

# Environmental factors in jordanian market



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The aims of this study are to analyze and explore the impacts of Jordanian businesses from the foreign investors and multinational companies, especially Airline industries that have decided to operate in Jordan Market. These impacts include economic, cultural, Political and legal. The questionnaire will be used as a tool to gather data to survey the Samples' attitudes towards Jordanian market. The " Mean" will be used as statistical criterion to gauge the reactions towards the environmental factors that will be analyzed in this study. More so the sample t-test will be used for testing the hypotheses, while analysis of variance (ANOVA) will be used to analyze the differences and similarities in the results between the sample groups.

## Chapter 1

### Introduction

The year 2009 has witnessed many changes, especially in the business environment, that because of Economic crisis. Therefore the world's Economy, in general, is changing and continuously, and because of that, the technologies and communications have developed quickly. In other hand, new economy showed up like; Multinational corporation, the international economies and investments. These corporations had passed the geographical borders and moved to invest in other countries to expand their resources to international markets. In these years after all these developments in technology, some companies of extracts raw materials in one area on the world and the manufacturing in other area on the world, while the supplying and consumption in a other part or country. When the multinational corporations or other kinds of investors want to operate and

make entry decision to invest abroad an analysis of the environment factors must be made. These factors include economic, political and legal, cultural and social. Governments around the world try to attract those multinational investors for the benefits and welfare of their citizens. Through creating jobs, Implementing of multinational activities to participate effectively in the economy's growth, and diversification of goods or services that should be provided to their citizens, in addition to the technology and administrative knowledge. The attracting process can be done through providing financial incentives “ as tax exemptions”, ease the entry process, and reducing the burden of business environment on foreign investments. The present study aims to explore the affects of Jordanian business environment on multinational corporations and foreign investors of Airline Industries in terms of economic, political, legal, cultural and social. Also to describe the differences in answers according to the characteristics of these multinational corporations in terms of nationality, size, experience and international expansion, sector, entry strategy, and the percentage of Jordanian workforce.

## **Background of problem**

Attracting foreign investments is one of the main goals of many governments around the world, because it has significant role in creating thousands of jobs, moving millions of dollars necessary to employ the national resources, implementing of multinational activities and some other benefits.

Jordan as poor country and scarce of natural resources, therefore it must be more willing does that. Also, the public decision-makers need to understand

the problems facing the foreign investors and identifying the ways to attract many of them to enter Jordanian market.

Depending on the foreign investors' opinions, this study provides important information that may help in solving problems and makes clear appreciation of the investment process.

## **Purposes of the study (Research Aims)**

The purposes of the present study are to focus on five major areas:

The study aims to analyze and explore the business environment in Jordan, and to determine its impact on multinational corporations and investors of airline.

The study aims to find the role of the environmental factors in determining the type of entry (or entry strategy) when making an entry decision as full direct investment, strategic alliance, joint venture, franchising, and licensing. (If the direct investment is considered to be full investment the rest will be partial investment).

The study aims to observe any variance in the degrees of environmental influence on the multinational corporations, (these corporation differ in terms of nationality, investment strategy, size, experience, expansion, and local workforce percentage).

The study aims to indicate the most influential factors related to the business environment, and their impact on multinational entries (Airline industries). Then recommended on how to ease entry process, in order to attract more foreign investments into Jordanian market.

Identifying the problems and obstacles that facing foreign investors, and providing sets of recommendations that might be used as strategic solutions to ease the investment process.

## **Theoretical framework**

The study will explore different environmental factors and their effects on multinational Airlines in Jordanian market. Doubtlessly any foreign decision-maker who looks forward to invest and enter the Jordanian market will analyze and scan those factors.

After analyzing and scanning the country environment, and after determining the country available opportunities and threats, the decision maker will issue the entry decision to invest in the desired country or not. Beside other factors, the present study will not emphasis such as financial risk, operational risk, and availability of sufficient capital because the need to specify the research.

If the decision is to invest, other more elaborated decisions should be issued such as: when and where to invest, the amount of capital that should be invested abroad, what sort of investment strategy should be selected.

The investment strategy is to choose one of direct investment, strategic alliance, join venture, franchising, or licensing to penetrate international markets as shown in Figure [1]

**Direct Investment**

**Strategic Alliance**

**Economic**

**The Entry Decision**

**Cultural and Social**

**Joint Venture**

**Franchising**

**Political & Legal**

**Licensing**

Figure [1]

The effect of environmental factors on entry decision: Before the entry

After the entry, and the foreign company starts its operations in the domestic market it will be exposed to the environmental factors in different degrees according to its characteristics such as: nationality, size, experience, expansion, and Jordanian workforce percentage. As well as according to the entry strategy, this was selected when the entry decision took place.

