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Deniz Yüce
https://orcid.org/0009-0007-8314-1982
Kocaeli Üniversitesi, Sosyal Bilimler Enstitüsü, İşletme Ana Bilim Dalı, Yönetim ve Organizasyon, Kocaeli/ TÜRKİYE
ROR Id: https://ror.org/0411seq30

Dr. Yılmaz Pekmezcan
https://orcid.org/0000-0002-1553-860X
Kocaeli Üniversitesi, Hereke Ömer İsmet Uzunyol Meslek Yüksekokulu, Kocaeli/ TÜRKİYE
ROR Id:https://ror.org/0411seq30

Prof. Dr. Ayşe Günsel
https://orcid.org/0000-0002-4427-7322
Kocaeli Üniversitesi, İşletme Fakültesi, İşletme Bölümü, Yönetim ve Organizasyon, Kocaeli/ TÜRKİYE
ROR Id: https://ror.org/0411seq30

External Networks, Competitiveness, and Performance Relations: A Study on SMEs Operating in Creative Industries in Istanbul[1]

Dış Ağlar, Rekabet Gücü ve Performans İlişkileri: İstanbul'da Yaratıcı Endüstrilerde Faaliyet Gösteren KOBİ'ler Üzerine Bir Araştırma

ABSTRACT

The transformation of the global industrial landscape has elevated the significance of creativity and creative industries (CI), yet empirical studies examining competitiveness and performance among small and medium-sized enterprises (SMEs) within CI remain limited. This study addresses this gap by exploring the relationships between external networks, competitiveness, and performance of CI-focused SMEs in Istanbul. Utilizing data from 97 Istanbul-based SMEs, the study employs the Partial Least Squares (PLS) method to analyze these relationships. Results indicate that external networks positively impact both innovation-oriented and cost-oriented competitiveness. However, only cost-oriented competitiveness shows a significant effect on firm performance, challenging traditional perspectives that associate innovation with improved performance. These findings underscore the need for a more nuanced understanding of competitiveness within the CI sector. Contrary to widespread assumptions, innovation-driven competitiveness does not appear to influence firm performance within Istanbul's CI context. This study contributes to the literature by highlighting the distinct role of cost competitiveness over innovation, providing valuable insights for policymakers and business leaders aiming to foster SME growth in creative sectors. The results suggest that CI firms in Istanbul may prioritize tested innovations, adapted to the local market, over novel developments, underlining a practical approach to sustaining competitiveness. These insights call for further investigation into the contextual factors influencing competitiveness in in creative sectors, guiding policymakers and bussiness leaders in developing targeted strategies to support sustainable growth in the industry.
Keywords: Creativity, creative industries, external networks, competitiveness.

ÖZET

Küresel sanayi yapısındaki dönüşüm, yaratıcılık ve yaratıcı endüstrilerin (YE) önemini artırmış; ancak YE bünyesindeki küçük ve orta ölçekli işletmelerin (KOBİ) rekabetçilik ve performanslarını inceleyen ampirik çalışmalar sınırlı kalmıştır. Bu bağlamda, çalışma, İstanbul'da faaliyet gösteren YE odaklı KOBİ'lerin dış ağlar, rekabetçilik ve performans arasındaki ilişkilerini analiz ederek ilgili literatürdeki boşluğu doldurmayı amaçlamaktadır. İstanbul'daki 97 KOBİ'den elde edilen veriler kısmi En Küçük Kareler (PLS) yöntemi ile analiz edilmiştir. Analiz sonuçları, dış ağların hem yenilik odaklı hem de maliyet odaklı rekabetçilik üzerinde olumlu bir etkisi olduğunu göstermektedir. Bununla birlikte, bulgular yalnızca maliyet odaklı rekabetçiliğin firma performansında anlamlı bir etkiye sahip olduğunu ortaya koymaktadır. Bu sonuç, yenilik ve performans arasında pozitif ilişki kuran geleneksel yaklaşımlara karşıt bir bulgu sunmaktadır. Dolayısıyla çalışma, YE sektöründeki rekabetçiliğin kapsamlı bir analizini yaparak, rekabetçiliğin daha ayrıntılı ve kapsamlı bir perspektifle ele alınması gerektiğine işaret etmektedir. İstanbul'un YE bağlamında yenilik odaklı rekabetçiliğin firma performansına doğrudan bir etkisinin olmadığı sonucuna ulaşılmıştır. Çalışma, maliyet rekabetçiliğinin yenilikten daha belirgin bir rol oynadığını vurgulayarak politika yapıcılar ve sektör liderlerine yaratıcı sektörlerde KOBİ büyümesini desteklemek için değerli içgörüler sunmaktadır. Bu sonuçlar, İstanbul'daki YE firmalarının yeni ürün geliştirmek yerine, kanıtlanmış ve yerel pazara adapte edilmiş yenilikleri tercih ederek, sürdürülebilir rekabetçiliği sağlama yoluna gittiklerini göstermektedir. Elde edilen bulgular, yaratıcı sektörlerde rekabetçiliği etkileyen bağlamsal faktörlerin daha derinlemesine incelenmesi gerektiğini ortaya koymakta ve politika yapıcılar ile iş dünyası liderlerine sektörde sürdürülebilir büyümeyi desteklemek amacıyla hedefe yönelik stratejiler geliştirme konusunda değerli bir rehberlik sunmaktadır.
Anahtar Kelimeler: Yaratıcılık, Yaratıcı Endüstriler, Dışsal Ağlar, Rekabetçilik.

