

## Challenges Facing Entrepreneurship and MSME Sector in Jordan: An Overview

**Shamsi S. Bawaneh**

Department of Accounting  
King Talal School for Business Technology  
Princess Sumaya University for Technology  
P.O. Box 1438 Amman 11941  
Jordan

**Hiba S. Al-Abbadi**

73 Al-Mutanabi St., 4th Circle, Jabal Amman  
P.O. Box 830746 Amman 11183  
Jordan

### Abstract

**Purpose:** This paper is an attempt to understand challenges facing entrepreneurship and MSMEs sector in Jordan at varying levels and from different perspectives. It draws conclusions based on key findings and observations gathered and analyzed throughout the course of preparing this paper. Ensuing conclusions that are then translate to some recommendations and ideas that could serve to enhance the entrepreneurial landscape in Jordan and provides some suggestions to support MSMEs sector in Jordan. Therefore, the aim of this research paper is to share major findings raise awareness of the importance of entrepreneurship to Jordan's inclusive and sustainable growth and stimulate dialogue among policymakers, researchers, international organizations, donors, non-governmental organizations, and civil society regarding policies and initiatives to respond to these findings.

**Methodology:** The data were generated by a semi-structured interviews conducted with 15 respondents of different occupations to gain a deep insight about the entrepreneurial landscape in Jordan from different perspectives.

**Findings:** Jordan according to the Global Competiveness Index (2016) is an efficiency economy that has not yet transitioned into an innovation economy to make it ready to employ venture capital as a source to fund start-ups meaningfully. Respondent identified lack of cooperation between different people, organizations and institutions within the entrepreneurial landscape in Jordan as a key obstacle that dramatically slows down any progress in elevating the profile of entrepreneurial activity in Jordan. Other respondent identified lack of proper training and education as a major challenge. Also pointed out that lack of proper legal advisory is a challenge facing entrepreneurs. Expensive legal consultations impose a challenge with the scarcity of financial resource of most start-ups. Other respondent believes that one of the major challenges imposed on young entrepreneurs in Jordan is that decision makers do not have faith in them. They cannot imagine young people making responsible decisions or being able to start their businesses and run them successfully. Other respondent concluded saying it is not enough to have an innovative idea to start your business. She believes she would have saved her business if she had proper follow-up on implementing her idea by the support organization besides supervision, mentorship and guidance not only to start the business but also to sustain it throughout its lifecycle. Other respondent concluded overregulation especially in the food industry coupled with high taxation and high operational costs as major impediments to entrepreneurship in Jordan.

**Limitations of the research:** This research study had the following limitations include the sample size, time and costs, and Lack of cooperation. Notwithstanding limitations set forth in the above, the researchers believe the study design was appropriate for purpose of this research paper and that the instrument was adequate were recommendations stemming from this research paper summarized at the last section, which may pave the way for further research.

**Keywords:** Entrepreneurship, MSMEs, Innovation, Jordan

### 1. Introduction

There is wide agreement among economists and researchers on the importance of entrepreneurship for economic development. Business entrepreneurs drive and shape innovation, speed up structural changes in the economy, and intensify the level of competitive activity, thereby contributing to productivity (for more details of the role of entrepreneurship in economic development, see Bosma and Levie, 2010).

In Jordan, as in the case of the rest of the world, entrepreneurship and Micro, Small, and Medium Enterprises (MSMEs) represent the future of the economy. This segment is a key creator of employment opportunities and is a main pillar of economic development and national prosperity. The vitality of this sector must be emphasized to become the long-term solution to daunting national issues – among which are unemployment rates in Jordan (rising to 13.0 per cent in the third quarter of 2015) and an all-time high budget deficit, limited natural resources and high inflation rates (5.9 per cent) to name a few. Regional upheavals, particularly the Syrian and the Iraqi crises, remain the largest recent shocks affecting Jordan, as reflected in large refugee influxes, disrupted trade routes and lower tourism inflows. Such consequences had impact stability and prosperity of the national economy in Jordan at all levels.

The government of Jordan, hand in hand with financial institutions, Non- Governmental Organizations (NGOs) and large enterprises should focus on supporting entrepreneurship and MSMEs sector to grow, develop and survive for its important role in job creation and pushing the wheel of national economic development (Saidi, 2013). Areas of support shall include start-up financing, management consulting, IT systems implementation and human resource development. To date, MSME support institutions and organizations focused on easing entry and on lowering costs associated with starting a business to some degree. This sector however needs to realize its full business potential by becoming more competitive, nationally and globally, and by becoming profitable and generating sustainable employment opportunities (JEDCO). Realization of such objectives shall be the driver of any policy and strategy initiatives that seek to strengthen this sector of the economy in a creative and sustainable way.

While it is widely understood that entrepreneurial activity is critical to achieving sustainable economic growth, most MSMEs in Jordan are launched by aspiring entrepreneurs with little to no previous experience and little exposure to mature work environments. Most start-ups in Jordan not planned appropriately, markets not assessed properly, products not commercialized and marketing is not adequate or imaginative business plan competitions encourage individuals to start their own projects while they still have little access to financial products and services, little training in project management and basic business practices. Worse still, nascent entrepreneurs are not adequately aware of people, networks and support programs and organizations that could be of assistance to them (Davis, 2009).

At the Time Jordan faces overwhelming challenges due to regional instability, high unemployment rates, and dependency on grants and remittances from Gulf economies and aid agencies coupled with continued pressure on natural resources, it remains indispensable to Jordan to continue to diversify its economic portfolio. Sound economic policies and growth-driven reforms are necessary to reduce Jordan's vulnerability to external shocks. Creating conditions that serve to better entrepreneurial landscape in Jordan and improve its competitiveness will help deliver the growth needed to generate employment and reduce poverty while at the same time bringing about innovative and sustainable projects.

The focus should shift from concentrating only on creating more start-ups into sustaining higher numbers of successful businesses. This can be realize by adopting a more comprehensive approach that balances innovation and sustainability with business needs and requirements at varying phases and stages in a way that ascertains healthy business lifecycles and higher growth and survival rates. This paper is an attempt to understand challenges facing entrepreneurship and MSMEs sector in Jordan at varying levels and from different perspectives. It draws conclusions based on key findings and observations gathered and analyzed throughout the course of preparing this paper. Ensuing conclusions then translated to some recommendations and ideas that could serve to enhance the entrepreneurial landscape in Jordan and provides some suggestions to support MSMEs sector in Jordan.

