

## SUCCESS FACTORS OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs): THE CASE OF JORDAN

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### ABSTRACT

*The importance of the small and medium-sized enterprises come from the vital role of the SMEs in the private sector and because SMEs considered as a labour intensive firms. However, there are some other internal factors that they could be the reason behind the success of these firms. The purpose of this paper is to identify the main factors that mostly used to reflect the success o Jordanian small and medium-sized enterprises. The data used in this study were provided by financial institutions that provide loans to the SMEs. The analysis is based on the results of the questionnaire survey that was distributed to the sample firms that includes 163 firms distributed over the main three sectors (Services, Manufacturing and Retail) and the three main governorates (Amman, Zarqa and Irbid). The descriptive statistical technique of factor analysis has been used for analysing data. The results indicate a set of five factors separately identifiable factors that have positive and significant impact on the success of the sample firms. These factors, when ranked in their order of importance are as follows: Technical procedures and technology, Structure of the firm, Financial structure, Marketing and productivity and Human resources structure*

**Keywords:** *Small and medium enterprises, Success of SMEs, SMEs in Jordan, Success factors*

## KÜÇÜK VE ORTA ÖLÇEKLİ İŞLETMELERDE (KOBİ) BAŞARI FAKTÖRLERİ: ÜRDÜN ÖRNEĞİ

### ÖZ

*Küçük ve orta ölçekli işletmelerin önemi KOBİ'lerin özel sektördeki hayati rolü ve genel itibariyle emek yoğun işletmeler olmasından kaynaklanmaktadır. Ancak, bu işletmelerin başarısının ardında yatan farklı birtakım içsel faktörler olabilir. Bu çalışmanın amacı Ürdün'deki KOBİ'lerin başarısını yansıtmada kullanılan belirgin faktörleri ortaya çıkarmaktır. Çalışmada kullanılan veri KOBİ finansmanında rol oynayan finansal kurumlardan derlenmiştir. Analiz üç ana sektörde (hizmet, imalat ve perakendecilik) yer alan üç vilayette (Amman, Zarqa, İrbid) yer alan 163 işletmeye dağıtılan ankette elde edilen sonuçlarla yapılmıştır. Veri analizi için faktör analizine yönelik betimleyici istatistik teknikleri kullanılmıştır. Sonuçlar örnekleme yer alan işletmelerin başarısı üzerinde pozitif ve önemli etkisi olan beş ayrışık faktör olduğunu göstermektedir. Bu faktörler, önem derecesine göre; teknik prosedürler ve teknoloji, işletme yapısı, finansal yapı, pazarlama ve üretkenlik ve insan kaynakları yapısı olarak sıralanmaktadır.*

**Anahtar Kelimeler:** *Küçük ve Orta Ölçekli İşletmeler, KOBİ'lerin başarısı, Ürdün'deki KOBİ'ler, Başarı Faktörleri.*

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## **1. INTRODUCTION**

Small and medium-sized enterprises (SMEs) exert a strong influence on the economies of all countries, particularly in the developing countries. Mulhern (1995) reported that the SMEs have been a major engine in the economic growth, innovation and technological progress. In addition Carrier (1994) said that the SMEs are more fertile than their larger counterparts in terms of innovation and development. However, the importance of SMEs lies in their role in growth at various stages of economic development. They contribute to output, fulfil social objectives, attract considerable foreign reserves into a country and have a clear importance in providing employment, which means that they are the backbone of the private sector all over the world and they employed around 60 percent of the total labour force in the world.

