compound (plastics, soles, adhesives).</li> <li>• Demonstrated operator skills and quality of products produced</li> <li>• An industry organization does exist</li> <li>• Trend for production relocation</li> <li>• Trend for short fashion cycles and “Pronto Moda” (Zara) in the shoes industry</li> </ul>	<ul style="list-style-type: none"> <li>• Syria is no well know as footwear producer</li> <li>• Ineffective organization</li> <li>• Some plants have outdated equipment and antiquated manufacturing processes. The old equipment and processes should be upgraded to improve efficiencies and reduce throughput times.</li> <li>• Several weeks are required for the development of a prototype product. The manufacturers in China can develop a prototype and provide a cost in a matter of hours and days.</li> <li>• There is no cohesive marketing strategy for the industry.</li> <li>• Low knowledge and skill of employees</li> </ul>
<b>Opportunity</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Customer Learning</li> <li>• Specialization (increasing added value)</li> <li>• Innovation</li> <li>• Cluster cooperation</li> <li>• Local Foreign trade Law</li> <li>• Natural leather products</li> <li>• Development of a complete component supply chain in the</li> </ul>	<ul style="list-style-type: none"> <li>• No market strategy</li> <li>• High depending on international buyer</li> <li>• Asia countries</li> <li>• Drop of shoes retail market</li> </ul>

### **11.2.4 Focus group with Footwear Syrian entrepreneur**

On Monday 10/9 we carried out the focus group with companies producing footwear at the Chamber of Industry of Aleppo.

Those present at the focus group were presented the project, study cases and were given a questionnaire (annex 1) where the benefits of clusters to entrepreneurs were summarized and a series of statements related to clusters to which the participants answered whether they agreed.

The focus group lasted 150 minutes, of which 110' were devoted to debate.

### **11.2.5 Main results of focus group.**

- Great expectations and trust on the entrepreneurs' side for they understand the need to unite and acquire the means to compete in the international market.
- They understand and share the benefits they can obtain from the development of a cluster and they are waiting for an action plan.
- The chamber of commerce and in particular the Entrepreneurs Association are in favour regarding the initiative and they consider it a great opportunity.
- All of them agree with the fact that, in spite of selling a great part of their production in the international markets, they don't actually control the process and therefore they don't know how to export.
- All of them agree that they are vulnerable in aspects such as:
  1. marketing intelligence,
  2. promotion,
  3. cost control,
  4. adaptation of their production to international markets,
  5. positioning of their products,
  6. negotiation with potential distributors and/or buyers.

### **11.2.6 Key factors for cluster viability.**

The major problem of shoe industry is the weakness in marketing. Most companies are well equipped and technically able to produce a good product. Aside effect of this lack of marketing is the situation where buyers and companies looking for subcontracting are not aware of the opportunities in Syria.

Cluster should try to initiate an activity to improve this situation. This could be done via a kind of informative "Industry Directory" where brief company profiles are given, but also by providing industry and country information.

This "Directory" will be then offered to potential buyers and companies looking for subcontracting. An internet version of the "Directory" should be also available.

Most of the other problems are company based and individual. Each company has a different situation and must develop individual concept to overcome the problems it is facing.

When it comes to the most important aspects, such as product development and

marketing, no money is left. Here the cluster should support the singles SMEs.

### **Promotion and Sales Support**

Furthermore some activities are recommended:

- Selection of a number of really interested and capable companies to start-up the cluster and support them in marketing and promotion
- Hold seminar as mentioned and supply individual assistance for market concept, product development (limited) and start-up with the production.
- Development of individual company market approach based on strength and weaknesses and willingness to co-operate with Cluster
- A first activity of the cluster may be organize different promotion tours according to market approach: start-up, high added value, in Italy, England and Germany.
- Organize incoming buyer mission from EU markets to link companies to added-value contractors.
- Visit trade fairs in Bologna and Dusseldorf for market research and contacts.
- Cost structures of most companies are diffuse! Here Cluster should improve situation by offering some seminars and supplying training and assistance
- Press work to improve image of Syria and knowledge about shoes industry capability and potential for exports into Central- and South-EU.