[1] Deniz YÜCE'nin "İstanbul İlinde Yaratıcı Endüstriler Kapsamında Faaliyet Göstermekte Olan KOBİ'lerin Rekabetçilikleri Üzerine Bir Araştırma: Dışsal Ağların Öncül Rolü" başlıklı yüksek lisans tezinden üretilmiştir.

1. INTRODUCTION

Rapid technological advancements and societal shifts towards the information age have accelerated both humanity's transition into the information society and the transformation of societies into global players. This era, known as the post-modern development process-characterized by placing humanity and its skills at the center-has been marked by radical changes in the global industrial production map. For instance, production, particularly in heavy industries, is increasingly shifting to the East Asia region, centered around India and the People's Republic of China, which offer various advantages such as cheap labor and tax incentives (Çetindamar & Günsel, 2012). Conversely, developed countries, aiming to retain their competitive edge amid these shifts in traditional industrial production, have begun transforming certain commercial hubs-such as Paris, London, and Toronto-into global attraction centers that produce high added value based on creativity and innovation (Santagata, 2019; Grodach, 2020).

Creative Industries (CI) have emerged as a focal point of city-centered competitive strategies. Initially introduced by the Department of Culture, Media, and Sport (DCMS) in the UK in 1998 following the rise of the Blair Government, CI has evolved into a framework for achieving city-centered competitive advantages. CI encompasses sectors such as architecture, design, fashion, art, crafts, antiquities, software, music, publishing, film, performing arts, television, and radio. A report published by the United Nations Conference on Trade and Development (UNCTAD) in 2004 highlighted that CI, which was rapidly growing, constituted one-seventh of the Gross Domestic Product (GDP) of European Union (EU) countries, with projections indicating an annual increase of 10%. According to data from the United Nations Educational, Scientific, and Cultural Organization (UNESCO), by 2014, the global total revenue of CI had reached 1.3 trillion dollars, while the value of outputs produced by this industry in international trade amounted to 445 billion dollars (Lazzeretti et al, 2014). By 2018, the industry's revenue grew to approximately $2.25 trillion globally (UNESCO, 2018).

CI plays a crucial role in creating new jobs and sustaining economic development in the contemporary global context, where knowledge, technology, and innovation are the primary drivers (Brynjolfsson & McAfee, 2017; Garnham, 2005; Roodhouse, 2006; Potts & Cunningham, 2008; Demir, 2022). CI represents the integration of individual creativity with digital media technologies within an entrepreneurial framework, and most businesses operating within this domain are SMEs (Dodourova & Günsel, 2012; Hadjimanolis, 2000).

However, SMEs, which possess more limited human, managerial, and financial resources compared to larger enterprises, need to leverage external networks to overcome these constraints and maintain competitiveness. External networks encompass the entirety of mutual relationships, cooperation, and interactions that SMEs develop through clustering in specific regions, fostering specialization and collaboration (Anderson et al., 2019). In other words, SMEs can achieve competitiveness in terms of cost, quality, and innovation by leveraging external networks, which in turn lead to the clustering of SMEs operating in CI within certain cities (Eraydın & Köroğlu, 2005; Fuller-Love & Thomas, 2004;).

Studies on external networks typically focus on cities where creativity and innovation are emphasized, rather than on specific regions. Various studies have been conducted in many global cities, such as London, New York, Los Angeles, Paris, Hong Kong, Toronto, and St. Petersburg, on how to effectively leverage external networks (Dodourova & Günsel, 2012). These cities, regarded as trade hubs in today's global economy, have become attractive centers for qualified labor specialized in producing creativity and innovation (Sungur & Keskin, 2001; Neff, 2005). In this study, Istanbul was selected as the target city due to its potential to become such a center. Indeed, in the 2010 Global Cities Index (GCI 2010), which evaluates cities based on commercial activities, human capital, knowledge exchange, cultural experience, and political engagement, Istanbul was ranked 41st—the only city from Turkey included in the ranking, with New York, London, Tokyo, Paris, and Hong Kong occupying the top five spots.