In Jordan as elsewhere of the world, the small and medium-sized enterprises consist the vast majority of the Jordanian enterprises. Around 98 percent of manufacturing and service sector firms in Jordan are small and medium-sized enterprises (SMEs), and nearly all of the retail and agriculture sectors are small and medium-sized enterprises. Furthermore, around two-third of the total Jordanian labour force in private sector is employed by SMEs and around one third of the total output is produced by these firms (Department of Statistics, 2007). This successful role for SMEs in playing a major role in development, innovation and job creation either in Jordan or in the other countries over the world come as a result of several factors. Part of these factors comes from the characteristics of these firms, for example Hobohm (2001) attributes the vital contribution of SMEs in the development process to the following reasons: firstly, SMEs are more labour-intensive and tend to lead to a more equitable distribution of income than do larger enterprises; secondly, SMEs contribute to a more efficient allocation of resources in developing countries; and thirdly, SMEs support the building of systemic productive capacities.

Small and medium-sized enterprises (SMEs) have been the primary source of employment creation not only in Jordan but also over the whole countries. Al-Mahrouq (2004) shows that plant size is an important factor in plant growth, which means that the smaller firms grow at faster rates in comparison with their larger counterparts. However, the positive and successful role of SMEs comes due to several factors, finding these factors are the main goal of this research paper (for more details see Al-Mahrouq, 2004). This paper is organized as follows: Objective of the study in section 2. Methodology and Importance of the study presented in section 3 and 4 respectively. Reviewing the literature of the SMEs success factors in section 5. The description of data and data analysis is presented in section 6. Finally, section 7 includes the conclusion and remarks.

## **2. OBJECTIVES OF THIS STUDY**

The purpose of this paper is to identify the main factors that are mostly used to reflect the success factors of Jordanian small and medium-sized enterprises. The paper also aims to find out how these firms are creating, searching and utilizing the available success factors from their point of views, which are the most important factors of success for SMEs.

However, the main objectives of this research can be summarized as follows:

1. To identify the main factors that most used to reflect the success factors of Jordanian small and medium-sized enterprises.
2. To find out how these firms are creating, searching and utilizing the available success factors.
3. Which are the most important factors of success for SMEs.

### **3. METHODOLOGY OF THE STUDY**

In order to realise the target of this paper, the researchers believe that a well-designed questionnaire is the best instrument. To overcome this and due to the lack of information about SMEs generally and its performance to follow up the factors that affect their success, the only feasible source of such information are from the entrepreneurs (Lin, 1998), (Wijewardena and Zoysa, 2005) and Poisson et.al (2002).

To achieve the study aims we had to choose a representative sample from the total population of small and medium-sized enterprises in order to minimize costs and to save time. Our sample was concentrated into the firms that were considered as well running businesses from banks and financial institutions, that provide fund to SMEs, point of view. The research population mainly concentrated on the Jordan bank data base (the first commercial bank start dealing with the SMEs), the Development and Employment Fund (DEF), which is the governmental institution that provide fund and assistance to the SMEs, DEF was ranked as one of the top 50 lending institutions to SMEs as in Forbes and Mix Market (2007), and the Ahli Microfinancing Company, which is the first private company start lending to the SMEs in Jordan since 2001. However, the total number of clients for the above mentioned three institutions is 4630 clients, which is roughly more than 50 percent of total SMEs clients in the commercial banks, SMEs financing institutions and MFIs in Jordan we have three commercial banks have a special credit unites to provide fund for SMEs and two governmental institutions and four private institutions providing loans to SMEs.

The objective of the survey was to find out the state of art in success factors and analysis in these enterprises. The researcher distributed around 220 firms over the survey, the response rate was 82 percent, and the valid questionnaires were 168 questionnaires, which make the actual response rate around 76 percent. In the questionnaire there were questions that investigated the entrepreneurs point of view in the success of there firms and it includes a wide range of questions that identify the success factors of SMEs. For example the importance of the measurement of different dimensions of overall success was inquired. The questionnaire was divided into four main sections. The demographic and general data regarding the owner and the enterprise were discussed on the first section. While the second section includes group factors that affected the success of SMEs, these are: the structural factors, technical factors, Human resources factors, financial factors and marketing and production factors. This section was designed according to a five points Likert scale. The scale for each factor ranged from 1= Least important to 5 = most important. However, the last two sections were open-ended questions if any of the respondents like to mention any comments that could be useful for the study. (Sekran, 2004)

