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# Rapid Business Diagnosis

Jordanian “Chemicals, Plastic & Rubber,  
Home Appliances and Eco-Tourism & MICE  
Sectors”

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## Methodology

The study builds on the outcomes of the thorough assessment of the industrial sectors that determined those most suited for the project's interventions. Based on the study, the project implementation team identified the following sectors for further analysis, and to indicate the needed interventions:

- Chemical Manufacturing and Cosmetics
- Engineering "Home Appliances"
- Rubber and Plastic
- Tourism & MICE

The sectors were identified based on the following criteria:

- Sector has a sufficient concentration of small and medium enterprises that can be targeted by the project's interventions.
- Sector presents a potential for employment especially among disadvantaged groups
- Sector's enterprises are at a stage of development capable of attracting investment or developing effective market linkages aimed at increasing productivity and revenues, through introducing business development techniques and other technical assistance interventions.
- Sector's enterprises add economic value at a rate higher than the national average.

This study reflects the data that was gathered from 11 representatives of the 4 sectors in question, and board members of the Chambers of Industries. In addition to the sample factories operating in each sector (Chemical 42 factories, Engineering "Home Appliances" 12 factories, Eco – Tourism and MICE 17 firms, and Plastic & Rubber 41 factories ). Rapid business diagnosis was conducted for these factories to identify areas of weaknesses; particularly where interventions are necessary, such as management, production, and marketing, in addition to assessing the owner's needs and their perspective on what makes an enabling environment.



The study was conducted from June to August 2017, and it was divided into 7 main phases:

Phase#1: Desk review for relevant strategies, policies, studies, assessments, best practices ...etc. With the aim to generate an overall background, key statistics, trends, and responsiveness of national policies.

Phase#2: Conduct a PESTLE analysis to identify the issues: Political, Economic, Social, Technological, Legislations and Environmental issues effecting Jordan in general, and the sectors in particular.

Phase#3: Develop questionnaires, and interview questions relating to rapid business diagnosis (marketing, production, and management aspects), and to the impact of PESTLE on their businesses

Phase#4: Conduct sector and sub-sectors interviews to identify the sectors eligible for growth facilitation interventions.

Phase#5: Data analysis

Phase#6: Present main findings, and verify the data.

Phase#7: Report writing.

Methodological tools:

- 1) PESTLE analysis
- 2) Diagnostic circle: Production: raw materials, production processes and labour markets, Marketing: seasonable sales, pricing, low prices of goods & services, and consumer market, Management: planning, risk, bookkeeping, and resource management”
- 3) Focus Group meetings
- 4) Semi-structured interviews
- 5) Surveys targeting potential factories.

## Context:

### *Legal environment*

#### **Registration:**

Registration is governed by a set of laws:

- Company Law No. 22 of 1997 and Amendments
- Limited Liability Companies' Capital Identification Regulation No. 17 of 2011
- Company Regulation No. 77 of 2008
- Non-Jordanian Investment Organization Regulation No. 77 of 2016
- Instructions No. (9) Of handicrafts professions not allowed for Non-Jordanians to practice

According to the data collected by "Doing Business 2017" in Jordan, commissioned by the World Bank, starting a business in Jordan requires 7 procedures, takes 12 days, costs 22.4% of income per capita for men, and requires 8 procedures, takes 13 days, costs 22.4% of income per capita for women. A requirement of paid-in minimum capital of 0.1% of income per capita is legally mandatory for both men and women. (World Bank , 2017)

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Shareholders join forces and mobilize resources. Formally, registered companies have access to services and institutions from courts to banks as well as to new markets. In addition, their employees can benefit from protection laws & regulations. Additional benefits come with limited liability companies' therefore; the majority of factories apply this modality for registration, as mainly it limits the financial liability of company owners to their investments, so their personal assets are not put at risk.

### **Economic Zones:**

Six Development Zones are currently operating in Jordan; King Hussein Bin Talal Development Area in Mafraq, Ma'an Development Area in Ma'an, Irbid Development Area in Irbid, The Dead Sea Development Zone, Jabal Ajloun Development Area, and The Business Park in Dabouq. Each of which enjoys its own unique competitive advantages and opportunities (e.g. industrial, touristic, logistic, services ...etc.).

Foreign direct investment in Jordan is concentrated in free trade zones, such as industrial and development zones. These zones have attracted over 1700 firms in a wide array of sectors: engineering (metallic and electric), food, rubber, textile, cotton, pharmaceutical...etc.

### **Taxes:**

Factory owners complained that the income tax during the last 3 years was amended 3 times, which led to incurring additional costs yearly. The amendments results in amending the financial systems to accommodate the changes, furthermore, re-calculating the cost of units sold to reflect the new percentages.

According to the World Bank's report "Doing Business Database 2017", globally, Jordan is ranked 79 out of 190 economies, in terms of the ease of paying taxes. (World Bank , 2017)

Economies around the world have made paying taxes faster, easier, and less costly for businesses (i.e. consolidating payments and filings taxes, offering electronic systems for filing and payment, establishing taxpayer service centers or allowing for more deductions and exemptions). Jordan, on the other hand, has also made changes by introducing two reforms:

- 1) Jordan abolished certain taxes and made it possible to file income, and sales tax returns electronically.
- 2) Jordan made paying taxes less costly by increasing the depreciation rates for some fixed assets.

### **Investment Law article 30 (Commission, 2014):**

As was highlighted under article (30) in the Jordan Investment Law and under “Incentives and Advantages within the Development and Free Zones” the following applies:

- Income tax shall be at a rate of (5%) of the income of the Registered Enterprise/s’ taxable income, which is generated from its economic activity in the industrial sector.
- The General Sales Tax Law on commodities and services which the registered enterprise purchases or imports for the purposes of exercising its economic activity within the development areas shall be reduced to (zero).

Exemption from income tax on salaries and allowances of non-Jordanian employees working in the projects established in the free zone. This induces that hiring Syrian workers, where owners can utilize from this sub-article

- Exemption from custom duty, and all taxes and fees on goods exported and imported from/to the free zone for none domestic markets; including but not limited to equipment, machines, supplies, building materials used in the building and constructing. In addition to preparing and furnishing all types of projects established by such enterprise within the free zone, including the spare parts required for its continued maintenance.

### **Uncertainty and frequency of change**

As stated by Humanitarian Foresight Think Tank: Jordan’s Two-Year Scenario Analysis published on January 2016 “Changes to labor laws could allow refugees to access certain labor sectors, generating opportunities for some refugees but also accelerating the crowding-out effect for some Jordanians, creating de facto second-class labor rights where abuses and exploitation could be prevented. Funding cuts and conflicting government legislation—especially regarding labor laws— will be major challenges for NGOs operating in the country.” (Thank, 2016)

According to the same report: “The government’s subsidy regime has been pulled back, fuel subsidies have been removed, and electricity and water subsidies are gradually being removed

as well; tax reform and social protection have been implemented. Yet the ongoing effect of the wars in Syria and Iraq and the subsequent refugee crisis, compounded by the endemic and neglected issues of high unemployment, inflation and low foreign direct investment, has severely dampened the economy's recovery." (Thank, 2016)

Uncertainty and frequency of changes affect the performance and operation of factories negatively, as they are obliged to keep adjusting their prices to cope with changes in operational costs.

## ***Political***

### **Conflict**

The Economic Impact of Conflicts and the Refugee Crisis in the Middle East and North Africa report, published on September 2016 states: *"In Jordan since the beginning of the Syrian crisis, and the worsening of the conflict in Iraq (its main export market), trade has been affected by disruption in transportation corridors that has not only hampered bilateral activity, but also Jordanian exports to Turkey and Europe."* (Björn Rother, 2016)

According to Middle East Monitor, article entitled "Jordan plunges into economic crisis following Qatar blockade that was published on Jun 14, 2017 that *"Jordan's economy has incurred losses worth \$2 million since a closure of the Saudi land borders last week against the Jordanian exports heading to Qatar as a result of the Gulf diplomatic rift."*

### **Jordan Compact**

The European Union directs more international aid to Jordan to stave off the possibility of greater migration flows to Europe, a significant proportion of this aid goes directly to the Jordanian government, and host communities. This increase in funding and increased advocacy from EU member state donors contributes to a general improvement for the lives of refugees in Jordan. One of the key advocacy points for humanitarian actors is greater opportunities for refugees to work.

## ***Socio- economic***

### **Labor wages:**

Owners of factories expressed that raising minimum wage by 30 JD/month for Jordanian employees, resulted in increasing their bill of salaries on monthly basis by approximately 16%.

The minimum wage rules of 220JD/Month apply to Jordanian workers only, and are covered by the provisions of the Labor Law No. 8 of 1996 and its amendments, regardless of the method of payment of wages. Migrant workers, on the other hand, are excluded from the minimum wage amendment; their minimum wage is still at 110JD/Month; which contradicts with International Labor Convention #111<sup>1</sup>, which states equal pay is to be granted for equal work – Jordanian workers and migrant ones -.

### **Energy prices**

Owners expressed their concern about the cost of electricity, and after comparing the cost of electricity with similar countries in the region, it can be derived that owners are paying approximately 300% more than Egypt, and the same as in the EU-28, which entails that:

- 1) Their operational costs is higher than that in Egypt and similar to the EU in terms of electricity;
- 2) Their export prices will be higher than that of Egyptians
- 3) They will lose part of their competitive advantage especially when targeting markets that are sensitive to price “ price elasticity of demand”

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1

[http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C111](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C111)

### Comparison Table of electricity

Tariff and electricity prices in Jordan	
Medium Industries (Cents/kWh)	
Peak Load (US/kW/ Month)	5.33
Day Energy (cents/kWh)	12
Night Energy (cents/kWh)	10.7
Source: <a href="http://www.nepco.com.jo/en/electricity_tariff_en.aspx">http://www.nepco.com.jo/en/electricity_tariff_en.aspx</a>	
-	
Tariff and electricity prices in Egypt	
Peak load ( US/KW/Month )	1.68
Average electricity price ( cent/kwh)	4
Source: <a href="http://egyptera.org/ar/t3reefa.aspx">http://egyptera.org/ar/t3reefa.aspx</a>	
-	
The EU-28 average price — a weighted average using the most recent (2015) national data for the quantity of consumption by industrial consumers — per kWh.	13 cents
Source: <a href="http://ec.europa.eu/eurostat/statistics-explained/index.php/Electricity_price_statistics#Electricity_prices_for_industrial_consumers">http://ec.europa.eu/eurostat/statistics-explained/index.php/Electricity_price_statistics#Electricity_prices_for_industrial_consumers</a>	

## Trade routes

Jordan is almost entirely landlocked but has a coastline that gives it access to the Red Sea from the port of Aqaba.

Aqaba is 325 kilometers (200 miles) from the capital, meaning higher transport costs. On top of which, the cost relative to Jordan's traditional markets of shipping to and from Aqaba would be more expensive.

## ***Environmental:***

A recent study conducted by the World Bank flagged that 3 of the targeted sectors by JADE are polluting industries, thus owners incur additional costs to treat them. The figure that was

highlighted in the study is in line with what owners stated about the Ministry of Environment charges “Garbage collection costs”

“Projections of environmental pressures for 2012 and 2017 indicate that top four polluting industries will remain the same (chemical, medical, engineering and electrical, and construction sectors). Some of the lower rankings may change, however, with the plastic and rubber sector poised to become a more important polluter by 2017.

In the case of air pollution, some 80 percent of total emissions can be abated by focusing on the food, chemicals, medical, and plastic sectors, at a cost of \$4,000 per ton or less; the unit cost of achieving the remaining 20 percent is estimated to be in the range of US\$8,000–14,000



# Diagnostic Circle Results

## Chapter 1

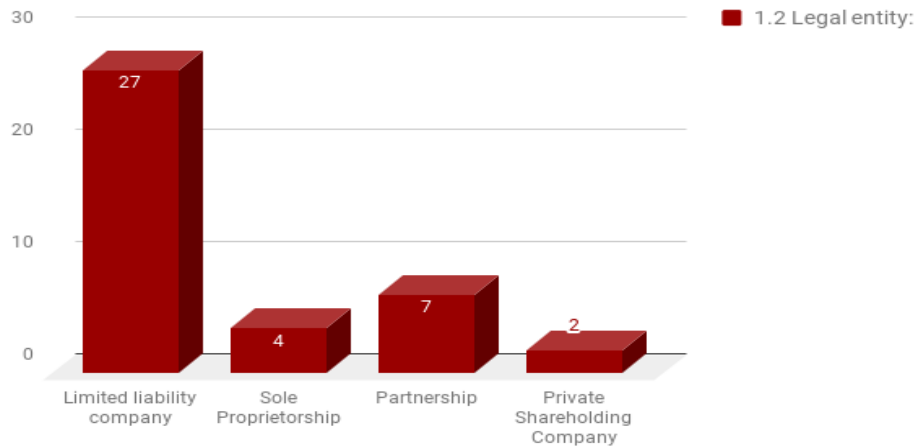
### Chemicals

## ***Management aspects***

### **1.1 Legal registration**

All surveyed firms were legally registered. The majority, 67.5 % were registered as limited liability companies, and 17.5% as partnership, while 10% as sole proprietorship and 5% as private shareholding company as illustrated in (figure 2.1). Legal registration of the firm is an essential in ensuring the ability of the firm to exercise many activities such as opening a bank account and engaging in international trade. While the type of registration is not usually a critical factor in the majority of business activities, certain forms or registration such as an LLC or a shareholding company offer more benefits especially in the case of obtaining external financing and investment, Moreover such legal entities are more flexible for modern management approaches as they allow for a legal separation between equity holders and the management of the enterprise, thus making room for a qualified management team from outside the pool of shareholders.

Figure 1.1



### **1.2 Legal aspects / licensing**

All companies / factories must register and get the needed licenses from different departments before starting up their business. All interviewed factories got the needed licensing and certificates that were : “Legal registration, Fiscal registration, Registration with the Chamber of Industry / Commerce, Occupancy permit, Vocational license, Social Security Agency registration -To safeguard the interest of their employees, all survey firms are registered with social security agency which entails that employees can claim their rights, once they are unable to work due to

illness, for pension payments after they retire or death benefits. However, this obligation only applies to Jordanian workers –“

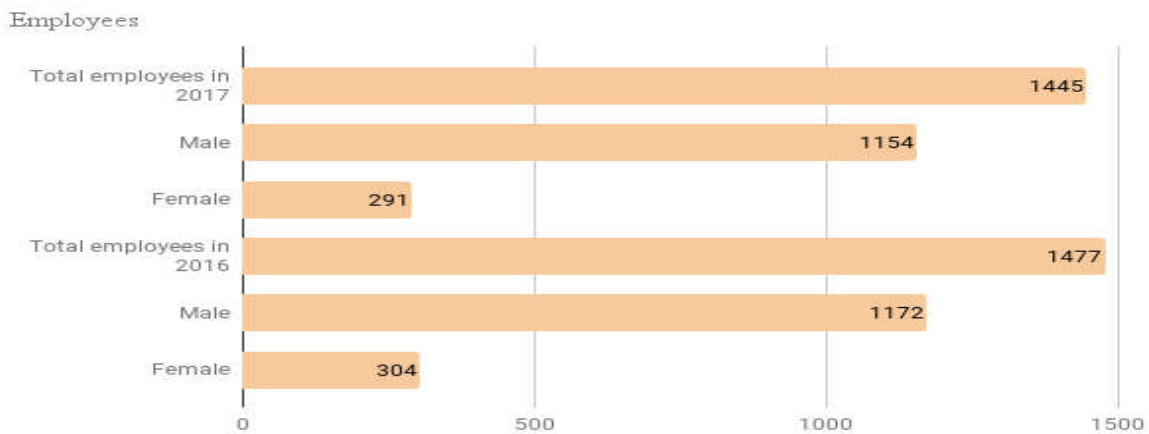
## 1.3 Human resources

### 1.3.1 Employees

In 2017, the 40 surveyed factories employed 1445 employees representing an average 36 workers per factory. This fact places the factories within the target group of small and medium enterprises. A deeper look into the current workforce also reflects a 20% female employment ratio. While this percentage is low, it remains within the average of the Jordanian economy as a whole. It also offers an opportunity for growth in the female workforce as this presence reflects the overcoming of social and cultural barriers and consequently facilitates such growth.

Figure 3.1 highlights the distribution of male and female per year, where it shows that there is slight decrease in the total number of employees in 2017 in comparison to 2016.

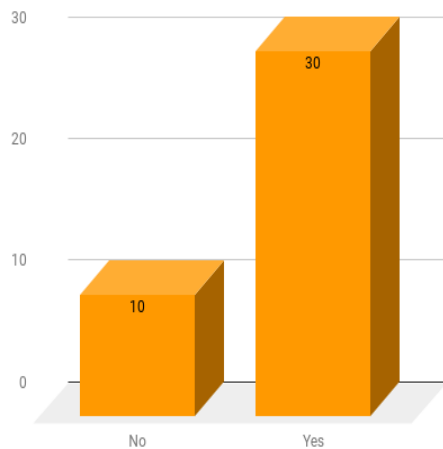
Figure 2.1



### 1.3.2 Skills Gaps

As illustrated in figure 2.2, 75% of owners of factories expressed that they are satisfied from the performance of their workers; however, 25% stated that their performance is below expectation. Owners identified those gaps that can be overcome by enrolling them in vocational training centers to acquire technical knowledge and skills in dealing with equipments and soft skills mainly English courses to enable them deal with the managing boards of equipments and software programs.

Figure 2.2



### 1.3.3 Human resource system

Around 97.5% of factories possess a human resource management system, which allows owners to track easily employees' contracts, their entitlements, provide sex-disaggregated data etc...

