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# **Performance of Small businesses in Tangier: The Perceptual Role of Location**

**Sefiani, Yassine, Davies, Barry J and Bown, Robin.**

## **Abstract**

**Purpose** - This study seeks to investigate perceptions of the role of location on the performance of small and medium enterprises (SMEs) in Tangier, as understood by local owner-managers.

**Prior Work** - Several studies have attempted to explain the role of location on business performance. Whilst some studies have stressed urban and rural locations, other studies have often paid particular attention to the connection of location and taxation and industry clustering effects. While the findings of these studies (chiefly from rational economics) provide important insights about location, it can be noted that they are perhaps insufficient in fully understanding the role of location, particularly in the context of Tangier, where scarce studies exist, and where the nature of settlement historically has not been 'rational'.

**Approach** – To explore perceptions of the performance/location relationship for SMEs in Tangier, twenty in-depth online semi-structured interviews were conducted with selected owner-managers of SMEs. The judgement sample was selected to explore their experiences, beliefs, and attitudes with respect to their performance and location.

**Results** - Findings of the study revealed that 'location' is a salient factor that, in the minds of respondents, materially influences the performance of SMEs in Tangier. Location was mentioned extensively in the interviews, in relation to the 'free zones'. Findings showed that firms located within the free zones enjoyed favourable economic conditions, in particular those related to taxation and competition, compared to their counterparts located outside the free zones, which were excluded from these benefits. Furthermore, perceived unfair competition (financial & fiscal incentives in the free zones), damage the performance of the SMEs in Tangier. These findings suggest that the placement of the business in relation to the free zones and in respondents' perception thus became an important financial and emotionally significant perspective on equality in relation to success.

**Implications** - The findings of the study could encourage the government to adopt policies that will assist indigenous firms to benefit from advantages that are comparable to those that are available to those in the free zones. Greater attention to the perceptual effects of location would be advantageous. However, the exploratory nature of the study means that results cannot necessarily be generalised beyond the setting in which the data were collected. Future research should examine the impact of location for SMEs in a broader sample of countries.

**Value** - This study is among those few studies located in the Middle East North Africa (MENA) region that explore the performance of SMEs from the perceptions of owner-managers themselves, and not based on aggregate or economic data. It supports

previous findings of several studies and contributes additional evidence that suggests the significance of levelling the playing field and its impact on SME performance in the contemporary African business context.

**Keywords:** Location, Performance, SMEs, Level Playing Field, Africa, Tangier

## Introduction

The important contribution of a vibrant small and medium enterprises (SMEs) sector in the national economic and social development of a country has been widely recognized (Birch, 1989; Storey, 1994; The European Commission, 2011; Stenholm et al., 2012; Lee and Cowling, 2015; Ayandibu and Houghton, 2017). In view of its increasing importance, performance of SMEs has been of interest to many researchers, international organizations, and policy makers, at least since the Bolton report (1971), and therefore has become the subject of a great deal of analysis. Attention to the SME sector has heightened because of the globalizing economy and the increasingly severe competition that is inherent in this development. Specifically, researchers have shown interest on the variables associated with firm performance. Among these variables, location has been identified as a key factor that influences business performance (Saura, Palos-Sanchez & Grilo, 2019; Al-Tit, Omri & Euch, 2019).

In a rapidly changing and hostile environment (Chassé & Courrent, 2018), ownermanagers of SMEs are required to engage in the process of careful selection of their location in order to maximize business performance. Whilst a considerable number of studies have been published on the role of location on business performance (Storey, 1994; Liedholm, 2002; McCann & Folta, 2008; Martyniukpęczek, Martyniuk, Gierusz, & Pęczek, 2017), insufficient attention has been devoted to researching and better understanding the role of such factor in the Middle East and North Africa (MENA) region (Sefiani, Davies & Bown, 2016). On this account, several researchers have found that the appreciation of location in the MENA region is important (Bakhouch, 2021; Saqib, 2014) and recommended further study to explore this factor (Sefiani et al., 2016). Addressing this relative dearth of research into small business performance, the following study seeks to develop a clearer understanding of the influence of location on business performance, as *perceived* by local ownermanagers of small manufacturing businesses in Tangier in Morocco. It is hoped that this research will contribute to a deeper *understanding* of the location factor especially the importance of levelling the playing field in the contemporary African business context.