This study examines SMEs operating within CI in Istanbul. Specifically, it investigates the relationships between the ability of SMEs in CI to benefit from external networks, their competitiveness, and ultimately their performance, thereby contributing to the literature on creativity and innovation. To achieve this, the following sections first discuss the concept of CI through a comprehensive literature review, followed by the definition of external networks and an analysis of how these networks affect the competitiveness of SMEs operating within CI. Finally, a theoretical framework is presented to examine how these relationships influence firm performance. In the Research Design section, hypotheses are tested based on data collected from SMEs operating in CI in Istanbul, and the findings are interpreted and discussed in the Conclusion section.

2. THEORETICAL FRAMEWORK

2.1. Creative Industries

The term "Creative Industries" (CI) was first used in Australia in the early 1990s, but systematic studies and classifications of the field were carried out by the Department for Culture, Media, and Sport (DCMS) in 1998. CI gained widespread popularity, particularly with the publication of Richard Florida's (2002) book *The Rise of the Creative Class*. The concept of the "Creative Class" and the complementary frameworks introduced in this book facilitated the development of a new understanding in regional and urban development literature, making it easier to define and structure CI. Florida (2002) introduced a new workforce profile under the term *Creative Class* and argued that a city's potential for creativity and innovation could be assessed by evaluating the Creative Class working within the CI of that city. Since Florida's work, CI has become increasingly popular in both regional and urban development contexts (Santagata, 2019).

The origins of the industry group referred to as CI can be traced back to the concept of *creative arts*, which was defined in the 18th century (Hartley, 2005). However, the concept of *cultural industries*, which forms the main source of CI, was discussed by the Frankfurt School philosophers Horkheimer and Adorno in their book *Dialectic of Enlightenment* (Noerr, 2002). The term *cultural industries* was used in this book to emphasize the cultural dimension of the entertainment industry, which gained increasing importance in North America and Europe at the end of the 19th century and the beginning of the 20th century. However, Garnham (2005) argued that the preference for the term *creative* instead of *cultural* is related to the rise of Information and Communication Technologies (ICT) and digital media applications. Moreover, Flew (2002) emphasized that the transition from cultural industries to creative industries reflects the emergence of a knowledge-based new economy. In this respect, CI highlights the technology-based relationship between commercial cultural activities and digital media (Grodach, 2020).

CI, which defines certain industries that engage in mutual interaction and whose boundaries are not yet entirely clear, has gained increasing importance in the global economy. According to Throsby (2001), CI is a result of the technological changes of the 21st century. In addition to being an industry group with significant potential for regional development, CI symbolizes an ideal industry group that creates employment by focusing on individuals rather than machines as the production tools for goods and services. In this framework, CI encompasses a workforce closely related to creativity and innovation, referred to as the *Creative Class* (Foord, 2008). Moreover, CI emphasizes harmonizing business dynamics such as generating new ideas, entrepreneurship, and risk-taking with the knowledge-based new economic understanding (Cunningham, 2002). CI essentially covers industries that rely on creative inputs and seek to protect these inputs through intellectual property rights (Howkins, 2018).

In this context, UNCTAD (2010) stated that today's knowledge-based global economic structure is built on abstract and creative assets, and CI is at the center of this new economic structure. In his book *Creative Industries: Contracts Between Arts and Commerce*, Caves (2000) examined the binding dynamics within CI that lead to the creation of economic value by connecting art and media. Howkins (2001), in *The Creative Economy: How People Make Money from Ideas*, presented a comprehensive evaluation of CI. According to him, CI fosters a new economic understanding centered around patents, trademarks, copyrights, and design. Although there is not yet a consensus on the scope of CI, the most widely accepted classification belongs to DCMS (1998), which identifies the following industries within CI: architecture, design, fashion, art, crafts, antiquities, software, music, publishing, film, performing arts, television, and radio.

According to UNESCO (2014) data, by 2014, the global total revenue of CI had reached 1.3 trillion dollars, while the value of outputs produced by this industry in international trade amounted to 445 billion dollars (Lazzeretti et al., 2014). By 2018, the industry's revenue had further grown to approximately $2.25 trillion globally (UNESCO, 2018). CI continues to play a crucial role in creating new jobs and sustaining economic development in the contemporary global context, where knowledge, technology, and innovation are the primary drivers (Garnham, 2005; Roodhouse, 2006; Potts & Cunningham, 2008; Demir, 2022). CI stands at the intersection of individual creativity and digital media technologies within an entrepreneurial framework, with the majority of businesses in this sector being SMEs (Dodourova & Günsel, 2012; Hadjimanolis, 2000; Anderson et al., 2019).