**Table 11.2.1 Similar clusters in Europe.**

<b>Cluster</b>	<b>Employees</b>	<b>Size</b>	<b>Spec.</b>	<b>Focus</b>	<b>Stars<sup>19</sup></b>	<b>Innovation</b>	<b>Exports<sup>20</sup></b>
Norte (Porto), PT	46 377	10.62%	16.51	3.92%	***	Low	Very strong
Marche (Ancona), IT	29 772	6.82%	20.56	4.88%	***	Low	Very strong
Nord-Vest (Cluj), RO	28 200	6.46%	15.66	3.72%	***	N/A	Very strong
Vest (Timisoara), RO	22 883	5.24%	16.15	3.83%	***	N/A	Very strong
La Rioja (Logroño), ES	3 789	0.87%	12.31	2.92%	***	Low	Strong
Valencia, ES	36 660	8.40%	7.84	1.86%	**	Low	Strong
Centru (Brasov), RO	17 570	4.02%	9.63	2.28%	**	N/A	Very strong
Istanbul, TR	14 169	3.25%	3.45	0.82%	**	N/A	Weak
Zapadne Slovensko (Nitra), SK	12 931	2.96%	7.34	1.74%	**	Low	Very strong
Toscana (Florence), IT	12 057	2.76%	3.52	0.84%	**	Medium	Very strong
Veneto (Venice), IT	10 641	2.44%	2.27	0.54%	**	Medium	Very strong
Bucuresti - Ilfov, RO	10 065	2.31%	4.50	1.07%	**	N/A	Very strong
Campania (Naples), IT	9 383	2.15%	2.41	0.57%	**	Low	Very strong
Yugozapaden (Sofia), BG	7 312	1.67%	3.63	0.86%	**	N/A	Very strong
Castilla-La Mancha (Toledo), ES	7 199	1.65%	4.34	1.03%	**	Low	Strong
Yuzhen tsentralen (Plovdiv), BG	5 586	1.28%	4.40	1.04%	**	N/A	Very strong
Ege (Izmir), TR	4 917	1.13%	2.19	0.52%	**	N/A	Weak
Malopolskie (Kraków), PL	4 104	0.94%	3.02	0.72%	**	Low	Weak
Sud-Est (Constanta), RO	3 918	0.90%	2.20	0.52%	**	N/A	Very strong
Mittelfranken (Nürnberg), DE	3 606	0.83%	2.43	0.58%	**	High	Weak

<sup>19</sup> The amount and quality of knowledge circulating and spilling over between firms located in a cluster is dependent upon the cluster's size, the degree to which it is specialised and the extent to which the locality (the region) is geared towards and focused upon production in the relevant industries comprising the cluster. These three factors, size, specialisation and focus, reflect whether the cluster has reached 'specialised critical mass' to develop positive spill-overs and linkages. The European Cluster Observatory shows the extent to which clusters have achieved this specialised critical mass by employing measures of these three factors as described below, and assigning each cluster 0, 1, 2 or 3 'stars' depending on how many of the below criteria are met.

<sup>20</sup> The values we assigned are:

- "Weak" if a country's share in a given cluster is less than its share in overall exports
- "Strong" if the exports in a cluster divided by overall exports were within 1 to 2 limits
- "Very strong" value was assigned if the countries share in a cluster was at least twice as large as its overall share

Lombardia (Milan), IT	10 150	2.32%	1.05	0.25%	*	Medium	Very strong
Emilia-Romagna (Bologna), IT	8 317	1.90%	1.97	0.47%	*	Medium	Very strong
Puglia (Bari), IT	5 200	1.19%	1.98	0.47%	*	Low	Very strong
Pays de la Loire (Nantes), FR	4 107	0.94%	1.65	0.39%	*	Medium	Weak
Attiki (Athens), GR	3 850	0.88%	0.99	0.24%	*	Medium	Weak
Sud - Muntenia (Ploiesti), RO	3 616	0.83%	1.77	0.42%	*	N/A	Very strong
Stredne Slovensko (Zilina), SK	3 368	0.77%	2.98	0.71%	*	Low	Very strong
Stredni Morava (Olomouc), CZ	3 328	0.76%	2.75	0.65%	*	Low	Weak
Illes Balears (Mallorca), ES	3 150	0.72%	2.89	0.69%	*	Low	Strong
Eszak-Alfold (Debrecen), HU	3 066	0.70%	2.71	0.64%	*	Low	Weak
Pomorskie (Gdansk), PL	2 839	0.65%	2.80	0.66%	*	Low	Weak
Lubuskie (Gorzów Wielkopolski), PL	2 820	0.65%	6.61	1.57%	*	Low	Weak
Lodzkie (Lodz), PL	2 623	0.60%	2.24	0.53%	*	Low	Weak
Vychodne Slovensko (Kosice), SK	2 617	0.60%	2.12	0.50%	*	Low	Very strong
Guneydogu Anadolu (Gaziantep), TR	1 904	0.44%	2.96	0.70%	*	N/A	Weak
Lubelskie (Lublin), PL	1 867	0.43%	2.46	0.58%	*	Low	Weak
Opolskie (Opole), PL	1 265	0.29%	3.17	0.75%	*	Low	Weak

