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Effectiveness the Laid-off Empowerment Program Case Study

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Abstract

The purpose of the study is to investigate the relationship between laid off personal characteristics and success Small and Medium-sized Businesses, (SMBs), which established by empowering laid off program in Jordan Cement Factories Company (JOCM), the study also trying to identify the main factors that contribute in success and failure SMBs for laid off. 73 questionnaires were analyzed to achieve the research objective. The results indicated that there was no significant difference in success SMBs for staff laid off based on age, education and experiences. 66% reported that their projects failed, 24% of respondents stated that their projects are unrealistic, and they aimed to get amount of money from the company, where they shut down the project after receiving the project grant.

Introduction

Some Jordanian companies adopted the downsizing strategy to minimize the operating cost and achieving competitive advantage by offering severance package to their employees, one of these companies is JOCM which offered generous severance package (Al-Rfou, 2003).

JOCM was established in 1951. JOCMs' main activities include quarrying, producing and trading in cement in locally and abroad. It is member of the Lafarge group; it has two cement factories in Jordan, one in Fuheis and the other in Rashadiyah (Al-Sawalqa & Al-Rfou 2012).

JOCM simultaneously, with its downsizing strategy, launched in 2007 a program was a first of its kind in Jordan designed to support employees leaving the company to establish SMBs that will ensure sustainable income for the future and to create new jobs in the local communities. Employees leaving the company would receive in addition to their severance packages a grant 10,000 Jordan Dinner (JDs) to establish their projects. This grant is paid over 2 years and 80 % of it is paid based on the number of jobs created. The beneficiaries from program 510 laid off, they established SMBs in various sectors of commercial, industrial, service and agriculture

these businesses created 1530 jobs in all governances of the kingdom. The cost of program is 3.5 JDs million (Soso, 2011).

After few years from carrying out the empowerment program, important questions were questioned about the achieving program goals. In particular, it has been noted that some SMBs established by lay off failed. This study comes to determine factors effect on success and failure SMBs were established by the empowerment program.

In particular, this study trying to answer the following questions

1- What is the relationship between successes of SMBs for employees laid off based on age, education and. experiences?
2- To what extent the goals of program empower staff laid off were achieved?
3- What are the main factors that contribute in failure SMBs for staff laid off?

Literatures review

SMBs play a major and important role in today's world economy, and they are recognized as one of the main contributors to economic development and employment growth. According to Mulhern

(1995) 99% of all European companies are SMBs it provided 66% of the employment in Europe.

In Jordanian economy which witness high unemployment rate 12.5% of the labor forces, SMBs have a vital role in the economic development, which represent 98% of all employers and 52% of the private work force and provide virtually all the net new jobs and provide 51% of private sector output and 96% of all export of goods however, so, Jordan depends almost entirely on SMBs to drive its economy (JEDCO 2011; Jordanian Department of Statistics 2011).

About 98% of all businesses in Jordan have less than 50 employees are classified as SMBs (depending on the number of workers per establishment for the definition of SMBs) two third of which have less than 19 employees (Ministry of Industry, 2012).

Previous studies explored the factors that affect SMBs success. Thibault *et al*. (2002) suggested personal factors such as demographic variable, business factors such as amount of financing, use of technology, age of business, operating location, business structure and number of full-time employees.

Lerner et al. (1997) identified the factors affecting women entrepreneur performance by motivation, goals, social learning, affiliation, human and environmental factors.

Reynolds *et al*. (2000) found that individuals aged 25-44 years were the most entrepreneurially active. Finding from another study in India by (Sinha, 1996) disclosed that successful entrepreneur were relatively younger in age. In their study on Internet cafe entrepreneurs in Indonesia, Kristiansen *et al*. (2003) found a significant correlation between age of the entrepreneur and business success. The older (>25 years old) entrepreneurs were more successful than the younger ones. A research by Sinha (1996) founded appositive relationship between the qualification and successful SMBs. 72% of the successful SMBs owner who had a minimum of technical qualification, whereas most (67%) of the unsuccessful owners did not have any technical background.