## Social Context

SMEs in Morocco play a pivotal role in the development of the country. The importance of SMEs is evidenced by their high presence in the economic structure of the country. According to The United Nations Economic Commission for Africa (UNECA) (2008), 93% of all Moroccan industrial firms are SMEs and account for 38% of production, 38% of investment, 31% of exports, and 45% of all jobs. Within Morocco,

the city of Tangier has a strategic geographical position, enjoys a special tax status, and contains zones that have the status of free economic zones. Located in the Tangier-Tétouan region in the extreme north-west of Morocco, the city of Tangier is

Morocco's second industrial centre after Casablanca and the first industrial city in the Tangier-Tétouan region. After decades of neglect, Tangier did not regain attention from the government until 1999. The Moroccan government has engaged since then in developing the economy of the city by seeking to create an enabling business environment for large as well as small and medium companies. Manufacturing SMEs in Tangier account for over half of the total firms in the Tangier-Tétouan region and contribute to 83% of employment (Ministry of Industry, Commerce, and New Technologies: MICNT, 2007). However, despite their value in the regional economy, their contribution to the industrial value added remains limited with respect to the national economy. Recent available data from the MICNT showed that the contribution of the Tangier- Tétouan region to the industrial value added was only 7% in 2010 compared to 49% in the Greater Casablanca region (MICNT, 2011). This does not reflect the potential of the SME sector especially after the recent significant economic developments in the Tangier-Tétouan region.

Recent economic developments in the Tangier-Tétouan region, and particularly in the city of Tangier, have been considerable. Among the recent biggest developments are the Tanger-Med port which is one of the largest ports in Africa and on the Mediterranean, and a series of 'free zones'. By virtue of these developments, the strategic position of the city manifested in its proximity to Europe, its special tax status, and the economic free zones, several local and international investments have been attracted to the city in the last 10 years, which have transformed the region into a competitive hub for international trade. Zaafrane & Mahjoub (2000) have noted that this has opened these economies to foreign investment in the competitive areas but the related fiscal changes constrain those industries serving the local market. SMEs in Tangier have been vulnerable to these business environment challenges, which could have an impact on their performance as the economic benefits of these zones are unevenly distributed. Kumar, Singh and Shankar (2014) argued that in developing countries, SMEs are more conditioned by the environment. Furthermore, Man & Lau (2005) posited that SMEs are more likely than larger firms to be affected by changes in their internal and external environment, which are often unplanned for. The academic literature on the environmental factors has revealed the importance of location to enable SMEs to obtain better performance. Vázquez-Barquero (1999) argued that location enables the success of SMEs, allowing more access to resources (Belyaeva, Krivorotov, Kalina and Yerypalov, 2016), complementary skills and knowledge (Gronum, Verreynne, and Kastelle, 2012). Territorial proximity enables SMEs to be in direct connection with customers and local suppliers, making possible to fit their needs better. Because of physical proximity, there is a greater exchange of information between suppliers and customers (Camison and Zornoza, 1997). Co-location of firms reinforces this idea through economies of agglomeration and marketing (Felzensztein, Gimmon and Carter, 2010). In all of these studies, location is generally understood as physical placement, as a topographic phenomenon.

Thus, an important issue arises concerning the ability of small and medium firms to cope in a very challenging environment through the location factor. In an attempt to address this issue, as mentioned above, the present study has been undertaken with the aim of developing a clearer understanding of perceptions of the role of location on business performance as perceived by local owner-managers of small manufacturing businesses in Tangier in Morocco. To achieve this aim, the following objectives were set:

- To investigate opinions of local owner-managers about location in relation to business success.

- To explore the experiences of SME owner-managers of the perceived location factor for business 'success' in Tangier.

## **Literature Review**

A considerable amount of literature has been published on the performance of SMEs. This performance may have two strategic outcomes that is often referred to in the literature as firm success or failure (Dess & Robinson, 1984; Ostgaard & Birley, 1995). In a management field, success and failure can be interpreted as measures of good or indifferent management (Jennings & Beaver, 1997), but it may occur for other reasons such as luck (Storey, 2011). In the small firm research literature, the concept of success remains a topic of debate (Gorgievski, Ascalon & Stephan, 2011). This is despite the evidence that the 'success' of small firms has been subject to a great deal of research. However, there is no general agreement in the literature on what is meant by the success of a firm. Indeed, a myriad of perspectives, ranging from mere survival to the achievement of certain levels of performance, exist about such a concept in the entrepreneurship literature. Very often, the terms 'success', 'survival', 'growth' are very closely linked and sometimes used interchangeably. Part of the issue is that, as the more granular contemporary literature demonstrates, the nature of success is affected by many issues. "Every scholar has their own perspective and view about the definition of the business success of SMEs" (Ayob et al., 2019, p 1780).