Regarding the data analysis methodology, it is descriptive. The results of the survey will be processed with simple statistical methods. For example the mean and standard deviation will be calculated for many questions. The median and mode could be a better type of average measure for this kind of statistical data. But, they do not give enough information for the entrepreneurs and researchers. However, the mean is much more familiar to them and that is why it will be used. The most significant factors in the questions will be found on the basis of the mean of the answers. If the mean of the answers is high compared to the means of the other answers, the factor will be meaningful, and if the mean of the answers is low compared to the others, the factor will be of little importance, for more details see Sen and Taylor (2007), Rose et.al (2006) and Lin (1998).

#### **4. IMPORTANCE OF THE STUDY**

Importance of this study appears from the following points:

1. The importance of small and medium-sized enterprises (SMEs) as one of the major component of the national economy and a component of the socio-economic development.
2. No study to date has examined the success factors of small and medium-sized firms in the Jordanian economy and this study can fill this void.
3. Finding the main success factors could help the policy makers and financial institutions how to encourage establishing or expanding small and medium-sized enterprises.

#### **5. SUCCESS FACTORS**

Research and studies on the economic development issues in Jordan used to cover success and movements at the macroeconomic level. This makes the critical success factor method has been widely applied in large businesses as reported by Saraph et.al (1989). But this method can fined an application within small and medium enterprises (SMEs) at the same time.

As the small and medium enterprises considered as a vital component of the socio-economic development of both developed and developing countries, representing more than 90 percent of all firms in the world (Wijewardena and Zoysa, 2005). Usually, some of these firms collapse within the first few years of their start-up. Of those operating, some grow rapidly, while others grow slowly. So, it is important to identify the cause factors of success and in the future researcher we can handle the factors that cause failure. These factors could vary from country to another due to the economic, geographical and cultural differences. This kind of investigation is very important for the developing countries because the research conclusion could be useful for the economic development planners as well as to individual entrepreneurs in the countries concerned.

However, Wijewardena and Zoysa (2005) attempt to analyse the main factors that are perceived to have contributed to the progress or success of SMEs. Their analysis was based on the perceptions of owner/managers who responded to a questionnaire survey conducted on a sample of manufacturing enterprises in Sri Lanka. The main results show that there are a set of six separately identifiable factors that have positive and significant impact on the success of the sample firms. These factors are as follows: customer orientation, product quality, efficient management, supportive environment, capital accessibility and marketing strategy. Whilst, Yusof and Aspinwall (1999) proposed ten success factors specifically for small and medium enterprises used to concentrate on during implementing total quality management these are management leadership, measuring result, progress and performance, appropriate training for employees and adopting a quality assurance system.

In Taiwan, Lin (1998) within the framework of structure, technology and people a case survey was conducted to reveal the success factors of 43 SMEs in Taiwan. This study was adopted Leavitt's model, which states that an organization can be changed by altering its structure, technology and people. Major findings include that the people related issues are more emphasized than those of structure and technology in the SMEs success. Also, she found that the business founders, management skills, customer focus and resources creation are more important than their technical skills. In addition, the soft attitudes, skills and operating methods were more important in small and medium enterprises success than for hard equipment. This study related statistically the complex, qualitative phenomena that could only be described conceptually.

Rose *et al* (2006) aim to identify the success factors of founding entrepreneurs in Malaysia contributing to their companies' venture growth. Specifically to examine the relationship between venture growth and the following factors; namely personal initiative, human capital, areas of focus on competency and government support programs. The study found that the entrepreneurs educational level, working experience and whether their parents own business have a positive relationship with their success. The researcher has also provided a clear indication as to which area of competency the entrepreneurs should focus on.

