

What Influences the Success of Manufacturing SMEs? A Perspective from Tangier

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Abstract

***Purpose** - This study attempts to explore perceptions of owner-managers of manufacturing small and medium enterprises (SMEs) in Tangier with respect to the external factors of success.*

***Design** - Using a qualitative approach, fifteen in-depth face-to-face semi-structured interviews were conducted with selected owner-managers of SMEs, forming a judgmental selection, to explore their experiences, beliefs, and attitudes with respect to the external factors of success.*

***Findings** - The importance of financial resources stemmed from the substantial challenges faced by SMEs in Tangier. A response to these challenges often adopted an equity model of financial resources. Furthermore, the concepts of 'conduct', 'equipment', and 'commitments', clearly explained the importance of a good infrastructure to the appreciation of success in this type of business. Findings further revealed that the importance of competition emanated from the challenges of the increasing globalization, seen in the development of free zones, as well as the perceived unfairness of competition in the market.*

***Value** - The study contributes to the understanding of the impact of critical external factors on the success of SMEs in the city of Tangier. The three salient factors could be considered to be ways of understanding the external environment by small business owners, allowing the impact of external factors to become part of the way that the small business owner-managers conduct their business.*

Key Words: success; SMEs; external factors; financial resources; infrastructure; competition; free zones; Tangier

1. Introduction

The important contribution of a vibrant and thriving small and medium enterprise (SME) sector in the national socio-economic development of a country has been widely recognized. In view of its increasing importance, success of small and medium enterprises (SMEs) has been of interest to several researchers, international organizations, and policy makers, at least, since the Bolton report (1971), and therefore has become the subject of a great deal of analysis. Attention to the SME sector has heightened because of the globalizing economy and the increasingly severe competition that is inherent in this development. In the light of this, the following research study seeks to understand and explore the external success factors as perceived by owner-managers of SMEs in the city of Tangier in Morocco.

2. Background

The importance of SMEs is well recognized in academic and policy literature (e.g. Birch, 1989; Storey, 1994; Abdullah & Beal, 2003). Both developed and developing countries have realized the importance of SMEs in the economic and social development. In Europe, the annual report of European SMEs confirmed that SMEs remain the European Union's economic backbone despite the global financial crisis (The European Commission, 2011). Representing 99.8 per cent of all enterprises, SMEs contribute to 66 per cent of employment in the European Union.

SMEs in Morocco play a pivotal role in the development of the country. The importance of SMEs is evidenced by their high presence in the economic structure of the country. According to The United Nations Economic Commission for Africa (UNECA) (2008), 93% of all Moroccan industrial firms are SMEs and account for 38% of production, 38% of investment, 31% of exports, and 45% of all jobs. Within Morocco, the city of Tangier has a highly strategic geographical position, enjoys a special tax status, and contains zones that have the status of free economic zones. Located in the Tangier-Tétouan region in the extreme north-west of Morocco, the city of Tangier is Morocco's second industrial centre after Casablanca and the first industrial city in the Tangier-Tétouan region. After decades of neglect, Tangier did not regain attention from the government until 1999. The Moroccan government has engaged since then in developing the economy of the city by seeking to create an enabling business environment for large as well as small and medium companies. However, despite the government efforts in promoting the business environment, these efforts remain limited. According to the regional report (2007) of the World Bank, Tangier is considered to be a difficult area with respect to the regulations affecting four stages of a business's life: starting a business, dealing with construction permits, registering property, and enforcing contracts.

With respect to the SME sector, manufacturing SMEs in Tangier account for over half of the total firms in the Tangier-Tétouan region and contribute to 83% of employment (Ministry of Industry, Commerce, and New Technologies (MICNT), 2007). However, despite their value in the regional economy, their contribution to the industrial value added remains limited with respect to the national economy. Recent available data from the MICNT showed that the contribution of the Tangier- Tétouan region to the industrial value added was only 7% in 2010 compared to 49% in the Greater Casablanca region (MICNT, 2011). This does not reflect the potential of the SME sector especially after the recent significant economic developments in the Tangier-Tétouan region.

Recent economic developments in the Tangier-Tétouan region, and particularly in the city of Tangier, have been considerable. Among the recent biggest developments are: the Tanger-Med port which is one of the largest ports in Africa and on the Mediterranean, and a series of 'free zones'. By virtue of these developments as well as the strategic position of the city, its special tax status, and the economic free zones, several local and international investments have been attracted to the city in the last 10 years, which have transformed the region into a competitive hub for international trade. SMEs in Tangier have been vulnerable to these business environment challenges which could have an impact on their performance. As argued by Man & Lau (2005), SMEs are more likely than larger firms to be affected by changes in their internal and external environment which are often unplanned for. Thus, an important issue arises concerning the ability of small and medium firms to cope in a very challenging environment. In an attempt to address this issue, the present study has been undertaken with the aim of investigating the entrepreneurs' perceptions of the external critical success factors in the city of Tangier.