Besides the multi-dimensional aspect of success, variables that contribute to the success of SMEs are not unanimously agreed upon by researchers. While some analysts suggested that the dynamics of the success of businesses remain a black box (Dockel & Ligthelm, 2005; Ligthelm, 2010), others argued that the success of enterprises is a function of both external and internal factors (Penrose, 1959; McCline et al., 2000; Guzman & Santos, 2001; Markman & Baron, 2003).

Among the factors affecting SME performance, that have been of great interest to researchers, entrepreneurs, and policy makers alike is the location factor (Mendes, Braga, Silva, Ratten, & Braga, 2021; Laurin, Pronovost, Carrier, 2020; Martyniuk and Pęczek et al., 2017). As with 'success', location means different things in varied disciplines. It has been of significant interest in geography and marketing in particular (Davies and Ward, 2002). Also, much concerned with issues of location has been economics – does nature (the natural environment) determine location, are there second order natures, and so on (Lin & Rauch, 2020). Sridhar & Wan (2010) defined

location as choice of where a business is to be located which could be small, medium and large cities or urban or rural locations. While place is often seen in this way as a 'pure' physical location, it is also commonly used in terms of a 'marketplace' - an urban centre is a bigger marketplace. The genesis of the emphasis on urban/rural distinction probably lies in Christaller's central place theory (See King, 1985, reprinted 2020, for an extensive multidiscipline review). It is also Christaller (1933) who rooted the perspective in consumer behaviour, which explains the interest of marketers in these ideas.

The idea of place in marketing has changed significantly over the years. The original view of a market as a place to buy and sell has continued and place is one of the foundations of marketing as encapsulated in the 4P's - product, price, place, and promotion - of the marketing mix originally proposed by Borden (1964). Place is now perhaps more commonly seen as a 'market', but market has become groups of people - consumers - not physical places. However, the use of the term 'marketplace' has continued, with it now more often meaning a conceptual region than physical space, often differentiated by product: the product-market. So, for some, the meeting ground for the buyers and sellers of products is a bounded arena occupied by the demand for a particular product (Rosa et al., 1999). The product-market becomes the trading space. New products can be seen as filling a 'space' in the market (Lien, 1997: 239).

This transition from meaning to meaning, from one level of analysis to another is a characteristic shared across disciplines as they variously examine 'place' 'space', and 'location'. "Engaged with and experienced both as a physical and ambient dimension, as distance, location, or topography, space is recognized as an important cultural medium, an idiom through which individuals can think and that can be culturally organized to produce spatial practices that are social, aesthetic, political, religious or economic." (Aucoin, p397, 2017) Given this conceptual complexity it is evident that research needs to approach from many perspectives.

Our position starts from a perspective that space is the most general (all encompassing) concept, within which place is a particular point or area, and location is a specific type or site within the place. (This ordering is, of course, not absolute but serves for now.) We believe, with Aucoin, that space is a cultural medium. This requires research that delves deeply into the culture of those inhabiting a given space. We cannot claim to have delved deeply, but we do wish to progress the discussion concerning SMEs beyond the rural/ urban divide.

Several studies have attempted to explain the role of urban and rural location in business performance (Laurin et al., 2020; Martyniuk-pęczek et al., 2017; Kala & Guanghua, 2010; Harabi, 2003; Liedholm, 2002). In their study about the determinants of SME location in suburban areas in Poland, Martyniuk-pęczek et al. (2017) found that inappropriate location could have consequences and negative effects on the enterprise. Similarly, Liedholm (2002) investigated the determinants of survival and growth of small businesses in Africa and Latin America. Findings of his study showed that location of the firm was an important factor. Firms located in urban and commercial areas were more likely to survive, during a given year, than those located in rural areas.

Urban and commercial location was also associated with faster growth, in terms of the number of employees hired in a given year. In Morocco, Harabi (2003) found that the location factor was significant in explaining the performance of SMEs, particularly, their growth. Findings of his study showed that SMEs located in big urban areas such as: Casablanca and Fez grow faster than those located in urban areas of medium size such as Tangier and Rabat. However, in contrast, in their paper about the economic performance of 98 Municipal Regional Counties (MRCs) in the province of Quebec (Canada), Laurin et al. (2020) found that rurality might be too broad a concept to categorize the economic situation of “non-urban” regions. Their study showed that geographic remoteness and the nature of the regions’ industrial base might be more useful to characterize their particular economic environment to the economic performance of SMEs.