Finally, Walker and Brown (2004) has answered what success factors are important to small business owners. He reports that the financial criteria are usually considered to be the most appropriate measures of business success. But, in some other cases there are non-financial goals could lead to alternative measures of success, particularly in the SME sector. To illustrate these two dimensions he distributed 290 questionnaires to small business owner-mangers in Western Australia. The research findings shows that both financial and non-financial lifestyle criteria are used to judge business success, with the latter being more important. Personal satisfaction and achievements, pride in the job and a flexible lifestyle are generally valued higher than wealth creation. Personal factors such as age and also business characteristics influenced perception on the importance of these factors.

## **6. DATA ANALYSIS**

To achieve the study goals the statistical analysis will be processed with simple statistical methods. For example the mean and standard deviation will be calculated for the many questions. The mean is much more familiar, so it will be used (for more details see Lin, 1998). The most significant factors in the questions will be found on the basis of the mean of the answers. If the mean of the answers is high compared to the means of the other answers, the factor will be meaningful, and if the mean of the answers is low compared to the others, the factor will be of little importance (Sen and Taylor, 2007), (Rose *et.al*, 2006). However, in this regard the data analysis will be carried out in three stages, as follows: Firstly; a general descriptive statistics and analysis for the first section of the questionnaire that will discussing the demographic data of the small and medium entrepreneurs and firms in Jordan, especially the firms that borrowed money from commercial banks and other specialized financial institutions.

Secondly; the technique of factor analysis was utilized to reduce the number of variables to a few meaningful factors, each representing separately identifiable characteristics that could be considered as a set of principal components or determinants of success for SMEs. "Factor analysis has the ability to produce descriptive summaries of data matrices, which aid in detecting the presence of meaningful patterns among a set of variables" (Dess an Davis,1984,p 472). Thirdly; descriptive statistics were used for ranking the factors in their order of importance that would reflect the most important factor for SMEs to be considered as a success factor from the entrepreneurs' point of view at least.

### **6.1. Demographic and Characteristics Data**

This section shows the main demographic and characteristics data for both the entrepreneurs and sample firms. However, Table 1 shows the main demographic data of the sample interviewees. Regarding the job title it shows that the vast majority of the interviewees are owner-managers and managers, around two-third (66%) of the interviewees, while the rest 24% of interviewees are owners without any managerial positions at the firms that included in the sample, owners involvement within

the firm considered as one of the main reasons of success. Table (1) also shows that around 70 percent of the interviewees were qualified with a two years diploma, secondary school or less, which reflect that these firms did not need a sophisticated skills or education to be managed and be considered as a success firm.

*Table 1. Demographic Data of Interviewees*

Variable	No.	%
<b>Job Title of the Interviewee</b>		
Owner	39	24
Manager	52	32
Owner-manager	56	34
Others	16	10
<b>Total</b>	<b>163</b>	<b>100</b>
<b>Years of Experience at the SMEs Sector</b>		
Less than 5 years	53	33
6 - 10 years	45	28
11 -15 years	18	11
More than 16 years	47	29
<b>Total</b>	<b>163</b>	<b>100</b>
<b>Level of Education Attainment</b>		
2 Years Diploma and Less	113	69
Bachelor Degree	30	18
Master Degree	16	10
Others	4	2
<b>Total</b>	<b>163</b>	<b>100</b>
<b>Gender</b>		
Female	11	7
Male	152	93
<b>Total</b>	<b>163</b>	<b>100</b>
<b>Age of the Interviewees</b>		
Less than 30 years	40	25
30 - 40 years	58	36
41 - 50 years	41	25
More than 50 Years	24	14
<b>Total</b>	<b>163</b>	<b>100</b>

Regarding the level of entrepreneurs experience at the SMEs Sector, the results show that more than a half of the respondents have less than 10 years of experience within SMEs, which means that this sector is encouraging for the new start-ups to enter to this sector, this result also shows the ability and role of the SMEs sector on job creation, and the ability to employ the new comers to the labour market. This

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result could be consistent with the variable that shows the age of the interviewee, which was less than 40 years old for around 60 percent of the total interviewee. Finally, Table 1 also shows that more than 90 percent of the interviewees are males, this result reflects the structure of the Jordanian Society and the women participation in the total labour force that does not exceed 15 percent.

The second part of this section describes the main characteristics of the sample firms as shown in Table 2. However, it shows that around 90 percent of the sample firms are located in Amman and Zarqa, this is due to the concentration of Commercial Bank's branches and Microfinance Institutions MFIs in these two main governorates, which include also half of the total population and almost one-half economic activities in the whole country. Table 2 also shows the sample firms distribution over the main economic sectors, 60 percent of firms are in retail and services sector, while the rest of sample firms that received loans from commercial banks and the MFLs are in manufacturing sector. This shows the conservative policy of the commercial banks towered the manufacturing and agriculture firms from one side and the structure of the Jordanian economy from the other side that shows around two-third of GDP comes from the services sector in Jordan. The above mentioned results are consistent with the statistics about the SMEs in Jordan. (For more details see Department of Statistics, 2007).

Questions were asked to assess the size of the firms, including number of employees, capital at start-up and sales turnover, which are all considered to be a criteria to define the size of the firm weather to use all of them together or any of them. Table 2 shows that around 77 percent of the sample firms employed less than 30 employees, which means that they are considered as a micro and small enterprises, while around 17 percent of sample firms employed between 30-100 employees, which they considered, according the SMEs definitions that issued by the Ministry of Industry and Trade in 2003, medium enterprises. The Second Question was asked to assess the size of the firm according to their capital at start-up stage. The results also presented in Table 2 that shows the vast majority of the sample firms (88 percent) start with a capital less than 50,000 J.D, which means that most of the sample firms are micro and small enterprises. Sales turnover was the third question was asked to assess the size of the firm and the result show that around 78 percent of the sample firms sales turnover less than 100,000 J.D. These three questions were asked to assess the firms' size, and it shows a high level of consistency with the data issued by Department of Statistics regarding the Jordanian enterprises. (For more details see DOS, 2007, Appendix 1). Generally, the interviewee response to these three questions show that around 90 percent of the study sample are micro-small enterprises

*Table 2. Firm's Characteristics*

Variable	No.	%
<b>Firm's Location</b>		
Irbid	8	5
Zarqa	55	34
Amman	99	61
Aqaba	1	1
<b>Total</b>	<b>163</b>	<b>100</b>
<b>Firm's Sector</b>		
Manufacturing	65	40
Trade retail	20	12
Services	78	48
<b>Total</b>	<b>163</b>	<b>100</b>
<b>Age of Firm</b>		
Up to 3 Years	28	17
4 - 10 Years	65	40
11 - 20 Years	41	25
21 - 3- Years	25	15
More Than 30 Years	4	3
<b>Total</b>	<b>163</b>	<b>100</b>
<b>Number of Employees at the Firm</b>		
Less than 5 Employees	104	64
5 - 29 Employees	22	13
30 - 100 Employees	28	17
More than 100 Employees	9	6
<b>Total</b>	<b>163</b>	<b>100</b>
<b>Capital At Start-Up Stage</b>		
Less Than 10000 JD	109	70
10000 JD - 50000 JD	34	22
50000 JD - 100000 JD	6	4
More than 100000 JD	7	4
<b>Total</b>	<b>156*</b>	<b>100</b>
<b>Annual Sales Turnover</b>		
Less than 50000 JD	107	68
50000 JD - 100000 JD	21	13
100000 JD - 200000 JD	8	5
More than 200000 JD	21	14
<b>Total</b>	<b>157*</b>	<b>100</b>
<b>Legal Status of Firm</b>		
Sole trader	105	66
Partnership	21	13
Limited liability	30	19
Others	3	2
<b>Total</b>	<b>159*</b>	<b>100</b>
<b>Source of Capital</b>		
Self funded	113	69
Borrowing from family and friends	12	7
Borrowing from banks	22	13
Borrowing from specialized financial institutions	4	2
Self funded and borrowing form family& friends	4	2
Self funded and borrowing from specialized institutions	8	5
<b>Total</b>	<b>163</b>	<b>100</b>

\* In these questions there are missing values (No response).