2.2. External Networks

On the other hand, SMEs, which possess more limited human, managerial, and financial resources compared to larger enterprises, need to leverage external networks to overcome these constraints and gain or maintain a competitive advantage. External networks refer to the entirety of mutual relationships, cooperation, and interactions that SMEs develop through clustering in specific regions, fostering specialization and collaboration (Giuliani and Bell, 2018). In other words, SMEs can achieve competitiveness in terms of cost, quality, and innovation by leveraging external networks, which in turn lead to the clustering of SMEs operating in CI within certain cities (Eraydın & Köroğlu, 2005; Fuller-Love & Thomas, 2004; Anderson et al., 2019).

Studies on external networks typically focus on cities where creativity and innovation are emphasized, rather than on specific regions. Various studies have been conducted in many global cities, such as London, New York, Los Angeles, Paris, Hong Kong, Toronto, and St. Petersburg, on how to effectively leverage external networks (Dodourova & Günsel, 2012; Anderson et al., 2019). These cities, regarded as trade hubs in today's global economy, have become attractive centers for qualified labor specialized in producing creativity and innovation (Sungur & Keskin, 2001; Neff, 2005-).

In this study, Istanbul was selected as the target city due to its potential to become a global center for creative industries. According to the 2010 Global Cities Index (GCI 2010), which assesses cities based on commercial activities, human capital, knowledge exchange, cultural experience, and political engagement, Istanbul was ranked 41st—the only city from Turkey included in the ranking, with New York, London, Tokyo, Paris, and Hong Kong occupying the top five spots.

2.3. Outcomes of External Networks for SMEs in Creative Industries

Most businesses within the Creative Industries (CI) are small and medium-sized enterprises (SMEs) (Dodourova & Günsel, 2012; Hadjimanolis, 2000). While large corporations leverage economies of scale in capital-intensive industries, which gives them an innovative advantage, SMEs tend to excel in creative and innovative fields where a skilled workforce is crucial (Acs & Audretsch, 1990; Anderson et al., 2019). Innovation is a social process that involves collective learning and surpasses the efforts of individual actors, such as firms or institutions. It involves a holistic transformation that integrates all actors and their interactions (Crescenzi, 2005; Santagata, 2019). As a result, innovative SMEs often cluster together, forming collaborations with suppliers, customers, competitors, universities, R&D and incubation centers, innovation support organizations, venture capital firms, and public institutions at both local and national levels. The ability of SMEs to utilize these external networks is a key determinant of their competitiveness and overall performance (Ratten, 2020).

SMEs are unlikely to achieve competitive advantages in innovation, cost, and quality without the support of external networks (Dodourova, 2009). Rapid and profound changes in the business environment, particularly in sectors driven by technology and creativity, such as software development, make it increasingly difficult for SMEs to keep up with technological and market advancements and to capitalize on potential opportunities (Grodach, 2020). In this context, SMEs' ability to adapt to changing market and technological conditions and maintain competitiveness depends on their integration into Regional Innovation Systems (RIS) and external networks (Anderson et al., 2019). The significance of external networks lies in the collaborative interactions between individuals and institutions, which generate greater potential than individual efforts alone. Hence, the successful commercialization of creativity as innovation requires not only individual actors but also their mutual interactions (Alderete & Bacic, 2011).

Participation in external networks—such as receiving exhibition support, consultancy services, or wage subsidies from the Small and Medium Enterprises Development Organization (SMEDO), engaging in R&D, project development, market research, business planning, and project management support within Technology Development Centers (TDCs), or benefiting from financial and technical resources, along with industrial application support, from technology parks (technoparks)—offers SMEs a broad perspective on technological and market shifts. This, combined with technical support, provides SMEs with a competitive advantage in innovation and quality standards (Wittmann et al., 2008; Bacic & Souza, 2008; Fuller-Love & Thomas, 2004; Bougrain & Haudeville, 2002). Additionally, the tacit knowledge possessed by technical experts and experienced workers, which is difficult to codify in written documents, plays a critical role in innovation and creativity processes (Dosi, 1988; Senker, 2005). In this context, interpersonal relationships and social networks serve as essential channels for transferring tacit knowledge (Bougrain & Haudeville, 2002).

Leveraging external networks enables SMEs to reduce the cost of accessing up-to-date information on market and technological conditions. Interfirm networks offer several benefits, including (i) identifying and evaluating shifts in customer demands and new technological opportunities, (ii) gaining rapid access to technical expertise and experience, (iii) optimizing key processes involved in the commercialization of new technologies, and (iv) facilitating access to a skilled labor pool. Moreover, collaborations within external networks promote the dissemination of best practices and technological expertise among SMEs, granting them a competitive advantage in terms of quality (Freel, 2005; Narula, 2004).