The applied system entitled the factories to go green by reducing paper work, improved the factories' archiving systems, identified areas of weakness for employees – Skilling interventions – and finally improved time and attendance tracking.

## 1.4 Financial aspects

### 1.4.1 Financial system

95% of factories have installed a financial system, and are using it to plan their expenditures ( Mr. Al Bana stated that after accessing the system “ his daily expenditures are between 500 JD / day at the low season and 1000 JD/ day at the high peak/season”, manage easily the monthly insurance contribution, salaries, account receivables etc...

Proper financial management is essential in ensuring the future success of the firm and its long-term continuity. The financial system will act as a tool to enrich the decision of the owner when trying to access financial supports ( bank loans ) and how to schedule payments?

Furthermore, the depreciation cost annually of the machines will be a warning sign for the owner to start thinking of replacing the machines with new ones.

### 1.4.2 Costing and pricing

Costing and pricing have been identified as one of the major weaknesses of the surveyed factories. As is shown in figure 4.1, only 32% of factories apply a proper costing and pricing strategy (calculating all the incurred costs and afterwards add a profit margin) while 32.5% the selling price only covers their costs and the rest imitate the selling price of competitors. These practices are detrimental to the viability of the firms and their long term growth. Understandingly, this is a result of the loss of traditional external markets and the return to the local market as a final resort. However, such practices are unsustainable and engaging in price wars as a strategy must be replaced with strong business development approach that identifies and actively seeks new markets.

Figure 3.1



### 1.4.3 Profit margin

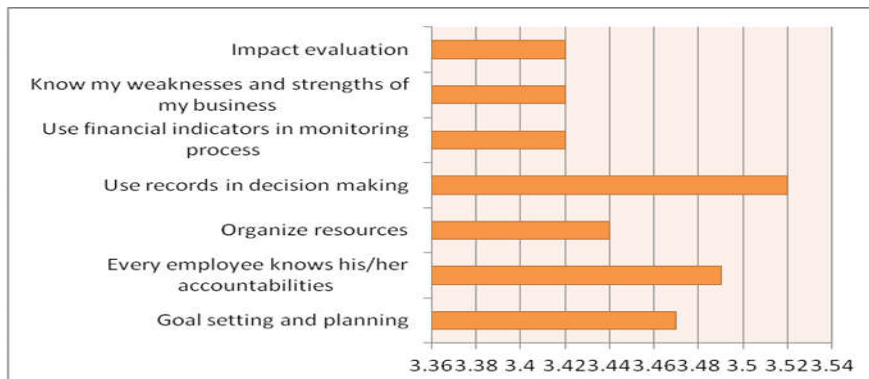
Interviewed firms were reluctant to disclose the percent of profit. For those who cited that they are applying a proper costing and pricing strategy and after examining their financial systems, they declared the % quickly and frankly.

The declared average gross profit margin stood at 38%, which reveals the fact that they are in good financial positions and have cash in hand or account receivables, while, the others refused to cooperate – in most cases business owners are afraid to disclose financial data due to fear from consequence measures -

### 1.5 The skills and managerial aspects of the owners / managers of the factories

Factory owners were asked to rate / grade their skills from 1 as weak to 4 as excellent. As illustrated in figure 5.1 and in alignment with the previous points that they poses a financial and Human resource systems, the highest score received was using records in decision making and every employee knows his/her responsibilities. Under the production and marketing aspects, owners found it difficult to identify areas of weaknesses and opportunities in their businesses, the lowest score for know their weaknesses and strengths is justified and they have confess it. The result of not using financial indicators in monitoring progress , led to wrong pricing and costing strategies.

Figure 4.1



## 1. Production aspects:

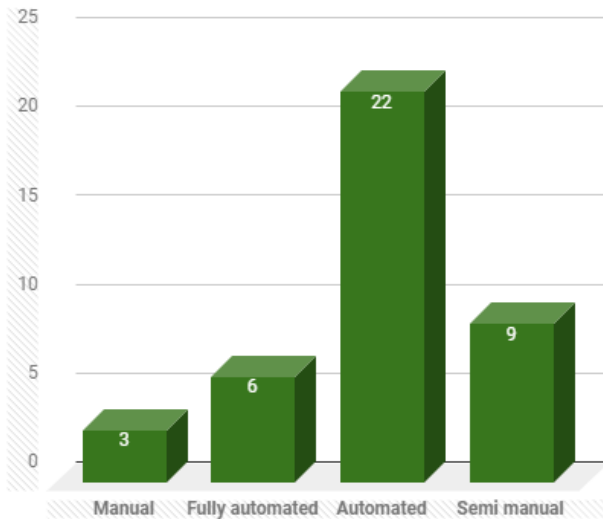
### 2.1 Technology

As illustrated in figure 6.1, 70% of the chemical factories apply fully automated or automated techniques in production, while the rest apply semi manual and manual ones.

The use of automated production lines significantly reduces production costs and labor costs, and minimizes human errors, ensuring output consistency and quality

On the contrary manual techniques are labor intensive, time consuming and the defect rate is high and even if something went wrong while producing, there is no room to fix but redo it again.

Figure 5.1



### 2.2 Product diversification

The sampled factories produce a set of products. For analytical purposes, they were grouped according to the EC / Trade - Market Access Database

#### Top Products produced:

- 1) Fertilizer
- 2) Tanning or dyeing extracts , paints
- 3) Perfumes, cosmetics or toilet preparations

- 4) Soap, washing preparations and waxes

## **2.3 Productivity**

On average, 89% is the utilized production capacity at factories. That percentage is a positive indicator as higher utilization can reduce unit costs, making a business more competitive. Owners are meeting the demand of their products and workload for workers is balanced.

In case there will be increase in demand, several ways can be introduced to meet it for instance:

- Increase workforce hours (e.g. extra shifts; encourage overtime; employ temporary staff)
- Sub-contract some production activities (e.g. assembly of components)

## **2.4 Workers**

¼ of owners expressed that production workers skills are not efficient to handle machines / equipments. These deficiencies can be overcome by enrolling them in vocational training centers to acquire technical knowledge and skills in dealing with equipments and soft skills mainly English courses to enable them deal with the managing boards of equipments and software programs.

## **2.5 Raw Materials**

64.3% of the raw materials were imported from international markets and the rest from the local markets. Owners stated that getting raw material from abroad is cheaper than getting it from the local market thus reducing the production costs and offer to the market a competitive selling price. Moreover, meeting the quality standards set by Jordan Standards and Metrology Organization is a pre-request to facilitate importing procedures.

However, an in-depth analysis is needed to verify the cost benefit analysis for buying raw materials from abroad, as usually buying raw materials from abroad incur additional costs such as: storage, shipping, customs clearance and quality and standards tests.

## **2.6 Outsourcing**

90% of the factories owners tend to outsource part of the production process or packaging solutions to third parties, in order to reduce the cost of acquiring new machines and utilize from the specialization of other SMEs for instance, packaging services.



## 2.7 Certifications and accreditations

Producers in chemical sector are not aware of the registration process to obtain REACH registration in order to export chemical products. Certain products require specific certifications for instance; cosmetics require GMP certification and must be listed in the Cosmetic Products Notification Portal (CPNP) managed by the European Commission to export their goods there.

After getting the information regarding the certification requirements, factories need to take corrective actions to meet these requirements after thorough analysis of each factory.

Concrete EU regulations for top products:

### **For fertilizer:**

CEN/TC 260 (Fertilizers and liming materials)

By: EFBA (European Fertilizer Blenders Association)

### **Paints and varnishes:**

CEN/TC 139 (Paints and varnishes) and ISO/TC 35 (Paints and varnishes)

## **3. Marketing**

At a glance and in line with section 1.5, owners found it difficult to identify the main problems they face while carrying out their marketing strategy. Owners stated 3 main problems:

- The closure of Iraqi and Syrian borders affected the outside marketing and in order to overcome this measure, extra financial burden was imposed on exporters and increased the costs of shipping via other routes.
- As for the local market, low demand on products and increasing the account receivables “collection of payments – due date between 60-90 days- “
- Counterfeit products: no enforcement for patent rule and protecting local producers from fake products that are sold cheaper which resulted in drop in sales volume.

## **3.1 Competition**

75% classified competitors as locals and 25% as internationals. In the world of business, competition is classified as a trigger factor for business owners to keep seeking improving their products, introducing new products to the market and offer promotional packages.

3.1.1 Competitor/ Potential analysis: (1 weak 4 strong)

	You	Competitor # 1	Competitor # 2
<b>Production Techniques</b>	2.95	3.3	2.8
<b>Quality</b>	3.31	3.78	2.8
<b>Specialization</b>	3.11	3.2	2.87
<b>Marketing</b>	2.78	3.13	2.77
<b>Distribution</b>	2.77	3.08	2.8
<b>Price</b>	2.88	3	2.75
<b>After Sales</b>	2.88	<b>2.98</b>	2.8

It can be derived from this analysis, that the surveyed factories classify ONE main competitor and he/she is better off than them, BUT, once we start exploring about competitor 2, they are more advanced than him/her.

The lowest grading was for distribution channels, followed by marketing, which is line with the identified problems that they face in sales and marketing.

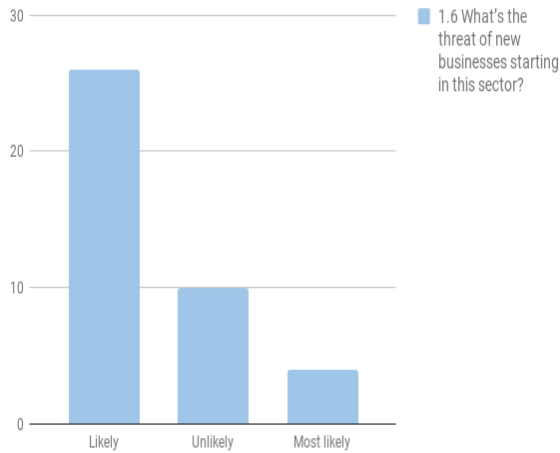
### 3.1.2 New Market Entrants

Factory owners and as illustrated in figure 7.1, identified the threat of new entrants to the market as likely to happen.

It is a signal that the applied rules / procedures encourage investors to invest in this sector.

It is seen as trigger factor to keep improving their products and differentiate themselves from potential newcomers to the business and secure their comparative and competitive advantage.

Figure 6.1

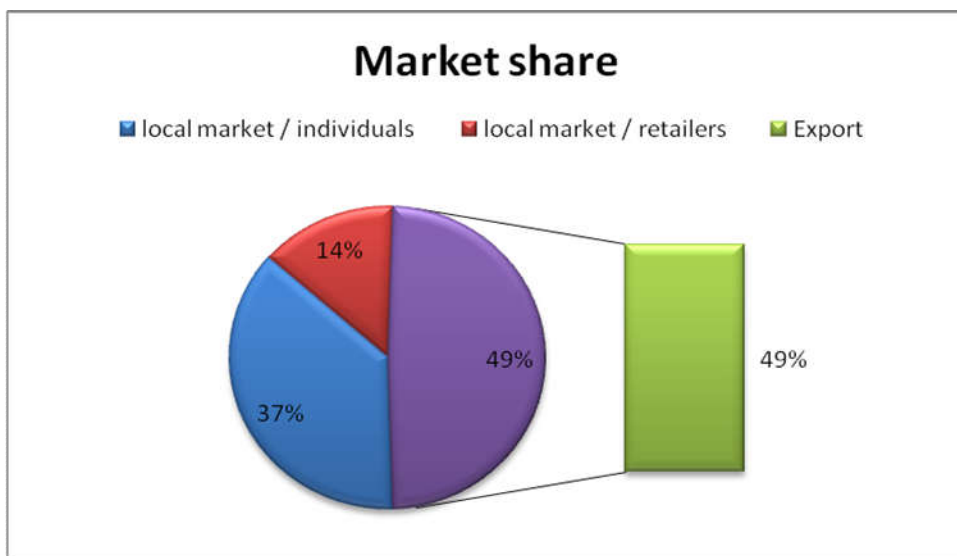


## Market share

After analyzing the type of customers, and as is illustrated in figure 10.1, it is obvious that the chemical sector is exporting 49% of their products and 51% is marketed in the local market either via authorized retailers or individuals.

Meeting the export requirements for items allowed the factories to export. Local competitors are competing with them for the local market share.

Figure 7.1



## Frequency of orders

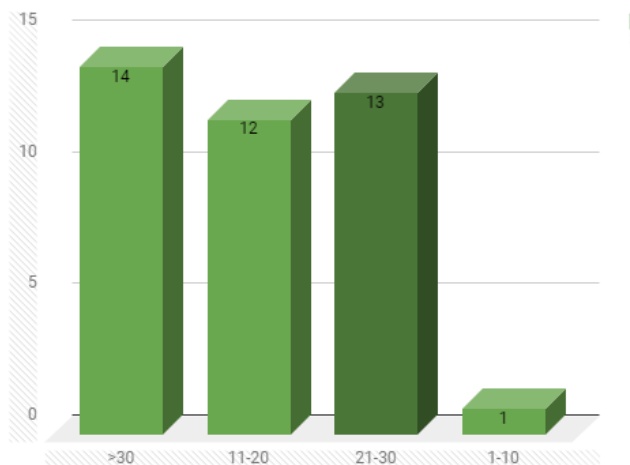
Top products marketed:

- I. Fertilizer
- II. Tanning or dyeing extracts and paints
- III. Perfumes, cosmetics or toilet preparations
- IV. Soap, washing preparations and waxes

Figure 6.2 illustrates that the top products produced and marketed have higher orders, which is justified as customers are pleased from the quality and price. The frequency of orders gives an insight satisfaction of customers from goods sold.

On average 35% factories receive more than 30 orders per item / yearly, 32.5% deal with 21-30 orders/ item yearly, 30% deal with 11-20 orders per item / yearly.

Figure 6.2

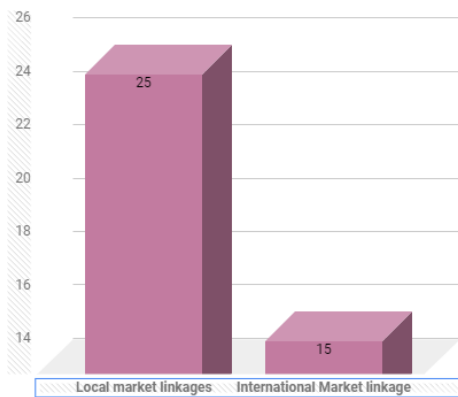


## Business Linkages

Any business owner seeks to improve his/her operations explore business linkages so as both comparative advantages will fill the existing Gaps and be in a better position for meeting customer's demands.

In line with section 3.2, and as shown in figure 11.1 62.5% of owners seek local market linkages to increase their marketing share – this is a sign that the majority are looking for the local market -; however, if owners are aiming to enter international markets, it is advisable to seek international market linkages.

Figure 8.1



### 3.5 Promotional tools applied:

- 1) Social media;
- 2) Website
- 3) Newspapers
- 4) Brochures
- 5) Exhibitions

### Exports in 2016

#	Product type	Value of Imports from Jordan to EU	Value of export from EU to Jordan	Import value from all partners	% of Jordanian market share in EU
1	Fertiliser	26,765,023	10,279,108	4,024,409,922	0.006
2	Tanning or dyeing extracts / paints	366,736	26,040,650	5,056,492,281	0.00007
3	Perfumes, cosmetics or toilet preparations	941,931	92,249,794	7,918,526,869	0.0001
4	Soap, washing preparations and waxes	572216	17,140,192	2,711,095,365	0.0002

Source: [http://madb.europa.eu/madb/statistical\\_form.htm](http://madb.europa.eu/madb/statistical_form.htm)

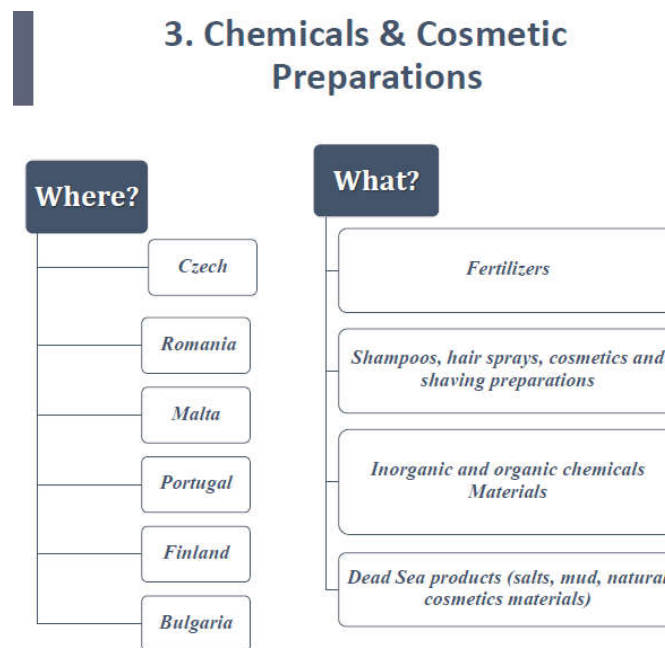
✚ EU exports to Jordan exceed imports from Jordan dramatically in all products except for fertilizers.

✚ EU market is a huge market, and Jordan market share is minimal.

### 3.6.2 Relaxed rules of origin

According to DECISION No 1/2016 OF THE EU-JORDAN ASSOCIATION COMMITTEE dated on 19 July 2016 and as was tackled under “List of products and of required working and processing” mainly chapters 31, 32,33and 34, the surveyed factories can utilize from the relaxed ROO.