## **2. Literature Review**

The study by Bawaneh and Abzakh (2014) finds that many factors in the business environment which affect the births and deaths of small firms but which are to some extent beyond the control of the owner- managers. However, the first follow-up and the first deviate company's financial situation and develop a plan reserves may help entrepreneur to face problems that may be encountered during the construction and operation of the firm and the most important problems are financial problems.

Another study by Bawaneh and Al-kayyali (2014) highlights the financial issues that entrepreneurs may facing when they start their own businesses. The most important of these problems, is the financial problems that may face in the beginning of the project when its development and progress when they think about the closure of the

project, or even when a new competitor just show up in the market. This study also suggests solutions may help entrepreneurs in developing their businesses such as: research on ways to acquire funding; planned ahead; be patient; learn about marketing; and check the financial situation frequently.

Efforts of the government of Jordan to develop the entrepreneurial landscape and MSME sector have not been guide by a coherent national policy framework until now. There is no consistent mechanism within the government to devise and monitor an inclusive MSME policy. Policies are embedded in other policy frameworks, such as the National Microfinance Strategy, the National Employment Strategy 2011-2020, the Industrial Policy 2010-2015 (Kawar, 2013).

Policies pertaining to MSMEs should be supported by a holistic national vision based on creativity, competitiveness and an abundance of opportunities (Amawi, 2013). Pertinent vision and strategies should stem from the authentic needs of Jordan's national economy and its unique attributes rather than mere reliance on imported models and solutions.

Leaders from all sectors should collaborate to develop a national strategy and produce scalable models that capitalize on local resources and attract regional assets to fill some resource deficit gaps. Thought and economy leaders should encourage policy makers to direct resources toward links that fill gaps in the MSMEs sector and translate ideas into sustainable practical actions that create jobs and educate and train people to be creative and job-ready (Kawar, 2013).

Jordanians have a traditional tendency of looking at the government as the sole employer within the country – most of them still identify public service positions as highly desirable and prestigious. Most private sector activities left to small and medium-sized family-owned businesses led by a “merchant” mindset with little appetite for risk and innovation (Aulbach, 2012). Unemployment rate in Jordan increased to 13.0 percent in the third quarter of 2015 rising from 11.90 percent in the second quarter of 2015 as reported by the Department of Statistics in Jordan (Trading Economics, 2015).

The concept of entrepreneurship and its association with creative and out-of-the-box thinking is quite new to Jordan. Neither educational institutions nor common workplace encouraged this pattern of thinking on practical grounds. Teaching methods based on memorization with direct dissemination of information leaving little room for critical and creative thinking. Common workplace often perceives creative individuals as a threat to hierarchy than as contributors to growth and potential innovation (Aulbach, 2012).

In recognition of the importance of innovation, the government of Jordan reactivated the National Council for Competitiveness and Innovation in 2014 to draft a mechanism for work and to define challenges facing knowledge economy in Jordan based on innovation and excellence (Omari, 2014). Collaborative efforts between government and other stakeholders should sincerely focus on implementing such policies and strategies to render results and deliver the objectives they were set out to meet.

High risk and high cost regulations impede sizeable development of the entrepreneurial scene in Jordan. Procedures to implement policies often marred by overlapping roles. This results in complicated and cumbersome procedures (Amawi, 2013). Such policy approaches need to be reassessed in order to render meaningful progress. In Jordan's case there is no one official definition that clarify public and private institutions counts as micro, small, and medium enterprises. For the industrial sector, Ministry of Industry and Trade (MIT) defined different segments of the industrial sector based on number of employees and required capital investment, which is different from the Chamber of Industry definition. The Central Bank of Jordan issued in 2011 an official memo to banks in Jordan with different criteria to define MSMEs based on assets, turnover, and number of employees (Amawi, 2013). This confuses support organizations and financial institutions when they try to provide assistances to MSMEs for lack of a common definition.

**Table1 Definitions of MSMEs in Jordan**

BUSINESS SIZE	NUMBER OF EMPLOYEES			
	US	EU	JORDAN/CENTRAL BANK OF JORDAN	JORDAN/MIT/INDUSTRIAL SECTOR
Micro	1-6	<10	-	1-9
Small	<250	<50	5-20	10-49
Medium	<500	<250	21-100	50-249

Jordan's economy is mostly comprised of micro, small and medium enterprises. Small businesses under JOD10K capital comprise the total 136,000 establishments (96.9 per cent) and account for a significant percentage of reported private sector activity. This would largely attributed to inability to realize larger and more innovative projects for lack of suitable funds and support. As for commonly chosen company types entrepreneurs are largely moving towards using limited liability legal type during the past two years reaching for 21,506 companies (Amawi, 2013).

Since the time the government of Jordan identified strengthening MSMEs (specifically microenterprises) as a major strategy for combating poverty, several microfinance initiatives launched with the support of domestic and international cooperation. The government has sponsored several credit programs to better the conditions of the poor. The government's microfinance policy primarily built around the following main principles (Ministry of Planning 2005):

- Private sector shall be the main provider of microfinance
- Government shall facilitate an enabling policy environment
- Government agencies shall gradually withdraw from microfinance lending activities after developing the role of private institutions in microfinance
- Governmental support for microfinance shall be limited to creating an enabling environment, providing vocational training, identifying business opportunities, simplifying business registration procedures and providing necessary infrastructure
- A distinction should made between microcredit and welfare assistance.

It is worth mentioning that the Jordanian microfinance sector was initiated in the late 1990's and currently there are 15 microfinance institutions (MFIs) working in Jordan (Abdelrahim, 2012). The Central Bank of Jordan bank allocated JOD900M borrowing purse for trade banks with an interest rate set at 1.75 per cent to be credited to MSMEs with an interest rate that shall not exceed 5 per cent. An amount of only JOD90M was used (10 per cent only of the specified borrowing purse). This largely attributed to the fact that banks are hesitant to take risks associated with long-term MSME financing.

The government, with its tied resources, cannot solve all issues on its own. NGOs and large enterprises should come together in a collaborative and participatory approach to realize genuine solutions in the face of pressing challenges and difficulties that deter growth and development of entrepreneurship and MSMEs sector in Jordan. The outcome must be genuinely responsive and sustainable initiatives and strategies that leverage our resources most creatively (Edwards, 1999).