The impact of external networks is even more pronounced for SMEs in Creative Industries, where creative human capital is paramount. Creative Industries typically consist of networks of small firms that engage in mutual interaction and collaboration, often on a project basis. Teamwork, joint projects, and strategic partnerships are continuously formed, creating dynamic networks (Bilton, 2006). Creative Industries inherently rely on the flow and exchange of knowledge, with SMEs clustering in specific locations to benefit from the economies of scale in skills, talent, and know-how that external networks provide (O'Connor, 2007).

In summary, SMEs operating in Creative Industries can only achieve competitive advantages in innovation, cost, and quality by clustering in specific locations—such as Istanbul, which has been selected as the focus for this study—and by integrating into RIS and utilizing external networks. This competitive advantage will enable SMEs to compete at regional, national, and international levels, ensuring high performance and success. Consequently, the following hypotheses are proposed:

H1: There is a positive and significant relationship between the ability of SMEs in Creative Industries to utilize external networks and their competitiveness, specifically (a) innovation-oriented competitiveness, (b) cost-oriented competitiveness, and (c) quality-oriented competitiveness.

H2: There is a positive and significant relationship between the competitiveness of SMEs in Creative Industries, specifically (a) innovation-oriented competitiveness, (b) cost-oriented competitiveness, and (c) quality-oriented competitiveness, and their performance.

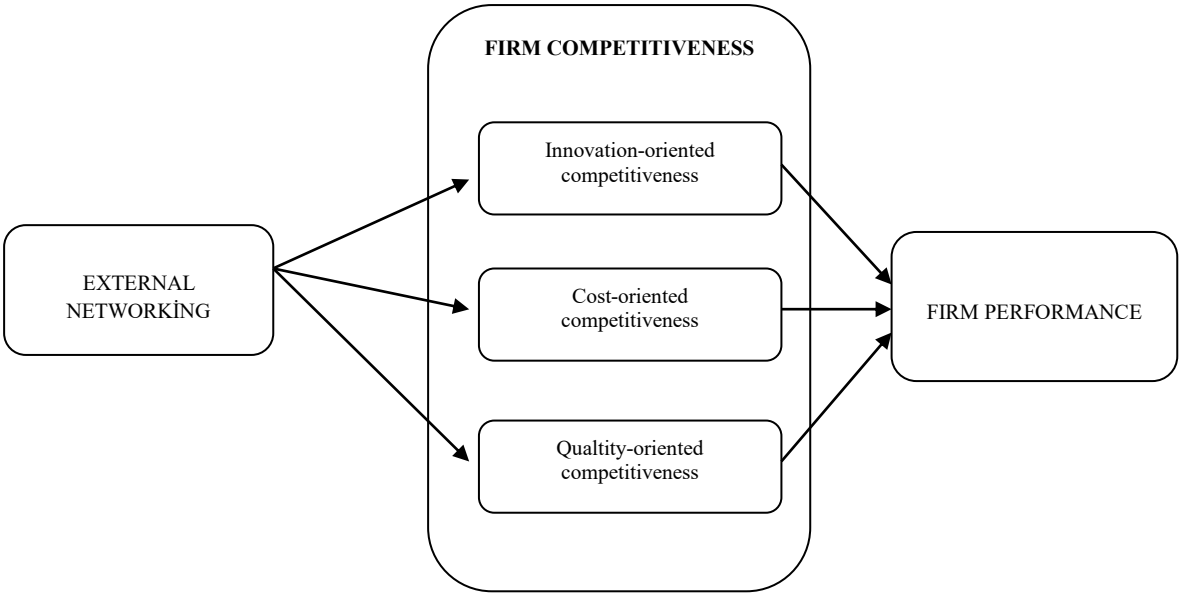

Figure 1. Research Model

3. RESEARCH DESIGN

3.1. Scales

To test the hypotheses presented above, multi-item scales adapted or developed from previous studies were employed. All constructs were measured using a 5-point Likert scale, ranging from "1: Strongly Disagree" to "5: Strongly Agree." The survey form is provided in Appendix A, and a brief summary of the scales is as follows:

- To measure the ability to benefit from external networks, a four-item scale adapted from Romijn and Albaladejo's (2002) work, converted into a Likert scale, is used.

- In this study, firm competitiveness is evaluated across three dimensions. Six questions adapted from the studies of Çetindamar and Fiş (2007), Awwad (2011), and Tracey et al. (2004) are used to measure innovation-oriented competitiveness. Five questions adapted from Awwad (2011) and Tracey et al. (2004) are used to measure cost-oriented competitiveness. Finally, five questions adapted from Awwad A.S. (2011) and Tracey et al. (2004) are employed to measure quality-oriented competitiveness.
- To measure firm performance, an eight-question scale adapted from the work of Alpay et al. (2008) is included in the survey.