### 3.6.3 Potential export markets



Source: Jordanian Exports opportunities to EU markets by JCI and ILO

# **Diagnostic Circle Results**

## **Chapter 2**

### **Engineering “Home Appliances”**

## ***Management:***

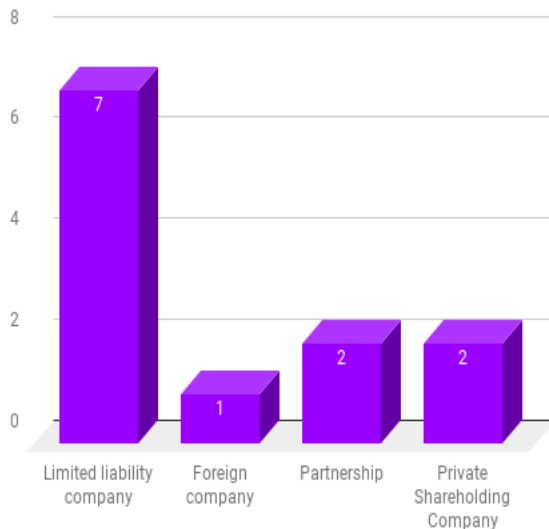
### **Management aspects**

#### **1.1 Legal registration**

All surveyed firms were legally registered. The majority, 58 % were registered as limited liability companies as owners seek protection to their owners (members), who are typically not personally responsible for the business debts and liabilities of the LLC, and 17% as partnership where owners know in advance that: the liability of the partners for the debts of the business is unlimited & 17% as private shareholding company where owners seek to form a private limited company that results in protection of personal assets, access to more resources, financial assistance and greater tax cuts. While 8% as foreign company to benefit from investment and incentives packages as illustrated in (figure 12.1).

Legal registration of the firm is essential in ensuring the ability of the firm to exercise many activities such as opening a bank account and engaging in international trade. While the type of registration is not usually a critical factor in the majority of business activities, certain forms or registration such as an LLC or a shareholding company offer more benefits especially in the case of obtaining external financing and investment, Moreover such legal entities are more flexible for modern management approaches as they allow for a legal separation between equity holders and the management of the enterprise, thus making room for a qualified management team from outside the pool of shareholders.

Figure 9.1





## 1.2 Legal aspects / licensing

All companies / factories must register and get the needed licenses from different departments before starting up their business. All interviewed factories got the needed licensing and certificates that were : “Legal registration, Fiscal registration, Registration with the Chamber of Industry / Commerce, Occupancy permit, Vocational license, Social Security Agency registration -To safeguard the interest of their employees, all survey firms are registered with social security agency which entails that employees can claim their rights, once they are unable to work due to illness, for pension payments after they retire or death benefits. However, this obligation only applies to Jordanian workers –“

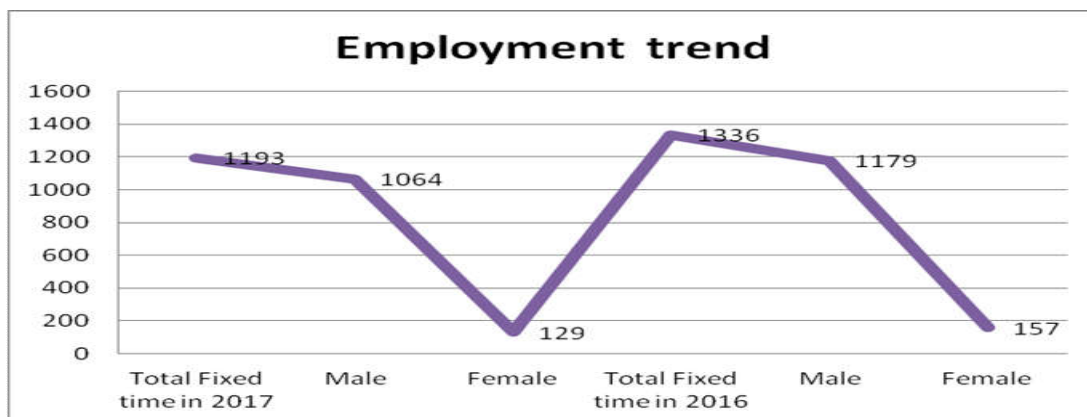
## 1.3 Human resources

### 1.3.1 Employees

In 2017, the 12 surveyed factories employed 1193 employees representing an average 99 workers per factory. This fact places the factories within the target group of small and medium enterprises. A deeper look into the current workforce also reflects an 11% female employment ratio. While this percentage is low and below the average percentage of females in the labor force for Jordan which stands at 14%. . It also offers an opportunity for growth in the female workforce as this presence reflects the overcoming of social and cultural barriers and consequently facilitates such growth.

Figure 13.1 highlights the distribution of male and female per year, where it shows that there is slight decrease in the total number of employees in 2017 in comparison to 2016 as volume of sales dropped and there is slow economic growth in this sector.

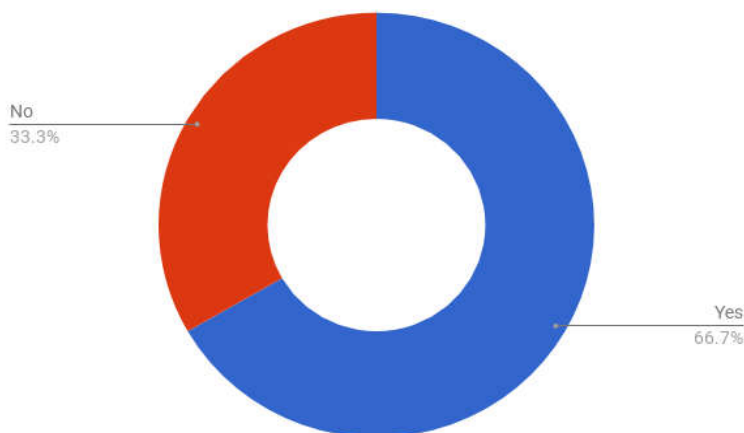
Figure 10.1



### 1.3.2 Skills Gaps

As illustrated in figure 14.1, 67% of owners of factories expressed that they are satisfied from the performance of their workers; however, 33% stated that their performance is below expectation. Owners identified those gaps that can be overcome by enrolling them in vocational training centers to acquire technical knowledge and skills in dealing with equipments and soft skills mainly English courses to enable them deal with the managing boards of equipments and software programs and finally, recruiting foreign technical workers who will transfer knowledge to local workers

Figure 11.1



### 1.3.3 Human resource system

ALL factories possess a human resource management system, which allows owners to track easily employees' contracts, their entitlements, provide sex-disaggregated data etc...

The applied system entitled the factories to go green by reducing paper work, improved the factories' archiving systems, identified areas of weakness for employees – Skilling interventions – and finally improved time and attendance tracking.

## 1.4 Financial aspects

### 1.4.1 Financial system

100% of factories have installed a financial system, and are using it to plan their expenditures, manage easily the monthly insurance contribution, salaries, account receivables etc...

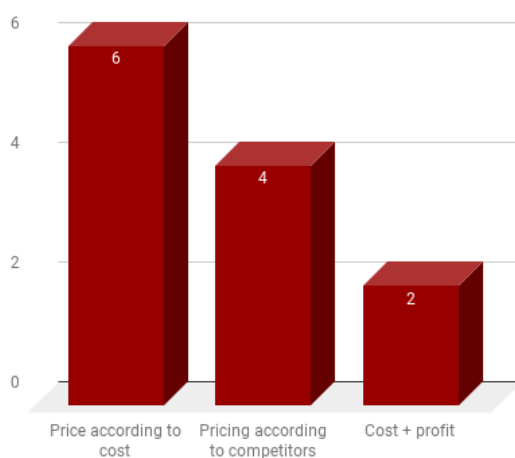
Proper financial management is essential in ensuring the future success of the firm and its longterm continuity. The financial system will act as a tool to enrich the decision of the owner when trying to access fiancial supports ( bank loans ) and how to schedule payments?

Furthermore, the depreciation cost annually of the machines will be a warning sign for the owner to start thinking of replacing the machines with new ones.

### 1.4.2 Costing and pricing

Costing and pricing have been identified as one of the major weaknesses of the surveyed factories. As is shown in figure 15.1 , only 16 % of factories apply a proper costing and pricing startegy ( calaculating all the incured costs and afterwrads add a profit margin ) while 50 % the selling price only covers their costs and the rest imitate the selling price of competitors. These practices are detrimental to the viability of the firms and their long term growth. Understandingly, this is a result of the loss of traditional external markets and the return to the local market as a final resort. However, such practices are unsustainable and engaging in price wars as a strategy must be replaced with strong business development approach that identifies and actively seeks new markets.

Figure 12.1



### 1.4.3 Profit margin

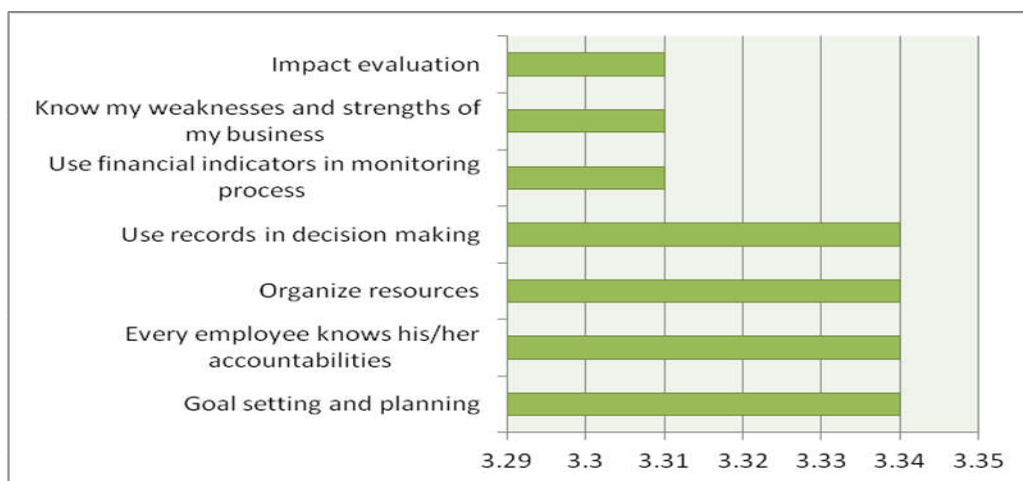
Interviewed firms were reluctant to disclose the percent of profit. For those who cited that they are applying a proper costing and pricing strategy and after examining their financial systems, they declared the % quickly and frankly.

The declared average gross profit margin stood at 20%, which is fair and allow Jordanian producers to compete. For example the The average profit of electronic megastores and mobile retail stores in India ranges from 25% to 35% for each product.

### 1.5 The skills and managerial aspects of the owners / managers of the factories

Factory owners were asked to rate / grade their skills from 1 as weak to 4 as excellent. As illustrated in figure 16.1, the highest score received was using records in decision making and every employee knows his/her responsibilities. Under the production and marketing aspects, owners found it difficult to identify areas of weaknesses and opportunities in their businesses, the lowest score for know their weaknesses and strengths is justified and they have confess it. The result of not using financial indicators in monitoring progress , led to wrong pricing and costing strategies.

Figure 13.1



## ***Production aspects:***

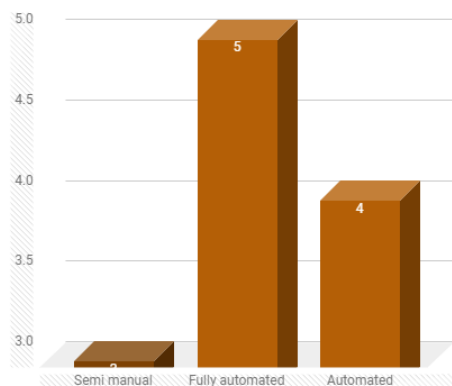
### **2.1 Technology**

As illustrated in figure 17.1, 75 % of the home appliance factories apply fully automated or automated techniques in production, while the rest apply semi manual ones. Technology is integrated within this sector, BUT the cost of one production line is approximately 150-200,000 USD.

The use of automated production lines significantly reduces production costs, labor costs, minimizes human errors and ensuring output consistency and quality

On the contrary manual techniques are labor intensive, time consuming and the defect rate is high and even if something went wrong while producing, there is no room to fix but redo it again.

Figure 14.1



### **2.2 Product diversification**

The sampled factories produce a set of products. For analytical purposes, they were grouped according to the EC / Trade - Market Access Database

#### **Top Products produced:**

- 5) **Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps other than air-conditioning machines of heading**
- 6) **Washers (including spring washers)**
- 7) **Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated**

- 8) **Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas rings, plate warmers and similar non-electric domestic appliances, and parts thereof, of iron or steel**

## 2.3 Productivity

On average, 71% is the utilized production capacity at factories. That percentage is a positive indicator as higher utilization can reduce unit costs, making a business more competitive. Owners are meeting the demand of their products and workload for workers is balanced.

In case there will be increase in demand, several ways can be introduced to meet it for instance:

- Increase workforce hours (e.g. extra shifts; encourage overtime; employ temporary staff)
- Sub-contract some production activities (e.g. assembly of components)

## 2.4 Workers

33% of owners expressed that production workers skills are not efficient to handle machines / equipments. These deficiencies can be overcome by enrolling them in vocational training centers to acquire technical knowledge and skills in dealing with equipments and soft skills mainly English courses to enable them deal with the managing boards of equipments and software programs and hire foreign workers to transfer know-how and knowledge to locals.

## 2.5 Raw Materials

76% of the raw materials were imported from international markets and the rest from the local markets. Owners stated that getting raw material from abroad is cheaper than getting it from the local market thus reducing the production costs and offer to the market a competitive selling price. Moreover, meeting the quality standards set by Jordan Standards and Metrology Organization is a pre-request to facilitate importing procedures.

However, an in-depth analysis is needed to verify the cost benefit analysis for buying raw materials from abroad, as usually buying raw materials from abroad incur additional costs such as: storage, shipping, customs clearance and quality and standards tests.

## **2.6 Outsourcing**

Outsourcing is dominant in this sector. 92% of the factories owners tend to outsource part of the production process to third parties, in order to reduce the cost of acquiring new machines and utilize from the specialization of other SMEs for instance, packaging services.

For producing an oven for instance you need the expertise of a glass factory and plates sheets. Outsourcing is more feasible than buying a specific production line to produce the required item.

## **2.7 Certifications and accreditations**

“CE” certification for EU market entry as most demanding markets are requesting product certification ensuring that exported products are complying with International standards.

### **Technical bodies responsible:**

32 CEN Technical Committees

15 CENELEC Technical Committees

### **Standardization requests from EC/EFTA:**

M/400 – Gas quality

M/458 – Household washing machines

M/459 – Household refrigerating appliances

M/488 – Air conditioners and comfort fans

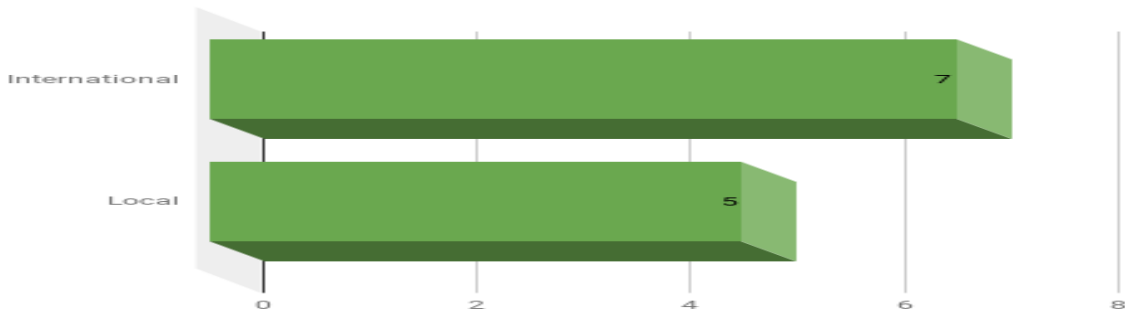
## ***Marketing***

### **3.1 Competition**

42% classified competitors as locals and 58% as internationals. In the world of business, competition is classified as a trigger factor for business owners to keep seeking improving their products, introducing new products to the market and offer promotional packages.

Owners expressed that imported goods are sold at competitive prices and has been packed properly.

Figure 15.1



3.1.1 Competitor/ Potential analysis: (1 weak 4 strong)

	You	Competitor # 1	Competitor # 2
Production Techniques	2.66	3.4	3.37
Quality	3.33	3.37	3.4
Specialization	3.16	3.2	2.82
Marketing	3.33	3.37	2.97
Distribution	3.16	3.34	2.8
Price	3.5	3.34	3.08
After Sales	3.33	3.31	2.85

It can be derived from this analysis, that the surveyed factories expressed that the main competitor is applying better production techniques than them which led they are superior in quality and specialization. Moreover, there distribution channels are wider then them.

The same applies for competitor “2” in terms of applied production techniques and quality, BUT rated them weaker than them in the other aspects, which enables them a competitive edge in marketing, price and after sales services.



