

## Essential Factors of Export Success for Algerian SMEs

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### **Abstract:**

This study aims to identify the key factors contributing to the export success of small and medium –sized enterprises (SMEs). To achieve this , an empirical study was conducted on twenty agri-food SMEs within the Algerian context . The findings of the study highlight several critical elements essential for SME success in exports. This include innovation , product quality , adherence to international standards , operational agility , export expertise , knowledge of target markets , government support , and international partnership. However , despite these favorable factors , logistical challenges , financial constraints, and international economic and political instability persist as major obstacles. These observations underscore the importance of adopting a strategic approach to capitalize on global opportunities while navigating both national and international challenges.

**Keywords:** Export Success; SMEs; Obstacles; Algeria.

**Jel Classification Codes:** L25 , F23 , O14.

### **Introduction**

Currently, it is widely recognized that small and medium-sized enterprises (SMEs) play an essential role in the Algerian economy due to their ability to create jobs, stimulate economic growth, and innovate. It should be noted that international openness constitutes one of the key elements that are required for the sustainable development of SMEs (Chtourou, 2005)<sup>2</sup>. However, one ought to understand the relative importance of the different traditional internationalization factors because, to the best of our knowledge, this topic still remains not completely explored to this day. Although the company size has long been considered as the most predominant determinant, several empirical studies have shown that other elements, such as the international environment, innovation and the manager's role, can also exert a significant influence on the international development process of

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SME ( Saridaki et al, 2019<sup>3</sup> ; AlShehhi, 2023)<sup>4</sup>. In addition, it should be noted that the agri-food industry is widely recognized as the fundamental pillar of the real economy because it exerts a significant influence on the economies of most countries. Indeed, many countries have invested considerable resources to strengthen and improve the agribusiness sector with the aim of maximizing its chances of achieving pre-established objectives linked to economic growth and ensuring the country's food security. No one denies that Algeria's economy, since the access of the country to independence, has largely been dependent on the hydrocarbon sector. Further, the lack of interest in the industrial sector, particularly the agri-food industry, resulted in higher expenditures for food products imports by the Algerian state, which led to a drastic drop in Algeria's financial reserves (Azouani et al, 2014<sup>5</sup>; Kadi, 2021)<sup>6</sup>. It has been reported that the agri-food industry sector occupies the second place in the Algerian industrial panorama (Bessouh & Benmouhoub, 2024)<sup>7</sup>. Indeed, this sector contributes up to 40% of the total turnover of all national industries, excluding the hydrocarbon sector. In 2019, its growth reached 6.8%, representing 13% of the gross domestic product (GDP), with a marked presence of more than 23 000 industrial companies. It should be noted that 95% of these companies belong to the private sector.

### **1-Exporting - Advantages and Challenges**

Exporting is widely recognized as a critical business activity that provides considerable economic benefits to countries as it allows them to earn foreign exchange and strengthen their influence in domestic and international markets (Chandra et al, 2005<sup>8</sup>; Ma'ajji, 2023)<sup>9</sup>. In addition, beyond the economic benefits, exporting plays a crucial social role since it helps generate sustainable income for businesses, which would therefore contribute to reducing unemployment and

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<sup>3</sup> Saridakis. G, Idris. B, Hansen. J.M and Dana. L.P. (2019). SMEs' Internationalisation When Does Innovation Matter ?. *Journal of Business Research*. Volume 96. Pages 250-263.

<sup>4</sup> AlShehhi, M. R., Cherian, J. P., Farouk, S., & Al Nahyan, M. (2023). Influential dynamic capabilities and small and medium enterprises' internationalization success: mediating role of international entrepreneurial orientation. *Review of International Business and Strategy*, 33(1), 55-78.

<sup>5</sup> Azouani Nacer, Bouyahiaoui Nasser et Douar Brahim. (2014). Analyse du processus d'internationalisation des PME Algériennes. *Revue des Reformes Économique et Intégration dans l'Économie Mondiale*, Volume 9, Numéro 18.