2. Literature Review

The performance of SMEs has been of interest to several researchers, international organizations, and policy makers, at least, since the Bolton report (1971), and therefore has become the subject of a great deal of analysis. This performance may have two strategic outcomes that are often referred to in the literature as firm success or failure (Dess & Robinson, 1984; Ostgaard & Birley, 1995). In a management field, success and failure can be interpreted as measures of good or indifferent management (Jennings & Beaver, 1997), but it may occur for other reasons such as luck (Storey, 2011).

Numerous terms have been used in the literature to describe firm failure, for example: bankruptcy, insolvency, liquidation, death, deregistering, discontinuance, ceasing to trade, closure, and exit (See for example: Storey, 1994: 78-81; Bruno et al. 1987). These terms overlap each other to some extent (Sten, 1998) and thus, the concept of failure is ambiguous, as it can have different interpretations by different people (Wickham, 2001). The many different interpretations and definitions of both success and failure make it very hard to compare research findings on the performance of small firms.

In the entrepreneurship literature, the concept of success remains a topic of debate (Gorgieveski et al., 2011). This is despite the evidence that the 'success' of small firms has been subject to a great deal of research. However, there is no general agreement in the literature on what is meant by the success of a firm. Indeed, a myriad of perspectives, ranging from mere survival to the achievement of certain levels of performance, exist about such a concept in the entrepreneurship literature. Very often, the terms 'success', 'survival', 'growth' are very closely linked and sometimes used interchangeably.

Besides the multi-dimensional aspect of success, variables that contribute to the success of SMEs are not unanimously agreed upon by researchers. While some analysts suggested that the dynamics of the success of businesses remain a black box (Deakins & Freel, 1998; Dockel & Ligthelm, 2005; Ligthelm, 2010), others argued that the success of enterprises is a function of both external and internal factors (Penrose, 1959; McCline et al., 2000; Guzman & Santos, 2001; Markman & Baron, 2003). Literature on the performance of SMEs usually identifies several causal factors with regard to the internal and external environment of the firm. In terms of internal factors, several researchers have attempted to investigate the characteristics of SMEs and characteristics of the entrepreneur as the internal factors that influence SMEs performance (Hambrick & Mason, 1984; Bates & Nucci, 1989; Storey, 1994). For the firm characteristics, several studies have revealed that size, age, and location of the firm could be related to business performance (for example: Bates & Nucci, 1989; Liedholm, 2002). On the other hand, other researchers have shown great interest in understanding the relationship between characteristics of the entrepreneur and business performance (for example: Hambrick & Mason, 1984; Boden & Nucci, 2000; Rogerson, 2001).

As for the external factors, it is widely recognized that successful organizations are those that best adapt to fit the opportunities and the constraints inherent in the environment in which they operate (Kalleberg & Leicht, 1991). According to Miller & Dess (1996), the external environment of the enterprise can be classified into two, namely, general and competitive environments. The general environment consists of the political-legal, macroeconomic, socio-cultural, technological, demographic and global factors that might affect the organization's activities. On the other hand, the competitive environment consists of other specific organizations that are likely to influence the profitability of the enterprise, such as customers, suppliers and competitors. However, this may not completely map onto the perspective of SME owners. Several previous studies in both developed and developing countries have identified a range of external critical success factors that relate to the general as well as the competitive environment of the firm (for example: Yusuf, 1995; Swierczek & Ha, 2003; Clover & Darroch, 2005; Beck et al., 2006; Nieman, 2006; Nabli, 2007; Ben Mlouka & Jean-Michel, 2008; Benzing et al. 2009; Olawale & Garwe, 2010; Jasra et al., 2011).

For the general environment, data from several sources have identified economic factors, in particular, financial resources and taxation, as central for the success of businesses (Beck et al., 2006; Chu et al., 2007; Ben Mlouka & Jean-Michel, 2008; World Bank, 2009; Benzing et al. 2009). Other studies have found that political legal factors significantly relate to business success (Yusuf, 1995; Beck et al., 2005; Jasra et al., 2011). A considerable amount of literature has focused on the technological factors. These studies have highlighted the positive relationship between technology, information, and infrastructure and business success (Swierczek & Ha, 2003; Thomas et al., 2004; Clover & Darroch, 2005; Nabli, 2007; Olawale & Garwe, 2010). The networking factor, which could be classified under the socio-cultural factors, has been subject to a great deal of research. Numerous studies have documented a positive association between networking and various aspects of firm performance (Duchesneau & Gartner 1990; Zhao & Aram, 1995).