Source: European Cluster Observatory

Figure 11.2.1 Footwear regional cluster in Europe



**Table 11.2.2 Potential participant to cluster**

no	Company	contact	Telephone	E-mail	Website
1	Abu Raslan Co.for Shoes		0 21 3330445	<a href="mailto:info@cranty.com">info@cranty.com</a>	<a href="http://www.cranty.com">www.cranty.com</a>
2	United Syrian Co. for Lather		0 21 5720305	<a href="mailto:usyco@net.sy">usyco@net.sy</a>	<a href="http://www.usyco.com">www.usyco.com</a>
3	King Carlo		021 2633056	info@kingcarlo.com	www.kingcarlo.com
4	Doudyan International Center (DIC)	Mahmood Ali Hasan	021 4761599	<a href="mailto:info@doudyan.com">info@doudyan.com</a>	www.doudyan.com
5	Monaliza Company		021 4760265	<a href="mailto:taifor@taifor.com">taifor@taifor.com</a>	www.taifor.com
6	Shomart/ Durban International Institue	Mouhamad Kazara	021 - 4775309		
7	Penguin Shoes (al batreek shoes)	Mohamad Hassan	021 - 4741599		
8	Juman Group	Abdullatif Al Dubs	021 - 2322616		
9	Gicano Company	Dahamm Houssin	021 – 4122766		
10	Samretta Company	Mounir Al Hafez	021 – 268832		
11	Robari	Samer Kaddo	021 – 4772544.		
12	Tamara Manoun	Mouhamad Kaflo	021 – 2322616		
13	Dafouz	Ahmad Manoun	021 – 4110070		
14	Abagi Company	Fawaz Dabiet			
15	First	Ghassan Abagi			
16	Hadri	Ahmad Rawass	021 – 4112400		
17	Albatrek	Abed allaterf aldebess	944229511		

18	Reham	Mohamed Bozan	944340360		
19	Mall	Khaled mall othman	933539732		
20	Abo Raslaan	Abed Allah Haderi	47770055 / 3330445		
21	Class	Mahmood Haderi	3318047		

## **12 Syria Industrial Clusters Development**

Syrian Industrial Clusters development means that private and public initiatives are concentrated on encouraging and supporting inter-firm collaboration, institutional development and support in targeted industrial sectors. These are quite sophisticated strategies and may only be undertaken following in-depth research. The sectors we are targeted are those that may offer the most local economic development potential. Where the local economy has existing clusters this may provide a more targeted approach to improving economic development activity by leveraging resources in the direction of greatest potential return. These cluster strategies are undertaken within a broader strategy that would normally include the standard approaches.

### ***12.1 Characteristics for a successful Syrian cluster initiatives***

Clusters initiatives differ widely in their profile:

- Their setting
- Their objectives
- Their organization

Clusters initiative also differs in terms of their performance, i.e. their impact on improving growth and competitiveness. As a result of this, to me, is necessarily defining the aspect of the three Clusters Initiative and their performance.

In Clusters Initiatives it's important to me define three dimensions to improve performance:

1. Cluster competitiveness
2. Cluster growth
3. And cluster goals

### ***12.2 Possible future implementation projects ought to include:***

#### **12.2.1 Developing broker and network agencies**

We have to pay special attention to encouraging and supporting local people engaged in the same cluster to meet together to enable business development opportunities. These could include encouraging local entrepreneur to meet and exchange ideas on improving facilities and adding more value to their products so they would all benefit. Another example could be to start a craft network. The network could jointly market their goods and then start inter-trading with each other, building synergies.

#### **12.2.2 Supporting joint research**

Institutions of higher learning can undertake research that benefit all in the cluster. One example of this would be to undertake research into minimizing losses from production process or reduce energy waste.

### **12.2.3 Providing cluster specific information**

One of the most effective ways of developing a cluster is to gather information about businesses and institutional support systems in the cluster and then produce it so that it can be shared. Thereafter, with a small amount of effort, supplier linkages can be developed. These do not need to be sophisticated.

### **12.2.4 Developing cluster related marketing efforts**

Once a cluster has been identified and it starts developing, there are opportunities to promote it and attract supporting investment as well as promoting business opportunities externally for cluster members.

### **12.2.5 Developing demand-led skills and education training programs**

A significant benefit to developing a cluster initiative is that a key outcome of business networking will be an appreciation of skills needs in the sector. When a number of businesses express a skills need, it is more likely that training or education will be provided. A lone voice is not likely to be taken as seriously.