<sup>6</sup> Kadi, M. (2021). Factors Influencing the Export Commitment of SMEs: Algerian Case. In *Doing Business in Africa* (pp. 59-85). Cham: Palgrave Macmillan.

<sup>7</sup> Bessouh. N & Benmouhoub .S. (2024). Levers for Export Performance : A study on the Agri -Fod Sector in Algeria. *Revue de l'Innovation et Marketing*. Volume 11. N°1. P 163-177.

<sup>8</sup> Chandra, A. A., Paul, J., & Chavan, M. (2020). Internationalization challenges for SMEs: evidence and theoretical extension. *European Business Review*, 35(1).

<sup>9</sup> Ma'ajji, M. M., Shruballs, R. S., & Anderson, E. O. (2023). Determinants of SME success or failure in frontier markets. *International Journal of Banking and Finance*, 18(1), 1-30.

combating poverty (Hyder & Lussier, 2016)<sup>10</sup>. However, this activity is often hampered by some issues that can limit the capacity of companies to succeed in foreign markets. Therefore, it is highly imperative to overcome the obstacles and challenges (Khusboo & Peenal, 2020)<sup>11</sup>, and also to identify and analyze the factors that facilitate and encourage export performance, while focusing primarily on those influencing the speed, level, and scope of this activity. However, it should be noted that though the definitions and determinants of export performance vary, the performance indicators can be grouped into three main categories, namely *economic indicators*, such as the share of export sales, customer loyalty, export market share, etc., *strategic indicators*, such as the performance relative to declining markets, export yield, number of foreign markets explored, etc., and *subjective indicators*, such as the turnover generated by exports, achievement of company objectives, such as exporting, self-assessment of export performance, etc.

### **2-Export performance**

This performance can be evaluated through the overall sales results achieved internationally by a company. This action encompasses three essential aspects, namely the export sales, export-related profitability, and export-led growth. Thus, this concept of performance should reflect the results of the company's export activity. Many researchers have devoted their work to analyzing export performance. In this respect, two categories of indicators used to evaluate export-related performance should be distinguished, i.e. objective indicators and subjective indicators. According to Sousa (2004)<sup>12</sup>, objective indicators are based mainly on quantifiable measures such as export intensity, foreign sales volume, and export market share. As for subjective indicators, they measure the perceived or observable performance, such as the success achieved in exporting and the degree of satisfaction felt with international sales.

### **3-Empirical investigation**

In order to achieve the pre-established objectives, it was deemed important to opt for an exploratory empirical approach that is considered as most suitable for the qualitative study carried out in this work. To do this, a series of targeted questions were developed and then submitted to a sample of small and medium-sized enterprises (SMEs) nationwide. It should be noted that the objective was to collect relevant information on the determining factors that can propel and help agri-food companies to succeed in exporting. The collected data would then be used to determine the most appropriate methodology for our research. In addition, it should

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<sup>10</sup> Hyder, S., & Lussier, R. N. (2016). Why businesses succeed or fail: a study on small businesses in Pakistan. *Journal of Entrepreneurship in Emerging Economie*.

<sup>11</sup> Khusboo Shah & Peenal Samkhla (2020). A study on difficulties Faced by Entrepreneur while Exporting Products .*Journal of Emerging Technologies and Innovative Research* .Vol7. Issue 4. PP 1192-1199

<sup>12</sup> Sousa, C. (2004). Export Performance Measurement: An Evaluation Of The Empirical In The Literature. *Academy Of Marketing Science Review*(9), 1-23.

be remembered that this study was carried out specifically among Algerian SMEs operating in the field of export.

### 3.1. Analysis and interpretation of results

The survey was carried out on a sample comprising 20 agri-food SMEs located in the following 7 Wilayas: Algiers, Boumerdes, Bejaia, Mostaganem, Tlemcen, Biskra and El Oued. This research study focused on the agri-food sector due to its predominant importance in Algeria. This choice resulted from the ancestral agricultural and rural character of the country, the importance that the government attaches to this sector, and the major contribution of this sector to the gross domestic product (GDP). The table given below presents the different companies that participated in our survey.