On the other hand, a large and growing body of literature has investigated the competitive environment of the firm in relation to three stakeholders: customers, suppliers, and competitors. There is a large volume of published studies describing the role of customer relationship management as a key factor in business performance (Dwyer et al., 1987; Morgan & Hunt, 1994; Berry, 1995; Sheth & Parvatiyar, 1995). Similarly, an increasing amount of literature has highlighted the effect of suppliers on the performance of businesses (Dollinger & Kolchin, 1986; Gelinas & Bigras, 2004; Morrissey & Pittaway, 2006). Other researchers have argued that an analysis of the role of competitors and counter-competition intelligence and actions are crucial for the survival of an SME (Ligthelm & Cant, 2002; Rwigema & Venter, 2004; Nieman, 2006).

There are a number of issues with the current literature. Firstly, the triad of customers, suppliers, and competitors is a common tool for the analysis of the external environment. This is often adopted in a didactic manner as a tool for the understanding of this external environment. It can be proposed that this does not reflect the actual concerns of the small business owner and there is a need to revisit this formulation. Secondly, the identification of financial resources and taxation policies tends to be viewed from an economic development approach and lends itself to the construction of international comparisons of the business environment. While these comparisons are important, the reports produced hardly do justice to the dynamics of small business engagement in the economy. Small business owners tend to focus on both personal and professional criteria of success.

The latter is conceived to vary systemically across cultures, gender, or other salient dimensions. It is important to highlight here that unless there is congruence between the goals of public policy and those of business owners, government policies may be misdirected or ineffective. Noting these concerns provides the justification for further studies in this area.

3. Research Methodology

This study focuses on the critical external success factors for manufacturing SMEs that were tested in a previous quantitative study, which was conducted from November 2010 to January 2011, using a survey questionnaire (Sefiani, 2012). This survey tested the occurrence in Tangier of those critical success factors that were identified from the literature. Although the results of the quantitative survey (Sefiani, 2012) offered a general understanding and some initial insights on the perceptions of owner-managers with regard to the external factors that influence business success. However, these results remain limited and should be cautiously interpreted since the factors that respondents were asked to evaluate were derived from the literature in different contexts and thus ‘imposed’ on respondents. This did not allow sufficient understanding of participants’ personal views of the important factors in the specific context of Tangier, which might be different from other contexts. Hence, the identified need for a qualitative approach in order to start overcoming this limitation.

The present study is exploratory since it attempts to explore the experiences, beliefs, and attitudes of SME owner-managers in Tangier with respect to the external factors of success. Thus, the study embraced a qualitative approach, based on Geertz (1973) concept of thick description, in order to explain not just the behaviour but also its context. This study used personal interviews to explore perceived success and its connection with the external environment. A phenomenological interview approach was adopted that enabled the identification of personal beliefs. To this end, fifteen in-depth face-to-face semi-structured interviews were conducted to collect qualitative data. A thematic analysis was undertaken to allow the development of cross-case themes.

3.1. Interview Design

Preparation for qualitative interviewing is important. According to Cornford & Smithson (2006), keeping interviews to the topic is very important and the researcher needs to carefully plan the questions and take control. Thus, to provide guidance and to ensure consistency throughout the interview process, an interview guide was developed. However, there is a need for an open exploratory context to generate rich data so a flexible design was taken into account when developing such guide. This was based on the advice of Hammersley & Atkinson (2007: 117) that stated: “*Ethnographers do not usually decide beforehand the exact questions they want to ask, and do not ask each interviewee precisely the same questions, though they will usually enter the interviews with a list of issues to be covered. Nor do they seek to establish a fixed sequence in which relevant topics are covered; they adopt a more flexible approach, allowing the discussion to flow in a way that seems natural*”. Therefore, it was not the researcher’s intention to use directional or even to ask all questions at every interview, but rather to cover the subject matter of the topic during the course of the interview.

The interview guide consisted of an introduction, main questions, additional questions and clarifying questions. The main questions sought to explore how owner-managers of manufacturing SMEs in Tangier see business success factors in relation to their experiences. In order to obtain more information on perceptions of the success factors, a question on the advice that the participants would give to someone who wants to start his or her own business was included in the main questions. Clarifying questions were used in order to elicit the maximum amount of information. The questions of the interview guide were first designed in English. They were then translated by the researcher (From English to French), and then back-translated by a professional certified translator (From French to English), to ensure that the meaning of each question is as consistent as possible with the English version. The interviews were conducted in French as this is the business language in Tangier.