### **3. Methodology**

Besides review of published studies and reports, semi structured individual interviews conducted with 15 respondents of different occupations and roles to gain a deep insight about the entrepreneurial landscape in Jordan from different perspectives.

3.1. Data Collection and Analysis: Two data collection techniques adopted as follows:

- 3.1.1. Review of published studies and reports – from a purposeful desktop research, some reliable and recent publications on entrepreneurship and SMEs in Jordan identified. These publications were eyes-opener on a few prominent challenges facing entrepreneurial projects in Jordan.
- 3.1.2. Conducting semi-structured interviews – 15 respondents who are engaged in the entrepreneurial scene in Jordan at varying levels and degrees were interviewed – owners of small businesses, previous owners of small businesses, academia, entrepreneurship of support organizations, adolescent and laymen of different age and experience groups.

The purpose the sample cuts through a wide spectrum of respondent profiles is to assist in understanding actual challenges that could be gather from the storytelling of respondents who were in fact engaged in entrepreneurial activity in Jordan. This is also useful in comprehending some perceived challenges that might or might not have grounds in reality by interviewing people who do not have direct involvement in entrepreneurship in Jordan and try to understand reasons behinds such alleged notions of thought. Open-ended questions were ask, these questions developed based on a guiding set of topics in order to provide information in the form of 'stories' of experiences. Each respondent was at liberty to lead and answer without choosing from a roster of implied response picks.

Answers came in their own terms voicing their own views, values and experiences without injecting ourselves so much into the interaction that we only get a reflection of ourselves in the data we are gathering at the end. Observation was a key tool in gathering some incommunicable information.

Before we started with any participant, we introduced ourselves. We explained the purpose of the study. We assured respondents of the professional use and interpretation of the information provided.

3.2. Interpretation of Data: The information gathered represented in this paper at two levels as follows:

3.2.1. Key findings: This paper analyzed the information based on quantitative and qualitative data gathered and presented the aggregate information under key findings.

3.2.2. Case studies: Each respondent presented in this paper as a case study based on the information gathered using the interview.

#### 4. Findings and Analysis

##### 4.1. Highlights from Published Reports

Doing Business in Jordan 2016 – A World Bank Flagship Report

An overview of the dynamics pertaining to doing businesses in Jordan according to the World Bank Group and a comparison between 2015 and 2016 results as opposed to best performing economies globally (2016), it is tabulated as follows:

**Table 2. Derived From Jordan Results Comparison between 2015 and 2016 As Opposed to Other World Economies**

Indicator	Jordan DB2016	Jordan DB2015	Best performer globally DB2016
Starting a Business (rank)	88	83	New Zealand (1)
Starting a Business (DTF Score)	85.7	85.61	New Zealand (99.96)
Procedures (number)	7.0	7.0	New Zealand (1.00)*
Time (days)	12.0	12.0	New Zealand (0.50)
Cost (% of the income per capita)	20.7	21.7	Slovenia (0.00)
Dealing with Construction permits (rank)	103	103	Singapore (1)
Dealing with Construction permits(DTF Score)	67.49	67.01	Singapore (92.97)
Procedures (number)	16.0	16.0	5 Economies (7.00)*
Time (days)	63.0	63.0	Singapore (26.00)
Cost (% of warehouse value)	9.1	9.5	Qatar (0.00)
Building quality control index (0-15)	10.5	10.5	New Zealand (15.00)
Getting Electricity (rank)	56	55	Korea, Rep. (1)
Getting Electricity (DTF Score)	77.88	77.84	Korea, Rep. (99.88)
Procedures (number)	5.0	5.0	14 Economies (3.00)*
Time (days)	50.0	50.0	Korea, Rep. (18.00)*
Cost (% of the income per capita)	303.0	315.9	Japan (0.00)
Reliability of supply and transparency of tariff index (0-8)	5.0	5.0	18 Economies (8.00)*
Registration Property (rank)	98	96	New Zealand (1)
Registration Property (DTF Score)	61.34	61.34	New Zealand (94.46)
Procedures (number)	7.0	7.0	4 Economies (1.00)*
Time (days)	21.0	21.0	4 Economies (1.00)*
Cost (% of property value)	9.0	9.0	Saudi Arabia (0.00)
Quality of the land administration index (0-30)	19.5	19.5	3 Economies (28.50)*
Getting Credit (rank)	185	185	New Zealand (1)
Credit registry coverage (% of adults)	2.4	2.2	Portugal (100.00)
Protection Minority Invertors (rank)	163	162	Singapore (1)*
Protection Minority Invertors	36.67	36.67	Singapore (83.33)*

Indicator	Jordan DB2016	Jordan DB2015	Best performer globally DB2016
(DTF Score)			
Strength of minority investor protection index (0-10)	3.7	3.7	3 Economies (8.30)*
Extent of conflict of interest regulation index (0-10)	3.3	3.3	Singapore (9.30)*
Extent of shareholder governance index (0-10)	4.0	4.0	4 Economies (8.00)*
Paying Taxes (rank)	52	46	United Arab Emirates (1)*
Paying Taxes (DTF Score)	80.96	81.19	United Arab Emirates (99.44)*
Payments (number per year)	25.0	25.0	Hong Kong SAR , China (3.00)*
Time (hours per year)	151.0	151.0	Luxemburg (55.00)
Total tax rate (% of profit)	29.5	29.0	Ireland (25.90)
Trading Across Borders (rank)	50	49	Denmark (1)*
Trading Across Borders (DTF Score)	86.73	86.73	Denmark (100)*
Time to export: Border compliance (hours)	29	29	15 Economies (0.00)*
Cost to export: Border compliance (USD)	131	131	18 Economies (0.00)*
Cost to export: Documentary compliance (USD)	25	25	20 Economies (0.00)*
Time to import: Border compliance (hours)	79	79	19 Economies (0.00)*
Cost to import: Border compliance (USD)	181	181	28 Economies (0.00)*
Time to import: Documentary compliance (hours)	55	55	21 Economies (1.00)*
Cost to import: Documentary compliance (USD)	30	30	30 Economies (0.00)*
Enforcing Contracts (rank)	126	122	Singapore (1)
Enforcing Contracts (DTF Score)	51.5	51.5	Singapore (84.91)
Time (days)	689.0	689.0	Singapore (150.00)
Cost (% of claim)	31.2	31.2	Iceland (9.00)
Quality of judicial processes index (0-18)	6.5	6.5	3 Economies (15.50)*
Resolving Insolvency (rank)	146	146	Finland (1)
Resolving Insolvency (DTF Score))	30.17	30.17	Finland (93.81)
Recovery rate (cents on the dollar)	27.0	27.0	Japan (92.90)
Time (years)	3.0	3.0	3.2Ireland (0.40)
Cost (% of estate)	20.0	20.0	20.Norway (1.00)
Strength of insolvency framework index (0-16)	5.0	5.0	4 Economies (15.00)*