**Table 1:** Exporting agri-food SMEs subject to investigation

<b>Company</b>	<b>Wilaya (Province)</b>	<b>Year of creation</b>
<b>Ets EXPRAL</b>	Algiers	2022
<b>Nova Agro</b>	Biskra	2018
<b>RKM Trading</b>	Algiers	2021
<b>Mehiri Dattes</b>	Biskra	2011
<b>Groupe BIMO</b>	Algiers	1997
<b>Candis Algérie Group</b>	Algiers	2015
<b>EURL Zerig New World Export</b>	Biskra	2017
<b>Green Path</b>	Algiers	2016
<b>Rouissi Selami Import Export</b>	El Oued	2015
<b>Datol</b>	Biskra	2021
<b>EURL Agro Bio Sami Litassdir</b>	Boumerdes	2016
<b>ETS Topy</b>	Boumerdes	2008
<b>ETS Haddoud Salim</b>	Biskra	1990
<b>SARL ADROMEX</b>	Algiers	2013
<b>SARL Gold Marque</b>	Biskra	2019
<b>Algerian Green Material</b>	Algiers	2016
<b>SARL Kador</b>	Mostaganem	2012
<b>Tex Export</b>	Algiers	2020
<b>ETS Benseghir AG-BIO</b>	Bejaia	2013
<b>Sarl Boublenza</b>	Tlemcen	2006

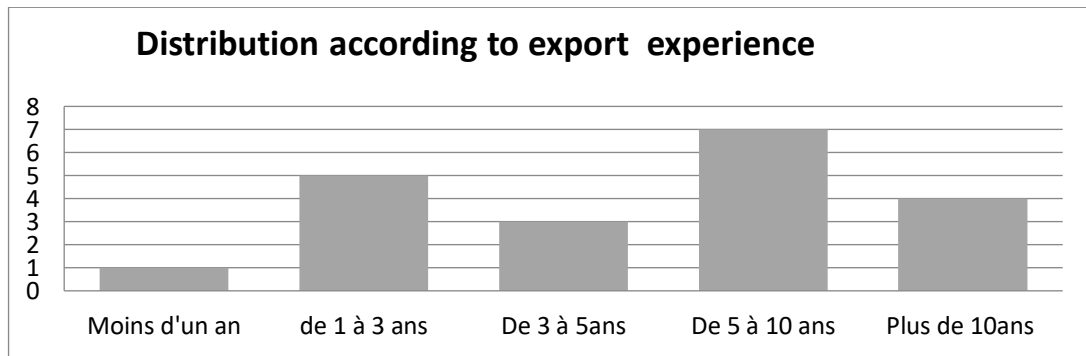
Source : Survey results

### 3.2. Results and discussion

For the purpose of processing the data, some descriptive analyses were carried out in order to characterize the companies forming the sample.

**First question:** *How long has your company been active in the international market?*  
The answer to this question shows that 89% of the companies under study possess medium experience in exporting, which suggests that the accumulated expertise and know-how plays a vital role in the company's ability to engage in exporting. Companies with a long history quite often acquire a strong knowledge base and establish strong networks, with a deep understanding of local and international markets. It is widely admitted that time and experience help companies develop high-quality products, build strong relationships with partners and customers, and establish efficient processes. However, it should be noted that our sample includes even young companies in the export activity, i.e. SMEs which do not exceed three years in the export activity, but which have the advantage of using new information and communication technologies (ITCs).