3.2. Selection of Respondents

The owner-managers who participated in the previous quantitative study (Sefiani, 2012) were the ‘population’ for the qualitative study. They were 88 owner-managers of SMEs, identified from the official website of the Ministry of Industry, Commerce, and New technologies (MICNT) that responded positively to the questionnaire. With regard to the selection of particular SME owners from this population, then judgment was used. The selection criteria were: sector, location, and gender.

The judgmental selection was deemed appropriate for the study since this study has an exploratory nature. The intention of the researcher was to explore perceptions and views of external success factors in relation to the experiences of owner-managers of SMEs in Tangier, and not to generalize the results to a wider population. As for the sample size, in judgmental selection, the researcher uses his or her judgment to decide when enough participants have been sampled. As suggested by Kvale (1996), new interviews might be conducted until a point of saturation, where further interviews yield little new knowledge. In this qualitative study, the sample size was achieved when fifteen interviews were conducted. The cut-off point was not predetermined, but emerged from the research process and concurrent data analysis (Babbie, 2010).

3.3. Interview Administration

The data collection for the qualitative study took place from September 2011 to November 2011. It was carried out in two separate time frames due to logistical and practicable reasons. It was very difficult to get hold of the owner-managers of SMEs in the month of September 2011 since the majority of them were still on holiday, and therefore only five initial interviews took place within this month. Arrangements were made to meet up with owner-managers in November 2011 to carry out more interviews. As a result, another ten interviews were conducted within this month totalling to a number of fifteen interviews. The break between the two interview periods did provide time to reflect on the preliminary analysis of the interviews. All interviews were individual, face-to face interviews and were conducted using the French language. The duration of the interviews ranged from 32 to 65 minutes. With regard to the settings, the strategy was to allow all informants to choose the location so as they could feel more relaxed. The strategy resulted in nine interviews being conducted at the participants' business premises, five in a coffee shop, and one while driving a car.

Prior to undertaking each interview, a verbal brief about the aim of the study and issues related to confidentiality was given to participants. The permission to audio record the interview by a digital recorder was sought from the interviewee. Permission was granted and all the fifteen interviews were audio recorded. Furthermore, ownership and copyright of transcripts were established at this stage and participants were informed that transcripts will be destroyed once the research study come to an end. During the interview, an open-ended flexible approach to interviewing, which is strongly recommended by Patton (1990), Bogdan & Biklen (2007), and Hammersley & Atkinson (2007), was used. Thus, open-ended questions were deliberately asked to encourage participants to engage in the conversation. The flexible approach was useful and did result in new emerging issues to be explored. Furthermore, participants' responses were frequently rephrased and repeated in order to ensure accurate understanding of the main points and encourage the interviewees to expound their views on these points. At the end of the interview, a standard form was given to participants to fill in their personal characteristics such as: age, gender, and educational background, as well as the firm characteristics such as: legal status, activity of the enterprise, years in business, and number of employees. Moreover, participants were thanked for taking part in the study, were reassured again about the confidentiality issues and were alerted that they could be contacted should the researcher need more clarification.

4. Results & Discussion

The analysis of qualitative data was carried out using thematic coding techniques that match semi-structured interviews conducted in this study (Cornford & Smithson, 2006). The analysis process followed the six phases described by Braun & Clarke (2006) which are: familiarization with the data; generation of initial codes; searching for themes; reviewing themes; definition of themes; and report production. To facilitate qualitative data analysis and to make qualitative analysis more reliable and transparent (Fielding & Lee, 1998), the software QSR NVivo 9 was used. To ensure an accurate identification of data, all interviews were labelled when introduced into QSR NVivo 9 software. For example, with the label **ENint01**, the abbreviation **EN** represents the entrepreneur; **int** means interview; and **01** refers to the number of order of introduction into QSR NVivo 9 software. **Table 1** shows the profile of the respondents who participated in the interviews:

Table 1: Profile of respondents

Participants	Respondents' characteristics			Business characteristics				
	G	A	E	LS	TA	L	NE	LO
Participant 1	M	37	University	PLC	Textile	> 5 years	106	IZ Al-Majd
Participant 2	M	33	University	PLC	Textile	> 5 years	97	IZ Mghogha
Participant 3	M	41	University	PLC	Textile	> 5 years	16	IZ Mghogha
Participant 4	M	39	SE	PLC	Agri-food	> 5 years	13	Medina
Participant 5	M	40	University	PLC	Agri-food	> 5 years	130	IZ Mghogha
Participant 6	M	38	University	PLC	Agri-food	> 5 years	64	IZ Mghogha
Participant 7	M	48	University	PLC	Chemical	> 5 years	93	IZ Mghogha
Participant 8	M	32	University	PLC	Chemical	> 5 years	78	IZ Mghogha
Participant 9	F	35	University	PLC	Chemical	> 5 years	18	TFZ
Participant 10	M	39	University	PLC	Electrical	> 5 years	35	IZ Mghogha
Participant 11	M	34	University	PLC	Electrical	> 5 years	21	IZ Al-Majd
Participant 12	M	40	University	PLC	Electrical	> 5 years	197	TFZ
Participant 13	M	43	SE	PLC	Metal & Engineering	> 5 years	80	Peripheral
Participant 14	M	37	University	PLC	Metal & Engineering	> 5 years	52	IZ Mghogha
Participant 15	M	37	University	PLC	Metal & Engineering	> 5 years	131	IZ Mghogha

G = Gender; A = Age; E = Education; LS = Legal status; TA = Type of activity; L = Longevity; NE = Number of employees; LO: Location; SE = Secondary education; PLC = Private limited company; IZ = Industrial zone; TFZ = Tangier free zone

Source: Author

Since the Nvivo software supports the French language, analysis was done for the French transcripts. Findings of the qualitative study provided rich data that enabled deep insights about the critical external success factors for SMEs in the context of Tangier, in particular: financial resources, access to infrastructure, and competition.

4.1. Financial Resources

The finance theme was prominent in the minds of the participants and was consistently regarded within the data as being a significant factor influencing the success of SMEs in Tangier. Its importance stemmed from the substantial challenges faced by SMEs in Tangier. Important insights were therefore revealed in relation to constraints related to the availability of financial resources. The presentation of a strong dossier (business plan), high interest rates, and high asset collaterals were the key constraints that inhibit the success of SMEs in Tangier. Findings revealed that obtaining a credit from financial institutions can be achieved provided that the enterprise presents a strong dossier that includes all of the information required to request a loan. One business owner-manager indicated:

'Yes, of course. Banks are now available to help because there is a favourable climate for investment. But you need to know that you have to present a strong dossier. The fact that you present a strong dossier will encourage and persuade the bank to process your application and give you the loan you need.' (Enint05)

Another business owner-manager argued this point further by explaining how to present a strong dossier to the bank to get approval for the credit requested. According to him, to obtain a bank loan, you must give fixed assets for collateral.

'To get a bank loan, you must present a strong dossier. You must provide a certified balance sheet that is accredited by the tax authorities. Following a review of your certified balance sheet (financial situation, your turnover, your debts), the bank will make a decision based on whether the balance sheet gives a good picture about your business or not.'

In other words, if you have fixed assets, that is good and the bank will use them as guarantees to allow a bank loan. Generally, the bank must get collateral.’ (Enint02)

The issue of collateral and its inherent difficulties was strongly reinforced by another business owner-manager who argued:

‘Getting credit from banks is not so easy. Enterprises must at least provide guarantees because banks, as you know, do not get involved in investments if no guarantees are provided. To borrow money, you must normally give guarantees to the bank.’ (Enint06)

Another issue was raised in respect to finance by a business owner-manager expressed his concerns about perceived high interest rates charged by banks and described such issue as an impediment to investments.

‘There is no fixed interest rate. There are variable rates. That is why enterprises have to check different banks and negotiate the interest rate. I will say, here in Morocco, we have fairly high interest rates. Indeed, this is an impediment to investments.’ (Enint09)

From the above qualitative results, it is clear that perceived success of SMEs is usually constrained by the perceived high cost of credit; not just interest rates and collaterals, but also the effort required to produce the dossier. Indeed, the constraints of collaterals and interests are very often mentioned in the literature. In this respect, the findings of this study conform to the findings of The International Finance Corporation (2010) and several authors (Schiffer & Weder, 2001; Cosh & Hughes, 2003). However, what was very interesting is the fact that the presentation of a strong dossier to the banks becomes not only a financial but also an emotional influence on success. The production of the dossier presents a considerable amount of work together with the identification of assets. The need to commit to such a process was often a constraint on the perception of success. This was often seen as onerous. This might also be the case in other more developed countries, but in the context of Moroccan relationship based enterprise, this process was alien to the usual method of doing business.

