

The Success Factors of and Barriers Faced by Entrepreneurial SMEs in Jordan

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Abstract

The research study aims to investigate the existing barriers and success factor related to entrepreneurial SMEs in Jordan. This study adopts a quantitative methodology to examine the research problem and pursues a descriptive design, which involves a survey. The sample size of the study is 54 SMEs entrepreneurs or their representatives, based in Jordan. The results from the same indicated that product quality, cash sufficiency and effective business location plays an important role in the success of entrepreneurial SMEs in Jordan. Some of the major barriers identified by the respondents are lack of technological advancement, high cost of financing and lack of effective training for employees of the business. Lastly, the conclusion has been presented with three crucially important recommendations for such SMEs.

Keywords: Success factors; Barriers factors; Entrepreneurship; SMEs development.



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1. Introduction

The driving force for job creation, customer satisfaction, innovation and overall economic development in a country is the presence of strong and growing Entrepreneurship. Entrepreneurs play a major role in not only the country's economic growth but also present their contribution towards self-fulfilment and personal development. Other major roles of entrepreneurship are government fundings, market opportunity, financial hinderances, education, mentor availability, and other macroeconomic environments which reflects the launch of new business (Franke and Lüthje, 2004; Liñán and Chen, 2009). Since the past two decades, the policymakers in both developed and developing countries mainly emphasis on the entrepreneurial actions, which indicates the way of alleviating the social citizen's welfare (European Commission, 2010). In addition to this, there is a rise in academic and non academic literature studies on entrepreneurial characteristics (De Janasz *et al.*, 2007; Gürol and Atsan, 2006; Mueller and Thomas, 2001), intentions of entrepreneurs (Gurel *et al.*, 2010; Liñán and Chen, 2009), importance of entrepreneurial education and training (Dickson *et al.*, 2008; Fayolle and Lassas-Clerc, 2006) and the environment of the entrepreneurs (Liñán and Chen, 2009; Wong and Lee, 2005).

Irrespective of the economic development stage, the SMEs mainly constitute and remain a major source of a nation's growth (Dasanayaka *et al.*, 2011; Hessels and Parker, 2013; Hyz, 2011). Based on the economic significance of the SMEs, there is no surprise that all of the nations across the globe, emphasises on strengthening and supporting these enterprises via several kinds of support programs and institutions. The SMEs development is considered as an important achievement of broader economic objectives, consisting of socially stabilized economic development mainly by encouraging and promoting the middle class and providing them with better job opportunities (Günerergerin *et al.*, 2012; Irayanti and Azis, 2012; Okpara and Halkias, 2011; Zaied, 2012). Involvement of SMEs is known to be a serious commitment which has been taken by the government of Jordan. The country has particularly focused its attention on the development of this sector as a crucial base for the economy. However, a large number of Jordanian entrepreneurial SMEs are facing difficulties in surviving today's competitive market because of the presence of too many barriers in their competitive and sustainability search. For the removal of these barriers, the government must provide ways of helping and supporting SMEs and developing the potential solution to its development. Hence, in order to more specifically analyse the SMEs of Jordan with respect to opportunities and barriers in the way of entrepreneurship in the country, the current study has been conducted. The research questions on which such a study has been based, are:

- i. What are the main challenges faced by entrepreneurial SMEs in Jordan?
- ii. What is the success factor of these entrepreneurial SMEs started in Jordan?

2. Literature Review

2.1. Success Factors for Entrepreneurial SMEs in Jordan

Small and medium enterprises (SMEs) are found to be one of the major contributors to the Jordanian economy. This can be understood by considering the fact that approximately 98 per cent of the Jordanian organisations are categorised as SMEs (Nuseir, 2016). In this account, the research work of Al-Mahrouq (2010), has highlighted that 98% of the service and manufacturing sector firms in the country – Jordan – are SMEs and nearly all agriculture and retail firms are operating as SMEs. In addition to this, it is also found that approximately two-thirds of the total labour force of Jordan is employed by small-sized businesses, which is serving as a success factor for Jordanian entrepreneurial SMEs. Besides that, the study of Al-Mahrouq (2010), has highlighted different success factors of entrepreneurial SME in Jordan. These success factors include the supportive environment, marketing strategies,

capital accessibility, customer orientation, efficient management, and quality of the produced items. [Al-Mahrouq \(2010\)](#), has also characterised leadership, innovation, and performance management as the success factors of entrepreneurial SMEs in Jordan. Moreover, he has also highlighted the importance of financial stability and investment as the key factor to support the success of Jordanian entrepreneurial SMEs.

As per [Elmansori and Arthur \(2015\)](#), support of business incubators plays a significant role in the success of the entrepreneurial SMEs of Jordan. It has been established by Elmansori and Arthur that entrepreneurs have sound knowledge about the technical aspects, but they usually have minimal administrative, marketing, managerial, and financial capabilities that threaten the sustainability of the SMEs. In this situation, business incubation helps entrepreneurial ventures to initiate and expand their business activities in Jordan. The study also delineated the need for supportive technological infrastructure innovation, knowledge, and technology to enhance the performance of Jordanian SMEs.

Similarly, [Bawaneh and Al-Abbadi \(2017\)](#), suggests different factors that hinder the successful performance of an entrepreneur in the markets. According to this study, the lack of communication and cooperation between the people, organization and institutions greatly affects the stability of new business in the market. She outlined weak financial policies to support new businesses and weak business networking as the key barriers hindering the growth of entrepreneurial businesses in Jordan market. Moreover, the study also affirmed the previous study by [Al-Shaikh \(2013\)](#), showing the significant relation of training and success of entrepreneurship in Jordan. The research concludes, that the inability to analyse the need for investment and the lack of skills to build a business greatly hinders the successful entrepreneurial activities.

[Najim et al. \(2013\)](#), have highlighted different success factors that drive Jordanian entrepreneurial SMEs towards success. In particular, the information and electronic entrepreneurship, general business environment, entrepreneurship support policy, and characteristics of entrepreneur act as a prominent success factor for entrepreneurial SMEs, operating in Jordan. [Najim et al. \(2013\)](#), further added that the new product development process and operational strategies enable the entrepreneurial businesses to retain itself in the Jordanian market.

According to [Nuseir \(2016\)](#), export efficiency is one of the prime factors that define the survival of entrepreneurial SMEs in Jordan. The researcher further demonstrated the factor of export efficiency in the context of speed, scope, intensity and extent of SMEs' operations in the international market. Moreover, [Alhniya et al. \(2016\)](#), elucidated that governmental policies and entrepreneurial orientation also acts as the success factors of entrepreneurial ventures in Jordan. The entrepreneurial orientation enables SMEs to understand the dimensions of doing business, in terms of financial needs and local market dynamics. This factor eventually results in improving the overall performance of entrepreneurial SMEs. Moreover, government interventions in terms of infrastructure support and governmental policies are also contributing to the success of entrepreneurial SMEs in Jordan.

2.2. Challenges Faced by Entrepreneurial SMEs in Jordan

[Al-Hyari \(2013\)](#), found different factors that impede the operations of entrepreneurial SMEs in Jordan. The factors affecting growth and stability of the SMEs in Jordan include lack of financial support, scarcity of human resources that could perform well in the given industry, competition barriers, and rigid rules and regulations. The study further highlighted the need for developing strong technological infrastructure to encourage the growth of entrepreneurship in Jordan. In doing so, Al-Hyari recommended the incorporation of soft loans and relaxed credit system so that SMEs can innovative themselves by implementing new business technologies and tools. Moreover, the study also shed light on the importance of offering training and development programmes in order to handle the issue of scarcity of skilled workforce. Furthermore, according to study, the ease of trade barriers would also positively impact the growth of SME in the Jordanian market, as it will allow the entrepreneurs to export the goods and services at minimal cost while attracting external players.

[Al-Shaikh \(2013\)](#), outlines different challenges that an entrepreneurial SME faces while pursuing the business in Jordan. Findings of the study indicate that lack of financial support, limited opportunities of training and development for entrepreneurs, lack of understanding of the business plan, prices of the raw material, and credit loans have been the prominent challenges that the entrepreneur face in Jordan. He also suggested that the lack of knowledge in finance, marketing and accounts also limits the entrepreneurs in growing the business.