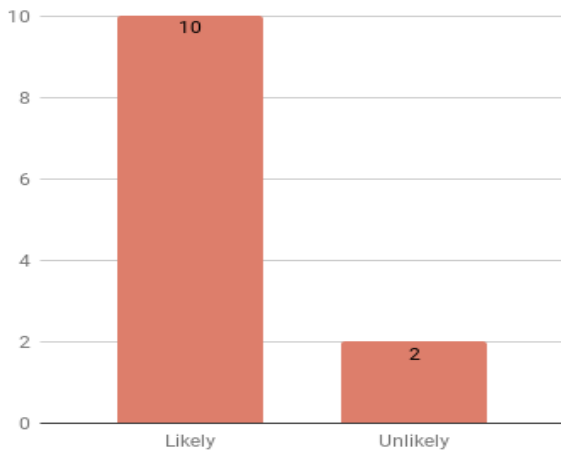
### 3.1.2 New Market Entrants

Interviewed factories stated that it is most likely that new factories can start up their business as illustrated in figure 19.1

They perceived it as a trigger factor to differentiate them, apply innovative business models and improve their business processes regularly.

According to their experience, the needed start-up capital is around one million and a half.

Figure 16.1

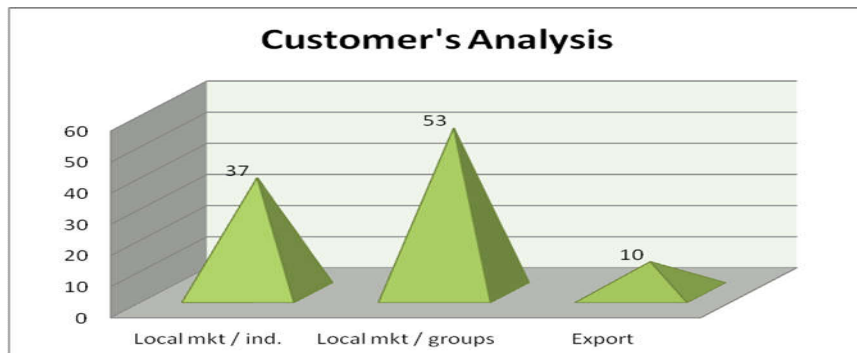


### Market share

After analyzing the type of customers, it is obvious that the home appliances sector is exporting 11% of their products only and 89% is marketed in the local market either via authorized retailers or individuals.

There is a fierce competition in the local market and factories are struggling to stay in business.

Figure 17.1



## Frequency of orders

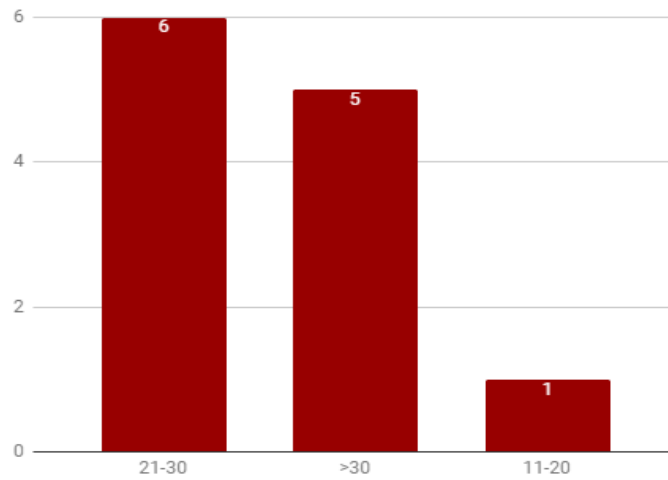
Top products marketed:

- **Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps other than air-conditioning machines of heading**
- **Washers (including spring washers)**
- **Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated**
- **Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas rings, plate warmers and similar non-electric domestic appliances, and parts thereof, of iron or steel**

Figure 21.1 illustrates that the top products produced and marketed have higher orders, which is justified as customers are pleased from the quality and price. The frequency of orders gives an insight satisfaction of customers from goods sold.

On average 50% factories receive more than 30 orders per item / yearly, 42% deal with 21-30 orders/ item yearly, 8% deal with 11-20 orders per item / yearly.

Figure 18.1

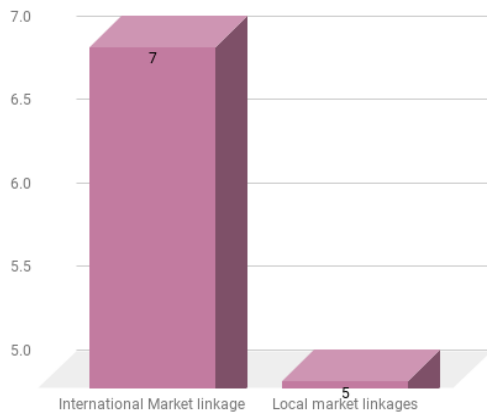


## Business Linkages

The best strategy that was identified in order to open new markets by surveyed owners of businesses was international market linkages.

In line with section 3.2, and as shown in figure 22.1, 58% of owners seek international market linkages to increase their marketing share – this is a sign that the majority are looking for exploring new markets -; due to the fact that the local market is over-dumped with products from abroad.

Figure 19.1



## Promotional tools applied:

- 6) Social media.

- 7) Website
- 8) Newspapers
- 9) Brochures
- 10) Exhibitions

## Exports in 2016

#	Product type	Value of Imports from Jordan to EU	Value of export from EU to Jordan	Import value from all partners	% of Jordanian market share in EU
1	Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps other than air-conditioning machines of heading	44,406	14,533,846	3,811,128,611	0.00001
2	Washers (including spring washers)	0	5,481	7,853,995	0
3	Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated	0	208,574	193,213,342	0
4	Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas rings, plate warmers and similar non-electric domestic appliances, and parts thereof, of iron or steel	177	9,165,700	1,070,361,995	0.0000001

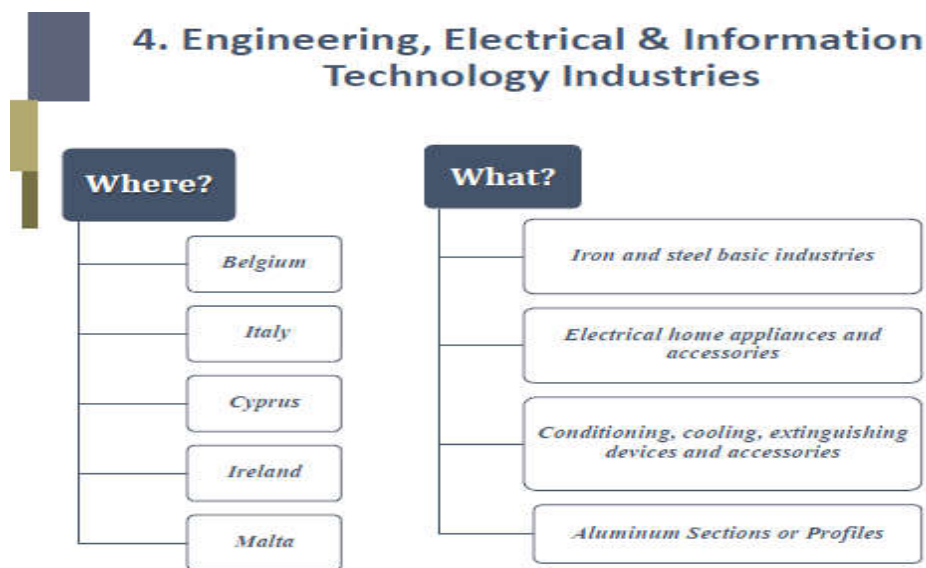
Source: [http://madb.europa.eu/madb/statistical\\_form.htm](http://madb.europa.eu/madb/statistical_form.htm)

- ✚ EU exports to Jordan exceed imports from Jordan dramatically in all products.
- ✚ EU market is a huge market, and Jordan market share is minimal.

### Relaxed rules of origin

According to DECISION No 1/2016 OF THE EU-JORDAN ASSOCIATION COMMITTEE dated on 19 July 2016 and as was tackled under “List of products and of required working and processing” mainly 8544 for wires and 5908 for stoves, the surveyed factories operating in wires and stoves ONLY can utilize from the relaxed ROO.

### Potential export markets



Source: Jordanian Exports opportunities to EU markets by JCI and ILO

# **Diagnostic Circle Results**

## **Chapter 3**

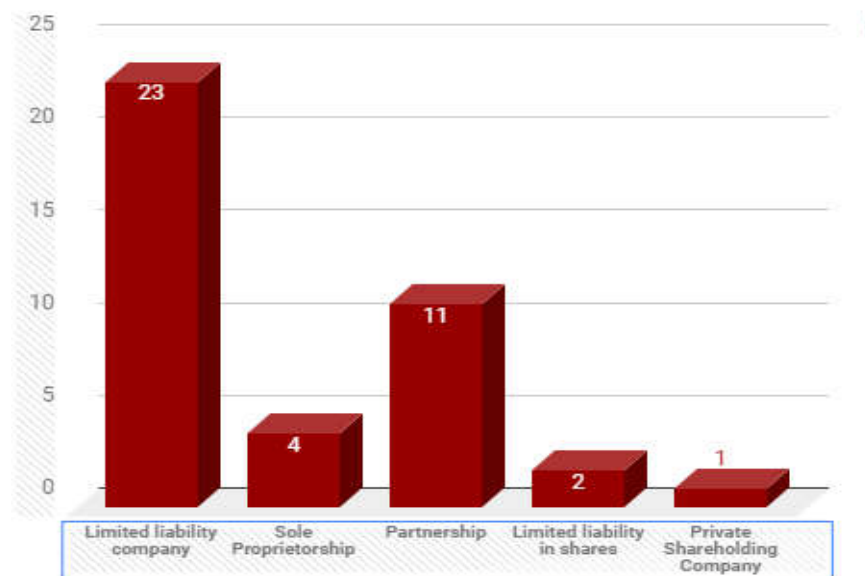
### **Plastic and Rubber**

## ***Management aspects***

### **1.1 Legal registration**

All surveyed firms were legally registered. The majority, 56 % were registered as limited liability companies, 27% as partnership, 9% as sole proprietorship, 4% limited liability in shares and 2% as private shareholding company as illustrated in (figure 23.1). Legal registration of the firm is an essential in ensuring the ability of the firm to exercise many activities such as opening a bank account and engaging in international trade. While the type of registration is not usually a critical factor in the majority of business activities, certain forms of registration such as an LLC or a shareholding company offer more benefits especially in the case of obtaining external financing and investment, Moreover such legal entities are more flexible for modern management approaches as they allow for a legal separation between equity holders and the management of the enterprise, thus making room for a qualified management team from outside the pool of shareholders.

Figure 20.1



### **1.2 Legal aspects / licensing**

All companies / factories must register and get the needed licenses from different departments before starting up their business. All interviewed factories got the needed licensing and certificates that were : “Legal registration, Fiscal registration, Registration with the Chamber of Industry / Commerce, Occupancy permit, Vocational license, Social Security Agency registration -To safeguard the interest of their employees, all survey firms are registered with social security agency which entails that employees can claim their rights, once they are unable to work due to

illness, for pension payments after they retire or death benefits. However, this obligation only applies to Jordanian workers – “

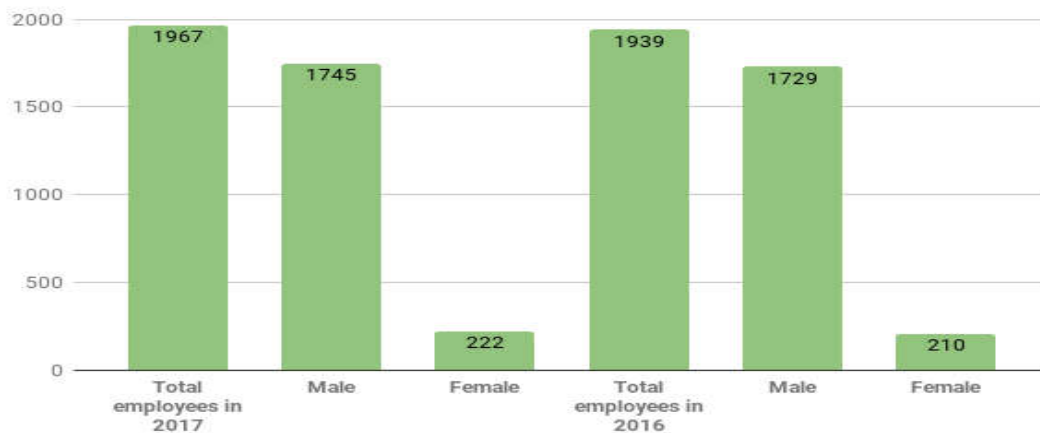
### 1.3 Human resources

#### 1.3.1 Employees

In 2017, the 41 surveyed factories employed 1967 employees representing an average 48 workers per factory. This fact places the factories within the target group of small and medium enterprises. A deeper look into the current workforce also reflects an 11% female employment ratio. While this percentage is low and below the average percentage of females in the labor force for Jordan which stands at 14%. . It also offers an opportunity for growth in the female workforce as this presence reflects the overcoming of social and cultural barriers and consequently facilitates such growth.

Figure 24.1, highlights the distribution of male and female per year, where it shows that there is slight increase in the total number of employees in 2017 in comparison to 2016, hiring new employees is a result of new orders and demand of products.

Figure 21.1



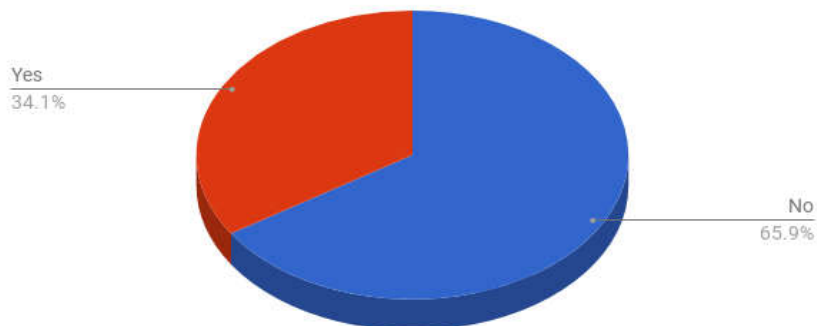
#### 1.3.2 Skills Gaps

As illustrated in figure 25.1, 66% of owners of factories expressed that they are satisfied from the performance of their workers; however, 34% stated that their performance is below expectation. Owners identified those gaps that can be overcome by enrolling them in training courses on how to deal with production lines mainly to increase their efficiency and productivity.



Figure 22.1

Skills of employees need improvement



### 1.3.3 Human resource system

ALL factories possess a human resource management system, which allows owners to track easily employees' contracts, their entitlements, provide sex-disaggregated data etc...

The applied system entitled the factories to go green by reducing paper work, improved the factories' archiving systems, identified areas of weakness for employees – Skilling interventions – and finally improved time and attendance tracking.

## 1.4 Financial aspects

### 1.4.1 Financial system

97.5 % of factories have installed a financial system, and are using it to plan their expenditures, manage easily the monthly insurance contribution, salaries, account receivables etc...

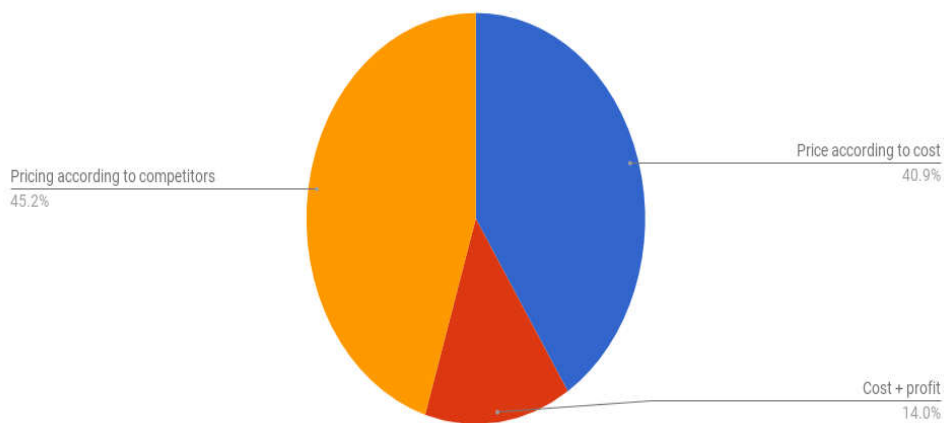
Proper financial management is essential in ensuring the future success of the firm and its long-term continuity. The financial system will act as a tool to enrich the decision of the owner when trying to access financial supports ( bank loans ) and how to schedule payments?

Furthermore, the depreciation cost annually of the machines will be a warning sign for the owner to start thinking of replacing the machines with new ones.

### 1.4.2 Costing and pricing

Costing and pricing have been identified as one of the major weaknesses of the surveyed factories. As is shown in figure 26.1 , only 14 % of factories apply a proper costing and pricing strategy ( calculating all the incurred costs and afterwards add a profit margin ) while 41 % the selling price only covers their costs and the rest imitate the selling price of competitors. These practices are detrimental to the viability of the firms and their long term growth. These wrong practices will either lead to competing only on price or affecting the profitability of the firms .