3.2. Sample

After determining the scales to be used, the draft survey was reviewed by academic experts from Turkey with proven expertise in the fields of creativity and innovation. The appropriateness of the Turkish version of the survey was assessed using the parallel translation method. First, the questions were translated into Turkish, then retranslated back into English by another expert to ensure consistency between the original and translated versions. After confirming the compatibility of the translation, a pre-test was conducted with five graduate students who could be classified within the creative class. Following this, the final version of the survey was distributed using the "personally administered survey" method.

The sample population consists of 240 SMEs operating within the creative industries located in Istanbul. The selection of Istanbul for this study holds particular significance, as the city has great potential as a hub for the creative class and creative industries (Günsel & Çetindamar, 2011: 257). The awareness of creative industries in Istanbul has increased significantly, especially since the city was named the European Capital of Culture in 2010. According to the 2010 Creative Economy Workshop Report, 52.4% of those employed in creative sectors in Turkey are based in Istanbul. Additionally, revenue from creative industries in Istanbul accounts for 74.5% of the total revenue generated by creative industries in Turkey (İSTKA, 2021). As noted by Günsel and Çetindamar (2011), the intensity of professions within the creative industries in Istanbul, as measured by the location quotient (LQ), is the highest in Turkey at 1.7125, far above the national average of 0.7510. Given this context, Istanbul is seen as having the potential to become a global hub, similar to New York, Los Angeles, Hong Kong, and St. Petersburg. Therefore, conducting this study in Istanbul is expected to provide valuable insights.

To this end, a sample of 240 SMEs was selected from a total of 12,742 registered businesses in Istanbul, based on their NACE codes and using a convenience sampling method. The selected companies operate in three sectors: (i) information technology (computers, software, and gaming), (ii) media (film, music, and production), and (iii) advertising (advertising firms and agencies). Contact was made with these firms using the telephone numbers provided in Istanbul Chamber of Commerce (ITO) records, and the purpose of the study was explained to the firm owners or managers. Of the 240 firms contacted, 119 agreed to participate in the study. To complete the surveys, a participant knowledgeable about the company's operations—either a senior manager, specialist, or the owner—was asked to fill out the survey.

After selecting the participants, they were informed that their responses would be anonymous and that no connection would be made between their responses, their firms, or the products they develop. Participants were reassured that there were no right or wrong answers and were encouraged to answer the questions as honestly as possible. Additionally, to mitigate any concerns about social desirability bias or response moderation, a narrative was developed to make the independent and criterion variables appear unrelated. These procedures reduced participants' inclination to align their responses with what they believed the researchers expected (Podsakoff et al., 2003).

Of the 119 firms that agreed to participate, 101 valid responses were received. However, four were excluded due to incomplete data, leaving a final sample of 97 firms for analysis.

Among the respondents, 72% were male, and 28% were female. Twenty-seven percent had vocational school education, 42% held a bachelor’s degree, and 31% were self-taught or had a high school or associate degree. Sixty-five percent of the participants were 35 years old or younger. In terms of their positions within their firms, 48% were specialist employees, 33% were professional managers, and 19% were owner-managers. These demographic data indicate that the sample consists of a young, educated, and dynamic group that is open to innovation.

3.3. Analysis and Results

To calculate the measurement and structural parameters within the Structural Equation Model (SEM), the SmartPLS 3.0 approach was employed. Consistent with previous studies, competitiveness was not modeled as a composite variable. Instead, it was modeled as a three-dimensional construct—innovation-oriented competitiveness, cost-oriented competitiveness, and quality-oriented competitiveness—to elucidate how external networks affect different aspects of competitiveness and how these dimensions influence firm performance.

3.4. Validity and Reliability of the Measurement

Reflective scales were used for all variables in this study, following the approach of Kleijnen, Ruyter, and Wetzels (2007). To assess the psychometric properties of the measurement tools, a null model—where no structural relationships were assumed—was calculated. Composite Reliability (CR) and Average Variance Extracted (AVE) were used to evaluate reliability. For all measurements, CR values exceeded the threshold of 0.70, and AVE values surpassed the 0.50 threshold. Furthermore, standardized loadings of the measurement items on their respective constructs were calculated to test convergent validity, and all measurement items showed standardized loadings above 0.60. Discriminant validity was also assessed using the Fornell-Larcker criterion, which stipulates that the AVE for each construct should exceed the squared correlations between constructs (see Table 1). The results show that the measurements used in this study meet the criteria for validity and reliability.