Very importantly, the issue of interest rates raised another issue that was of high concern to owner-managers who were not willing to breach their religious beliefs. Puzzlement was expressed by participants about the non-availability of Islamic banks in Morocco, which is a Muslim country. A business owner-manager revealed his wonder about this issue by stating:

‘Personally, I fear breaching my religious beliefs and therefore will not approach traditional banks. I would prefer to use an Islamic bank to get access to finance on a profit and loss sharing basis but unfortunately, they do not exist in Morocco.’ (Enint10)

Banks in Morocco operate in a similar fashion to traditional European banks, offering no alternatives to entrepreneurs but to deal with these banks. The idea of Islamic banking is seen as a possible alternative to European model. This seems to hold out the prospect of a linkage between economic and spiritual success. This is clearly shown in the above quote which reveals the importance of spiritual success in the conduct of the business that has to do with religious beliefs. This process also has consequences for the method of funding of small businesses in Islamic countries. It focuses greater emphasis on joint funding and profits rather than assets. It can thus be concluded that a joint funding based on profit and loss sharing, and not interest charges, was perceived as an ingredient for not only financial, but also spiritual success. Thorough discussions with participants unfolded another strategy used by owner-managers of SMEs in the city of Tangier in order to tackle the constraints related to financial resources. Some owner-managers referred to the use of trade credits as an efficient external financing source to enhance the performance of their businesses. An owner-manager explained this point by indicating that most of his purchases of raw materials from suppliers are done on credit.

‘Because of our strong relationship with our suppliers, we are able to get a trade credit. Thus, we buy raw materials without immediate payment. This enables us to sell our finished products and then pay at a later time. This is very useful for us because it helps to ease our cash flow management by having more cash inflows at a particular time than cash outflows.’ (Enint07)

The use of trade credits by SMEs in Tangier is in line with the academic literature that considers trade credit as an external source of finance for small and medium companies in countries with less developed financial market (Biais & Gollier, 1997; Bougheas et al., 2009; Bellouma, 2011).

However, it can be stressed here that the use of trade credit not only allowed businesses to find alternative to the banks, but this also was appropriate for the Islamic approach to finance. There was no interest charged but there was mutual business development and a partnership method of being successful. Being personally responsible to others was a significant factor in the appreciation of success.

4.2. Access to Infrastructure

Findings of the qualitative study underpinned that a good physical infrastructure has a great positive impact on the success of SMEs in Tangier. The importance of the infrastructure factor evolved from the substantial challenges faced by SMEs in Tangier. Important insights were therefore revealed in relation to the constraints related to infrastructure. Specifically, the constraints covered three sub-themes that emerged from the thorough analysis of qualitative data: Electricity, water & sanitation, and transport.

Constraints of accessing electricity and water were considered very challenging by owner-managers of manufacturing SMEs. Findings showed that the high cost charged by the French utility company Amendis, the local affiliate of Veolia Environment, for the distribution of electricity and water was a consistent finding among all participants. One business owner-manager furiously expressed his consternation in respect to the expensive electricity bills by stating:

'We really have serious problems with the company Amendis –The provider of utilities– because it sends us bills that far exceed our consumption. We have technicians that can tell us how much KWH we consume exactly because we do cost accounting. Thus, we know exactly how much we consume. However, when we receive the invoice, it is the surprise.' (Enint02)

The findings further suggested that although electricity and water services are reliable, this reliability weakens when natural disasters strike the city. A good and reliable infrastructure is paramount to business success. Bearing this mind, it comes as no surprise to find an informant, located in the industrial zone Al-Majd, expressing serious concerns about the infrastructure's reliability with strong reference to the flooding events that struck Tangier in 2008. Importantly, the owner-manager highlighted the concepts of 'conduct', 'equipments' and 'commitments'. According to him, the conduct – the way he manages his business – relates to both equipments used in the production (equipments) and the ability to deliver to his customers (commitments):

'As you know, not long ago, about 2 years ago, we had floods especially in the area where we exist today, the industrial zone Al-Majd, so we had real problems of flooding. We have had floods that really had a negative impact, whether on the conduct of our business, or on the equipments that were damaged and also on the level of productivity and the commitments we had with our customers. Thus, we had a problem of late deliveries caused by the floods. Due to power cuts, we had a stop that lasts 10 days and you can see the impact that must have such a problem especially on the image of the business because the business image is very important for us.' (Enint03)

It is worth to mention that some of the industrial areas were built on marginal lands, which were often low lying and lack poor infrastructure. This explains why that particular industrial zone Al-Majd and another industrial zone Mghogha were impacted heavily by the floods in 2008. With regard to the transport infrastructure, strong reference was made to the new port Tanger-Med by participants. It was stressed that such port, which is the one of the largest in Africa and the Mediterranean, has contributed to the success of SMEs, in particular to the industrial firms that are located in the free zone associated with the port. Reducing the logistic cost was strongly highlighted in the view of a business owner-manager:

'Nowadays, there is the new port that has given success to the free zone of Tangier Med. It normally has a positive impact on the development of our business especially in terms of logistics cost. As you know, the logistics cost is very important. Thus, if we try to optimize them, we can be competitive with our competitors.' (Enint09)

Linked to the transport theme, the road infrastructure emerged as significant for the perceived success of SMEs in Tangier. Poor quality of roads and the issue of traffic appear to be a problem that constrains the success of businesses. It was found that these problems affect production and commitments which are related to business success. This was highlighted by a business owner-manager who stated:

'We have another problem which is the problem of roads. Sometimes, our coaches that transport personnel may get involved in accidents simply because the roads are not very well maintained. Another problem is the traffic. To arrive to the industrial zone, one must go through the roundabout of Tétouan which is really a disaster because it is the heart of Tangier. And therefore we have really a problem of traffic.' (Enint02)

'Because of traffic congestion, our personnel transport arrives late. This causes delay in our production lines which in turn delay the respect of our commitments. This really distorts our business image.' (Enint06)

Essentially, the factor of infrastructure was mentioned extensively by the interviewees. It seems to indicate the importance of this factor, as detrimental to success. The disruptions caused by poor infrastructure had a negative impact on the conduct of the business in that they enforced changes in the way the business worked. It also produced damage to the production equipment and furthermore this impacted on the commitments entered into by the company. These were significant factors in the appreciation of the success of the business. The other issue is the domination of this area by international companies, which adopt different methods of working than the small businesses. These companies were often seen as remote and not committed to the success of small businesses.

4.3. Competition

Findings of the qualitative study revealed that a competitive advantage over the rivals is a salient factor for the success of businesses in Tangier. The importance of such factor emanated from the challenges of the increasing globalization as well as the unfair competition in the market. Findings suggested that firms located outside the free zones in Tangier claim that they are not competing on equal and fair terms, compared to their counterparts established in the free zones. A plausible explanation for this is the generous incentives that are available to firms in the free zones together with a higher level of infrastructure development. A business owner-manager of a firm located outside the free zone came up with a strong message indicating that his firm does not stand on the same footing as its competitor which is located in the free zone. He further argued that the competitor benefits from many favourable and advantageous conditions and incentives that could enhance his competitiveness:

'I think we are not on the same footing compared to our competitor who is located in the free zone. The competitor has several financial advantages that can be used to go far in the business and go ahead of us.' (Enint02)

Findings further revealed that the unfair competition caused by the smuggling of goods from the occupied Moroccan city Ceuta, which is about 29 miles far from Tangier, does affect the industrial production of SMEs, in particular the agri-food firms. This was significantly related to the perception of success. As proclaimed by an owner- manager:

'Due to its closeness to Ceuta, Tangier is well known for the illegal trade of smuggled goods, in particular food products. The smuggling activities devalue our local products which impact our agri-food industrial production' (Enint09)

Another participant in the food business further explained that the evasion of customs duties on smuggled food products enables smugglers to sell the products at lower prices. According to him, in the current economic crisis, consumers seek to minimise their costs by buying cheap products. Thus, they prefer to buy the cheap smuggled products.

'Owing to the non-payment of customs duties, smuggling goods are sold with cheap prices in the market. Consumers prefer to buy these cheap products especially in the current economic crisis. Thus, this has an impact on our production.' (Enint07)

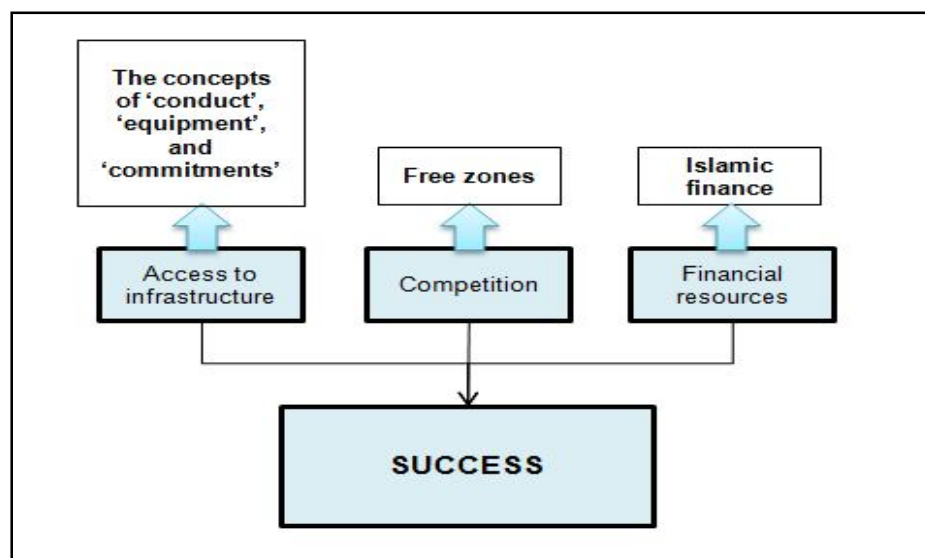
In brief, competition seemed to be all about perceived unfair competition (smugglers, firms in the free zones) and location (as allowing this to happen). It was recognized that unfair competition (smugglers from the city of Ceuta, financial & fiscal incentives in the free zones), damage the performance of the SMEs in Tangier. This was a study of manufacturing firms and this was a significant emerging issue. It can be concluded that the preponderance of grey-imports as well as the attractive incentives available for firms in the free zones significantly affected the perception of success.