Figure 23.1



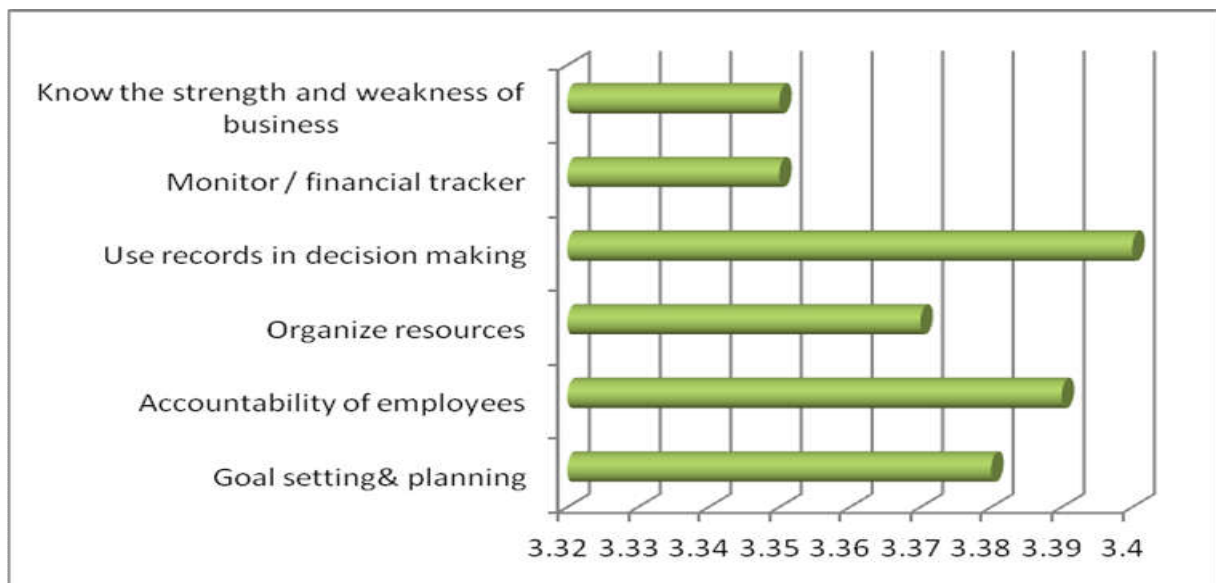
### 1.4.3 Profit margin

The declared average gross profit margin stood at 13%, fairly good. After a thorough analysis for that figure and in line with the costing and pricing strategy, we can conclude that on average firms are covering the incurred costs and ending with a gross profit of 13% . It can be derived as well that the marketed products are governed by “ pricing pressure by consumers”

## 1.5 The skills and managerial aspects of the owners / managers of the factories

Factory owners were asked to rate / grade their skills from 1 as weak to 4 as excellent. As illustrated in figure 27.1, the highest score received was using records in decision making and every employee knows his/her responsibilities. Under the production and marketing aspects, owners found it difficult to identify areas of weaknesses and opportunities in their businesses, the lowest score for know their weaknesses and strengths is justified and they have confess it. The result of not using financial indicators in monitoring progress , led to wrong pricing and costing strategies.

Figure 24.1



## 2. Production aspects:

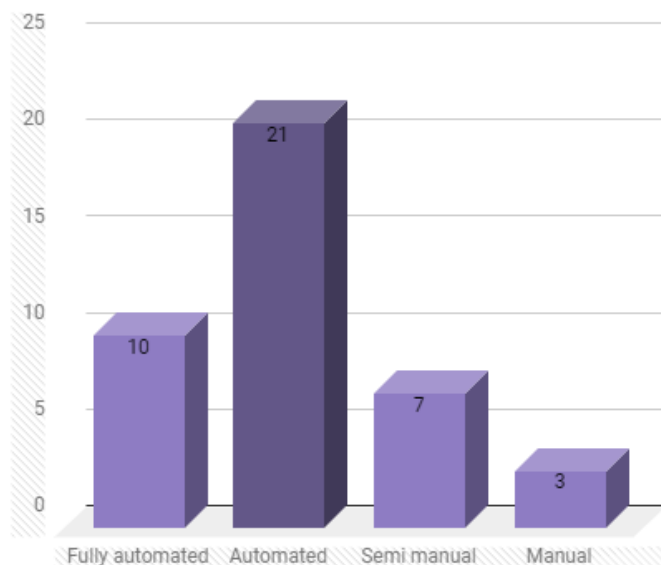
### 2.1 Technology

As illustrated in figure 28.1, 75 % of the home appliance factories apply fully automated or automated techniques in production, while the rest apply semi manual and manual techniques Technology is integrated within this sector, BUT the cost of one production line varies between 30,000 – 2,000,000 USD.

The use of automated production lines significantly reduces production costs, labor costs, minimizes human errors and ensuring output consistency and quality

On the contrary manual techniques are labor intensive, time consuming and the defect rate is high and even if something went wrong while producing, there is no room to fix but redo it again.

Figure 25.1



## 2.2 Product diversification

The sampled factories produce a set of products. For analytical purposes, they were grouped according to the EC / Trade - Market Access Database

### Top Products produced:

- 9) Tubes, pipes and hoses, and fittings therefore (for example, joints, elbows, flanges), of plastics
- 10) Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip
- 11) PLASTICS AND ARTICLES THEREOF
- 12) Retreaded or used pneumatic tires of rubber, solid or cushion tires, tire treads and tire flaps, of rubber

### ***2.3 Productivity***

On average, 58% is the utilized production capacity at factories. That percentage is a positive indicator as higher utilization can reduce unit costs, making a business more competitive. Owners are meeting the demand of their products and workload for workers is balanced.

In case there will be increase in demand, several ways can be introduced to meet it for instance:

- Increase workforce hours (e.g. extra shifts; encourage overtime; employ temporary staff)
- Sub-contract some production activities (e.g. assembly of components)

Moreover, this sector hired additional employees within this range of utilization, the analysis highlights that in case there will be slight increase in production capacity, this sector will attract additional employees – even though  $\frac{3}{4}$  are applying automated or fully automated techniques-

### **2.4 Workers**

66% of owners of factories expressed that they are satisfied from the performance of their workers; however, 34% stated that their performance is below expectation. Owners identified those gaps that can be overcome by enrolling them in training courses on how to deal with production lines mainly to increase their efficiency and productivity.

### **2.5 Raw Materials**

78 % of the raw materials were imported from international markets and the rest from the local markets. Owners stated that getting raw material from abroad is cheaper however; they are facing problems in getting it and meet the quality standards set by Jordan Standards and Metrology Organization.

However, an in depth analysis is needed to verify the cost benefit analysis for buying raw materials from abroad, as usually buying raw materials from abroad incur additional costs such as: storage, shipping, customs clearance and quality and standards tests.

## 2.6 Outsourcing

Out-sourcing is dominant in this sector. 90% of the factories owners tend to outsource part of the production process to third parties, in order to reduce the cost of acquiring new machines and utilize from the specialization of other SMEs for instance.

They are the main third party “outsourcing partner” for the chemical sector (dead sea production)

## 2.7 Certifications and accreditations

“CE” certification for EU market entry as most demanding markets are requesting product certification ensuring that exported products are complying with International standards.

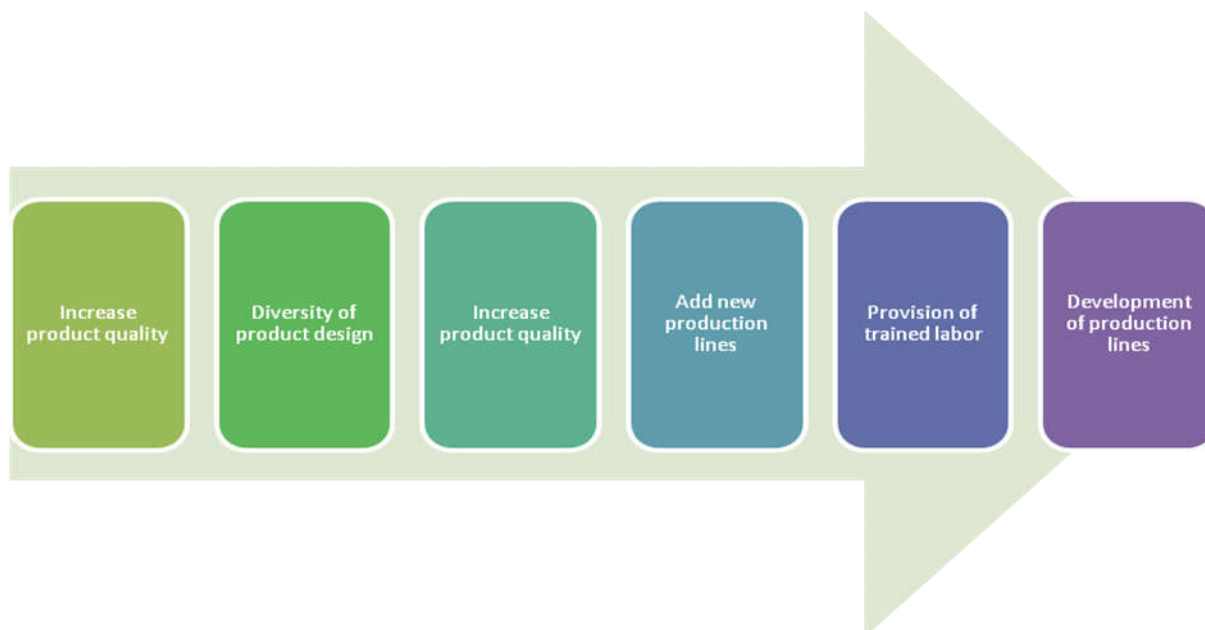
For Tubes:

- CEN/TC 267 (Industrial piping and pipelines)

For rubber and plastic

- TC 248 and ISO

## 2.8 Opportunities in production

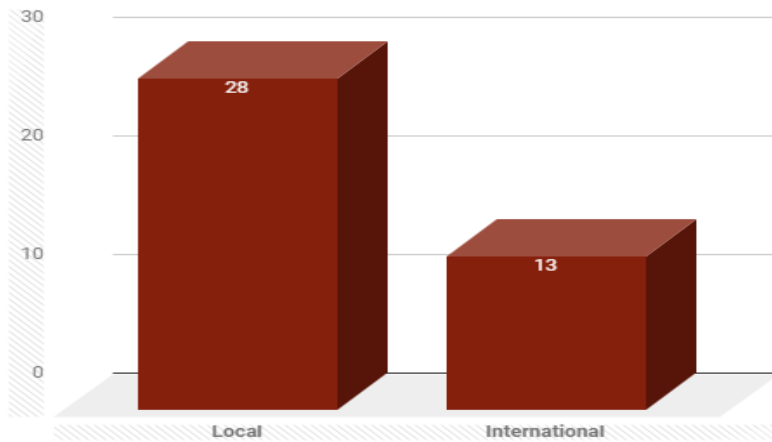


## Marketing

### 3.1 Competition

68% classified competitors as locals and 32% as internationals. In the world of business, competition is classified as a trigger factor for business owners to keep seeking improving their products, introducing new products to the market and offer promotional packages.

Figure 26.1



#### 3.1.1 Competitor/ Potential analysis: (1 weak 4 strong)

	you	Competitor # 1
<b>Production Techniques</b>	3.195	3.51
<b>Quality</b>	3.60	3.51
<b>Specialization</b>	2.95	3.27
<b>Marketing</b>	2.95	3.37
<b>Distribution</b>	2.90	3.31
<b>Price</b>	2.97	3.39
<b>After Sales</b>	<b>2.90</b>	<b>3.26</b>

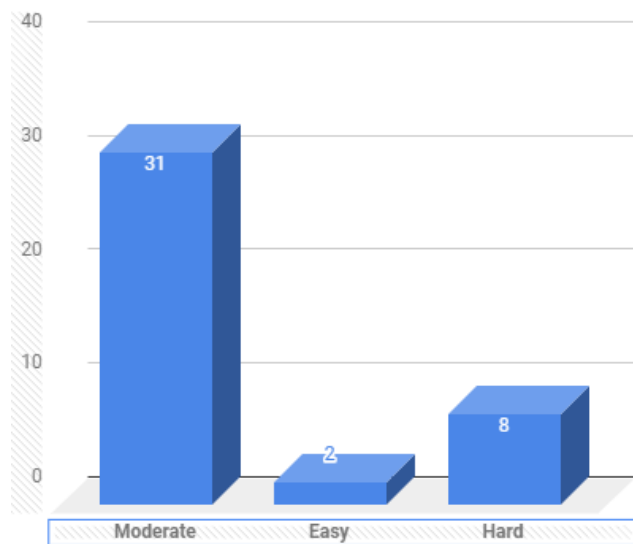
It can be derived from this analysis, that the surveyed factories have comparative advantage over their competitor ONLY in the quality of produced items which justified somehow as they are applying advanced technology in production. However, and as the majority of competition comes from locals as stated before, competitors are better off than them in marketing & production techniques and pricing

### 3.1.2 New Market Entrants

Interviewed factories stated that it is most likely that new factories can start up their business as illustrated in figure 30.1

The investment law article 30 and other government regulations were perceived by owners as a challenge to maintain their market share and not lose it for newcomers.

Figure 27.1



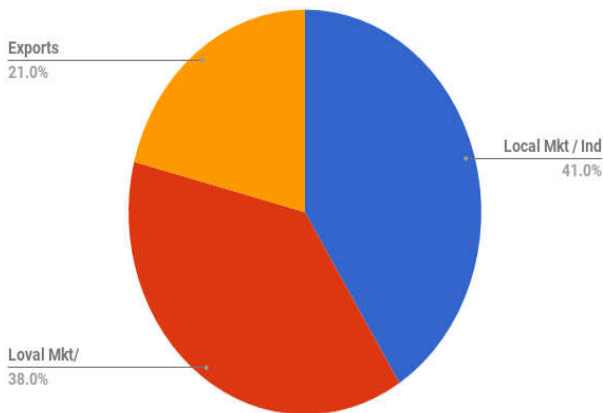
### Market share

After analyzing the type of customers, 21% of their production is being exported, while the rest is geared to the local market, where 38% is sold to other companies and 41% for individuals that justifies the reason why majority of competition comes from locals.

There is a fierce competition in the local market and factories are struggling to stay in business.



Figure 28.1



## Frequency of orders

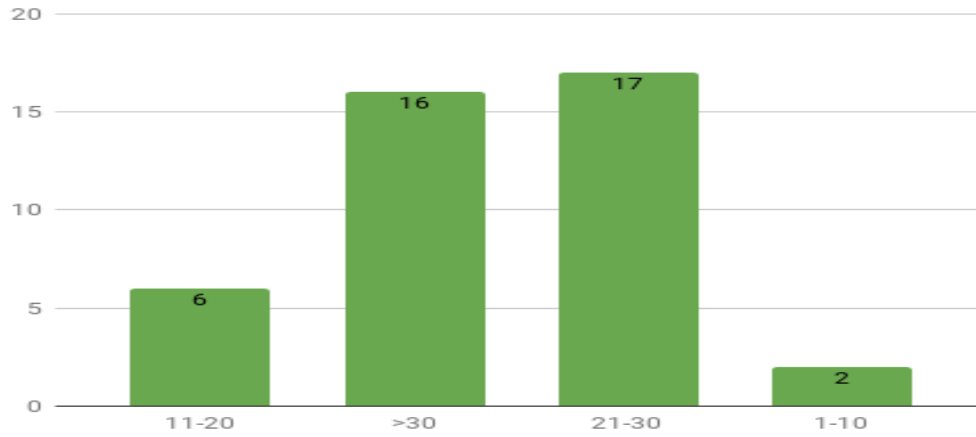
Top products marketed:

- I. Tubes, pipes and hoses, and fittings therefore (for example, joints, elbows, flanges), of plastics
- II. Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip
- III. PLASTICS AND ARTICLES THEREOF
- IV. Retreaded or used pneumatic tyres of rubber; solid or cushion tyres, tyre treads and tyre flaps, of rubber

Figure 32.1 illustrates that the top products produced and marketed have higher orders, which is justified as customers are pleased from the quality and as was reflected while the study tackled competitor's analysis. The frequency of orders gives an insight satisfaction of customers from goods sold.

On average 39 % factories receive more than 30 orders per item / yearly, 41% deal with 21-30 orders/ item yearly, 15% deal with 11-20 orders per item / yearly.

Figure 29.1

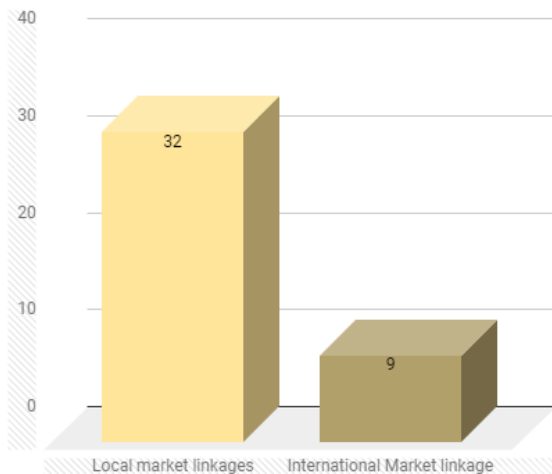


## Business Linkages

The best strategy that was identified in order to open new markets by surveyed owners of businesses was international market linkages.

In line with section 3.2, and as shown in ( figure 33.1) 78% of owners seek local market linkages to increase their marketing share that led to the fact that the majority of sales goes to local market, rather than focusing on exploring international markets.

Figure 30.1





### Promotional tools applied:

- 11) Social media.
- 12) Website
- 13) Newspapers
- 14) Brochures
- 15) Exhibitions

### Exports in 2016

#	Product type	Value of Imports from Jordan to EU	Value of export from EU to Jordan	Import value from all partners	% of Jordanian market share in EU
1	Tubes, pipes and hoses, and fittings therefore (for example, joints, elbows, flanges), of plastics	393,958	9,048,178	1,585,026,444	0.0002
2	Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip	0	300,975	236,016,028	0
3	PLASTICS AND ARTICLES THEREOF	3,765,176	87,094,344	38,473,369,824	0.00009
4	Retreaded or used pneumatic tyres of rubber; solid or cushion tyres, tyre treads and tyre flaps, of rubber	717,536	764,279	207,144,653	0.003

Source: [http://madb.europa.eu/madb/statistical\\_form.htm](http://madb.europa.eu/madb/statistical_form.htm)

-  EU exports to Jordan exceed imports from Jordan dramatically in all products.
-  EU market is a huge market, and Jordan market share is minimal.