Table 1. Means, Standard Deviations, CR, AVE, and Correlation Values

Variable	Mean	Std. Dev	AVE	CR	1	2	3	4	5
Innovation-Oriented Competitiveness	3.19	0.98	0.539	0.713	0,732				
Cost-Oriented Competitiveness	3.57	0.72	0.514	0.870	0.654**	0,684			
Quality-Oriented Competitiveness	2.42	0.96	0.542	0.721	0.189*	0.026	0.758		
External Networks	3.77	0.95	0.910	0.958	0.417**	0.553**	0.117	0.769	
Firm Performance	3.83	0.89	0.768	0.909	0.375**	0.469**	0.039	0.445**	0.796

3.5. Hypothesis Testing

To test the relationships within the theoretical model presented in Figure 1, a PLS path analysis was used, allowing for the clear calculation of latent variable (LV) scores. To test the statistical significance of these relationships, SmartPLS 2.0 and the bootstrapping resampling method were utilized. This procedure involves generating 500 randomly selected subsamples to replace the original data. Path coefficients were then calculated for each randomly selected subsample, and t-values were computed for each coefficient to determine the statistical significance of the relationships.

Table 2. Path Analysis Results

Path	Beta (β)	Hypotheses	Results
EN → IOC	0.47**	H1a	Supported
EN → COC	0.23*	H1b	Supported
EN → QOC	0.17	H1c	Not Supported
IOC → FP	0.12	H2a	Not Supported
COC → FP	0.59**	H2b	Supported
QOC → FP	0.07	H2c	Not Supported

Note: EN: External Networks, IOC: Innovation-Oriented Competitiveness, COC: Cost-Oriented Competitiveness, QOC: Quality-Oriented Competitiveness, FP: Firm Performance
*: $p < 0.01$, **: $p < 0.05$

As shown in Table 2, the results largely support our hypotheses. A detailed examination of the path analysis results reveals the following:

- Hypotheses H1a and H1b are supported, indicating that the ability to leverage external networks has direct and positive effects on innovation-oriented competitiveness (β: 0.47; $p < 0.01$) and cost-oriented competitiveness (β: 0.23; $p < 0.05$).
- Hypothesis H2b is supported, indicating that cost-oriented competitiveness has direct and positive effects on firm performance (β: 0.59; $p < 0.01$).
- Interestingly, the findings do not provide evidence of statistically significant relationships between external networks and quality-oriented competitiveness, nor between innovation- or quality-oriented competitiveness and firm performance, thus rejecting H1c, H2a, and H2c.

3.6. Structural Model Evaluation

Table 3 provides a detailed evaluation of the structural model using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. The focus is on key metrics such as the coefficient of determination (R^2), predictive validity (Q^2), and overall model fit indicators like the Standardized Root Mean Square Residual (SRMR) and the Normed Fit Index (NFI). These metrics are crucial for assessing both the model's explanatory power and its predictive effectiveness.

The R^2 values measure the proportion of variance in the dependent constructs explained by the independent constructs. According to Chin's (2001) criteria, R^2 values can be classified as small (0.02 to 0.13), medium (0.13 to 0.26), or large (0.26 and above). In this model:

- Innovation-oriented competitiveness has an R^2 of 0.172, indicating a medium effect size.
- Cost-oriented competitiveness shows an R^2 of 0.124, reflecting a small to medium effect size.
- Quality-oriented competitiveness has a minimal R^2 of 0.007, indicating very little explanatory power.
- Firm performance demonstrates a large effect size with an R^2 of 0.377, meaning the model explains a substantial amount of variance in this construct.

Q^2 values assess the predictive relevance of the model, with positive values indicating that the model can accurately predict data points for the dependent variables. In this study:

- Innovation-oriented competitiveness has a Q^2 of 0.212, confirming substantial predictive relevance.
- Cost-oriented competitiveness has a Q^2 of 0.114, indicating moderate predictive relevance.
- Quality-oriented competitiveness shows a Q^2 of 0.021, reflecting minimal predictive power.
- Firm performance has a strong Q^2 of 0.487, confirming high predictive validity.

For the overall model fit, the SRMR measures the discrepancy between the observed and predicted correlations. An SRMR value below 0.08 indicates a good model fit (Hu and Bentler, 1998). In this model, the SRMR is 0.077, suggesting that the model fits the data well.

Additionally, the NFI is calculated to evaluate the model's goodness of fit in comparison to a null model. The NFI value of 0.813 indicates a good fit, as values closer to 1 represent better model fit.

Overall, the model demonstrates strong explanatory and predictive power, particularly for Innovation-oriented competitiveness and Firm performance. The positive Q^2 values across constructs highlight the model's predictive capability, while the SRMR and NFI values confirm the adequacy of the model's fit.