When further examining the role of location, other studies have paid particular attention to the role of geographical clusters (Mendes et al., 2021; McCann and Folta, 2008). Birkinshaw & Hood (2000: 142) defined clusters as “an aggregation of competing and complementary firms that are located in relatively close geographical proximity” – again, consistent with Christaller’s conception. Tallman, Jenkins, Henry, & Pinch (2004) added the role of the social networks aspect in their enriched definition for a cluster, which was described as a group of firms tied together by geographical co-location and complex social interaction. Several studies argued that firms based in local or regional agglomerations benefit from locating in clusters as they outperform those located outside (Mendes et al., 2021; Madsen, Smith and DillingHansen; 2003; McCann and Folta, 2008). In their study of a sample of 3537 Portuguese firms, Mendes et al. (2021) suggest that firms belonging to industrial clusters and developing innovation activities tend to exhibit a higher post entry speed, not observing the same impact in terms of early internationalization. Similarly, in their study about Danish firms, Madsen et al. (2003) found that firms located in industrial clusters are more productive than their counterparts located separately outside industrial agglomerations. They expounded that this positive performance is due to the agglomeration advantages, which include, but are not limited to: networks, knowledge spillovers, human capital mobility, etc. Conversely, other researchers highlighted different results, ranging from negative performance effects; which derive from increased competition and potential knowledge leakage (Folta et al., 2006; Alcácer, 2006; Alcácer & Chung, 2007; Pouder & John, 1996); to rather mixed effects (Grashof and Fornahl; 2021; Knoblen, Arikan, Van Oort, and Raspe, 2015).

Linked to location, the concept of digital space has been highlighted in several studies (Costa, Soares and de Sousa, 2020; Nuseir and Aljumah, 2020; Rachmawati, Rijanta and Djunaedy, 2015). These studies clearly indicated the need of a ‘market in the digital world’ due to its importance in interacting with stakeholders. Digitalization has an impact on SMEs and influences their competitive position in the market (Kiili, Leu, Marttunen, Hautala, & Leppänen, 2019; Kaur, 2017). Having a digital space allows customers to shop online from any remote location without any physical bounding. Utilization of digital and social media applications has become important and research scholars have paid greater attention due to its crucial role in today’s competitive business world (Gazal, Montague, Poudel, & Wiedenbeck, 2016).

Researchers have shown that small and medium enterprises (SMEs) can gain benefits through effective utilization of social media and technologically advanced tools for business management where they lack traditional resources (Durkin, McGowan, & McKeown, 2013). Though still sporadic, it seems clear that current evidence points to the potential usefulness of digital space alongside traditional location especially in the current pandemic of Covid 19.

Taken together, the studies reviewed here support the notion that location has a significant influence on business performance. However, even though a plethora of research has investigated the impact of location on the performance of SMEs in Western literature, it remains culturally bound. A few studies have considered the role of location and its impact on the performance of SMEs in (non-western) Tangier (Sefiani et al., 2016).

## **Research Methodology**

The present study is exploratory since it attempts to explore the experiences, beliefs, and attitudes of SME owner-managers in Tangier with respect to the impact of location on the performance of their firms. The methodological approach adopted in this paper is to recognize the “inherent temporality of perceptual experience as an open process and as connected to the spatiality of objects” (Warren 2009, p.42). The perceptual understanding of location relates ‘real’ spatiality with the adopted subjective views (this represents a simplification of our view that everyday and scientific reasoning are both context dependent (Longino, 1990). This interrelationship is difficult to determine and needs to be explored through the research method adopted.

To facilitate investigation, the study embraced a qualitative research method, based on Geertz’ (1973) concept of thick description, in order to explain not just the behaviour but also its context. To this end, twenty online semi-structured interviews were used as they are flexible in process and allow the interviewee’s own perspectives to be explored (Bryman, 2008). Moreover, online interviews can provide greater spontaneity and can enable participants to answer immediately (Chen and Hinton, 1999). However, while some researchers think that online interviewing cannot achieve the high interactive, rich and spontaneous communication that can be achieved through face to face interviewing (Lichtman, 2006; Mann & Stewart, 2000), online interviewing does have distinct advantages and, in many respects, does closely resemble a traditional face-to-face interview (O’Connor et al., 2008).

## **Interview Design**

To provide guidance and to ensure consistency throughout the interview process, an interview guide was developed. However, there is a need for an open exploratory context to generate rich data, so a flexible design was taken into account when developing such guide. This was based on the advice of Hammersley & Atkinson (2007) who recommended a flexible approach to interviewing. Therefore, it was not the lead researcher’s intention to use directional or even to ask all questions at every



interview, but rather to cover the subject matter of the topic during the course of the interview.