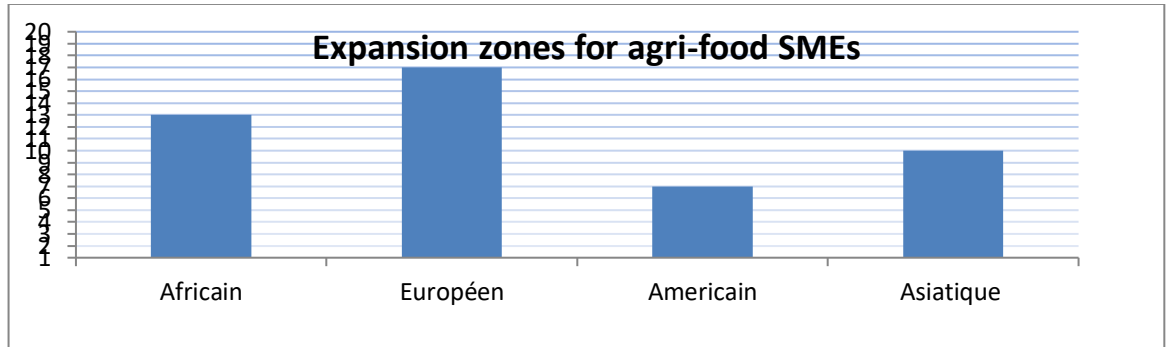
**Figure 1:** Export expertise of SMEs



**Source :** Survey results

**Second question:** *In which markets is (are) your product(s) positioned?*  
The SMEs of the agri-food sector under study have embarked on an ambitious journey on several fronts. They have managed to successfully penetrate diversified markets throughout the world. In particular, they have demonstrated a strong presence on the European market, while establishing successful partnerships and gaining consumer trust thanks to the quality and variety of their products. At the same time, these companies have always been committed to the African continent, while relying on their expertise in order to meet the specific needs of local markets and contributing to the strengthening of regional economic exchanges. Asia also opened its doors to agri-food SMEs whose innovation and commitment to sustainability are particularly appreciated. Finally, by venturing into the American market, these SMEs have been able to meet the challenges and adapt to often different standards and preferences. This strategic expansion across various continents demonstrates not only the tenacity of these companies, but also their ability to seize opportunities, respond to local needs, and promote their quality products in highly competitive international markets.

**Figure 2:** The different markets explored by the agri-food SMEs



Source : Survey results

**Third question:** *What percentage share of your turnover is generated from exports?*  
A- Less than 10%, B- Between 10% and 25%, C- Between 25% and 50%, D- More than 50%

The analysis of market shares generated by export activity within SMEs reveals a significant trend in favor of the profitability of exports in general. The recorded data indicate that nearly 35% of SMEs succeed in achieving market shares between 10% and 25% thanks to their export activity. This range of market shares, which is considered as a positive indicator, demonstrates that these companies are capable to establish themselves on international markets and to satisfy a substantial part of foreign demand. Furthermore, an additional observation highlights that certain SMEs, around 35% of the total number, manage to exceed the 50% mark in terms of market share thanks to their diversified activities. Indeed, these companies were able to position themselves primarily on global markets; they also succeeded in capturing a considerable proportion of available market shares.

The above results suggest that exporting represents a highly profitable opportunity for SMEs. The recorded figures reflect the companies' ability to adapt to various business environments, create products and strategies that meet the needs of foreign markets, and build strong relationships with international customers. These observations confirm the potential for growth and success that international expansion offers to SMEs. They reinforce the idea that exporting is not only a source of income diversification, but also an essential driver of profitability in the current global economic context.

**Fourth question:** *To what degree do you agree with the statements, given below, relating to the export success factors of Algerian SMEs?*

According to the empirical study results, which are summarized in Table 2, the factors that play a crucial role in the ability of SMEs to penetrate foreign markets are *innovation, quality and compliance with international standards, business agility, export skills, mastery of the target market, government support, and finally foreign partnerships.*

It is widely admitted that *innovation* represents a major asset for SMEs seeking to internationalize. By introducing new innovative products, services or processes, companies can stand out in global markets. Innovation can meet the specific needs of foreign markets and can also contribute to improving competitiveness by providing unique advantages. It also promotes adaptation to local cultures and emerging trends, which is crucial for long-term success.