[Omet et al. \(2015\)](#), found a positive relationship between the extent of entrepreneurial activities and fear of failure. The study elaborates the factors that have negative impacts on the entrepreneurial activities in Jordan. The fear of failure and inadequate government policies are found to be two factors that are affecting the entrepreneurship in Jordan. It has been established in the research that the entrepreneurship is not as successful in Jordan as it is expected to be. It has the minimal contribution of women in it yet males are found to be more involved in the entrepreneurial ventures, mainly because of having the fear of failure. Some of the other challenges, highlighted by [Omet et al. \(2015\)](#), include lack of product innovation and the inability of the entrepreneurs to export in other markets.

[Al-Hyari et al. \(2012\)](#), had also conducted research to assess the challenges that are often faced by entrepreneurial SMEs in Jordan. As per [Al-Hyari et al. \(2012\)](#), lack of financial knowledge and political/economic and legal regulations are the most eminent factors that hinder the success of entrepreneurial SMEs in Jordan. In addition, the price erosion in the international market and financial and information barriers also pose challenges to SMEs of Jordan.

3. Methods

The research design of the current study is descriptive that is mainly concerned with the identification and frequency count of a certain level of population or sample and then create a more visible and objective picture of the overall situation. In addition, a positivist approach has been adopted for studying the role undertaken by the researcher in accordance with the data collection priority and interpretation (Remenyi *et al.*, 1998). Based on this approach, the researcher has remained objective towards the study and the independence from the actual research (Collins, 2010).

In this particular research, the aim was to assess different challenges and success factors which influence the entrepreneurial activities of SMEs in Jordan. Hence, based on this, the research has used questionnaires as effective research equipment that mainly comprises of three different heads; Demographic information of the respondent perceived success factors and perceived barriers to success. The collection of the data has been selected and executed via google forms which were sent to a number of entrepreneurs through emails and social media platforms. The questionnaire is designed in such a way that both Perceived Success Factors and Perceived Barriers have been ranked on the basis of importance and level of agreement using 1-5 Likert Scale (1 = not important/ Strongly Disagree and 5 = very important/ Strongly Agree). The sample size of the current study is 54 entrepreneurs/mangers (or their representative) of different SMEs based in Jordanian ministry of industry and trade as a small and medium-sized organisation employing almost 249 employees Al-Hyari *et al.* (2012).

The collected data is then evaluated using descriptive and frequency analysis after accurately coding the responses from the respondents. The captured data is entered on SPSS software (Version 26.0) and different statistical results have been performed accordingly.

4. Analysis and Discussion

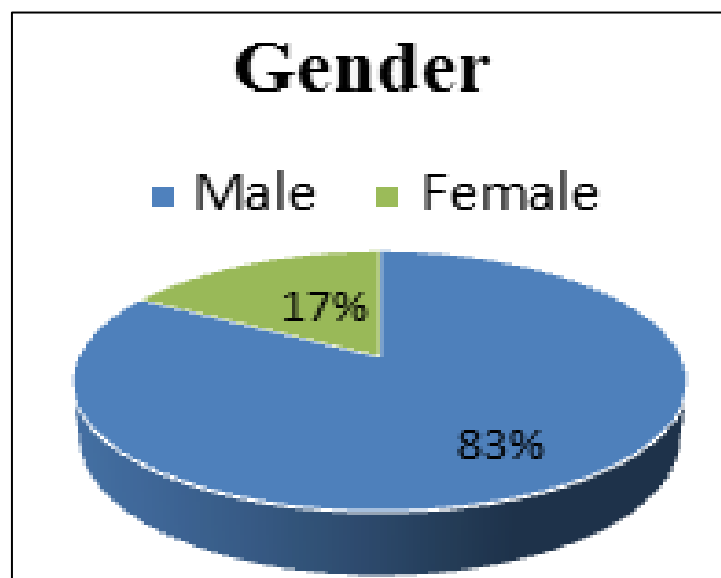
4.1. Demographic Information

In order to evaluate the overall research objectives of the current study, this section of the study particularly sheds light upon different demographic information from the 54 respondents. The frequency results of the same have been presented as shown below.