The interview guide consisted of an introduction, main questions and clarifying questions. The main questions sought to explore how owner-managers of manufacturing SMEs in Tangier perceive the role of location on their business performance in relation to their experiences. Clarifying questions were used in order to elicit the maximum amount of information. The questions of the interview guide were first designed in English. They were then translated by the lead researcher (from English to French), and then back-translated by a professional certified translator (from French to English), to ensure, as far as practicable, that the meaning of each question remained as consistent as possible with the English version. The interviews were conducted in French as this is the business language in Tangier.

### **Selection of Respondents**

The selection of respondents was based on the official definition of SMEs in Morocco derived from The General Confederation of Enterprises of Morocco

(CGEM) that defines SMEs as enterprises that employ less than 200 employees. The number of employees' criterion was chosen in accordance with the argument of Child (1973) who argued that employment is an adequate criterion for the measurement of the size of an organization, because it is above all human beings who are 'organized'. Therefore, the study considered enterprises with a headcount between 10 and 200 employees as SMEs. Moreover, respondents were selected from the official website of the MICNT, the AZIT directory 2010, as well as its official website, and the website of the Tangier free zone. With regard to the selection of particular SME owners, then judgmental sampling was used. The selection criteria were: sector, geographical location, and gender. These three factors were used to avoid structural bias in the construction of what was a small sample. Judgmental sampling was deemed appropriate for the study since this study has an exploratory nature. The intention of the researchers was to explore perceptions and views of the effects of location on business performance in relation to the experiences of owner-managers of SMEs in Tangier, and not to generalize the results to a wider population. As for the sample size, in judgmental selection, the researcher uses his or her judgment to decide when enough participants have been sampled. As suggested by Kvale (1996), new interviews might be conducted until a point of saturation, where further interviews yield little new knowledge. In this qualitative study, the sample size was achieved when twenty interviews were conducted. The cut-off point was not predetermined, but emerged from the research process and concurrent data analysis (Babbie, 2010).

### **Interview Administration**

The data generation for the qualitative study took place in September 2021. Arrangements were made to conduct online interviews with owner-managers. All interviews were individual and were conducted using French. The duration of the interviews ranged from 30 to 45 minutes. Prior to undertaking each interview, participants were reminded of the purpose of the study, research procedures, expected benefits, their right to withdraw from the study at any time, and protection of

confidentiality. During the interview, an open-ended flexible approach to interviewing, which is strongly recommended by Abdulsaleh and Sefiani (2020), Bogdan & Biklen (2007), and Hammersley & Atkinson (2007), was used. Thus, open-ended questions were deliberately asked to encourage participants to engage in the conversation. The flexible approach was useful and did result in new emerging issues to be explored. Furthermore, participants' responses were frequently rephrased and repeated in order to ensure accurate understanding of the main points and encourage the interviewees to expound their views on these points. At the end of the interview, a standard form was sent to participants to fill in their personal characteristics such as: age, gender, and educational background, as well as the firm characteristics such as: legal status, activity of the enterprise, years in business, and number of employees. Moreover, participants were thanked for taking part in the study, were reassured again about the confidentiality issues and were alerted that they could be contacted should the researcher need more clarification.

## Results

The analysis of qualitative data was carried out using thematic coding techniques that suit semi-structured interviews conducted in this research (Cornford & Smithson, 2006). The analysis process followed the six phases described by Braun & Clarke (2006) which are: familiarization with the data; generation of initial codes; searching for themes; reviewing themes; definition of themes; and report production.

To facilitate qualitative data analysis and to make qualitative analysis more reliable and transparent (Fielding & Lee, 1998), the software QSR NVivo 9 was used. To ensure an accurate identification of data, all interviews were labelled when introduced into QSR Nvivo 9 software. For example, with the label ENint01, the abbreviation EN represents the entrepreneur; int means interview; and 01 refers to the number of order of introduction into QSR Nvivo 9 software. Table 1 shows the profile of the respondents who participated in the interviews:

Table 1: Profile of respondents

Participants	Respondents' characteristics			Business characteristics				
	G	A	E	LS	TA	L	NE	LO
Participant 1 (Enint 03)	M	37	University	PLC	Textile	> 5 years	106	IZ Al-Majd
Participant 2 (Enint 05)	M	33	University	PLC	Textile	> 5 years	97	IZ Mghogha
Participant 3 (Enint 04)	M	41	University	PLC	Textile	> 5 years	16	IZ Mghogha