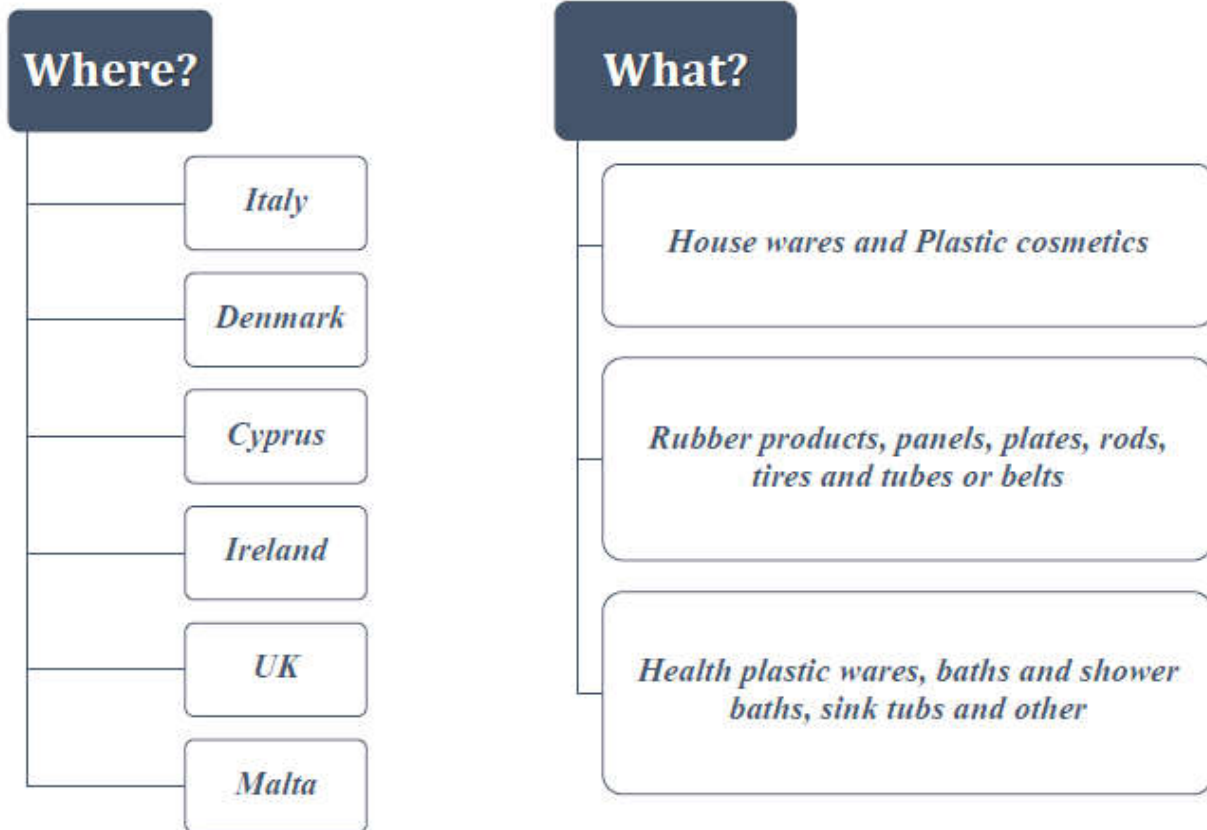
### Relaxed rules of origin

According to DECISION No 1/2016 OF THE EU-JORDAN ASSOCIATION COMMITTEE dated on 19 July 2016 and as was tackled under “List of products and of required working and processing” mainly chapters ex Chapter 40 + 4012 + 5604 + 5905 + 5906 for rubber & 7304 , 7305 and 7306 for tubes and pipes , the surveyed factories can utilize from the relaxed ROO.

### Exports opportunities



## 2. Plastic & Rubber Industries



Source: Jordanian Exports opportunities to EU markets by JCI and ILO

# **Diagnostic Circle Results**

## **Chapter 4**

### **Eco – Tourism and MICE**

## ***Management Aspects***

### **Legal aspects**

17 Interviewed firms operating in MICE and eco-tourism have a license to operate in the field of tourism.

The requirement of registration that is being applied by the Ministry of Tourism and Antiquates was hard to meet by the interviewed firms, especially, the bank guarantee mainly: "Submit bank guarantee of 25 thousand JD" thus resulted in hardly identifying the companies who are operating in tourism sector.

Therefore, for owners to be covered by the law and after investigating the type of registration that is being applied by the interviewed firms, the majority tend to approach the "The Controller of Companies" and register – however, at the controller of companies, companies tend to broaden their potential services offered so as in the future their license will cover any potential type of business- , as 65% registered as the limited liability company (LLC), where the benefits out of it are enormous and minimum risks incurred:

1. The minimum capital of a limited liability company is (1) one Jordanian Dinar.
2. At least fifty percent (50%) of the company's share capital must be deposited in the company bank account
3. The company's liability is independent from the liability of the individual shareholders

12 % of the firms registered as Private Shareholding Company, where owners focused on the fact that "The financial liability of a Private Shareholding Company is considered independent of that of its shareholders" – in order to take a risk only for the amount that has been declared during the registration process which is the JD50, 000.

It is obvious that the main decision factor for owners is linked to declared capital and risk of liability in case of bankruptcy.

#### 1.2 Start- up capital

40,000 USD was the average start- up capital to start their businesses. In line with the above decision factors, owners decided to risk this amount.

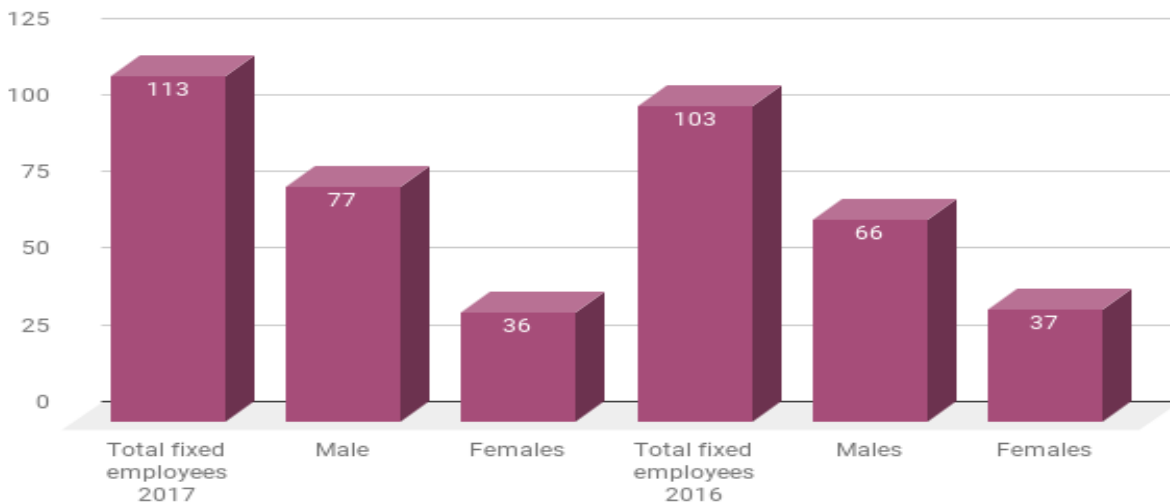
## Human resource

### 2.1 Employees

As illustrated in figure 34.1, there is a slight increase in the total number of employees (8%). From a gender perspective, males got new job offers in 2017 in comparison to females.

Female participation rate in this sector is the highest, as it stands at 32% and which is above the national average female labor participation in the labor market by double.

Figure 31.1



### 2.1 Skills of workers

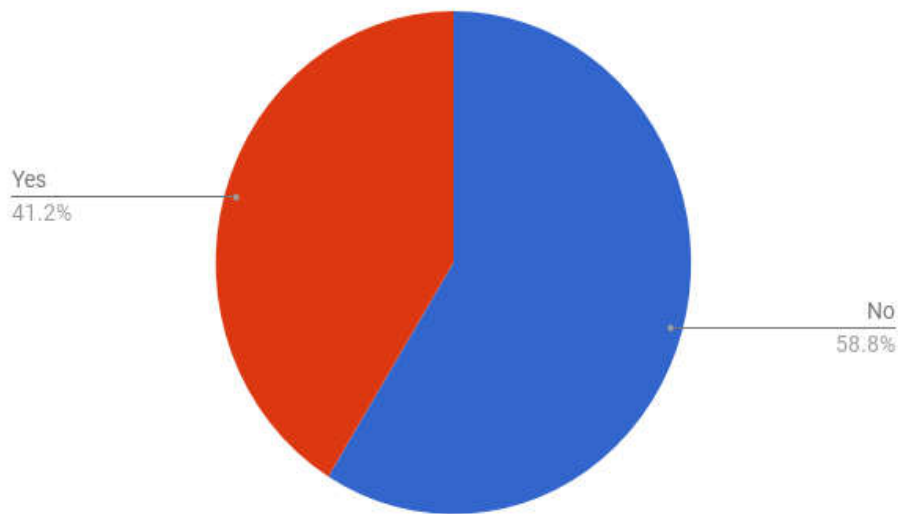
Figure 35.1 illustrated that interviewed firm owners expressed their disappointment from the skills of appointed staff. Furthermore, the recruitment and identifying of staff is questionable or the owners were expecting extra performance from them.

The percentage of dissatisfaction of owners is the highest, as it reached 59%. Firm's owners identified the main areas of weakness that needs improvements in order to meet the expectations.

The type of business requires a set of technical and soft skills to deliver the services: marketing, fundraising, partnership, sponsorship and exploring new markets.

Figure 32.1

The skills of the labor are sufficient to handle the production?



## Financial system:

### 3.1 Financial system

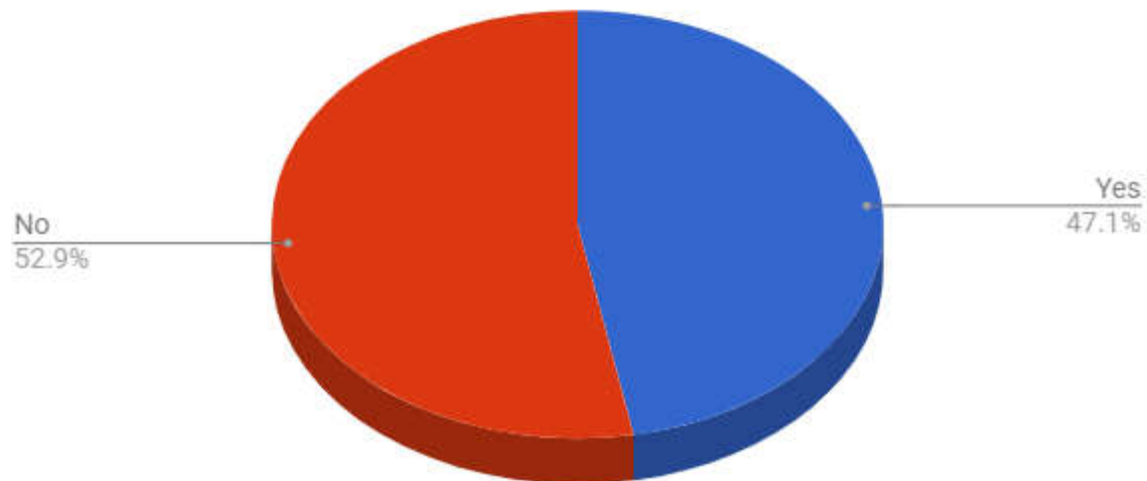
As illustrated in figure (36.1) only 47 % of factories have installed a financial system, and are using it to plan their expenditures”, manage easily the monthly insurance contribution, salaries, account receivables etc...

Proper financial management is essential in ensuring the future success of the firm and its longterm continuity. The financial system will act as a tool to enrich the decision of the owner when trying to access financial supports ( bank loans ) and how to schedule payments? And meet the requirements of VAT and TAX authorities on a timely manner.



Figure 33.1

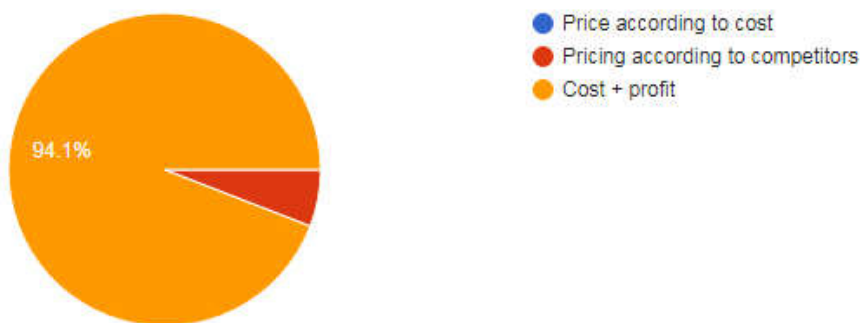
Financial system in place



### 3.2 Costing and pricing

As is shown in figure 37.1 , 94 % of factories apply a proper costing and pricing strategy ( calculating all the incurred costs and afterwards add a profit margin ) thus resulting in meeting all the financial obligations and ending up with surplus. These practices are detrimental to the viability of the firms and their long term growth

Figure 34.1



### 3.3 Profit margin

The declared average gross profit margin stood at 14%, fairly good. That figure can be interpreted that there is fierce competition by locals, and the market dynamics mainly decision factor among customer's is price.

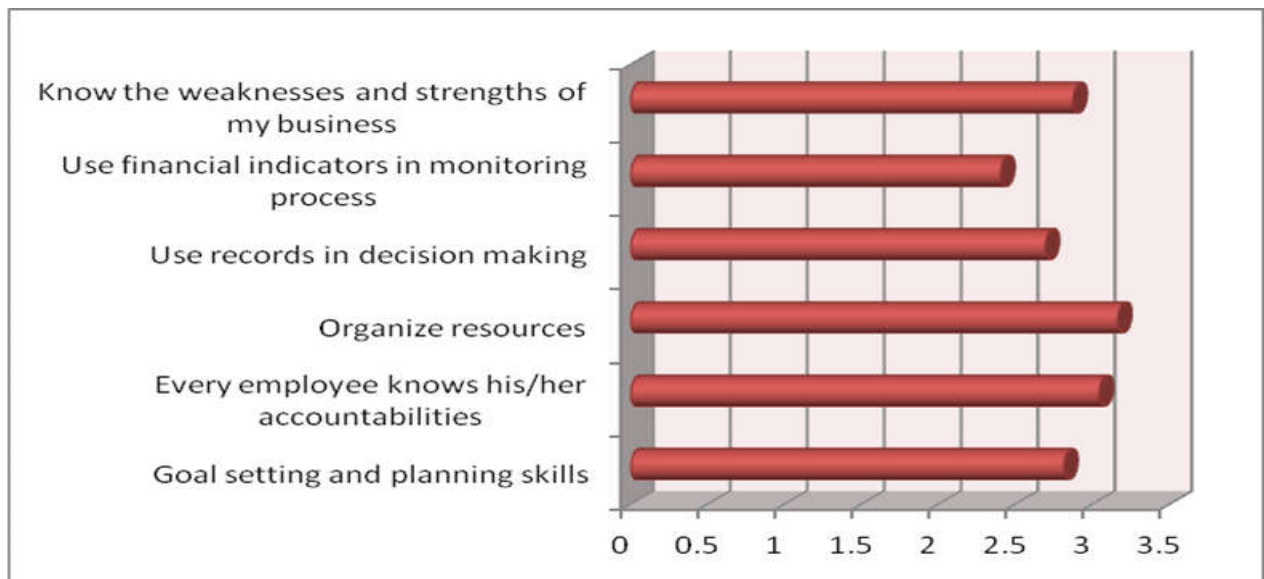
### 4.1 The skills and managerial aspects of the owners / managers of the factories

As illustrated in figure 38.1, owners of firms graded their management skills according to a scale from 1-week to 4 excellent.

From their point of view, using records in decision making and use financial indicators in monitoring process is the weakest points.

It can be derived that the lack of financial systems in the firms led to this conclusion.

Figure 35.1

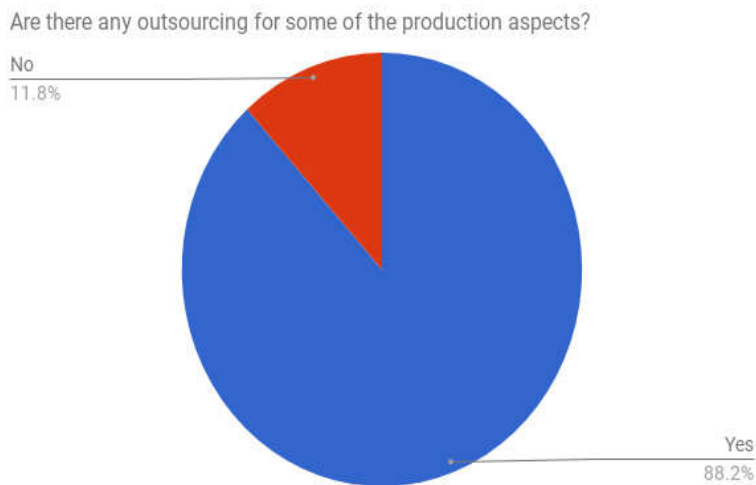


***Production aspects:***

## 2.1 Outsourcing

The types of business they are running require outsourcing some of the packages. As illustrated in figure 39.1, the majority (88%) apply outsourcing like renting ATVs, buses for tours, renting audio visual sound systems, halls etc...

Figure 36.1



## 2.2 Product diversification

**Top Products produced:**

- Adventure tours
- ATVs rental
- Audio and visual services
- Sports events
- Survival challenge

## 2.3 Productivity

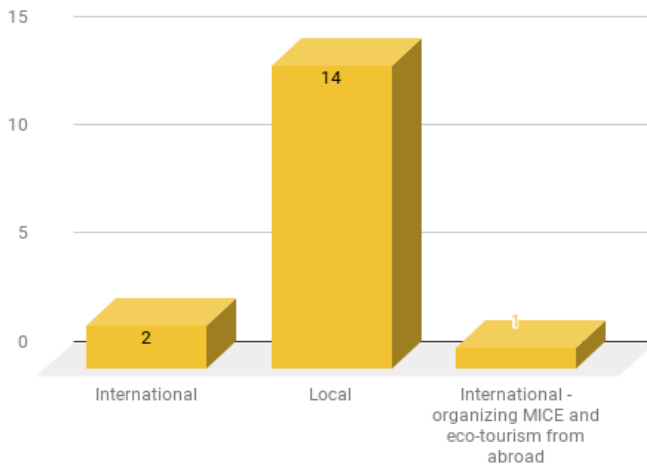
On average, 63% is the utilized production capacity at firms. That percentage is a positive indicator as higher utilization can reduce unit costs, making a business more competitive. Owners are meeting the demand of their products and workload for workers is balanced.

## Marketing

### 3.1 Competition

As illustrated in figure (40.1) the highest source of competition among the 4 sectors came from locals as it stood at 82% while 18% from internationals. In the world of business, competition is classified as a trigger factor for business owners to keep seeking improving their products, introducing new products to the market and offer promotional packages. Moreover, Joint ventures must be explored as for eco-tourism and MICE the characteristics of the service offered rely on complimentary roles.

Figure 37.1

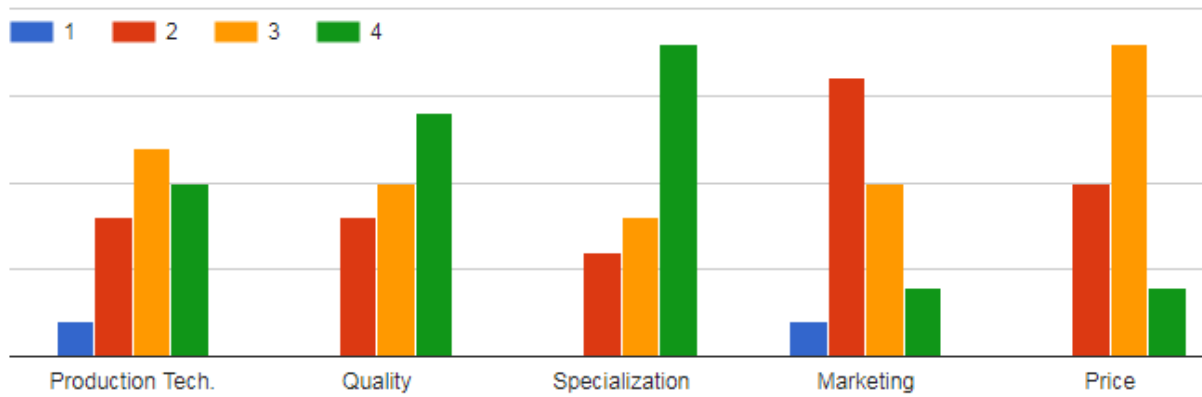


### 3.1 Competitor/ Potential analysis: (1 weak 4 strong)

As illustrated in figure (41.1) On average, firms and from their own perspective, graded their specialization and quality of their services / products as excellent (green column) and highlighted that marketing and pricing are their major weaknesses (red column).

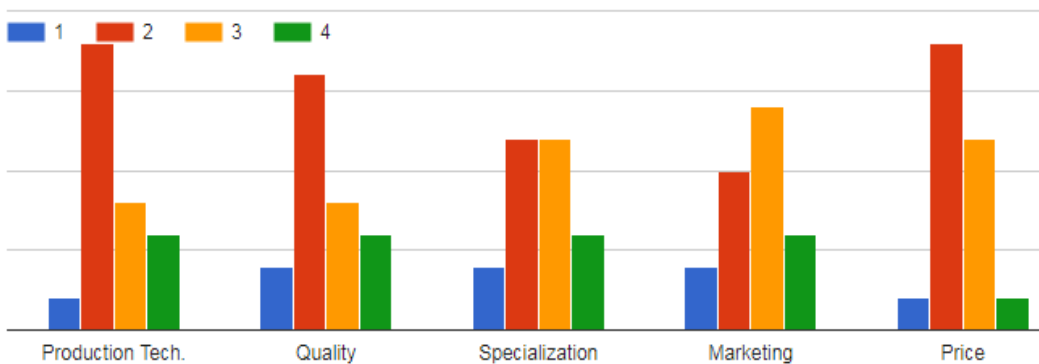
Any future intervention with the selected firms must be geared towards enforcing their marketing and pricing strategy and production techniques.

Figure 38.1 – Owners evaluated their own techniques



While comparing their own grading for their own businesses with competitors, figure (42.1) highlights that firms perceive that they are better off in all aspects when compared to competitors however, they are worst than them in production techniques, quality and price mainly.

Figure 39.1

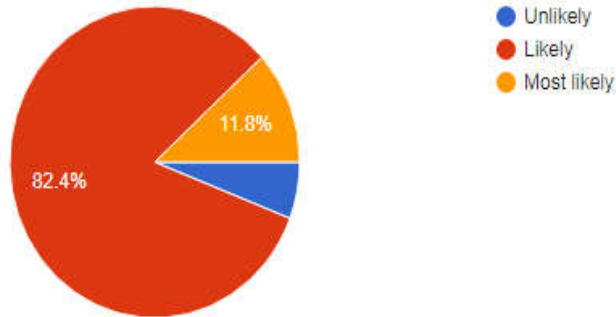


### 3.3 New Market Entrants

As illustrated in figure 43.1 and as was quoted by one of the owners: “That it is Very Easy for any new Company to open Business and start to compete them as experts and old companies in the sector”. If you possess the needed capital to deposit it and you pay the fees promptly each month you will become an entrepreneur and start doing business.

It is seen as a trigger factor to keep improving their products and differentiate themselves from potential newcomers to the business and secure their comparative and competitive advantage.

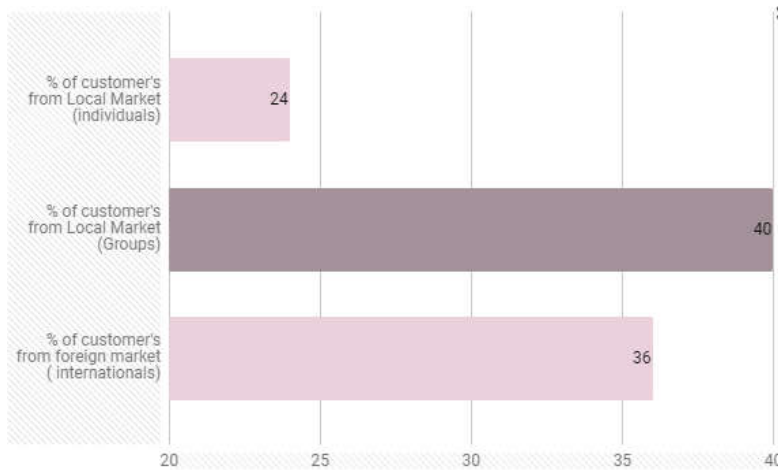
Figure 40.1



### Market share

Figure 44.1 gives an idea about types of customers, it is obvious that the majority of customers are locals either individuals or groups, this fact entails that each customer's category must be targeted in a different way by maintaining local customer's and exploring ways to attract internationals via close cooperation with other stakeholders.

Figure 41.1



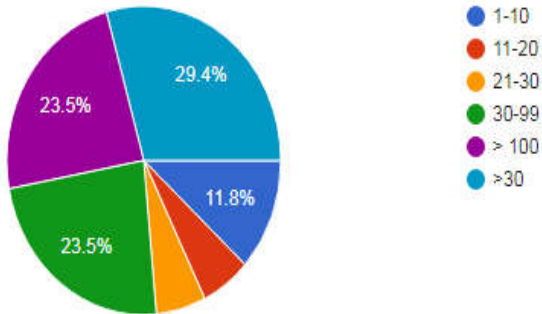
### Frequency of orders

Top products marketed: **Adventure tours, ATVs rental, Audio and visual services, sports events, survival challenge and event management.**

Around 77% of the top products were ordered more than 30 times/ year. There is demand on these services from locals mainly and internationals.

This indicates that clients are satisfied from the delivered service as reputation of orders is good signal.

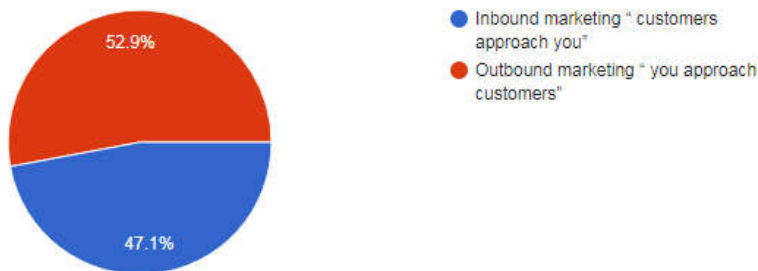
Figure 42.1



### Marketing Techniques

As illustrated in figure 46.1, firms apply outbound marketing ( they approach their customers ) which entails that they need to produce PR materials, handle bulk of emails requesting additional information about the service, utilize from social media and other promotional tools to convince potential customers of their services.

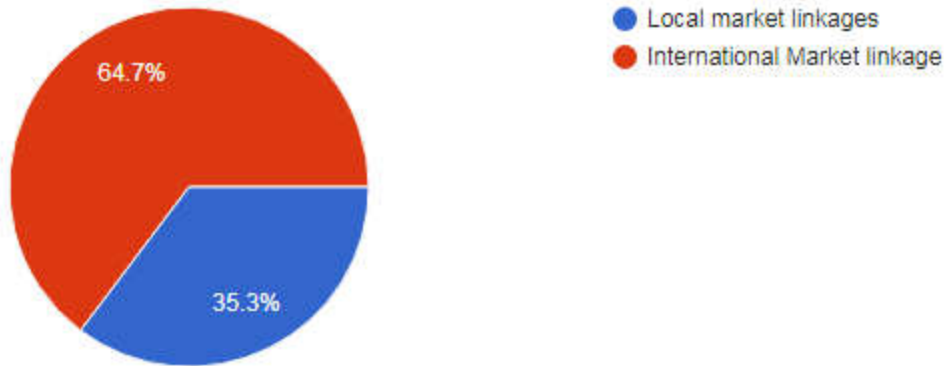
Figure 43.1



### Business linkages

As illustrated in figure (47.1) and after thorough analysis for the firms and cross tabulation, firm owners are seeking international market linkages first to increase the proportion of international clients and overcome the competition from the locals and diversify their clients.

Figure 44.1





# Conclusions and Recommendations

## Chapter 5

## Conclusion & Recommendation

### **MACRO level:**

#### **Registration**

Industrial sectors are more organized than service sectors in the Jordanian market, particularly “Tourism”. The case pertains mainly to the fact that deposits are required for tourism companies when they register. Therefore, companies avoid registering as tourism companies, and end up registering in other company-forms. The format they registered in makes it very difficult to track them, and it directly affects the legality of their operations.

#### **Industrial development zones and industrial areas**

The COUNCIL DECISION (EU) 2016/1315 tackled the issue of processing and strictly linked it to products that must be conducted in the following industrial Development Zones and Industrial Areas: Alhussein Bin Abdullah II Industrial City- Alkarak, Aljeeza Industrial Area Amman, Alqastal Industrial Area- Amman, Al Quwayrah Industrial Area Aqaba, Al Tajamuat Industrial City- Sahab, Dulail Industrial City- Zarqa, ElHashmieh Industrial Area- Zarqa, El-Ressaiefeh Industrial Areas- Zarqa, ElSukhneh Industrial Area- Zarqa, Irbid Development Zone and Irbid Alhassan Industrial City, King Abdullah II Bin Alhussein City- Sahab, King Hussein Bin Talal Development Zone- Mafraq (including Mafraq Industrial City), Ma'an Development Zone- Ma'an, Marka Industrial Area- Amman, Muwaqqar Industrial City- Amman, Wadi El-Eisheh Industrial Area- Zarqa (Union, 2016)

The 18 public and private Development Zones and Industrial Estates that were designated by the EU with relaxed rules of origin, where Jordan Investment Committee role will be to direct investments to these zones that shall provide job opportunities for Syrians in the coming years through new investments.

Owners of factories interviewed argued that some of them and due to their presence outside these industrial parks will not be eligible to export to EU as they will not meet this clause.

### ***MESO Level***

#### **Jordan's Trade and Investment Information System**

The Standard International Trade Classification (SITC) and Harmonized System (HS) are two different trade classifications, the main difference being that the SITC is focused more on the economic functions of products at various stages of development, whereas the HS deals with a precise breakdown of the products' individual categories.

The SITC was developed by the United Nations with the intention of classifying traded products not only on the basis of their material and physical properties, but also according to which stage of processing, as well as their economic functions in order to facilitate economic analysis. The SITC was originally developed for statistical purposes and it has to maintain a correlation with the tariff nomenclature (classification) seeing as customs declarations are the principal source of trade data.<sup>2</sup>

It is advisable that the products must be sorted according to international standards, so as further analysis can be done easily<sup>3</sup>.

#### **Industry standards, requirements and certification**

In order to access major international markets, meeting industry-relevant standards and requirements is key. Especially the EU market has high entry barriers, as it requires manufacturers of various product categories to meet certain criteria such as product safety and quality.

While there are various EU legislations laying out individual requirements for specific products (e.g. Regulation (EU) 2016/425 for personal protective equipment or Regulation (EU) No 305/2011 for construction products), the EU specifies two overarching requirements relevant to the sectors in question:

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<sup>2</sup> <http://legacy.intracen.org/mas/sitchs.htm>

<sup>3</sup> <https://unstats.un.org/unsd/trade/classifications/correspondence-tables.asp>

- *REACH: Regulation* for manufacturers and processors of chemical substances
- “*CE*” marking<sup>4</sup> for producers of certain home appliances and rubber & plastic products

Besides, manufacturers in many industries are expected by their clients to meet:

- *International standards* such as *ISO 9001 on Quality management* that apply to any industry including services such as tourism or MICE<sup>5</sup>.

*REACH* and *CE* do not involve certification, but establish specific requirements based on EU law<sup>6</sup> for manufactures and importers of various products regarding product quality, transparency (registration of harmful substances etc.) or labelling. Without meeting these requirements a manufacturer cannot place his products on the EU market, meaning that the product will either not be accepted for entry by customs at the border or that the distributor risks considerable fines if the relevant documents cannot be provided. Manufactures from outside the EU need to provide all necessary information to the importer/distributor or a representative inside the EU in order to fulfil the requirements of the respective regulations.

*ISO standards* such as *ISO 9001 on quality management* are voluntary standards that codify good management practices in order to help create products and services efficiently and in good quality. While the standard as such is a non-binding management tool, organizations can achieve certification of specific *ISO standards* by accredited third-party auditors that regularly evaluate the organizations performance against the respective standard’s requirements. *ISO standards* are not legally binding, but many large companies require their suppliers meet *ISO standards* in order to mitigate risk.

### **Proposed steps forward:**

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<sup>4</sup> „*CE*“ originally stands for *Conformité Européenne* („*European Conformity*“) but the *CE* symbol is used without reference to the full term

<sup>5</sup> According to its website, *ISO* has published 21786 international standards and related documents covering almost every industry, from technology to agriculture to healthcare. (retrieved from <https://www.iso.org/about-us.html> <sup>1</sup> <https://www.iso.org/about-us.html> <sup>2</sup> on 30 August 2017.

<sup>6</sup> *REACH Regulation* (EC) No 1907/2006, amended by *CLP Regulation* (EC) 1272/2008 and *BPR Biocidal Products Regulation* (EU) 528/2012; *Council Directive* 93/68/EEC of 22 July 1993 for “*CE*” marking

Explore areas of cooperation with

- “notified bodies” in the EU that are commissioned to conduct product and safety testing for CE marking<sup>7</sup> and
- European Chemicals Agency (ECHA)

and explore a mechanism to obtain the needed certifications for the EC market and REACH by either doing the tests in-house or act as an agent for them. In addition to explore a financial scheme that assists exporters in getting the needed certificates, as the costs for applying for CE are quite high. Costs are shown in table below:

EMC for ITE	costs around \$700	1 sample	takes 3~4 weeks
Safety costs	around \$4,500	2 samples	takes 3~4 weeks
Notified body fee	around \$3,000		takes 1~2 weeks

### **The Jordanian Logistics Association (JLA)**

Moving goods across borders requires meeting a vast number of commercial, transport, and regulatory requirements, which typically entail complex procedures and often a large number of documents. While most actors and regulators along the international supply chain are aware of the need to streamline import and export procedures, few, if any, have a complete understanding of the entire trade transaction process, making it difficult to identify the bottlenecks and to prioritize reforms. <sup>8</sup>

The Jordanian Logistics Association must act as resource centre for exporters and importers and provide key information to exporters/ importers of shipping costs per port, duration for shipment and required shipping documents

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<sup>7</sup> Every EU member state hosts several „notified bodies“ to perform the relevant testing. They are accredited by a national authority. A comprehensive list of notified bodies can be found here: <http://ec.europa.eu/growth/tools-databases/nando/index.cfm?fuseaction=country.main>

<sup>8</sup> <https://unnex.unescap.org/tpad/>

### **Amman Chamber of Industries**

Amman Chamber of Industries must sensitize their members and keep them abstract of all developments with regards to signed free trade agreements.

Jordan's Free Trade Agreements open markets in:

1. 17 Arab countries under the Greater Arab Free Trade Agreement (GAFTA).
2. European Union under the Association Agreement.
3. In addition to the Aghadir Agreement between Egypt, Jordan, Morocco and Tunisia which aims at supporting further integration between these states and the Europe Union.
4. Norway, Switzerland, Iceland and Liechtenstein under the European Free Trade Association (EFTA).

In Addition, Jordan has Free Trade Agreements with:

United States of America.

Singapore.

Turkey.

Canada.

1. Arab markets:

- The Greater Arab Free Trade Agreement, 1998. Declared within Social and Economic Council of the Arab League as an executive program to activate the Trade Facilitation and Development Agreement in its membership of 17 Arab Countries: These include: Jordan; UAE; Bahrain, Saudi Arabia, Oman, Qatar, Morocco, Syria, Iraq, Palestine, Kuwait, Tunis, Libya, Sudan, Yemen, Lebanon and Egypt.

- The arab EURO – Mediterranean Countries ( agadir agreement) <sup>9</sup>2004 between Egypt, Jordan, morocco and Tunisia which aims at supporting further integration between these states and the Europe Union.

European Market Access

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<sup>9</sup> [Arab Euro-Mediterranean Countries \(Agadir Agreement\)](#)

- The Jordan-EU Association Agreement signed in 1997 and entered into force in 2002: Aims at creating a free trade area between EU and Jordan and establishing a comprehensive framework for political, economic, trade and investment, social and financial cooperation.

- The Jordan-EFTA Free Trade Agreement entered into force in 2002: Aims to create favourable conditions for the development and diversification of trade and to promote economic cooperation on the basis of quality, mutual benefit and non-discrimination.

#### US Market Access

- The Jordan – US free Trade agreement (FTA) <sup>10</sup> was signed in the year 2000: Covering trade in goods and services, protection of intellectual property rights, environment, labour and e-commerce with trade to be fully liberalized by 2010.

#### Asian Market Access

The Jordan-Singapore FTA was signed in the year 2004: Aims at promoting economic relations and developing partnerships between Jordan and Singapore considering the distinguished experiences that Singapore enjoys in economic development, technology, and improving investment climate.

Jordan also signed Promotion and Reciprocal Protection of Investments agreements with many countries around the world.

#### Canadian Market Access

The Jordan -Canada Free Trade Agreement (FTA) went into force in October of 2012 where the related Agreements on Labour Cooperation and the Environment will expand Canada-Jordan trade and help further strengthen and deepen our bilateral relationship.

#### Turkish Market Access

Jordan and Turkey signed an agreement to establish a free trade zone between both countries on December 2, 2009. The agreement went into force in March 2011, thereby initiating a gradual reduction on tariffs for traded goods. Economic and commercial relations between the two countries are on an increasing trend.

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<sup>10</sup> [Jordan-US Free Trade Agreement \(FTA\)](#)

With Turkey-Jordan Association Agreement, tariffs and non-tariff barriers were eliminated in trade between the Parties. The Agreement also regulates numerous areas including the sanitary and phytosanitary measures, intellectual property rights, internal taxation, balance of payments, anti-dumping, safeguard measures, rules of origin and structural adjustment as well as listing specific areas for cooperation.

- Collaborate with JLA and develop jointly the trade corridor soft program, and host it at the chamber's website, so that most of the members will benefit from it.
- Explore areas of cooperation with the European Chambers of Commerce to facilitate trade.

### **BDS services**

The following activities are suggested to further enhance the four industries covered in this study through targeted business development services:

- Support manufacturers in **identifying the specific standards and certification schemes** relevant to their business and marketing strategy – these may entail ISO standards, registration requirements or quality labels.
- For BDS to address a programme that will aim at improving the framework conditions and enhancing human capacity, a pool of BDS firms must be identified and built their capacities in areas of concern to factories owners.
  - Quality management
  - Product safety
  - Traceability as pre-condition for various certificates
  - Registration requirements with EU authorities (e.g. concerning REACH for chemical industry)
  - Management of environmental risks.
- Most customers for Jordanian producers will be companies, not final customers. It is a B2B market. Such companies are open for such exchange of information. Thus, organize study tours for manufacturers to relevant companies from the industry or to



technology providers to **showcase best practice regarding certification and quality management** and to facilitate institutional exchange and learning.

- **Organize the participation** in or **visits to international Trade or Technology Fairs**, including:
  - Professional preparation,
  - Coaching during the fair,
  - Executive follow-up.
- Organize **B2B meeting events** or individual **matchmaking** in the relevant target markets.

### ***MICRO level***

Certification and EU market requirements

The following section will broadly outline the necessary steps a company should take to address EU requirements on REACH or “CE” marking or on implementing ISO management standards. In the manufacturing sectors investments into infrastructure may be necessary to improve quality and competitiveness, the below mentioned requirements and standards deal with traceability and management practices rather than with physical requirements. In each case, a respective industry expert, with the knowledge of the relevant regulations or standards, should conduct specific preparation, implementation, and follow-up measures with the companies.

### **REACH Regulation**

Responsibility for compliance with REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation and related regulations such as CLP (Classification, Labeling and Packaging) Regulation and BPR (Biocidal Products Regulation) (EU) 528/2012 lies with the importer/distributor or an “only representative” of a non-EU manufacturer (either legal or natural person) within EU. The manufacturer from outside the EU needs to provide all necessary information to this legal or natural person and ensure as well that the proper practices are permanently in place to fulfil the requirements of the regulations.

Requirements by REACH regulation for an importer or a representative, on behalf of the non-EU manufacturer, are as follows:

1. Register the substance (if over 1 t/a)<sup>11</sup>;
2. Carry out chemical safety assessment (CSA) (if over 10 t/a);
3. Communicate safety information (Safety Data Sheets) along supply chain;
4. Check if substance is stated in the Authorization list<sup>12</sup> or Restriction list<sup>13</sup> by ECHA (European Chemicals Agency) and act accordingly.

A step-by-step guide on how to address REACH requirements for non-EU manufacturers can be found here: <https://echa.europa.eu/support/getting-started/enquiry-on-reach-and-clp>.

It is recommended to make use of the “**only representative**” mechanism, which means that the manufacturer appoints a natural or legal person within the EU to fulfil the registration requirements on his behalf as opposed to realizing this task fully on its own. While this mechanism does not alleviate the manufacturer from the task of providing the necessary information, it makes it easier for him to meet all requirements, since the representative in the EU can guide the manufacturer through the data collection and registration process. This process can also be carried out through industry clusters or groups of enterprises, by assigning a representative for each.

## CE marking

Many products can only be imported to the EU market, if they have a “CE” marking, which proves that the product is safe, and meets certain EU quality requirements. Specifically, the

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<sup>11</sup> t/a = tons per year. How much information is required for registration depends on the production tonnage and the hazards associated with the substance. For more information see <https://echa.europa.eu/support/getting-started/manufacturer>

<sup>12</sup> <https://echa.europa.eu/addressing-chemicals-of-concern/authorisation/recommendation-for-inclusion-in-the-authorisation-list/authorisation-list>

<sup>13</sup> <https://echa.europa.eu/addressing-chemicals-of-concern/restriction>

requirements are as follows:

- Carry out a conformity assessment<sup>14</sup>,
- Set up a technical file<sup>15</sup> and
- Issue an EU declaration of conformity<sup>16</sup>.

Further requirements could be asked for by the importers with the EU to affix the CE marking to a product. The areas of requirements cover the following topics:

- Identify the applicable directive(s)<sup>17</sup> and harmonized standards<sup>18</sup>;
- Verify product specific requirements;
- Identify whether an independent conformity assessment (by a notified body) is necessary;
- Test the product and check its conformity;
- Draw up and keep available the required technical documentation;
- Affix the CE marking and draw up the EU declaration of conformity.

As the specific requirements for each product category vary, the conformity assessment will be conducted differently in each case. Nevertheless, the approach described above in combination with the respective product legislation can always be followed<sup>19</sup>.

## ISO standards

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<sup>14</sup> Depending on the risk level associated with the specific product, this may be a simple product check on behalf of the manufacturer or an assessment conducted by an accredited “notified body”. The respective product legislation describes which procedure is applicable. (Source: [https://ec.europa.eu/growth/single-market/goods/building-blocks/conformity-assessment\\_de](https://ec.europa.eu/growth/single-market/goods/building-blocks/conformity-assessment_de))

<sup>15</sup> Here the test results (according to the requirements of the relevant product legislation) are noted down by the manufacturer or, if applicable the notified testing body.

<sup>16</sup> A template for the declaration of conformity can be found here:

<http://ec.europa.eu/DocsRoom/documents/9781/attachments/1/translations>

<sup>17</sup> A list of relevant legislation with links to the respective national „notified bodies“ can be found here

<sup>18</sup> Standards are voluntary specifications for products, production processes, or test methods. More details on: [https://ec.europa.eu/growth/single-market/european-standards\\_en](https://ec.europa.eu/growth/single-market/european-standards_en)

<sup>19</sup> An overview of products requiring CE marking as well as details on specific requirements can be found on [http://ec.europa.eu/growth/single-market/ce-marking/manufacturers\\_en](http://ec.europa.eu/growth/single-market/ce-marking/manufacturers_en).

Besides the widely used ISO 9000 standards on quality management, a number of other ISO standards may be relevant for specific companies in the sectors covered by this study, which include the ISO 45001 Occupational Health and Safety standard, and ISO/TC 228 for tourism and related services. In any case, before getting certified, which is conducted by an independent accredited auditor, the standards need to be introduced within the company itself as a set of established, and applied management procedures.

The ISO 9000 quality management standard family, the latest version of which is ISO 9001:2015, is based on the following seven principles that should be addressed through organized and documented procedures<sup>20</sup>:

- QMP 1 – Customer focus (meet customer requirements and strive to exceed customer expectations)
- QMP 2 – Leadership (leaders on all levels create the necessary conditions for people to engage in achieving the organization’s quality objectives)
- QMP 3 – Engagement of people (competent, empowered and engaged people at all levels are essential to enhance the organization’s capability to create and deliver value)
- QMP 4 – Process approach (results are best achieved when activities are managed as interrelated processes that function as a coherent system)
- QMP 5 – Improvement (put ongoing focus on improvement to maintain performance, react to changes and create new opportunities)
- QMP 6 – Evidence-based decision making (Decisions based on analysis and evaluation of data and information are more likely to produce desired results)
- QMP 7 – Relationship management (for sustained success it is crucial to maintain effective relationships with all relevant stakeholders, especially suppliers)

Typically, the introduction of the ISO 9000 quality management standard is approached as follows; this approach can be applied to other general certificates:

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<sup>20</sup> Here the quality management principles are explained in more detail:  
<https://www.iso.org/files/live/sites/isoorg/files/archive/pdf/en/pub100080.pdf>

- Analysis of current situation and definition of scope of the planned standard.
- Establishment of a working group for the implementation of a quality management system (QMS).
- Development of a work plan for the QMS introduction.
- Development of a policy, goals, and responsibilities of quality management.
- Development and documentation of appropriate procedures for QM (quality manual).
- Adaptation through regular training, allowing for feedback and continuous improvement.
- Conducting regular internal audits.
- Optional: acquire external certification.

In order to make implementation of ISO standards a success, the following aspects are crucial:

- The **top management of the organization needs to support the process** and, where necessary, engage in the process to ensure proper implementation.
- **Willingness exists to apply QMS not merely for certification on paper**, but for actual efficient gains.
- Hiring an **external management consultant** with a good track record in organizational development and quality management may be helpful **to guide through process**.

### **Other relevant standards and certification schemes**

In addition to the three aspects stated above, different markets may require or prefer additional standards or certificates, such as:

- Meeting the **UL norm** (Underwriters Laboratories) is a key requirement for electrical equipment such as home appliances and some rubber and plastic products<sup>21</sup> to access the US market. The necessary performance and safety tests need to be conducted by a Nationally Recognized Test Laboratory (NRTL), which makes the process more costly than the related CE marking for the European market, which can in many cases be realized by the manufacturer itself without involving a third party testing laboratory.
- Other voluntary safety standards for electrical equipment exist on different markets, which include the **GS-standard** (Geprüfte Sicherheit – proven security) for Germany, the **S-standard** for Europe or the **ETL** (electrical testing labs) marking for North America (USA and Canada). They all require testing by a certified agency and were designed partly also as “marketing instruments” for different markets. In order to unify these and over 50 other national standards, the IECCE (International Electro-technical Commission for Electrical Equipment) has introduced the **CB-scheme** (Certification Body) for mutual acceptance of test reports and certificates, which makes it much easier for manufacturers to address the needs of different markets.
- Various **industry specific ISO standards** exist, which may help manufacturers to meet the requirements of the global market. Besides ISO 45001 Occupational Health and Safety standard, which is relevant for different production sectors, individual standards for the respective fields can be found here:
  - **ISO standards for the chemical industry**  
This family of standards on chemical technology deals with all aspects of the chemical industry and covers production aspects, analytical chemistry, organic and inorganic chemistry, specific products and equipment in the chemical industry. One

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<sup>21</sup> A non-exclusive list of products demanding NRTL approval by the US government can be found here: <https://www.osha.gov/dts/otpc/nrtl/prodcatg.html>

example for the latter is ISO 11014:2009, which defines sections, content, and general format of the safety data sheet (SDS) for chemical products<sup>22</sup>.

- **ISO standards for the rubber and plastics industry:**

The family of standards covers all relevant aspects from the manufacturing process, over raw materials, specific products to equipment of the rubber and plastics industry<sup>23</sup>.

- **ISO standards for manufacturing home appliances**

Kitchen equipment, domestic electrical appliances, laundry and cleaning equipment and other home equipment can be found in the family of standards on domestic and commercial equipment, entertainment and sports<sup>24</sup>.

- **ISO standards for tourism**

The family of ISO standards for tourism and related services consists of both more general one such as ISO 14785:2014 on tourist information offices and very specific ones such as on scuba diving or tourist services by Natural Protected Areas Authorities<sup>25</sup>.

- **ISO standards for MICE**

There is one specific ISO standard for this sector, namely ISO 25639-1/2:2008 establishing terms and definitions as well as the relevant measurement procedures for the MICE sector.

For companies needing more intensive development to reach export readiness, the following information workshops, and trainings seminars are recommended. As it forms part of private

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<sup>22</sup> a full list of ISO standards relevant to the chemical industry can be found here: :

<https://www.iso.org/ics/71/x/>

<sup>23</sup> a full list of ISO standards relevant to the rubber and plastics industry can be found here:

<https://www.iso.org/ics/83/x/>

<sup>24</sup> a full list of ISO standards relevant to the manufacturing of home appliances can be found here: <https://www.iso.org/ics/97/x/>

<sup>25</sup> A full list of ISO standards relevant to the tourist sector can be found here:

<https://www.iso.org/committee/375396/x/catalogue/p/1/u/0/w/0/d/0>

sector development for rather advanced companies, the services can be offered on a commercial basis, e.g. by private consultants, consulting companies, business and management schools. Depending on the institutional set-up, they can also be provided by public business support organisations or sector membership organisations. A suitable development project should include human capacity development for the service providing staff. Interested companies can enrol in such training events or contract advisory services. Access to the services could be facilitated by a voucher system.

- Export marketing,
- International markets, access and requirements,
- Intercultural management,
- Innovation and change management,
- Risk assessment and management,
- Business communication, presentation and negotiation,
- International distribution channels, logistics management,
- Business plan and business model,
- Financial viability assessment of market exploration options

They target a larger audience of enterprises in an early stage and facilitate decision making prior to larger investments, without using rather cost intensive consulting services.

#### SMEs needs

	Advisory	Advocacy
Market access and development	Marketing research, intelligence, and strategy development.  Emerging opportunities and trade enquires, including niche markets and regional and global markets.	Regulatory framework for subcontracting and outsourcing.  Common brand and consortium approach.  Trade missions and meetings.



	<p>Market/trade barriers, trends and competitors.</p> <p>Trade fairs, product exhibitions and B2B contacts.</p> <p>Development of samples and promotion tools and materials.</p> <p>Showrooms and packaging. Advertising.</p> <p>New product development.</p>	<p>Free trade and investment agreements.</p> <p>Non-tariff barriers.</p> <p>Trade and logistic facilitation</p>
Technical assistance and training	<p>Mentoring, counseling and advisory services.</p> <p>Feasibility studies and business plan development.</p> <p>Technical training and capacity building in the fields of legal issues, finance and taxation, accountancy and bookkeeping, production and research and development.</p>	<p>Exchange visits and business tours.</p> <p>Regulatory framework for franchising/joint ventures.</p> <p>E-commerce policy.</p>
Technology and product development	<p>Technology and innovation incubation.</p> <p>Linking SMEs and technology suppliers.</p> <p>Technology transfer and commercialization.</p> <p>Cost and energy-efficient technologies.</p> <p>Productivity improvement.</p> <p>Equipment leasing and rental</p>	<p>Quality assurance programmes.</p> <p>International standards and quality certifications.</p> <p>Design centres.</p> <p>Common tool facilities.</p> <p>National innovation incubation</p>

Supplies	Linking SMEs to input suppliers.  Suppliers' capacity to provide quality inputs	Establishment of bulk buying groups.  Information on input supply sources
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