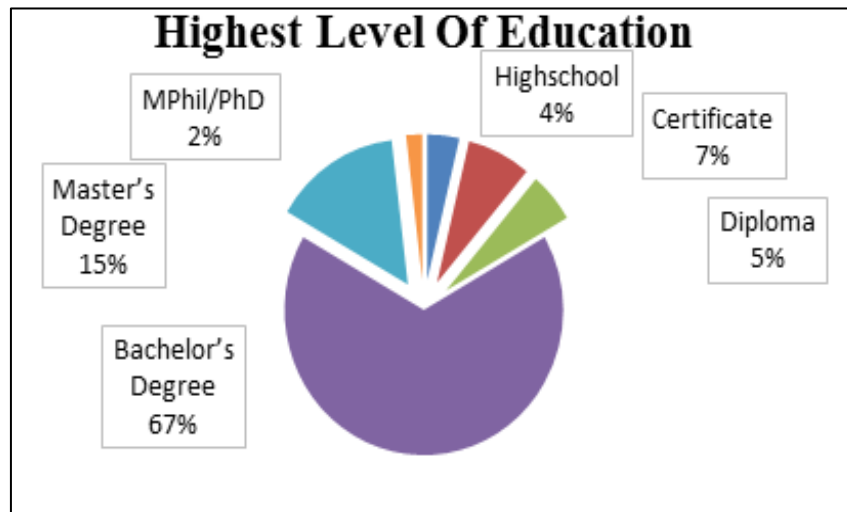
When asked about the ages of the entrepreneurs, it has been revealed that out of the 54 respondents, most of them (21 out of total) were in-between the age of 31 to 40 years. Following them are the group of entrepreneurs who are of age between 41 to 50 years. Some young entrepreneurs have also been contacted to become the participants of this study, who were between the age of 20 to 30 years. It shows that the majority of Jordanian entrepreneurs are young.

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30 years	9	16.7	16.7	16.7
	31-40 years	21	38.9	38.9	55.6
	41-50 years	19	35.2	35.2	90.7
	51 and above	5	9.3	9.3	100.0
	Total	54	100.0	100.0	

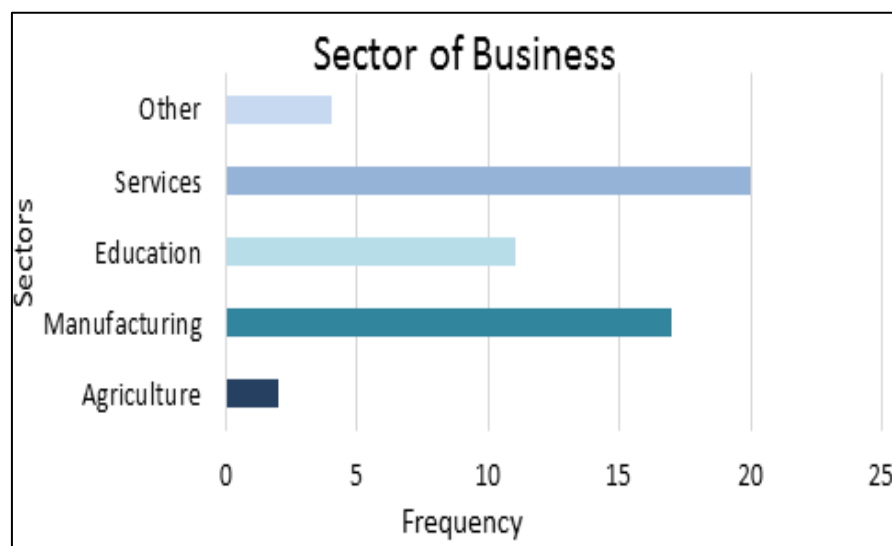
The results of the gender question reflect that most of SME entrepreneurs were male with around 83.3 percent of the current study's respondents being male while only 16.7 percent being females.



Moreover, 36 out of the 54 respondents revealed to have a bachelor's degree while 8 of them held a masters degree. 4 of them held a certificate, 2 were only highschool graduate and 3 of them indicated to have a diploma only. Though only 1 entrepreneur revealed to have the highest level of education of MPhil/PhD.



The respondents were also asked about the sector of their SME business. Their responses to this particular question revealed that most of the entrepreneurs belong to the services business with 37% frequency results, while 31.5% indicated to be from a manufacturing business. Moreover, 20.4 percent of them reflected to be part of education, 7.4% responded to others business while only 3.7% indicated to have an agriculture business.