Source: World Bank Group

### The Global Competitiveness Report 2015–2016 – World Economic Forum

#### Key Indicators, 2014

Population (millions)	<b>6.7</b>
GDP (USD billions)	<b>35.8</b>
GDP per Capita (USD)	<b>5.358</b>
GDP (PPP) as share (%) of World Total	<b>0.07</b>

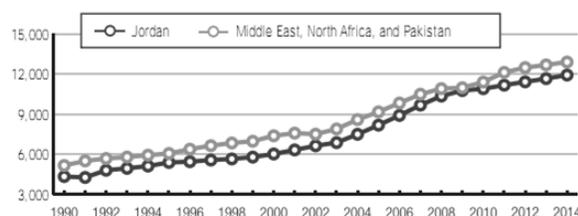
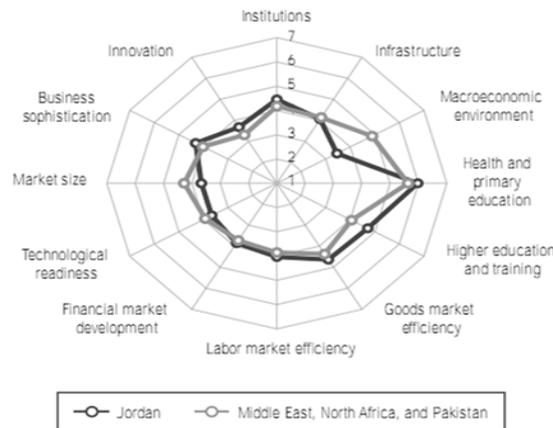


Figure 1 GDP (PPP) per Capita (International USD), 1990-2014

ce: the Global Competitiveness Report 2015–2016 – World Economic Forum

Global Competitiveness Index

Figure 2: Jordan Gloab Competitvness Index

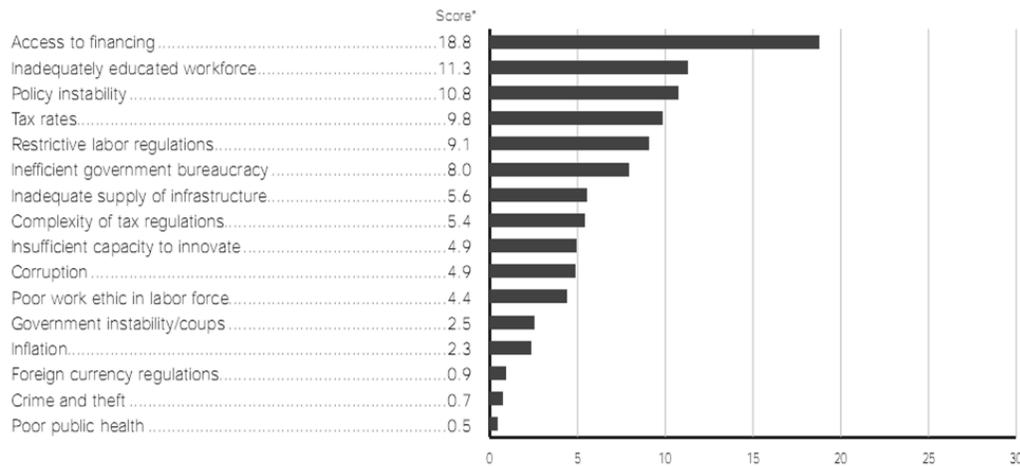


Stage of development



Source: The Global Competitiveness Report 2015–2016 – World Economic Forum

Figure 3 The Most Problematic Factors for Doing Business in Jordan



Source: The Global Competitiveness Report 2015–2016 – World Economic Forum

Global Entrepreneurship Monitor: GEM-MENA Regional Report 2009

Doing business in Jordan as reported by the World Bank in 2016 sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation (for more details, see World Bank, economy profile 2016 Jordan).

Government of Jordan laid out a National Agenda 2006-2015 to double per capita income, reduce unemployment to 6.8%, increase women’s share of employment to 20%, reduce public debt to 36%, increase inflow from foreign direct investment to 40% of GDP, and reduce poverty rate to 10% by 2015. A number of governmental and semi-governmental institutions and organizations are involved in issues related to development of MSME sector – in the form of consulting, training, upgrading, and financing programs.

Despite the vision it has, Jordan is unable to achieve its full potential in terms of entrepreneurial activity for job creation and growth for a number of challenges imposing their weight uninvitingly. Jordanians have a fairly positives outlook on entrepreneurship but fear of failure stops them from taking action and realizing their potential. Only 3.7% of adult population in Jordan trained in how to start a business at primary or secondary school and about 11% after formal education. Most common sources of informal training for early-stage entrepreneurs are colleges or universities (5.8%); current or past employers (6.2%); self-learning or working in someone else's business (8.6%).

Sources of advice are parents (49%), friends (52%) and other family members or relatives (53%). They make little use of other possible sources, particularly services of professional experts. Fewer than 3% receive advice from lawyers, accountants, business advisory services, or business development services provided by NGOs or business associations. About half of Jordanian entrepreneurs finance their start-ups fully personally and the rest have received (or expect to receive) financing from external sources. Only 2.1% of Jordanians invested money in someone else's business in the past few years.

While tackling innovation, Jordan is among countries where entrepreneurs are most likely to enter markets where many businesses offer similar products or services – this connotes lack of originality. One of the major factors that weaken entrepreneurial landscape in Jordan is the low density of women entrepreneurs and Jordan's inability to tap into their full potential and making use of their education and experiences to the betterment of the entrepreneurial scene.

#### **4.2 Case Studies related to semi-structured interview findings**

Executive Director of Queen Rania Center for Entrepreneurship

In an interview with the Executive Director of Queen Rania Center for Entrepreneurship in Amman, Jordan, we discussed challenges facing Jordanian entrepreneurs from different angles ranging from theory to practice. He identified ideation as a major setback in the entrepreneurial landscape in Jordan that imposes itself as a key challenge at the outset of the process. There is a plethora of business ideas moving in and out of practice every day – the problem is most of them are run-of-the-mill concepts that lack originality. A novel idea will always find support in all forms – technical and financial alike. The issue is to find this aha-moment idea.

The emphasis was then shift to execution as a key determining aspect for successful entrepreneurship. He explained an idea is worth nothing if not executed properly. He also focused on the people aspect of execution and how heavily on investors' decision to fund entrepreneurial project weighs. Investors care a lot about who is the team responsible for executing the idea more than they care about the idea itself sometimes. Right teams and right people will manage to execute and deliver results at the end. He mentioned in this context lack of qualified and skilled human capital to be a major challenge most entrepreneurs in Jordan face when they seek to execute their ideas.

When we discussed sources of financing start-ups in Jordan, he mentioned there is a heavy reliance on personal assets, family and friends. Money gained from such resources put in the business either directly as monies going into starting the business, or indirectly as guarantees in exchange of funds or loans from financial institutions. This connotes a risk of exposing the entrepreneur financially at personal and business levels if the start-up faces financial hardships. Therefore, the main reason behind this notion is difficulty accessing other sources without the headache and inability to meet far-fetched and demanding requirements that come along with them.

He went on saying venture capital has great potential and provides to seed early-stage companies more efficiently. This source is still untapped in Jordan to its full potential. Our explanation is that venture capital seeks to fund novel technologies or highly innovative business models that are still lacking in Jordan. Jordan according to the Global Competiveness Index (2016) is an efficiency economy that has not yet transitioned into an innovation economy to make it ready to employ venture capital as a source to fund start-ups meaningfully. He also stressed on the fact that any governmental strategies and initiatives that aim at supporting entrepreneurial activity in Jordan should be supported by practical applications to ensure they leave the positive impact they were devised to create. Some governments put some measurable tools that would support MSMEs. He gave Oman as an example enforcing a law that requires 10 per cent of subcontracted tenders to go to MSMEs as part of evaluation criteria of larger firms when they bid for larger governmental tenders.

He also identified lack of cooperation between different people, organizations and institutions within the entrepreneurial landscape in Jordan as a key obstacle that dramatically slows down any progress in elevating the profile of entrepreneurial activity in Jordan. Ego and pursuit of mere self-achievement make it quite impossible to reap the rewards of collaborative efforts. We, ourselves, believe in team spirit and participatory approaches make up the ideal recipe for developing the entrepreneurial scene in Jordan and addressing its issues purposefully for the common good of all. Efforts driven by ego are doomed to fail while they exploit resources that would have been better utilize with a better mindset that invites and embraces participation of others. Culture of blame is also a key attribute of our society that slows down any progress. It needs serious and determined efforts to eradicate its impacts on entrepreneurship in Jordan. Finger pointing also plays a major role in hindering any development in this area.

When we discussed the impact of refugee influxes in Jordan resulting from recent political crises in the region, he mentioned diversity within a society has a positive face to it in a sense it creates a constructive tension that transpires in creative ideas, solutions and businesses. We also believe heterogeneous societies are more creative than those of homogenous structure, leading world economies are largely diverse.

He also mentioned the mindset of successful entrepreneurs programmed quite differently. Those who rendered great success did not do it overnight. They are committed to their dreams. They stood up in the face of rejection and adversity. They are extremely passionate. They have a burning desire to succeed and to make a difference. Their only fear is the fear of failure. He advised if one seeks to be a successful entrepreneur should start to learn to work around things they are not comfortable with them. They should liberate themselves from the confines of their comfort zones to translate their wild ideas into real businesses that generate profits and leave the impact they meant to create. If one chooses to be an entrepreneur they have no choice but to remain positive, patient and resilient – determined, committed and unyielding when the tides are high. Real entrepreneurs never give up. He mentioned a personal story that he started his first entrepreneurial project when he was in his second year in college in Michigan, USA. He did not see results or made profits until after 3 years. He did not lose faith during these years, on contrary he kept his eyes focused on what he wanted to achieve in the first place until he got there.

He also emphasized there is a few misconceptions among Jordanians about what entrepreneurship is. Entrepreneurship is not a mechanical process it may not a set of predetermined steps that anyone can follow. We, ourselves, believe each person is unique with unique background and experiences living in and targeting a unique context. There is no secret formula that you can apply anywhere on anyone. Entrepreneurship is not alchemy. He, in the same context, mentioned a story of an achieved Jordanian medical doctor who decided to give up on his career in medicine to create a website that provides for reliable web content in Arabic. His decision created 300 job opportunities as opposed to one if he resorted to the warmth of walking down the line of conventional thinking. He won an innovation award at the time he presented his business idea. He has recently received some JOD1.5M from a neighboring country to fund expansion and development of his venture. His website prompted by 15 million unique users each month since it launched.

Mindful learning was the trigger to such kind of innovation, he explained. When this entrepreneur received this piece of information: Reliable Arabic content on the web is barely exist. He translated this piece of abstract information into a business idea that fills a gap in the market. Another person would have just memorized this piece of information or talked about it to others at best. He decided to take action and there he was creative and impactful. He also mentioned entrepreneurs should pause every now and then for a reality check, self - assessment is key in pursuit of sustaining and growing any business.

He advised entrepreneurs should not delve into a business that they have zero technical knowledge about because they have to be ready to roll up their sleeves and work in the business themselves when the tides are high.

He concluded saying, if I tell you there are some 32,000 publications tackling entrepreneurship, what would you say? We responded the majority of them are not homegrown. He seconded the conclusion saying we import almost everything that falls between knowledge and commodity ends we also try to solve our own problems relying on imported models and experts. E-commerce, for example, is a viable solution in USA because it is a market that covers a continent. Jordan that is currently applying e-commerce as a solution is a much smaller market that needs to develop a unique tool that suits its context and its customer segment needs. Someone should take action. We should be intrigued to create solutions generate from schools of thought stemming from our unique needs and are rooted in our society.

Board Member, WAEDAT

We interviewed a Board Member in WAEDAT (Women Access to Entrepreneurship Development and Training), a not-for-profit organization providing capacity building programs and training modules in technical and managerial skills for women entrepreneurs in Jordan. WAEDAT is a corporate social responsibility program managed by Consolidated Consultants Group of Amman, Jordan. WAEDAT has so far graduated 222 women and 10 women CBOs.