With regard to *business agility*, it can be defined as the ability of a company to quickly adapt to changing environments. Indeed, agile SMEs can better seize emerging opportunities and respond effectively to unforeseen challenges. This potential to adjust and to adapt to new situations is essential when the SME enters new markets where conditions can vary considerably. Agile companies are better able to learn quickly, make informed decisions, and modify their strategies accordingly.

As for *export skills*, they are truly crucial as they help SMEs to successfully navigate foreign markets. This includes a good understanding of international regulations as well as logistics needs and requirements, proper currency management, and effective negotiations with international partners. SMEs that invest in developing these skills can certainly succeed in overcoming the complex challenges associated with exporting.

Afterwards, *mastery of the target market* implies an in-depth understanding of the market. This factor is highly essential for the effective adaptation of products and marketing strategies. It has been revealed that SMEs that conduct in-depth market research can easily identify the needs and preferences of foreign customers. This would certainly help them to design and make relevant offers, develop targeted messages, and create strong relationships with international customers.

Then, *government support* is a vital factor. This means that government policies and decisions can play a significant role in the success of the internationalization of SMEs. Favorable regulations, tax incentives, and financial support programs can help remove several barriers and reduce costs associated with exporting. SMEs receiving government support can more easily access the resources needed to enter foreign markets.

Finally, *foreign partnerships* represent another basic element. Indeed, establishing partnerships with international actors can facilitate entry into new markets. Foreign partners generally bring in-depth and valuable market knowledge, established networks, and a good understanding of cultural nuances. These partnerships strengthen the credibility and confidence of SMEs in the international market.

In conclusion, the penetration of SMEs into foreign markets can be the result of the interaction and combination of several factors. Indeed, innovation, product quality and compliance with international standards, agility, export skills, market knowledge, government support and foreign partnerships usually act together to determine the degree of success of SME internationalization. SMEs that can successfully balance and leverage these factors are more likely to achieve expansion.



**Table 2:** Variation and variation coefficient for the evaluation items

The company has the capacity to innovate and adapt quickly to market changes	3.14	1.51	2.28	48%
The quality of the company's products and services comply with international standards	3.51	1.36	1.85	39%
The company can quickly adapt to the target market requirements	3.88	1.34	1.78	34%
The company's personnel has sufficient skills in international trade (negotiation, risk management and logistics)	2.88	1.47	2.17	51%
The company's personnel has in-depth knowledge of target market characteristics and opportunities	2.32	1.36	1.84	58%
The SME benefits from adequate government support for its export development	2.28	1.33	1.77	58%
The SME has established strategic partnerships with foreign companies to access new markets	3.35	1.43	2.04	43%