Participant 4 (Enint 16)	M	42	University	PLC	Textile	> 5 years	87	IZ Al-Majd
Participant 5 (Enint 01)	M	39	SE	PLC	Agri-food	> 5 years	13	Medina
Participant 6 (Enint 09)	M	40	University	PLC	Agri-food	> 5 years	130	IZ Mghogha
Participant 7 (Enint 07)	M	38	University	PLC	Agri-food	> 5 years	64	IZ Mghogha
Participant 8 (Enint 19)	M	43	University	PLC	Agri-food	> 5 years	137	TFZ
Participant 9 (Enint 10)	M	48	University	PLC	Chemical	> 5 years	93	IZ Mghogha
Participant 10 (Enint 06)	M	32	University	PLC	Chemical	> 5 years	78	IZ Mghogha
Participant 11 (Enint 08)	F	35	University	PLC	Chemical	> 5 years	18	TFZ
Participant 12 (Enint 17)	M	41	University	PLC	Chemical	> 5 years	67	TFZ
Participant 13 (Enint 15)	M	39	University	PLC	Electrical	> 5 years	35	IZ Mghogha
Participant 14 (Enint 11)	M	34	University	PLC	Electrical	> 5 years	21	IZ Al-Majd
Participant 15 (Enint 12)	M	40	University	PLC	Electrical	> 5 years	197	TFZ
Participant 16 (Enint 20)	M	39	SE	PLC	Electrical	> 5 years	93	IZ Mghogha
Participant 17 (Enint 13)	M	43	SE	PLC	Metal & Engineering	> 5 years	80	Peripheral
Participant 18 (Enint 14)	M	37	University	PLC	Metal & Engineering	> 5 years	52	IZ Mghogha
Participant 19 (Enint 02)	M	37	University	PLC	Metal & Engineering	> 5 years	131	IZ Mghogha
Participant 20 (Enint 18)	M	42	University	PLC	Metal & Engineering	> 5 years	115	IZ Mghogha

G = Gender; A = Age; E = Education; LS = Legal status; TA = Type of activity; L = Longevity; NE = Number of employees;

LO = Location; SE = Secondary education; PLC = Private limited company; IZ = Industrial zone; TFZ = Tangier free zone

### Source: Data analysis

The qualitative study found that location of the firm was widely considered by participants to have a pivotal impact on the performance of SMEs in Tangier. Perspectives of SMEs owner-managers of location were mainly associated with the perceived advantages of being located in the 'free zones'. Owner-managers whose businesses were located *outside* the free zones not only *felt* multiply disadvantaged,

but also *resentful* of the 'unfairness' of the advantages enjoyed by businesses with the more favourably perceived location. The strength of feeling expressed by owner-managers who felt both disadvantaged by the free zones and excluded from them was very clear in the interviews. Most respondents had strong views about the free zones, whether positive or negative, to the extent that location of the business in relation to the free zones was an issue that had a strongly personal emotional dimension as well as a managerial one, concerned with business and financial success. In essence, findings showed that firms located within the free zones enjoyed favourable conditions, in particular those related to finance, taxation, infrastructure and competition, compared to their counterparts located outside the free zones, which were excluded from these benefits. These benefits are of course a function of the social structures that govern the free zones, not a product of any geographical features that happen to be present in them.

With respect to finance, findings showed that businesses that are not located in the free zones showed concerns about the services offered by off-shore banks and felt they are not treated equally compared to businesses located in the free zones of Tangier. A clear and strong message was put forward by a participant who argued that SMEs located in the free zones do benefit from the low cost of services offered by the off-shore banks. The participant, who is located in the normal industrial zone, predicted that the future is truly for businesses located in the Free zones of Tangier.

*'Off-shore banks provide services to businesses that are in the free zone. Their services are much cheaper compared to other banks. Truly, businesses located in the Tangier free zone benefit from this and therefore we are not on the same footing. That is why I can say that future investments will be in the free zones.'* (Enint02)

The issue was further explained by another business owner-manager who expounded:

*'Off-shore banks are not located within the free zone. They are located outside the zone. The Tangier free zone (TFZ) is considered to be outside the territory of Morocco and therefore we cannot imagine a bank outside the territory of Morocco because all banks are headed by Bank al Maghreb. However, these banks have off-shore services. They provide services to off-shore companies that are in the free zone.'* (Enint04)

In brief, the location of the firm with respect to the free zone became an important factor of perceived success, in relation to the financial services. The development of free zones in a country has profound effects on the perception of location as a factor of success. Being outside the free zone made it feel as the company was in a less favoured position.