Finally, Table 2 also shows the firms legal status and sources of capital. It shows that around 65 percent of firms are sole-traders, which represent the case of the whole SMEs in the Jordanian economy. However, the self funding was the main source of capital to let these firms start-up, this reflects the commercial banks and the MFLs prefererancies, who lend money to the firms that have experience so as to avoid the problem of start-up stage that used to face the SMEs at this stage, especially if its known that the falling of most SMEs occurs at the start-up stage as reported by (Clemenz (1986) and Cowling and Sugdon (1995)), and the commercial banks used to reluctant to provide loans to the SMEs at these years. Also, the MFIs did not provide loans to firms at start-up stage. This is clear through the age of the firms that included at the study sample that shows around 90 percent of sample firms' age more than 3 years.

## 6.2. SMEs Success Factors

This sub-section will examine the main success factors by reducing the number of variables to a few meaning full factors, each one of these factors representing several characteristics that could be considered as a set of principle components or determinants or variables of success for the small and medium-sized enterprises, for more details see Appendix 2, and (Lin, 1998).

However, the main factors that were tested to measure there role in the SMEs success are as follows: Structure of the firm; Technical procedures and technology used by the firm; Human resources structure of the firm; Financial structure of the firm; and Marketing and productivity factors of the firm. The methodology followed to examine, which and to rank these factors according to their importance as a success factors of SMEs were followed by Lin (1998) and Sen and Taylor (2007). Ranking of the above five factors in order of their importance, along with the mean and standard deviation is shown in Table 3. The importance of these factors, as perceived by the respondents, has been ranked on the basis of their mean values. The closer the mean to 5, the higher is the importance of the factor. Accordingly the ranking followed the following order: (1) Technical procedures and technology, (2) Structure of the firm, (3) Financial structure, (4) Marketing and productivity and (5) Human resources structure. Their means were ranged from 4.13 to 2.96.

*Table 3. Ranking of SMEs Success Factors*

Factor	No. of variables	Mean	St.d	Rank
Structure of the firm	9	3.91	0.83	2
Technical Procedures and Technology	5	4.13	1.03	1
Human resources at the firm	10	2.96	0.79	5
Financial structure of the firm	10	3.63	1.01	3
Marketing and Productivity	17	3.25	0.62	4

The results of the factor analysis show a set of five separately identifiable factors that have positive and significant impact on the success of small and medium-sized enterprises in Jordan. The following discussion focuses on each of these five factors and the variables that included to each of these factors.

### 6.2.1. Technical Procedures and Level of Technology

Technical procedures have been perceived as the most important success factor. This factor is associated with five variables: high technology of equipments, use of planning and engineering of the production operation, research and development system, operating methods and new technology and automation. This result is consistent with the results reported by Simon (1996), which shows that the technology is the most important success factor behind the successful of the SMEs competitive advantage. This factor

might reflect the level of the product's quality that makes it acceptable from the customers' point of view. As shown in Appendix 2 the most important variable of the variables that included in this factor is the production methodology which may reflect the cost of the products, this would make the product much more attractive for the customers as reported by Chaganti and Chaganti (1983).

### **6.2.2. Structure of the firm**

The second important success factor of SMEs according to the above mentioned rank, is the structure of the firm that includes nine variables that cover the firm's sector and managerial statuses and structure as shown in Appendix 2. This factor reflects the efficient management of the firms. However, the finding is consistent with the universally accepted phenomenon that efficient management is crucial for the success of any type of organisation, especially the SMEs. Several studies reported that poor management is a major cause of firms' failure such as Zacharakis (1999) and Gaskill et al. (1993). While, other studies stated that the efficient management is the key success factor of the firm such as Aquino (1990) and Lin (1998). The most important variables of this factor are managing the firm at the start-up stage through a clear feasibility study, and efficiency of managerial operation at the firm and the organisational structure of the firm.