When asked about the size of the business, 19 out of total entrepreneurs reflected that their business is on a small scale while 33 of them indicated to have a medium scale business. Only 2 of the respondents indicated to have a micro-level business.

Business Size					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Small	19	35.2	35.2	35.2
	Medium	33	61.1	61.1	96.3
	Micro	2	3.7	3.7	100.0
	Total	54	100.0	100.0	

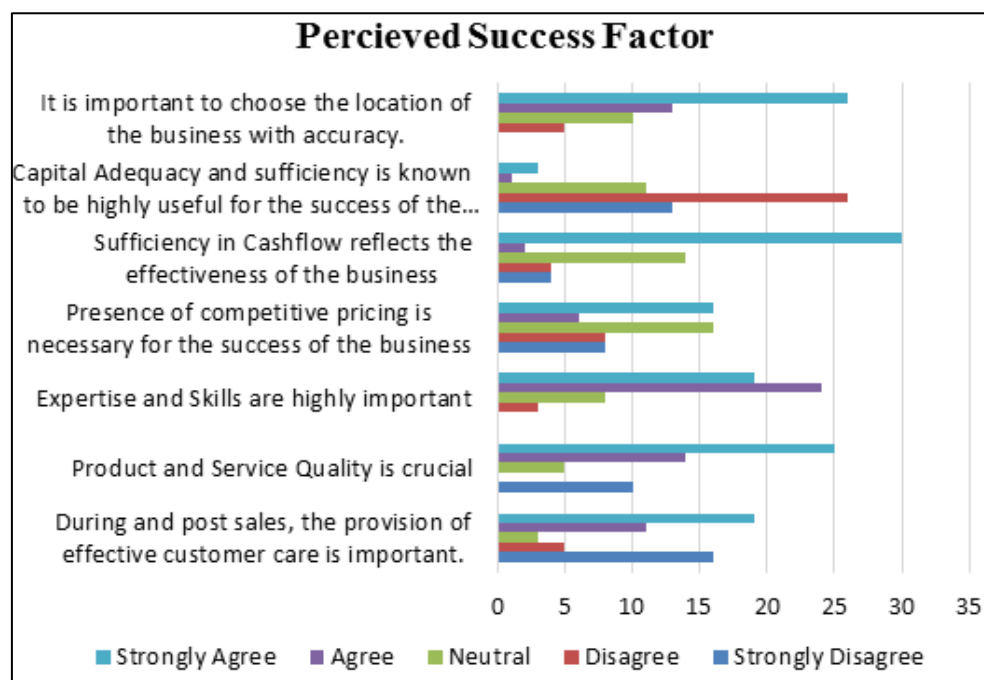
Lastly, 48.1 percent of the respondent also revealed that their business has been into operations between 1 to 3 years. 33.3 percent of them indicated to have existed for more than 3 years while only 18.5 percent reflected has been operating for less than 1 year.

Business Year Duration					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	10	18.5	18.5	18.5
	Between 1 and 3 years	26	48.1	48.1	66.7
	More than 3 years	18	33.3	33.3	100.0
	Total	54	100.0	100.0	

4.2. Perceived Success Factors

In relation to the perceived success factors of the entrepreneurial SMEs in Jordan, the respondents revealed that most important factor to lead such businesses to success is sufficiency of cash flows (30 owner's strongly Agrees), Effective business location (26 Strongly Agree), and Product and service quality (25 Strongly Agree). Moreover, 19 respondent indicated that the efficiency of customer care service also plays a major role in the success of the company. In addition to this, capital adequacy (3: SA) and competitive pricing (16: SA) is equally impactful factors in this regards.

Perceived Success Factor						
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
During and post-sales, the provision of effective customer care is important.	16	5	3	11	19	54
Product and Service Quality is crucial	10		5	14	25	54
Expertise and Skills are highly important		3	8	24	19	54
Presence of competitive pricing is necessary for the success of the business	8	8	16	6	16	54
Sufficiency in Cashflow reflects the effectiveness of the business	4	4	14	2	30	54
Capital Adequacy and sufficiency are known to be highly useful for the success of the company.	13	26	11	1	3	54
It is important to choose the location of the business with accuracy.		5	10	13	26	54



4.3. Perceived Barriers to Success

Lastly, the barriers to the success of the business have been evaluated based on descriptive statistics. In accordance with the mean value of the importance of the Jordanian Entrepreneurs of different SMEs with respect to their perception of the barriers towards the success of the business, the following table has been presented. The high cost of financing, lack of trained and qualified HR, inefficient competition issues, lack of information technology, low access to credit facilities and extreme and rigid regulations on business are seen to be the most common problem or hindrance in the way of SME's success. Lack of financing is one of the most common and occurred problem faced by the SMEs in Jordan. Since the banking sector is usually very reluctant to lend the newly established SMEs due to lack of collaterals, the need for more soft loans with less costly rates and requirements are usually demanded by this business (Al-Hyari *et al.*, 2012). Other problems related to HR may be due to lack of skills and knowledge related to the ability to deal with different business tasks. This particularly implies a lack of training for the workers. According to the responses from a current study, it has been revealed that the mean score on the basis of importance for this particular barrier is 4.3 reflecting high importance of this factor. For such a case, Okpara and Kabongo (2009), and Irjayanti and Azis (2012), recommends management workshops and seminars which are mainly organised by different universities, non-profit organisation and local chambers of commerce. This must be conducted with an aim to provide the workers with fundamental skills in management for managing daily operations of the business.

Furthermore, the table below revealed that the SMEs have mainly considered the main barriers for SMEs success is to be the strict rules and regulations and market instability. The findings further suggest the majority of the SMEs in Jordan sees corruption, political instability and economic uncertainty as to the most influential issue towards business development. Product quality issues, lack of product differentiation, ineffective infrastructure, corruption, ineffective marketing strategies, low government and management support as the most crucial barriers to the success of SMEs in Jordan.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Lack of information technology	54	3.00	5.00	4.7222	0.52903
High Cost of Financing	54	3.00	5.00	4.6852	0.50746
Lack of HR/Personnel training	54	3.00	5.00	4.3519	0.73092
Difficulties in Competitions	54	3.00	5.00	4.2963	0.74301
Barriers to product differentiation	54	1.00	5.00	4.1481	0.95971
Extremely rigid rules and regulations	54	2.00	5.00	4.2222	0.86147
Ineffective Infrastructure	54	2.00	5.00	4.2778	0.89899
Issues related to product quality	54	3.00	5.00	4.3519	0.70463
Low access to credit facilities	54	2.00	5.00	4.4259	0.88172
Ineffective location	54	1.00	5.00	4.1481	0.95971
Inappropriate marketing strategy	54	3.00	5.00	4.2037	0.83281
Corruption	54	1.00	5.00	4.0926	1.01440
Lack of management experience	54	2.00	5.00	4.2222	0.86147
Lack of government support	54	3.00	5.00	4.2037	0.83281
Valid N (listwise)	54				

5. Conclusion

In order to understand the challenges and success factors related to entrepreneurial activities in SMEs of Jordan, a close relationship and collaboration between the business community, promotional institution, government and the private sector are highly important. Resultantly, based on the aforementioned findings, Jordan is lacking behind in terms of skills and technology as compared to the developed countries. The frequency results of the perceived success factor revealed that the most crucial factors are sufficiency of cashflows, effective business location and product and service quality. The overall study shall serve as a contribution to the existing literature for the discussion and empirical findings related to SME entrepreneurship from Jordanian perspective and hence future researchers may expand its origin and setting by researching on other developing and developed countries as well.

Lastly, on the basis of these results, the following recommendations have been made. These may contribute to the rising need for the development of SMEs businesses in Jordanian Market. The recommendations in this regards are:

- Establishing more SMEs training and workshop centres which may help in increasing the awareness in SMEs for getting more training on how to deal with different issues and barriers while also addressing the lack of skilful HR for the SMEs businesses.
- Encourage the SMEs to develop their businesses in terms of technology and innovative programs, mainly for the purpose of reducing the costs.
- Using e-commerce facilities as a tool for overcoming the distance to market at a very low cost in order to present the customers with the products and services they demand within the ease of their homes.

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