Furthermore, the particular elements of taxation were related to location. This emerged from this study because a number of the firms studied were involved in particular locations, which happened to have tax exempt or lower tax situations regimes. Business owner-managers, specifically those of firms located outside the free

zones indicated that regulations related to taxation constitute a hurdle to their success compared to their counterparts that are located in the free zones.

*'We are not on the same footing compared to firms located in the trade free zone. Firms in the trade free zone benefit from tax incentives that are far better than what we have. Indeed, this is unfair.'* (Enint03)

Further in-depth discussions with participants revealed that serious concerns about the new tax regulations that happened in 2016 were expressed by business owner-managers of firms located outside the free zone of Tangier. Based on the 2008 finance law, in 2016, the corporate tax rate in the region of Tangier was aligned for all firms at the national level with the exception of firms located in the free zones. As indicated by a business owner-manager, this has a negative impact on the success of his firm:

*'From the year 2016, we lost the advantage of paying taxes at a half rate compared to firms located in other cities in Morocco. This has a negative impact on our performance in Tangier compared to firms, located in the free zones, that benefit from tax incentives.'* (Enint05)

To put the taxation theme in context, taxation regulations are clearly constraining the success of SMEs, in particular the ones located outside the free zones. The changes to taxation have added a high degree of uncertainty to owner-managers' expectations of success, in comparison to firms placed within the free zones. In this respect, the location factor can be seen here as an important financial and emotionally significant perspective on equality in relation to success.

In addition to this, the transport and logistics infrastructure was central to the success of SMEs with a business owner-manager suggesting that an efficient transport infrastructure facilitates the operations of the firm and enables for a wider market access.

*'Transport infrastructure is very crucial to achieve business success. An efficient infrastructure enables the movement of our production to a wider market.'* (Enint18)

When exploring the theme further, the transport infrastructure theme was linked to location and strong reference was made to the new port Tanger-Med by participants. It was stressed that such port, which is the largest in Africa, has contributed to the success of SMEs, in particular to the industrial firms that are located in the free zone associated with the port. Reducing the logistic cost was strongly highlighted in the view of a business owner-manager:

*'Nowadays, there is the new port that has given success to the free zone of Tangier Med. It normally has a positive impact on the development of*

*our business especially in terms of logistics cost. As you know, the logistics cost is very important. Thus, if we try to optimize them, we can be competitive with our competitors.'* (Enint08)

Furthermore, location was also perceived as important to both competitiveness and protection from competition. Perceptions of SMEs owner-managers were associated with the free zones, which were seen as detrimental to the performance of SMEs in Tangier. Findings suggested that firms located outside the free zones in Tangier claim that they are not competing on equal and fair terms, compared to their counterparts established in the free zones. A plausible explanation for this is the generous incentives that are available to firms in the free zones together with a higher level of infrastructure development. A business owner-manager of a firm located outside the free zone came up with a message indicating that his firm does not stand on the same footing as its competitor which is located in the free zone. He further expounded that the competitor benefits from many favourable and advantageous conditions and incentives that could enhance his competitiveness. According to him, while these benefits give a competitive advantage to his competitors located within the free zones, it does on the other hand have a negative impact on his competitiveness:

*'I think we are not on the same footing compared to our competitor who is in the free zone. The competitor has several financial advantages that can be used to go far in the business and go ahead of us.'* (Enint02)

In brief, competition seemed to be all about perceived unfair competition (firms in the free zones) and location (as allowing this to happen). It was recognized that unfair competition (financial & fiscal incentives in the free zones), damage the performance of the SMEs in Tangier. This was a study of manufacturing firms and this was a significant emerging issue. It can be concluded that the attractive incentives available for firms in the free zones significantly affected the perception of success. Owner-managers of firms, particularly the ones that are established outside the free zones could wonder: Are we in the right location? Hence, it can be postulated that unfair competition is a function of location. Being in the right location meant the enjoyment of favourable conditions (exempt or reduced taxation and good infrastructure).

## **Discussion**

This study highlights the issue of location as a particularly significant factor influencing the performance of SMEs in the geographical context of Tangier. This is consistent with the findings that emerged in a wealth of studies about location in various contexts (Mendes et al., 2021; Laurin et al., 2020; Martyniuk-pęczek et al., 2017). For example, Laurin et al. (2020), Martyniuk-pęczek et al. (2017), Storey (1994) and Liedholm (2002) stressed the impact of urban versus rural locations and argued that inappropriate location could have consequences and negative effects on SMEs. Other studies, such as that of (Mendes et al. 2021), (McCann & Folta, 2008) and (Alcacer & Chung, 2007) have

paid particular attention to the role of geographical clusters. These studies argued that firms based in local or regional agglomerations benefit from locating in clusters as they outperform those located outside. However, in this study, location was a much more acute and multi-faceted issue as owner-managers' related perspectives were mainly associated with the 'free zones. These free zones had profound effects on their perception of location as a factor of success especially when this location governs the access to other factors such as: taxation, financial resources, networks, transport and logistics infrastructure and a degree of protection from competition, which may reveal that the unique situation of Tangier gives rise to effects not seen elsewhere.

Being located within the free zones meant the enjoyment of favourable conditions (exempt or reduced taxation, a degree of protection from competition, cheap financial resources, better infrastructure, good logistics), whereas being outside the free zone made owner-managers feel deeply that their firms were in a less favoured position. Location is therefore significant in the way that firms are excluded from benefits that accrue to other firms that operate under a different regime. Thus, the placement of the business in relation to the free zones became an important financial and emotionally significant perspective on equality in relation to success. In this way, location was universally seen as a very important success factor but also deeply felt to be a disadvantage by those owner-managers who felt unable to locate within the free zones. Thus, it can be argued that 'location' may function as a higher-order concept (than say urban versus rural or industrial clustering) in relation to, both the placement of business within a country, and choices between countries as jurisdictions in terms of location.

It has often been argued that SMEs need a 'level playing field' (International Trade Centre, 2021; OECD, 2018). One of the benefits of this study is that it demonstrates the effects occurring due to the removal of the 'level playing field'. The introduction of what can be called 'the liminal boundaries' created by the construction of free zones tends to limit the networks and knowledge exchange that could be created across the boundary of the zone. It can also be suggested that the effects of factors linked to location, although they appear to be separate, can become cumulative and therefore the inter-relationships between these factors and location may have a large influence on the performance of SMEs in Tangier.

In general, therefore, it can be argued that the performance of a firm cannot solely be determined by geography, neither is completely independent of its physical location. Recognizing the value of other factors such as: finance, taxation, competition, networks together with technology have had a big impact here. Respondents' feelings (which were often strong) indicated an underlying set of perceptions that involved 'non-spatial' aspects of location. The thread of the argument is that 'place' is simply more than physical location: it is a

psychological space as well, and that requires investigation amongst SMEs. It also can be further argued that the need for a digital space besides a physical location is becoming crucial for businesses nowadays, especially with the lockdowns due to the Covid 19 pandemic. Place has then a problematic nature; it is not outside us,

independent; it is made in our minds. The dualism where place sits outside humans and is somehow 'natural' is longstanding: What might be significant is understanding how the small business owners articulate their idea of location.

## **Conclusion**

This study set out to explore the role of location on SMEs performance as perceived by local owner-managers of small manufacturing businesses in Tangier in Morocco. Understanding the performance of small businesses from the perspective of entrepreneurs is a complex challenge. This complexity is not eliminated by the small size of the business but magnified, because of the personal nature of small firms. This research contributes to the understanding of SME development in that it highlights the issue of location as a particularly significant factor influencing the performance of SMEs in the geographical context of Tangier. Owner-managers' perspectives of location were mainly associated with the 'free zones'. These free zones had effects on their perception of location as a factor of success, especially when this location governs the access to other factors such as: taxation, financial resources, networks, transport and logistics infrastructure and a degree of protection from competition. These findings have significant implications for the understanding of SME operation through routes to development using free ports, which has been adopted as a development strategy by Morocco and a number of other North African countries (Algeria, Egypt, and Tunisia). It has been demonstrated that this policy has a powerful impact on the performance of SMEs in Tangier, supporting those firms that are located within the free zones while constraining those firms that are not.

The findings of the study clearly demonstrate deep contrast in perceptions of the impact of free zones on the part of owner-managers, depending on the location of their firms. The study could therefore aid the policies that will assist indigenous firms located outside the free zones government to understand more clearly the impact of this policy and to develop to

benefit from advantages that are available to those located within the free zones. This will help in creating an undistorted "level playing field" for SMEs rather than providing support for specific industries or groups of enterprises. Whilst the study confirms the importance of exploring the impact of location on SMEs performance, it should be noted that the exploratory nature of the study means that results cannot necessarily be generalized beyond the setting in which the data were collected – meaning is context dependent. Future research should examine the impact of location for SMEs in a broader sample of cultures and types of location.

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