Owner-managers of firms, particularly the ones that are established outside the free zones could wonder: Are we in the right location? Hence, it can be postulated that unfair competition is a function of location. Being in the right location meant the enjoyment of favourable conditions (exempt or reduced taxation, good infrastructure and non-smuggling of goods). Dahlqvist et al. (2000) argued that the geographic area where firm is located, has implications for its access to markets and resources such as: finance, skilled labour, subcontractors, infrastructure, and other facilities. However, the present study has gone some way towards enhancing our understanding of the competition factor in relation to location. The unfair competition was related to the location of the firm and came out very strongly in the link to perceived success and the ability to achieve that success. In this respect, the location factor can be seen here as an important financial and emotionally significant perspective on equity in relation to success.

5. Conclusion

The present study is important because it provides a mechanism for seeing how perceptions of success are generated by small business owner-managers with respect to external factors. The qualitative data analysis used here has thus provided a number of important insights. The three factors discussed here were the most salient factors that arose from the thematic analysis of the interviews. These factors are depicted in **figure 1** below:

Figure 1: Factors of business success as perceived by owner-managers



Source: Author

From the figure, it can be seen that the three factors can be considered to be ways of understanding the external environment by small business owner-managers. This view allows the impact of external factors to become part of the way that the small business owner-managers conduct their business. Furthermore, it allows a way of understanding the impact of the external environment on small businesses that relate to their adopted success criteria.

This study found that the perception of success amongst owner-managers of SMEs in Tangier could be described through the use of the concepts of personal conduct, equipment in use and commitments to others. These concepts emerged from the study and provided a useful conceptual tool to develop the perception of success amongst the group of firms studied. The evidence from the qualitative interviews emphasised that the SME owner-managers liked to conduct their business in particular ways that were influenced by their determination of success. This included an approach to business that enabled them to conduct their affairs in an Islamic manner. This included the relationships with suppliers, technology partners, and the methods of finance. The equipment employed within the business enabled the continuation of production and the outputs of the business. To this extent, it was related to the commitments undertaken to customers and suppliers. The arrangement with the banks allowed this equipment to be available for production. An Islamic form of finance would have allowed the owner to conduct his affairs through a means of social interaction.

It can be concluded here that finance partnership based on profit and loss sharing seemed to be perceived as an ingredient for financial and spiritual success. In Sharia compliance business jurisdictions, the fact that there is that base for partnership in the finance stimulates more strongly the need for partnership working. The commitments entered into enabled the continuation of the business. Aspects of commitment were seen in the other two factors above, but they were also manifested in the response to infrastructure difficulties. The unreliable transport network and the charges for electricity and water challenged their commitments to their customers and partners.

Findings of this study could have several implications. The study revealed that the possibilities that Islamic finance opens up here for the success of SMEs cannot be ignored. Hence, this could at least start discussions among policy makers on how to improve the availability of finance for entrepreneurs, in particular the ones who fear breaching their religious beliefs. The development of a uniform regulatory and legal framework for the Islamic finance system in Morocco will enable entrepreneurs to get access to finance on a profit and loss sharing (PLS) basis instead of paying interests. Another implication of the study relates to the different impacts on SME operation through routes to development using free ports. The strategy of building free zones has been adopted by a number of North African countries (Algeria, Egypt, and Tunisia). It has been found that this policy has an impact on the perceived success of SMEs in Tangier. The findings of the study could encourage the government to adopt policies that will assist indigenous firms to benefit from advantages that are comparable to those that are in the free zones. Another important implication for research is that terms of personal conduct, equipment in use, and commitments to others could have wider applicability in this field of research since these terms allow a richer understanding of the placement of small businesses within their market and the perception of success.

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