Table 3. Structural Model

Endogenous Constructs	R^2	Q^2	SRMR	NFI
Innovation-oriented competitiveness	0.172	0.212		
Cost-oriented competitiveness	0.124	0.114		
Quality-oriented competitiveness	0.007	0.021	.077	0.813
Firm performance	0.377	0.487		

4. CONCLUSION

Today's knowledge-based economies, shaped by globalization, change, and technological advancements, have witnessed the rise of a specific industry group known as "creative industries." These industries, focused on the production of high value-added goods and services that rely on individual creativity, information technology, and intellectual property rights, are largely composed of SMEs (Santagata, 2019). The development of these SMEs, which have more limited human, managerial, and financial resources than larger firms, is closely tied to their ability to innovate, meet international quality standards, and maintain cost-efficiency (Grodach, 2020).

The ability of SMEs to overcome their constraints and remain competitive is largely dependent on their ability to leverage external networks. This study examines the relationships between the ability of SMEs operating within the creative industries in Istanbul to leverage external networks, their competitiveness, and their performance. The findings contribute to the literature in three significant ways:

First, the results demonstrate that the ability of SMEs in the creative industries to leverage external networks plays a significant role in their innovation- and cost-oriented competitiveness, but not in quality-oriented competitiveness. According to these findings, SMEs that benefit from external networks and

cluster together—receiving support from institutions such as TÜBİTAK and KOSGEB—can commercialize their creative ideas as innovations and reduce costs, thereby achieving international competitiveness (Anderson et al., 2019). However, access to external networks does not necessarily translate into quality-oriented competitiveness, at least for SMEs in the creative industries.

Second, the findings reveal that only cost-oriented competitiveness has a direct impact on firm performance, while no relationship was found between innovation- or quality-oriented competitiveness and firm performance. The supported relationship between cost-oriented competitiveness and performance is consistent with the literature. In general, reducing costs increases profits, and when these profits are used in line with company objectives, they enhance firm performance (Lazzeretti et al., 2014). This study also finds that cost-oriented competitiveness is the most significant factor influencing firm performance among the dimensions of competitiveness.

Perhaps the most surprising and noteworthy result of this study is the lack of any relationship between innovation-oriented competitiveness and firm performance, despite the expectation that firms producing innovation- and creativity-based goods and services would perform better. This result aligns with the findings of Dodourova and Günsel (2012) in their study of SMEs in the UK's creative industries, where no relationship was found between innovation and firm performance. While innovation is generally expected to be a key predictor of performance for firms in the creative industries, this study suggests that firms in Istanbul, despite being classified as part of the creative industries, tend to copy tested and profitable innovations from abroad to remain competitive rather than creating their own innovations (Grodach, 2020). This raises questions about how innovation-oriented competitiveness is achieved, particularly given the finding that external networks enhance both innovation- and cost-oriented competitiveness. In some cases, firms may gain an innovation advantage by introducing foreign innovations into the Turkish market with minor modifications, such as localization or resource adaptation.

A prominent example of this phenomenon is Acun Ilıcalı, who adapted successful international television formats (e.g., Survivor) to the Turkish market. Similarly, many software companies generate revenue by adapting existing open-source programs for the local market, avoiding the risks and costs associated with developing new innovations from scratch (West & Gallagher, 2006)).

In summary, this study develops a comprehensive model to examine the relationships between SMEs' ability to leverage external networks, their competitiveness, and their performance within the context of the creative industries in Istanbul. The findings indicate that the ability to leverage external networks is a significant precursor to both innovation- and cost-oriented competitiveness, but only cost-oriented competitiveness enhances firm performance.

This study has several methodological limitations that may affect the generalizability of its findings. First, the sample consists of data collected from 97 SMEs in Istanbul, and this is a relatively small sample size. Larger sample sizes may yield more generalizable results. Additionally, the data reflect the results of SMEs clustered in Istanbul, and it is important to note that results may vary for clusters or smart specialization centers in other regions or cities (Santagata, 2019).

Moreover, the creative industries represent a broad sector encompassing a wide range of fields, including music, art, theater, television, video, architecture, advertising, design, antiques, software, and digital exhibitions, and the boundaries of this sector have not yet been fully defined or agreed upon (Grodach, 2020). This study did not differentiate between these fields. The effects of external networks on competitiveness and performance may differ across different subsectors within the creative industries.

Finally, while this study examines the effects of external networks on competitiveness, competitiveness is addressed only from the perspectives of innovation, cost, and quality. Considering the broader scope of competitiveness, a more detailed analysis from additional perspectives could yield more specific results.

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