Charney and Libecap (2000) found that entrepreneurship education produces self-sufficient enterprising individuals. Furthermore, they found that entrepreneurship education increases the formation of new ventures, the likelihood of self-employment, the likelihood of developing new products, and the likelihood of self-employed graduates owning a high-technology business. Also, the study revealed that entrepreneurship education of employee increases the sales growth rates of emerging firms and graduates' assets. Kolvereid (1996) found that individuals with prior entrepreneurial experience had significantly higher entrepreneurial intentions than those without such experience. On the other hand, Mazzarol *et al*. (1999) found that respondents with previous government employment experience were less likely to be successful founders of small-businesses. But, they did not investigate the relationship between previous employment experience in private companies and entrepreneurial intentions

Current study investigates the relationship between the laid off characteristics (i.e. age, education and experiences) and the SMBs success. It can be hypothesized that:

H_{01}: There is no significant difference in success of SMBS for employees laid off based on age, education and. experiences.

Methodology

Sample selection and data collection
This study has been built on descriptive analytical approach; the study population consists of all Laid-off employees who benefited from empowerment program in JOCM. The data has been collected using questionnaire 100 sets of questionnaires were distributed to selected respondents, of which only 75 questionnaires were collected back; the response rate is (75%). However, only 73 questionnaires were used for analysis and two questionnaires were rejected. The study's variables are dependent variable success of SMBs and independent variables are the characteristics of laid off employees (i.e. age, education, and experiences). The questionnaire has four sections. To examine the relations among the study variables, simple regression and ANOVA on multiple regressions from the SPPS version 17 were used.

Data analysis

Descriptive analysis in table (1) shows that there are zero respondents from PhD holders, 1 (1%) was from master's degree, 16 (22%) were from bachelor's degree, 17 (23%) were from certificate/diploma, 21(29%) were from secondary school and 18 (25%) less than secondary certificate. Regarding the scope of experience, 4 (5%) respondents having experiences in engineering field, 16 (22%) in financial, 25(34%) technical experiences and 18 (25%) in the administrative field. Table (1) shows also the ages of respondents, majority of respondents a total of 32 (44%) were aged between 46-50 years old, (26%) were aged between 51 - 55 and 23% were aged between 40 to 45 years old, 7%.were above 55 years old.

Table 2 shows that SMBs have been distributed to most provinces, (41%) in the Tafila province (15%) for each provinces Amman, Balqa and Ma`an. In respect to the project type, the study findings show that (53%) commercial, (25%) services, (18%) agriculture and (2%) small industrial.

Also, study findings show that 66% of respondents have reported that their SMBs failed for several reasons. 70% agreed that choosing of unprofitable considered the main reason for the failure of SMBs. In addition, they mentioned that insufficient capital, failure to clearly define and understand market, customers, and customers' buying habits and personal use of business funds played role in failure the projects.

24% of respondents stated that their SMBs are unrealistic, and they aim to get amount of money from the company, where they shut down the SMBs after receiving the amount of project support.

In considering the reasons for selection SMBs, the respondents have pointed out that market needs, opinion of colleagues and family, feasibility study and the years of experiences are the main reasons for selection the SMBs.

Hypothesis test

In this part, the researcher tested the hypothesis of the study.

H_{01}: There is no significant difference in success of SMBs for employees laid off based on age, education and experiences.

Table (3) shows the mean, standard deviations and inter-correlation matrix of the independent variables. The correlation matrix shows that there is positive correlation between the variables (age, education and experiences) and success of SMBs for employees laid off which is represented with the cumulative grade point average of the respondents. A look at the table reveals that though there is a positive relationship between age (0.904), education (0.240), experiences (0.105) and success SMBs, the relationship was not statistically significant.

To test whether the variables of (age, education and experiences) predict the success of SMBs of the respondents, multiple regression tools was employed. Table 4 shows that the combination of the three independent variables (age, education and experiences) in predicting the success of SMBs yielded a multiple regression (R) of 0.095 and R2 (adj) of 0.008. This implies that all the independent variables in this study accounts for only about 1% of the variance in the success of SMBs of the respondents. The F-ratio of the model is 0.519 and it is not significant. This shows that the variables did not significantly predict success of SMBs among the respondents who participated in this study.

To test for the predictive power of each of the independent variables, (age, education and experiences), their regression co-efficient was computed using t-ratio. The t-values are as follows experiences -.360, education 0.270 and age 1.179. All the variables were tested at 0.05 level of significance. Table 5 shows that none of the variables has significant influence on the success of SMBs.