## ***12.3. Expected scenarios:***

As we saw in the case study and other several cases in the economical literature upon clusters we can imagine a scenario as a result of this process in the Syrian market.

This scenario is based on two attitudes: cooperation and competition.

We can preview that the entrepreneur will cooperate in:

- Establishing common facility centres / infrastructure
- Brand building
- Common purchase
- Mutually guaranteeing each other's financial obligations
- Information access & dissemination

And also will compete in:

- Some areas such as in production processes
- Domestic marketing
- Non-quota based sale of products

## ***12.4 Critical Factors***

Three dimensions of setting in which a Cluster initiative has a particular

influence on its likelihood to succeed:

1. The quality of the business environment
2. The structure and content of economic policy,
3. The strength of the cluster.

#### **12.4.1 The quality of the business environment**

One of critical aspect is strictly economic: the presence of scientific community. The other is more cultural: a high level of trust between company an between private and public sector.

#### **12.4.2 The structure and content of economic policy**

Both aspects, content of economic policy and the structure of the economic policy making process, are important for the success of Cluster Initiative.

Economic policies tat secure high levels of competitions and promote R+D+I usually have positive impact on Cluster Initiatives.

Its also positive a policy process that support stable and predictable decisions rights on the regional and local level.

#### **12.4.3 The strength of the cluster.**

The tendency is set up Cluster Initiatives to develop strong clusters to perform better, both in terms of increasing competitiveness and generating growth. Cluster Initiatives may attract companies, international competitive buyers and suppliers, and tigh network of buyers and suppliers.

## 13 Action Plan

### ***13.1 Gauging Private Sector Needs for Cluster-Based Development***

Because no two regions face identical challenges in adapting to economic change, economic development leaders must seek an approach that is adaptable to the political, economic and social circumstances of their region. The cluster framework can be a valuable tool for effective economic change because it is:

- **Market-driven** -- focusing on bringing the demand and supply side of the economy together to work more effectively.
- **Inclusive** -- reaching out to companies large and small as well as suppliers and supporting economic institutions.
- **Collaborative** -- placing great emphasis on collaborative solutions to regional issues by participants, motivated by self-interest.
- **Strategic** -- helping stakeholders create a strategic vision of their region's next generation economy shared by many different constituencies and providing motivation and commitment to action.
- **Value-creating** -- improving depth (more suppliers) and breadth (attracting more industries) to increase regional income.

To achieve the objective of set up cluster strategy as Syrian policy to develop a competitive private sector I propose to implement the following model based on a flowchart.

This approach offers two basic guidelines for the implementation of cluster policy:

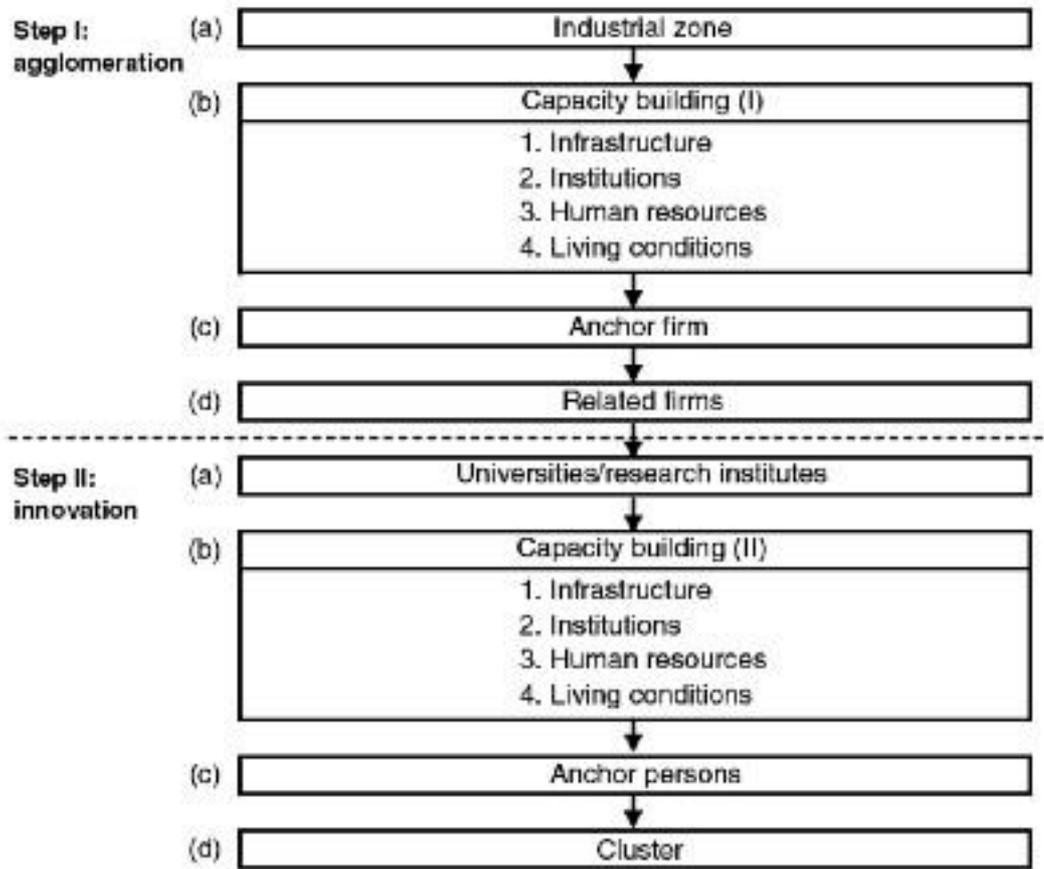
1. First, the timing and ordering of policy measures is vital.
2. Second, one must specify the economic agents responsible for building the various types of capacity necessary for industrial cluster policy, choosing from among the actors of central government, local government, various actors in the quasi-public sector, and private firms.

The approach I'm proposing to set up industrial cluster policy, shown in Figure 13.1, considers industrial cluster policy to be not a national industrial policy but a regional growth strategy. A sufficient condition for the successful implementation of industrial cluster policy is the satisfaction of the conditions of industrial zones, capacity building, and anchor firms<sup>21</sup>, in the correct order.

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<sup>21</sup> An anchor firm in the manufacturing industry assembles products composed of various parts and components.

**Figure 13.1** Flowchart approach to industrial cluster policy<sup>22</sup>



The idea is propose an action plan based on 4 stages; starting from mobilization with the objective of implementation. This action plan may take several month or years; it depends of the level of implication of public and private sector and the capacity of the leader of the project (SEBC and Syrian Chamber of Industry?)

- **Stage I: Mobilization** -- Building interest and participation among the different constituencies needed to carry out the initiative.
- **Stage II: Diagnosis** -- Assessing the industry clusters that comprise the economy and the economic infrastructure that supports cluster performance.
- **Stage III: Collaborative Strategy** -- Convening demand-side stakeholders (companies in each cluster) and supply-side stakeholders (public and private supporting economic institutions) in working groups to identify priority challenges and action initiatives to address shared problems.
- **Stage IV: Implementation** -- Building commitment of cluster working group participants and regional stakeholders to actions and identifying or creating an organization to sustain implementation.

<sup>22</sup> Kuchiki (2007).Jetro

### **13.1.1 Stage I: Mobilization**

- Use economic challenges as windows of opportunity to bring stakeholders together.
- Kick-start mobilization by creating or identifying an organization dedicated to the initiative's goals.
- Cultivate broad public and private sector participation and early “buy-in.”
- Cultivate stakeholders and “champions.”

### **13.1.2 Stage II: Diagnostic**

- Provide an independent analyst who can “tell it like it is.”
- Involve and build momentum for the initiative across the community through a participatory diagnostic process.
- Each pre-selected company has to fill the Application form (annex 2)
- Use cluster analytic techniques to:
  - Deep analysis of business operation
  - Industry structure analysis
  - Value chain analysis
  - Developing a cluster map
  - Developing current reality tree

### **13.1.3 Stage III: Collaborative Strategy**

- Hold events that confront and engage participants from key industries and institutions in the region.
- Create highly inclusive cluster working groups that are market-driven to set the stage for implementation.
- Select working group leaders who are committed and can recruit high profile participants reflecting small and large companies in the region.
- Create accountability mechanisms and progress milestones throughout the process.
- Develop concrete action plans focusing on reform and redesign of services, adding value to existing resources and enabling market innovation.
- Establish the market viability of each initiative to ensure the necessary support from stakeholders for taking action.

### **13.1.4 Stage IV: Implementation**

- Create a management stewardship group by identifying a new or existing organization to spearhead and oversee the initiative.
- Use the cluster framework to facilitate supply - and demand - side connections.
- Identify sources for ongoing funding commensurate with the type and scale

- of action initiatives.
- Sustain sources of new leadership.
- Develop a monitoring system to track activities and communicate outcomes, focusing on regional economic performance, structure and health of industry clusters, and responsiveness of economic infrastructure to clusters.

### ***13.2 Minimum requirements for a company to be selected to participate in a cluster.***

Although this process of definition has to be carried out by the team in charge of developing the project since its beginning and with the consensus of all parts, we indicate key elements to bear in mind when defining the minimum requirements for a company to be selected to participate in a cluster.

All this data can be obtained from an application questionnaire (Annex 2) followed by a personal interview by a specialized consultant.

I therefore propose to carry out an evaluation process prior to the diagnosis that allows the admission or ruling out of candidacies.

The minimum score to be admitted should be above 5 (in a 1 to 10 scale). Therefore, a company with score between 59 and 85% would be an ideal company to participate in the cluster project.

#### **Chart 13.2.1 Requirement evaluation**

<b>Requirement</b>	<b>Score (1 – 10)</b>
Location	
Activity	
Turnover	
Local market (% over exports)	
Exports (% over turnover)	
Manufacturing organization / Process	
Quality Certifications	
R & D department	
Agreements, licenses	
Total	

#### **13.2.1 Location**

It is understood that if we are dealing with a cluster in the sector footwear in Aleppo, the location requirement is crucial; there is or there shouldn't be room for an industry of Damascus or Dar al Zour.

### **13.2.2 Activity**

Enterprises carrying out the main and subsidiary and/or complementary activity of the cluster can participate in it. If we are dealing with a footwear cluster, it could include:

- Companies producing shoes
- Companies producing width
- Companies producing soles
- Companies producing laces
- Designing companies
- Tanneries
- Etc.

### **13.2.3 Turnover**

The development of a cluster implies an initial inversion in exchange to being able to benefit from services that a SME itself wouldn't be able to contract. In my opinion, it is important to look for certain coherence when creating the cluster in order to avoid future conflicts and tensions.

Companies entering a cluster are companies able to assume changes, dictated by market needs and by common strategies. They often imply financial capacity.

### **13.2.4 Local market**

A consolidated company with capacity to export is usually a company that holds certain local market share. This indicator implies that is a company able to produce a product that matches certain costumers, is able to compete with other local and international producers. This is why it is important that those companies participating in the cluster have an important market share in Syria, because this indicates that it may be able to assume the challenge of competing in international markets.

### **13.2.5 Export**

Even though we have seen that almost all of the companies sell their products to international buyers who simply buy their product, it is evident that their product has room in an international market. This is why it is important to consider this indicator when designing the cluster and future market strategy.

### **13.2.6 Organization**

A consolidated company must have an organizational structure know by all its members. On the contrary, a company without a formal organization structure usually ends up being a hierarchical structure where all decisions go through one person. It is important to take into account this requirement when admitting

participants to a cluster because from an organizational structure derive subjects such decision taking, communication, organization agility, etc.

### **13.2.7 Quality Certifications**

Quality certification, besides being a requirement almost indispensable to enter international markets, demonstrates the validity of productive processes and the organization of a company. In this sense we should consider this certificate when selecting the members of the future cluster.

### **13.2.8 R&D**

A consolidated company with capacity to export usually makes a minimum of R & D, even though it might be limited to areas such as design or materials. This indicator implies that it is a company eager and able to produce a product that aims to adapt to the market. This is why it is important to bear in mind this indicator for companies participating in the cluster.

### **13.2.9 Agreements and licenses**

A company with production agreements for a third party or licenses indicates that it meets certain minimum requirements of quality and production standards so that international companies have trusted part or the whole production of their products. In short, this indicator implies that it is a company able to produce a product that meets certain quality standards. This is why it is an important indicator to assess positively companies participating in the cluster.

### **13.3 Recommendation.**

The viability of the project depends on the acceptance of the action plan by all entrepreneurs.

This awareness process, which I consider extremely delicate and important, must be carried out during the first part of the project by renowned organizations that assume its leadership.

It is necessary to have a strong leadership such as SEBC and the Chamber of Industry and its committees, able to bring together companies around the project, motivate entrepreneurs, negotiate with local and European institutions, and find resources for making the project a success.

It is crucial that in the process of implementation results easily detectable by entrepreneurs are associated so that they don't lose their motivation towards the project.

Undoubtedly, the last approach to the process has to be the Market, developing a business strategy focused on penetrating markets while positioning the Syrian industry in international markets.

This has to be carried out by means of developing an organization able to concentrate all departments (in the shape of services) that companies themselves are not able to develop:

- Marketing and communication
- Export management
- Logistics
- Training
- R & D
- Finances

## 14 Conclusion and Policy Recommendations

- The cluster-based approach to economic development can elevate economic development from an often compartmentalized and isolated activity that focuses on just one project at a time to an integrative and enduring process.
- The cluster-based approach can achieve a leveraged impact on economic development through:
  - Engaging the region's key suppliers in a dialogue with their customers.
  - Linking education providers with workforce managers.
  - Connecting technology providers with product developers.
  - Matching financial investors to new or existing enterprise.
  - Shaping physical infrastructure to meet industry operational needs.
  - Investing in information infrastructure to enhance cluster performance.
  - Adjusting administrative systems to maximize cluster productivity.
  - Bringing housing, health and social services providers together with clusters.

The challenge of effective cluster-based economic development is to bring industries and their public and private suppliers together to share responsibility for the outcomes of economic development actions. The goal is to achieve tangible outcomes and to use those initial outcomes as a platform for ongoing improvement in the regional economy. The effort to be inclusive in cluster-based economic development pays off even when modestly accomplished.

By changing the terms of the dialogue within the regional economy, businesses, government and other institutions can build new ways of achieving individual and region-wide goals, giving up a traditionally unilateral view of economic development as being “government’s” job.

As the logic and tools of cluster strategy become better integrated into the vocabulary and practice of economic development, regions nationwide can look forward to creating more inclusive and market-driven economic development environments.

From the experience of the development of SMEs in different countries, it can be concluded that the market-based development of SME clusters is more successful than the policy-driven. It appears from the existing empirical studies that the successful development of an SME cluster depends on a number of critical factors, the most crucial of which are access to output market, internal organization and cooperation/joint actions among firms inside clusters, sustainability of the supply of raw materials and other necessary inputs, the existence of self-help organizations and common service facilities, the quality of local government support, and external networking with banks, and local providers of education, technology, and information.

From the point of view of government, then, it can be said that the sustainability of markets for output and inputs should be the first policy priority, rather than providing subsidies, special credit schemes, and technical upgrading programs.

Therefore, to justify such policies, existing SME clusters to be supported should be only those that have both the potential for increasing their output markets domestically or overseas (competitiveness) and a secured supply of raw materials and other necessary inputs.

Further, for the clusters to develop and grow, such policies should be combined with a good business environment, which can be created by appropriate macroeconomic policies affecting trade, investment, monetary and fiscal policies, competition policy, wages and labour markets, education and technology, and agricultural, industrial, and other sectors. In other words, SME development policies with a clustering approach should be fully supported by appropriate macroeconomic policies that prevent distortions in both input and output markets.

SME development through clustering is about improving the economic performance of individual enterprises inside clusters by improving, enhancing, and exploiting internal co-operations/joint among them to gain collective efficiency and linkages to markets for output and inputs. The government's main task should be to guide and coordinate actors, not only enterprises inside clusters but also local institutions outside the clusters that are important for the development of the clusters, such as banks, universities, government, trading companies, etc., in such a way that both internal co-operation and market linkages are effectively enhanced.

This does not mean, however, that the government should take all initiative. On the contrary, the private sector should take the lead. Only in cases where SMEs in clusters are too weak to organize joint actions among them or to create external linkages, the government might need to play an active role in initiating necessary actions.

But, in the long run, the role of government is only as the provider of facilities and regulators.

## Annexes

## ***Annex 1***

### ***Industrial cluster viability***

How does industrial cluster benefit business?

The general benefit arises from so-called “localization economies.” This is simply a term for the reduction in costs to firms being located in close proximity. These costs savings are due to the availability of specialized inputs such as:

- information and technology
- business services
- specialized infrastructures such as:
  - a job-training center, can facilitate workforce development.
  - R+D center
  - Marketing and promotion

Because these specialized inputs and infrastructure are subject to economies of scale, a group of SMEs demanding similar services can lead to substantial saving.

Access to information exchange and performance benchmarks have intangible value, but remain important benefit of industrial clusters. Firms in close proximity can closely monitor and gauge performance of both potential competitors and suppliers. By setting high standards and challenging each other, cluster-based firms can seek solutions leading higher productivity and new products.

This drive for innovation and technological spillovers can lead to improvements in the long-term competitiveness and sustainability of local businesses. Spillovers may involve direct or indirect cooperation. Direct cooperation is facilitated via meetings between suppliers and buyers, as well as linkages between firms using similar technology or work force not engaged in direct competition.

Indirect cooperation is often facilitated by trade associations, chambers of commerce and other local business organizations

Clustering can lead to complementary products and long lasting marketing relationships.

**Questionnaire of interest:**

<b>Question</b>	<b>Agree</b>	<b>Not agree</b>
Customer focused strategy is the base to set up a successful export strategy	<input type="checkbox"/>	<input type="checkbox"/>
Cost control is the way to increase profitability	<input type="checkbox"/>	<input type="checkbox"/>
Cluster can support promotion and export promotion as essential activity to support Syrian industry	<input type="checkbox"/>	<input type="checkbox"/>
Syrian industry needs to be aware and increase its knowledge of foreign markets to set up a successful strategy to place Syrian products in high revenue markets. Clusters may help Syrian industry to set up marketing intelligent activities	<input type="checkbox"/>	<input type="checkbox"/>
Clusters can help Syrians entrepreneurs to set up a successful strategy to improve their business	<input type="checkbox"/>	<input type="checkbox"/>
Clusters is useful structure to support local industry to improve successful internationalization strategy and activities	<input type="checkbox"/>	<input type="checkbox"/>
Do you agree that cluster is an opportunity for you business?	<input type="checkbox"/>	<input type="checkbox"/>
Do you interested in take part in the process to set up a Syrian Food/shoes Industrial Cluster?	<input type="checkbox"/>	<input type="checkbox"/>
Chamber of commerce + SEBC are the right partners to support local entrepreneur to improve the process to set up a clusters strategy	<input type="checkbox"/>	<input type="checkbox"/>
Do you agree to cover possible costs, related with clusters set up process, if it's necessarily?	<input type="checkbox"/>	<input type="checkbox"/>

## **Annex 2**

### **Application Form (to be selected for take part in the cluster project)**

1) SME Information

Company Name	
Address	
Tel.:	
Fax.:	
City	
Web Site	
Email	
Person in charge	
Nr of employees	

2) Sector activity:

Description:

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Sector Activity	Indicate Your activity
01 Live animals	
02 Meat and edible meat offal	
03 Fish, crustaceans, molluscs, aquatic invertebrates	
04 Dairy products, eggs, honey, edible animal product	
05 Products of animal origin	
06 Live trees, plants, bulbs, roots, cut flowers etc	
07 Edible vegetables and certain roots and tubers	
08 Edible fruit, nuts, peel of citrus fruit, melons	
09 Coffee, tea, mate and spices	
10 Cereals	
11 Milling products, malt, starches, inulin, wheat gluten	
12 Oil seed, oleagic fruits, grain, seed, fruit, etc,	
13 Lac, gums, resins, vegetable saps and extracts	
14 Vegetable plaiting materials, vegetable products	
15 Animal, vegetable fats and oils, cleavage products, etc	
16 Meat, fish and seafood food preparations	
17 Sugars and sugar confectionery	
18 Cocoa and cocoa preparations	
19 Cereal, flour, starch, milk preparations and	

products	
20 Vegetable, fruit, nut, etc food preparations	
21 Miscellaneous edible preparations	
22 Beverages, spirits and vinegar	
23 Residues, wastes of food industry, animal fodder	
32 Tanning, dyeing extracts, tannins, derives, pigments etc	
40 Rubber and articles thereof	
41 Raw hides and skins (other than furskins) and Elaters	
42 Articles of leather, animal gut, harness, travel goods	
43 Furskins and artificial fur, manufactures thereof	
51 Wool, animal hair, horsehair yarn and fabric thereof	
52 Cotton	
53 Vegetable textile fibres, paper yarn, woven fabric	
54 Manmade filaments	
55 Manmade staple fibers	
56 Wadding, felt, nonwovens, yarns, twine, cordage, etc	
63 Other made textile articles, sets, worn clothing etc	
64 Footwear, gaiters and the like, parts thereof	
65 Headgear and parts thereof	
66 Umbrellas, walking-sticks, seat-sticks, whips, etc	
80 Tin and articles thereof	
81 Other base metals, cermets, articles thereof	
82 Tools, implements, cutlery, etc of base metal	
83 Miscellaneous articles of base metal	
99 Commodities not elsewhere specified	

### 3) Products Information

Commercial Name (product)	Product Description	EXW Price	Principals Competitors

4) Total Revenues

2005	2006	2007

5) Revenues by markets

% Domestic market	% GAFTA countries	% Other countries

List of countries “export”

6) GAFTA Countries

Country Name	Product Name	EXW Price	Distribution description	Principals competitors

7) Other Countries

Country Name	Product Name	EXW Price	Distribution description	Principals competitors

8) List of Service providers/outsourcing:

Service name	Company name	Cost (annual)	List of constrains


9) List of Raw material:

Raw material name	Suppliers name	Quantity (annual)	List of constrains

10)List of Patents and Licenses

License or Patent	Owner	License or patent description

11)Certifications & Awards

Name	Certification Company/ Organizations	Description

12) I+D Activity

Description	Outputs	Cost

SWOT auto-analysis

13) Main strength of your business

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14) Main weaknesses of your business

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15) Main opportunities you consider or detect for your business

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16) Main threats you consider or detect for your business

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