### **6.2.3. Financial structure of the firms**

This factor is the third important factor of SMEs success according to respondents of this study sample. It includes ten variables such as sources of fund used to start-up stage if it is funding or through the commercial banks or financial institutions. It also includes variables related to the managerial finance of the firm. However, it is well known in literature that the lack of fund could be one of the main constraints that maybe facing small and medium enterprises (See, Ghosh et al. (1993) and Levy (1993)). This return to the level of development of the financial sector in Jordan if we realise that there is a specialized credit institution to provide fund to the SMEs and the commercial banks start to establish a special credit units for the SMEs. Also these variables shows that these institutions have a consistent financial management with the characteristics of the SMEs that almost all the owners of these firms are the managers too. For more details see Al-Tayeb and Al-Mahrouq (2004), Al-Mahrouq (2007).

### **6.2.4. Marketing**

The importance of marketing for all firms generally and for the small and medium-sized enterprises specifically universally recognised. Marketing has been perceived as one of the important factors of SMEs. This factor includes seventeen variables such as the marketing research for the firm's products, the promotion of the products and the location of the firm if it is close to the market or the customers. These factors are consistent with the variables that have been mentioned in McCarthy and Perreault (1993). The variables of this factor shows the precious speciality of the SMEs who make their mission to deliver their products or services to a specific market segment and these firms usually depend on the local markets and on the raw materials from the local market too. Also, it shows that the products of the SMEs are not too sophisticated, so it is considered easy to make any changes and development on their products.

#### **6.2.5. Human resources**

According to the response of the interviewee the human resources is one of the main success factors of the SMEs. This factor includes ten variables as shown in Appendix 2. These variables show that one of the most variables that included under this factor are the low level of employees turnover, this is consistent with the fact that most of SMEs are a family business. It also shows that the development of the managers and employees of these enterprises are highly correlated to the firms development. For more details see Lin (1998) and Al-Mahrouq (2004).

### **7. CONCLUSION**

Small and medium-sized enterprises have a successful role in socio-economic development, innovation and job creation not only in Jordan but also all over the world. This success comes from several factors. Finding these factors for SMEs in Jordan was the main objective of this research paper. However, to achieve the study goal the researcher has chosen a representative sample of success small and medium enterprises that have received fund either from the commercial banks or from specialized financial institutions, because these banks and financial institutions would not be able to provide fund to a failure firms.

The results of this study identified five principle factors that could be major contributors to the success of the small and medium-sized enterprises in Jordan. These factors in their order of importance are as follows: Technical procedures and technology, Structure of the firm, Financial structure, Marketing and productivity and Human resources structure. These factors are mainly reflecting the main characteristics of the SMEs. This also shows that strengthening of the SMEs come from its characteristics mainly, which would be encourageable for either the new entrepreneurs, the government and the financial institutions to support this sector for expansion because of the several advantageous that have been mentioned previously such as job creation and innovation that might help in reducing the unemployment rate.

Finally, it is important to note that there is a need to study this topic more so as to find more other factors that could be added to the success factors from one hand. Or to study the factors that causes failure from the other hand. These factors could be vary from country to another for several reasons, so this investigation is very important specially for the developing countries.

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Sector	Size of Firm	No. of Firms		No. of Employees		Average No. of Employees
		No.	%	No.	%	
INDUSTRIAL	Micro	15948	76.6	35827	21.4	2.2
	Small	3922	18.9	33744	20.2	8.6
	Medium	728	3.5	29538	17.6	40.6
	Large	208	1	68277	40.8	328.5
	<b>Total</b>	<b>20806</b>	<b>*14.7</b>	<b>167386</b>	<b>27.7</b>	<b>8</b>
RETAIL	Micro	78397	95.4	129269	58	1.6
	Small	3320	4	25185	11.3	7.6
	Medium	400	0.5	13096	5.9	32.7
	Large	47	0.1	55506	24.8	1181
	<b>Total</b>	<b>82164</b>	<b>*58</b>	<b>223056</b>	<b>37</b>	<b>2.7</b>
SERVICES	Micro	31850	82	61979	29	2
	Small	5515	14	46590	22	8.4
	Medium	1149	3	45368	21	39.5
	Large	193	1	59144	28	306
	<b>Total</b>	<b>38707</b>	<b>27.3</b>	<b>213081</b>	<b>35.3</b>	<b>5.5</b>
<b>TOTAL</b>	<b>141677</b>	<b>100</b>	<b>603523</b>	<b>100</b>	<b>4.3</b>	