During our interview with her, she identified lack of diversity of start-up financing resources and options and weak business networking to be key obstacles facing entrepreneurs in Jordan. She also mentioned gender disparities to have a dramatic impact on disempowering women entrepreneurs. Such limitations become manifest when women seek funding assistance in specific. Financial institutions' appetite to provide funds drop considerably but unjustifiably when it comes to women. She also mentioned high interest rates and difficult collateral requirements to be major challenges when seeking financial assistance.

She also explained women in rural areas in Jordan largely driven by necessity when they opt to start their own businesses. They strive to fulfill basic needs of their families and create employment opportunities in their local communities. Such tendencies would help in reducing poverty at micro levels and hence need to be encouraged and support by financial institutions. At another level, she mentioned there are some institutions in Jordan that failed to allocate funds coming from international aid agencies in a proper way. They had at times given seed funds to businesses that had not met strict criteria set by donor agencies instead of giving them to eligible entrepreneurs. Her discussion in this regard directed at revealing corruption in some institutions. She thinks there has to be some monitoring and accountability measures to eradicate such actions. When the discussion geared toward how innovative entrepreneurial projects in Jordan are, she mentioned innovation at individual levels is extremely high but is pathetically low at institutional levels. She, in the same context, mentioned entrepreneurs are losing faith when it comes to dealing with support organizations. Entrepreneurs feel some institutions are treading on their toes in a sense they steal their ideas, subtract them or turn them into pure commodities using different agendas than of others. She concluded, it is important to restore entrepreneurs' faith in national support organizations before we lose them to other neighboring economies that are on the watch for any innovative business idea on the rise in Jordan so they embrace it and make full use of it to the benefit their economies.

### **Feasibility Studies Expert, IRADA**

In an interview with a Feasibility Expert at IRADA, a comprehensive national program that aims at supporting and training entrepreneurs in Jordan, he identified financial issues to be the main challenge facing entrepreneurial activity in Jordan.

He mentioned that Jordanian entrepreneurs, in general, have the lack of the ability to present financial information clearly and in a professional way when they seek funds – in absence of which they fail to obtain the financial assistance they need, or least they put in a considerable time back and forth trying to meet funding requirements. Entrepreneurs in Jordan not well trained to determine how much cash were need to start and sustain their businesses. This knowledge deficit, in our opinion, not blamed on financial institutions alone but also on lack of proper training programs. We believe this issue has to be addresses seriously by financial institutions and entrepreneurship support organizations in collaboration with other stakeholders in order to design proper training schemes that aim at mitigating the impacts of lack of knowledge in this area. Lack of knowledge about taxation. Limited funding options. High interest rates.

Difficult collateral and guarantee requirements imposed coupled with entrepreneurs' inability to manage cash flow properly imposes a risk when it comes to managing assets and liabilities in a way that meets obligations and generates profits. Starting a business without a proper feasibility study, or without devising a sound business model or business plan are common pitfalls for entrepreneurs in Jordan.

He mentioned there are lot of organizations in Jordan that would train and provide consultations and advice to entrepreneurs. The problem is lack of awareness such organizations exist. There are organizations that offer comprehensive services for small businesses and support them even after they start to ensure transformation from a start-up to a small business that fulfils its objectives, sustains itself and grows. Fragmented efforts of support organizations in Jordan, in our opinion, lessen the positive impact they meant to create.

He also believes lack of managerial skills is a major setback. Hiring unqualified personnel to cut costs affects business performance mostly negatively. Entrepreneurs start the business and then delegate all responsibilities to employees and depend on them in running the business on their own. We assume employees might have a different set of objectives that might or might not converge with the objectives the business was set out to meet.

Lack of innovative marketing skills. Inability to price products and services properly and competitively. Difficulty in defining and targeting customer segments. Unawareness of competition dynamics. All account for key setbacks entrepreneurs have to overcome in order to succeed.

He explained even when businesses starts there are issues that face owners and affect business performance adversely. No adept skills in reading and interpreting financial statements in order to make informed decisions. We believe understanding the numbers and making informed decisions based on interpretation of results is a fundamental requirement to sustain the business.

He also emphasized improper selection of location affects start-up dramatically.

The interview concluded with the note that lack of governmental support and incentives or tax breaks that would ease the burden on MSMEs with limited financial resources is a vital issue that needs to be address and solved in creative ways.

### **Co-owner/Manager, Trip to Innovation (TTI)**

She is a social entrepreneur who co-owns Trip to Innovation (TTI) of Amman, Jordan. TTI's mission is to help turn innovative ideas into wealth by supporting entrepreneurs start sustainable enterprises. She adopts a variety of programs at TTI that aim at supporting creativity, innovative thinking, and entrepreneurship. In our interview with her, she identified lack of proper training and education as a major challenge. She believes a fusion of knowledge and key practical skills grasped with proper education and training is essential to any entrepreneur.

She believes ideas are worth nothing if not executed in an efficient and profitable way. Proper execution requires a comprehensive approach that balances innovation, business planning and business knowledge, market research, marketing and customer focus as well as good understanding of social, economic and legal contexts in which the business is going to operate. While this is a portrayal of the ideal situation, the fact quite opposite. Entrepreneurs in Jordan do not possess such kind of a comprehensive knowledge; which hampers their ability to manage limited resources. Inability to manage scarce resources and deploy them in a creative way coupled with lack of knowledge in managing cash flow is the prime reason most start-ups cease to exist when they stop receiving external funds.

She also mentioned there are lot of training programs taking place in Jordan on key skills and knowledge areas needed by entrepreneurs but they are of little practical value. Lack of follow-up is also a key factor in undermining knowledge retention and application. Inability to attract high caliber employees is a major challenge. Start-ups cannot cater for higher salaries needed to attract qualified personnel for lack of financial resources at the beginning. This affects business performance adversely and hinders its growth and development. Some entrepreneurs end up running a one-man show and this, in our opinion, is a setback in itself because they would lose sight of external factors affecting their business.

She pointed out that lack of proper legal advisory is a challenge facing entrepreneurs. Expensive legal consultations impose a challenge with the scarcity of financial resource of most start-ups. There are some cross linked that entrepreneurs cannot figure out on their own with lack of proper orientation, professional advice and training in this field. Overregulation, high taxation and cumbersome procedures consume time and energy. She mentioned some systems are quite outdated and being run manually in centralized and bureaucratic environments.

When asked about sources of financing, she responded family and friend are most preferable. She also mentioned Microfinance is a common source of financing for micro and small businesses in Jordan. Micro funds usually granted with low interest rates. Some of the disadvantages associated with them though are that they are only good for simple and small types of businesses. Relying on personal assets to fund business start-ups is risky because any business loss translates directly on the financial standing of owners.

She went on explaining there are many challenges and barriers entrepreneurs in Jordan have to overcome. She also mentioned entrepreneurial ecosystem in Jordan is fragmented and scattered which weakens the impact it was supposed to create as opposed to what would happen if all efforts unite under one umbrella. She believes entrepreneurial mindset is something you work on from an early age. Education is the cornerstone of shifting the current mindset that largely hinders entrepreneurial movement in Jordan.

We believe curricula should be design in a way that injects creativity and open-mindedness within students' personas to be flexible in facing their future realities and challenges. The outcome would be real entrepreneurs who can adapt and survive in the face of varying circumstances.

## **Cases of Current and Previous Business Owners**

### **Case 1**

Business owner in this case is an educated and achieved young woman that is working full-time at a hospital in Amman. She has a passion for making homemade cookies with an artistic flare. She runs this as an informal home-based business next to her job. She started on micro funds made available to her by family and friends besides some personal assets. She runs her business that way for a few reasons, some of which are personal and others are external to her. She does not want to sacrifice the security that comes with full-time employment to focus her time and energies on this business at such an early stage. She feels she runs a successful career with a promising future that she is not a position to give up on now. External challenges, in her case, include high costs of equipment, low and slow return on investment, not knowing how to reach out to customers and attract them vigorously.

She believes one of the major challenges imposed on young entrepreneurs in Jordan is that decision makers do not have faith in them. They cannot imagine young people making responsible decisions or being able to start their businesses and run them successfully. Most decision makers have this knot of tying success with age. This challenge becomes especially manifest when young people seek funds to start their own business. Age becomes the collateral instead of the idea itself or the people working on executing it.

She thinks there has to be a nationwide awareness about the role young entrepreneurs play in social and economic development in Jordan, not only theoretically but also on practical grounds that would make it easy for young entrepreneurs to start their own businesses and sustain them with the support of a network of national organizations. Here comes the importance of proper training and mentorship for young entrepreneurs until they stand on their own feet. Stories of success outside the comfort zone should be made and known to inspire hesitant entrepreneurs. We also think while her full-time job provides for one employment opportunity, she would create more jobs if she takes the courageous decision of starting her business formally.

### **Case 2**

We interviewed an owner of a closed business to try to understand what the reasons behind making it impossible for his business to survive were. He tried to start an online venture that provides an e-index for all vehicles in Zarqa Free Zone in Jordan – their specifications, conditions and prices. He sought help from an entrepreneurship support organization in Jordan in order to start his business based on the idea he had. He got the support he needed at the beginning where he developed his business model, business plan and made the necessary pitch to secure investors' interest. He went out with the fund he needed to start his business.

At that time, he began to execute his idea he figured how difficult it was for a business to start in Jordan. Lengthy procedures and multiple permissions from different authorities were among the major challenges he identified. He also faced a challenge unique to his business in a sense he found great opposition from car traders within the Free Zone. They kept on creating troubles for him and for his business for feared his business would succeed only at the expense of sacrificing their best interests.

Another major challenge was that qualified employees need higher salaries that his business could not afford at the beginning. He explained his business closed for he was not personally involved in running it at the beginning. He hired an employee instead and delegated all responsibilities to him. He now believes that for any entrepreneurial endeavor to succeed, business owners should be present right from day one. They must not put it in the hands of anyone who might have only landed for a temporary employment opportunity. Entrepreneurs should treat their own businesses as a mother treats her newborn. This is how entrepreneurs need to look at their businesses; embracing them with a similar mindset.

The assistance he received from the support organization included a fund that he had to spend within a limited timeframe. This made him make some hasty purchase decisions in order to meet this condition lest he loses the fund but he eventually lost his business! He mentioned he was not well equipped with the tools he needed to manage the financial resources in a proper and profitable way. He has also been recently hit with the brutal fact that his business has to pay due taxes because he did not know he had to officially drop his business's name from governmental records when he closed it down several years ago.

He has now to pay accumulated tax dues in order to be able to travel for a business opportunity he is after outside Jordan. He, despite his tough experience, still has a positive outlook with the realization that entrepreneurs are prone to more failures before they render a huge success. He mentioned if he decides to revive his business, in the future he would benefit from this experience as a learning opportunity to better manage his business and leverage his resources efficiently.

He concluded with the note that support organization should train, guide and mentor entrepreneurs not only at the beginning but also during execution and expansion stages. Only then, their support would be of a long lasting impact. Support organization should thrive to achieve high survival rates instead of being content with high start-up rates only.

### **Case 3**

We interviewed a previous owner of a closed business in the diet and nutrition industry. The business built around the model of providing online consultancy services for overweight women outside Jordan, KSA specifically. Reason she targeted this niche market was women in KSA have some mobility restrictions that would limit their ability to seek professional help outside their homes. When she came up with an idea, she sought help from an entrepreneurship support organization in Jordan in order to start her business. Her idea was considered innovative so she was offered training assistance. The business owner is a pharmacist. Her business started on the premise of her knowledge in the area of her choice. According to her, for a business to grow and thrive, it is essential for owners to have technical knowledge in the field of their business but this alone is not enough. They should develop knowledge on how to utilize business enablers— e-business in her case. She lacked the comprehensive knowledge that she deems necessary for any business owner. She, due to that, came to the point she had to close her business. She attributed this to lack of proper business planning and financial management that deprived her opportunity to turn her start-up into a sustainable small business.

A few months after closing its business, she found out that her business idea was “adopted” by another person and now widely celebrating as a success story. Reason this happened, in our opinion, is neglecting the importance of investing in intellectual property rights. She also explained training she received gave her an idea about how to start a business, but that was not enough. She mentioned that the entrepreneurship training programs are heavily reliant on imported models or experts and are not creatively tailor to suit our unique context and market dynamics.

She believes she would have saved her business if she had proper follow-up on implementing her idea by the support organization besides supervision, mentorship and guidance not only to start the business but also to sustain it throughout its lifecycle. She concluded saying it is not enough to have an innovative idea to start your business. This is the basic idea around which training programs targeting entrepreneurs should be designed. Otherwise, it is a waste of time and energy to attend such programs.

### **Case 4**

We interviewed an owner of a recently opened boutique food outlet in Amman, Jordan. Some of the major challenges he identified was lack of financing options for entrepreneurs in Jordan that he had to rely on personal assets to start the business – this, according to him, caused a delay in action until he was able to save the needed capital. He also mentioned other challenges are high rent rates that impose financial burdens on start-ups. He thinks it is necessary to establish some incentive schemes for MSMEs that ensure favorable treatment for them, and that would at the same time encourage more start-ups by easing some financial pressures they have to live with – he gave lower rent rates as an example of possible incentives.

In the context of his story, he mentioned any entrepreneur should seek to develop practical experience before they start their own businesses in order to sharpen their managerial and strategic focus. They should not jump in the seas of entrepreneurship early on after graduation if they are formally educated. He mentioned he worked for 6 years in an insurance company before he started his business. This “learning experience”, even if it was indirectly related to his business served to sharpen his management and decision-making skills to the benefit of his start-up. He concluded overregulation especially in the food industry coupled with high taxation and high operational costs as major impediments to entrepreneurship in Jordan.

### **Case 5**

We interviewed an owner of a family-business in the tourism sector in Jordan. His business considered medium rather than small. Financing his business came from family assets.

They only resorted to bank loans at the time they decided to grow their business. Some of the major challenges he identified was lack of skilled human capital. He also identified weakness of commercialized hospitality culture to be an impediment to developing his business relying on local resources. He also identified government has ignored the tourism sector because of its involvement in mitigating the impacts of regional crises which weakened his business's position.

### **General case**

In an attempt to round a fuller picture for that, we interviewed three adolescent persons and 3 older people who are not involved in any entrepreneurial activity at the present time. We did so in order to try to gauge some perceived challenges that might or might not have grounds in reality and understand reasons behind such perceptions. Observations varied and we need to enlarge the sample to comprehend how perceived challenges translate in reality and in what sense they would impact a positive growth of the entrepreneurial scene in Jordan.

The large observations came from the consequences of "Wasta" and how it may affects people's decision, or success in starting their own businesses. Reliance on public service employment as a source of generating income to some prevalent societal notions that measure success by whether or not you hold a title occupation of doctor or engineer among a few other perceptions and beliefs.

### ***5. Conclusions and Recommendations***

There has been a lot of discussion about what should Jordan do to support entrepreneurship and MSMEs sector by making it easy to start businesses with minimum time and cost while still abiding by a regulatory frameworks governing the business environment. We believe policy reforms alone do not guarantee a sizeable improvement. There is ample evidence that reforms combined with efforts of other stakeholders would boost the health of the entrepreneurial landscape in Jordan.

Jordan according to the Global Competiveness Index (2016) is an efficiency economy that has not yet transitioned into an innovation economy to make it ready to employ venture capital as a source to fund start-ups meaningfully. Respondent identified lack of cooperation between different people, organizations and institutions within the entrepreneurial landscape in Jordan as a key obstacle that dramatically slows down any progress in elevating the profile of entrepreneurial activity in Jordan. During interview with other respondent, she identified lack of diversity of start-up financing resources and options and weak business networking to be key obstacles facing entrepreneurs in Jordan. Other respondent pointed that entrepreneurs in Jordan not well trained to determine how much cash were need to start and sustain their businesses.

In an interview with other respondent, she identified lack of proper training and education as a major challenge. She believes a fusion of knowledge and key practical skills grasped with proper education and training is essential to any entrepreneur. Also pointed out that lack of proper legal advisory is a challenge facing entrepreneurs. Expensive legal consultations impose a challenge with the scarcity of financial resource of most start-ups. There are some cross linked that entrepreneurs cannot figure out on their own with lack of proper orientation, professional advice and training in this field.

Other respondent believes that one of the major challenges imposed on young entrepreneurs in Jordan is that decision makers do not have faith in them. They cannot imagine young people making responsible decisions or being able to start their businesses and run them successfully. Other respondent concluded saying it is not enough to have an innovative idea to start your business. She believes she would have saved her business if she had proper follow-up on implementing her idea by the support organization besides supervision, mentorship and guidance not only to start the business but also to sustain it throughout its lifecycle.

Other respondent concluded overregulation especially in the food industry coupled with high taxation and high operational costs as major impediments to entrepreneurship in Jordan. At large observation came from consequences called "Wasta" and how it may affects people's decisions or success in starting their own businesses among a few other perceptions and beliefs.

Recommendations stemming from this research paper can summarized as follows which may pave the way for further research:

- Automation of business registration procedures, and creating an e-hub for business start-ups. This hub can follow a cluster-like architecture where entrepreneurs can know and meet what is required for their businesses

to start on sound grounds, what company types to consider, what legal issues they should take care of and all other cross-link that would be of impact on entrepreneurial projects.

- Initiating a one stop-shop for regulating, supervising and supporting entrepreneurship and start-ups in Jordan at all levels and in all areas under one umbrella and setting a time limit on implementation of procedures and giving advice and information.
- Create an environment of strong business associations and quality, business support schemes and services that work in a collaborative rather than a competitive mode.
- Develop widespread media coverage to help spread awareness of sectors that individuals must invest in. Government should also invest in wider public awareness about taxes and their different types and implications.
- Promoting research and development as a key driver for enhancing creativity and innovation and emphasizing the role it plays in transitioning the national economy to higher levels.
- Educational curricula should be revised to include a series of modules on business literacy at all education levels in order to instill an entrepreneurial tendency within the society.

This research study had the following limitations which include a sample size contains 15 respondents which may affect the validation and generalization of the research findings, were a larger number of respondents would have served to better validate and generalize the research findings. Time and cost limitations were intriguing to know more about challenges facing entrepreneurial activity in Jordan by means of interviewing more participants and compare their realities and challenges at varying levels and then examine the findings from different perspectives, but that of course needs more time than allowed for this paper. This time limitation has a cost dimension as well. To obtain robust findings, cost of data collection is bound to be high given the researchers are full-time employees; and Lack of cooperation researchers faced some difficulty accessing some organizations and institutions. This deprived us the opportunity to realize some findings and observations from our interviews with them. Notwithstanding limitations set forth in the above, the researchers believe the study design was appropriate for purpose of this research paper and that the instrument was adequate were recommendations stemming from this research paper summarized at the last section, which may pave the way for further research.

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