Source : Survey results

**Fifth question:** *How do you assess your overall company's performance in foreign markets?*

**Excellent**      **Good**      **Average**      **Insufficient**      **Very insufficient**

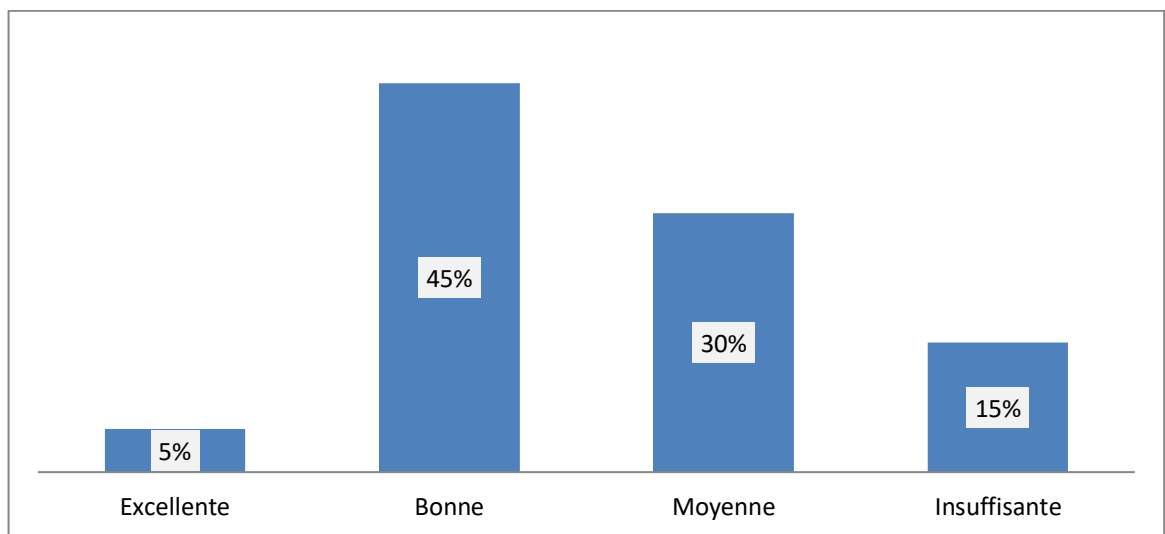
The divergent answers to this question, confirmed by the distribution of opinions of SMEs regarding their export success, reveal a nuanced picture of the situation. The different perceptions expressed by these companies illustrate a diversity of results and perspectives regarding their international activity. First of all, the fact that 45% of SMEs believe that the effectiveness of their export activities is good suggests that this proportion of companies has succeeded in capitalizing on the opportunities offered by foreign markets. The success of these SMEs can be attributed to their ability to understand and adapt to the needs and specificities of international markets, as well as to the quality of their products.

On the other hand, 30% of SMEs view their export performance as average, which could indicate that they are still refining their strategy and looking for ways to improve. It could also reveal the specific challenges they face in foreign markets. Therefore, these SMEs could be looking for solutions to optimize their results. Likewise, the group of 5% of SMEs which rate their international operations as excellent achieves an above-average level of success. This suggests that these companies have not only been able to successfully adapt to global markets, they were



also able to innovate and differentiate themselves, which allows them to occupy an advantageous position in international competition. Finally, the 15% of SMEs which consider their international expansion as insufficient reveal persistent challenges or obstacles that hinder their growth abroad. This may be due to factors such as the difficulties adapting to foreign markets, logistical problems or export strategies that require some adjustments. Overall, this distribution reflects the complexity of export success. The results achieved vary depending on the skills, adaptability and resources of SMEs, as well as on the specific conditions of international markets. Companies that succeed in adapting well, innovating, and meeting challenges generally seem to benefit more from the opportunities offered by exporting.

**Figure 3:** Measuring performance in international markets



**Source :** Survey results

**Sixth question:** *What do you think are the main challenges your company faces in its export activities?*

Access to information, political and economic instability, funding, logistics, tariff and non-tariff barriers, Others.

The responses shown in Figure 4 indicate that the survey results highlight three main obstacles, namely *Logistical challenges*, *Financial constraints*, and *International economic and political instability*. These barriers are of significant importance for companies seeking to internationalize; they also reflect the challenges inherent to this expansion on a global scale.