*Appendix 1. SMEs distribution by Sectors in Jordan as in 2004*

Source: Department of Statistics, 2006, Annual Report.

Factor	Variable	Mean	Std
Technical procedures	Technical level of equipments	3.74	1.60
	Technical planning and operation engineering	4.37	1.68
	Research and development system	4.12	1.55
	Production methodology	4.63	1.59
	Continuous developing and upgrading of the machines	3.77	1.52
<b>Technical procedures</b>		<b>4.13</b>	<b>1.03</b>
Structure of the firm	Sector that the firm's work in	3.62	0.60
	Legal statues and ownership of the firm	3.84	0.83
	Feasibility study for start-up stage	4.23	1.63
	Managerial system followed within the firm	3.65	1.27
	Clear organizational chart	3.76	1.51
	Clear of the production process	4.31	1.27
	Clear contact methods between the different levels	3.87	1.23
	Work centralization	3.78	1.16
clear career and managerial path	4.13	1.26	
<b>Structure of the firm</b>		<b>3.91</b>	<b>0.83</b>
Financial structure	Firm's start with a self fund at the start-up stage	3.21	1.12
	Efficiency of capital at start-up stage	3.24	1.16
	Capital accessibility from different resources	4.31	1.41
	Low cost of borrowing	3.67	1.32
	borrowing from external resources	4.11	1.45
	Technical assistance along with the financial	3.89	1.50
	Planning and financial management	3.76	1.33
	Cost control within the firm	3.12	0.97
	Efficient accounting system	3.09	1.25
Book keeping separately	3.9	1.51	
<b>Financial structure</b>		<b>3.63</b>	<b>1.01</b>

*Appendix 2. SMEs Success Factors and their Variables*

Factor	Variable	Mean	St.d
Marketing and productivity	Availability of raw materials at a local level	3.85	1.68
	Activities by the firm	2.88	0.72
	Demand on firm's products and services	3.21	1.15
	Marketing policy followed by the firm	2.73	0.77
	Specific market segment for the firm's product	4.35	1.34
	Market study at the start-up stage	3.63	1.48
	Firm's location	2.87	0.93
	Presenting or providing the products or services	3.56	0.72
	Payment facilities for your clients	2.92	1.09
	Follow up the market development and market changes	2.79	0.97
	Promotion and advertisements for the products	2.92	1.20
	Pricing policy	2.87	0.94
	Quality of the product	2.86	1.12
	Continuous customer needs studying	2.85	0.56
	After sales services	3.34	1.24
	Development and adjustment of the products upon the needs	3.34	1.39
Firm's networking with other firms	4.23	1.65	
<b>Marketing and productivity</b>		<b>3.25</b>	<b>0.62</b>
Human resources	Employees know how	2.82	1.25
	Skilled workers at the firm	2.86	1.25
	Low level of employees turn over	3.56	1.24
	Continuous training and capacity building for the employees	2.92	1.14
	Financial and non-financial incentives for the employees	2.91	1.26
	Managerial development	3.19	1.12
	Employees satisfaction	2.71	0.93
	Higher management training and development	3.38	1.29
	Employees safety net	2.9	1.03
	Employees behavior and commitment	2.38	0.78
<b>Human resources</b>		<b>2.96</b>	<b>0.79</b>

*Cont. Appendix 2. SMEs Success Factors and their Variables*