Discussion and conclusion

Based on the findings of the study, SMBs have a vital role in the economic development Jordan gives great importance to SMBs and depends almost entirely on SMBs to drive its economy. JOCM launched in 2007 a program to empower laid off by encouraging him to established SMBs; the program aims to ensure sustainable income for the future and to create new jobs in the local

communities. The current study aims to investigate the relationship between successes of SMBs for employees laid off based on age, education and. experiences and identify the main factors that contribute in success and failure SMBs for laid off. One hypothesis was developed to test the relationship between the independent variables (age, education and experiences) and the dependent variable (success of SMBs for staff laid off). To achieve the research objective, two types of analysis were performed. In general, the results indicated that there is a positive relationship between age education, experiences and success SMBs, the relationship was not statistically significant, in other word, age, education and experiences are not significant predictors of success of SMBs for laid off, . Also the study found that 66% of respondents revealed that their SMBs failed and 24% from SMBs are unrealistic, and shut down after receiving the financial support.

70% of respondents agreed that choosing a business that isn't very profitable the main reason for the failure of the SMBs, they mentioned that insufficient capital, failure to clearly define and understand market, customers, and customers' buying habits and personal use of business funds played role in failure the SMBs. Despite that this study has some limitations related to the low study sample. It can be argued that this study is open many avenues for the future research agenda. There is a fruitful opportunities for future research to investigate the effect. Since this study is considered one of the first studies in this field it must be taken as a starting point for researchers to build on and for companies to overcome the limitations.

The current study recommends continuing occupying the laid off empowerment programs and suggests projects relevant to their qualifications, experiences and skills. In addition, it's necessary to generalize the idea of laid off empowering as this well help in minimizing the psychological, social, and economical negative consequences of downsizing. Furthermore, follow up and support lay off projects to ensure its continuity.

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Tables

Table 1: Respondents Characteristics

Items		Freq.	%
Qualifications	PhD	0	0%
	Master	1	1%
	Bachelor	16	22%
	Diploma	17	23%
	Secondary certificate	21	29%
	Less than Secondary certificate	18	25%
	Total	**73**	**100%**
Experiences	Engineering	4	5%
	Financial	16	22%
	Technical	25	34%
	Administrative	18	25%
	Services	10	14%
	Total	**73**	**100%**
Ages	40-45	17	23%
	46-50	32	44%
	51-55	19	26%
	56-60	5	7%
	Total	**73**	**100%**

Table 2: SMBs Characteristics

Items		Freq.	%
SMBs Location	Amman	11	15%
	Zarqa	2	3%
	Balqa	11	15%
	Irbid	2	3%
	Madaba	2	3%
	Karak	4	5%
	Tafila	30	41%

	Ma`an	11	15%
	Total	**73**	**100%**
SMBs Type	Commercial	39	53%
	Small industrial	3	4%
	Services	18	25%
	Agricultural	13	18%
	Total	**73**	**100%**

Table 3: Inter-correlation matrix, means and standard deviation of the independent variables (age, education and experiences) and the dependent variable (success of SMBs for laid off)

S. No.	Variable	Age	Education	Experiences	C.G.P.A
1	Age	1			
2	Education	.201	1		
3	Experiences	.189	.624	1	
4	Cumulative grade point Average	904	.240	.105	
5	Mean	.67	2.34	20.94	2.35
6	Standard Deviation	.47	.60	5.70	.70

N= 73   P> 0.05 level of significance

Table 4: ANOVA on Multiple Regression Analysis on Success of SMBs for laid off

Model	D.F	Sum of squares	Mean square	F	R	R2 (cal)	Standard error	Sign
Regression	3	0.771	0.257	0.519	0.95	0.008	0.7036	0.669
Residual	70	84.652	0.495					
Total	73	85.423						

Table 5: Testing the Significance of Regression Weights

Variable	B	Standard error	Beta	t-ratio	Sign
Experiences	-3.338 E-03	.009	-.028	-.360	.719
Education	3.090 E-02	.115	.021	.270	.788
Age	.105	.089	.090	1.179	.240
Constant	2.120	.352		6.017	.000