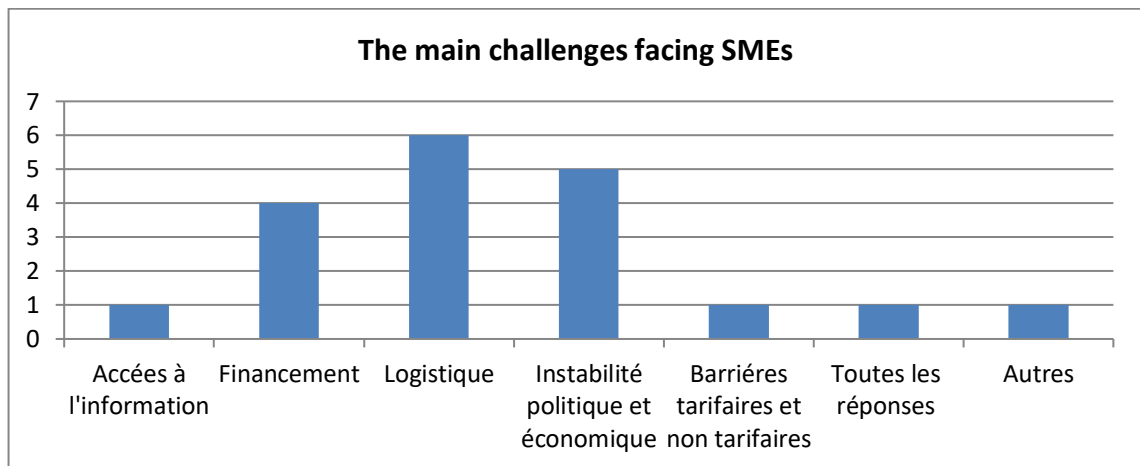
**Logistics constraints** - The first major difficulty encountered by exporting SMEs is linked to logistics. Sending products from their place of production to foreign markets can sometimes be quite complex and expensive. Logistics challenges include managing international supply chains, shipping times, customs regulations, and market-specific packaging and labeling requirements. In addition, transportation network fragmentation, climate variations, and goods tracking problems can lead to additional costs and reduced customer satisfaction.

**Financial constraints** - The second obstacle lies in the lack of adequate financing to support international expansion. SME exporters may face high upfront costs for

adapting their products to international standards, for creating overseas marketing campaigns, and for establishing distribution networks. Financial challenges may also include exchange rate fluctuations, currency conversion costs, and maintaining sufficient cash levels to weather potential economic uncertainties or shocks. Limited access to financing sources and international credit lines can limit growth opportunities for SMEs.

**Economic and political instability** - The third challenge is linked to international economic and political instability. Foreign markets may be subject to geopolitical tensions and security risks. These uncertainties and unpredictabilities can affect investment decisions, lead to a loss of confidence among business partners, and make it difficult to predict long-term performance. Exporting SMEs must develop risk mitigation strategies to face these challenges and thus guarantee their stability in international markets. Also, the SMEs studied have also mentioned other obstacles, such as the lack of information on international markets and tariff and non-tariff barriers. Therefore, all these difficulties highlight the need for SMEs to develop solid strategies in order to better manage challenges, seek strategic partnerships and alliances, and quickly adapt to global market developments in order to ensure their international success and growth.

**Figure 4:** Key obstacles hindering the success of agri-food SMEs



**Source :** Survey results

**Conclusion:**

Nowadays, most SMEs are trying hard to find the most appropriate solution or strategy that could help them to successfully penetrate international markets. In response to this pervasive concern, and considering our modest survey, it is essential to recognize that export success does not arise from a one-size-fits-all approach, but rather from a careful combination of several interdependent factors. The path to success on the international stage involves an integrated and tailored strategy that takes into account the particularities of the target market, the company's internal capabilities, and the global economic trends as well.

It then becomes apparent that Algerian SMEs, which have managed to establish themselves on the international scene, were able to do so through a valuable

combination of several key factors. In addition, the results of the survey carried out suggested that export success for Algerian SMEs results from the judicious combination of several factors. Optimizing innovation, quality, agility, export skills, market knowledge, institutional support and international partnerships opens the path to realizing their potential on a global scale, despite the challenges and obstacles they may face. Finally, although conquering foreign markets may seem complex, Algerian SMEs, which have managed to export successfully, have demonstrated that export activity is feasible with the right approach and adequate preparation. The present study is a significant empirical contribution to understanding the factors that influence export success within an emerging country like Algeria where research on the themes of export performance still remains at an embryonic phase. Moreover, SMEs ought to develop a spirit of innovation and resilience and be ready to adapt to changes so they can get the opportunity to turn their export aspirations into a successful reality.

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