The effect of the environmental factors on the organization ' After the entry'

The present study aims to pursue this process and to show the impact of the environmental factors on the entry decision, then to indicate any variations according to the organization's characteristics.

## **Statement of the problem**

It's very important to identify the obstacles facing the Airline industries in Jordan, which could effectively prevent or participate in reducing the invested foreign capital. One of the main obstacles is the business environment. This environment can be considered as an opportunity to attract the investors instead of being an obstacle. This can be done through continuous improvements and development of the different existing institutions interested in supporting and facilitating the investment process in Airline sectors.

Both public and private sectors must exert more efforts to create an attractive business environment through different ways such as: reducing the administrative obstacles, liberalization and developing the regulatory system, and building the required investment culture.

This study aims to replay the following questions:

What are the main environmental factors affecting the entry process?

What are the differences in the influence according to different types of corporations?

## **Research Questions**

The following (4) groups of research questions were developed for this study.

Group 1

## **Economic Environment in Jordan**

1. 1 To what extent the economic conditions influence of foreign airline industries to entry in Jordanian Market?

1. 2 Are the economic incentives provided to attract foreign investment into Jordan sufficient?

1. 3 Is the infrastructure of the Jordanian economy suitable, and accepted by different types of multinational corporations?

1. 4 Is the economic impact varying according to the characteristics of foreign companies?

Group2

## **Cultural and Social Environment in Jordan**

2. 1 To what extent the cultural environment influences multinational Airlines entry in Jordanian market?

2. 2 To what extent Jordanian culture suits international business?

2. 3 Is the cultural impact varying according to the characteristics of the foreign corporation?

Group 3

## **Political and Legal Environment in Jordan**

3. 1 To what extent the (political and legal) environment influences multinational airlines entry in Jordanian market?

3. 2 Is the Jordanian Political status described as stable one?

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3. 3 To what extent the legislation system and relevant laws in Jordan suit this area?

3. 4 Are the (political and legal) impacts on foreign companies varying according to their entry strategy or international expansion?

Group 4

## **Jordanian Business Environment in General**

6. 1 Is the Jordanian business environment in general is an attractive one, or have negative impact on foreign airlines entry?

6. 2 Is the impact of Jordanian business environment, varying according to different attributes of foreign airlines investors?

## **Importance of the study**

This study was designed to explore the impacts of the Jordanian business environment on foreign investments, direct surveying of the foreign investor's opinions have provided great importance of the study. Policy-makers in Jordan may find useful findings, to improve their strategies in the case of attracting foreign investment. The study puts some conclusions with recommendations about the following:

Investment policies.

Investment incentives.

Fundamentals to attract more investors.

These issues evidence that process of monitoring the investment environment should be conducted at high official levels in both government and private sectors. The results of this study can be applied in the forthcoming similar studies of business environment and it's impact on Airline industries entry, also can be used as a helpful material in solving problems and confusions in investment programs.

### **Scope of the study**

The purposive and area sampling technique was used because to select the sample from the outstanding foreign investing companies in Airline sectors in the Jordanian market. Data were collected through self- administered questionnaire. Many copies of the questionnaire will be distributed in Amman, the capital of Jordan because of the concentration of foreign Airline companies in the mentioned areas. The questionnaire will be written in English language with translation to Arabic Language to be understood by different foreign investors.

### **Variables of the study**

#### **Independent variables**

These variables represent the business environment, which include (Economic, political and Legal, Social and cultural).

#### **Dependent Variable**

This variable represents the attitudes of foriegn airline companies in Jordanian Market towards the Jordanian business component, which are

influenced by the environmental factors before and after issuing the entry decision.

### Intervening variables

These variables represent:

The organization's characteristics or attributes, which consist of (nationality, size, experience, expansion and local workforce percentage).

The selected entry strategy through issuing the entry decision, which include four major forms (full direct investment, joint venture, strategic alliances and mergers, and franchising and licensing).

By linking the above mentioned variables, any change in Jordanian business environment (independent variables) expected to lead for change in the multinational attitudes towards entering Jordanian market (dependent variable). While intervening variables may ease or obstruct the impact of the environmental factors on the multinational enterprise, the process can be explained by using the following model figure 1. 3: