

## Algerian Efforts To Enhance Key Success Factors of Algerian SMEs

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**Abstract:** This paper aims at highlighting the most important key success factors (KSFs) of SMEs, with focusing on innovation and clusters, due to their importance in developing SMEs.

The study started by discussing the results of some empirical studies about the Key Success Factors of SMEs, then; reviewing the efforts of Algerian government to promote SMEs through providing an appropriate environment to enhance the main KSFs of SMEs.

The study concluded that Algerian government gave more interest to SMEs through creating bodies and structures to help them in innovation field, as well as, enhancing clusters which offer different resources of innovation to SMEs.

**Keywords:** Small and Medium enterprises (SMEs), key success factors (KSFs), innovation, clusters.

**JEL Classification :** L580, O33, O38, P11, M130.

### Introduction:

Small and Medium-sized enterprises (SMEs) are operating in an environment which is characterized by the rapid and complex changes in many fields (economic, technological, political field ...etc), as well as the fierce competition between companies. This fact makes SMEs in front of a big challenge to realize their objectives and to create a sound position in the market, through searching and enhancing the key factors of success.

Among these key success factors, we find the innovation which helps SMEs to create a competitive advantage, but given the specific

characteristics of SMEs and the requirements of innovation, it becomes necessary to find a new environment in which SME's can obtain innovation resources with high quality and low costs on the appropriate time; this can be only through working within a cluster.

This paper aims at highlighting the main key success factors of SMEs focusing on the importance of innovation and clustering, By answering the following questions:

\*What are the key success factors of SMEs?

\*To what extent can Algerian government efforts help SMEs?

To reach these objectives, the presented paper has been divided into three main parts; the first one includes the results of some empirical studies about the main key success factors of SMEs, the second examines the importance of innovation and clusters in SMEs, and in the last part, we tried through which to analyse the efforts of Algerian government in encouraging innovative SMEs, and creating the good atmosphere by providing the necessary resources through clusters.

#### **I- Literature review :**

The term of "small and medium sized enterprise" consists of two components: the first component "Small and Medium- Sized" relates to the size of an entity while the second component "enterprise" relates to the economic nature of that entity. An enterprise, as defined by the European Commission ( EC) in Article 1 of its recommendation "definition of micro, small and medium-sized enterprises", may be understood as " any entity engaged in economic activity, irrespective of its legal form, as far as the size component is concerned. There is no single universal accepted definition of what constitutes the right numerically measurable size of a SME (R, Cherroun. H, Cherroun. 2022).

The Algerian legislator defines SMEs as those ones which produce goods and/ or services whatever their juridical nature as illustrates in the table below.

**Table 01: SMEs types according to the Algerian legislator**

	<b>Number of employees</b>	<b>Annual sales</b>	<b>Total assets</b>
<b>Micro- enterprise</b>	1-9	More than 20 million dinars	More than or equals to 10 million dinars
<b>Small- enterprise</b>	10-49	More than or equals to 200 million dinars	More than or equals to 100 million dinars
<b>Medium- enterprise</b>	20-250	2 billion	100-500 million dinars

**Source:** Karon Yamina, **Influence des Technologies de l'information et de la communication sur la qualité de lux informationnels au sein des PME- PMI Algérienne.** 2<sup>eme</sup> séminaire international de la gestion des entreprises. Université de Biskra: 12- 13 Avril 2004. P : 215.

Many studies treat SMEs issues and the main KSFs of them, in order to analyse the threats and opportunities of SMEs to develop them. In this context a significant contribution comes from B.C. Ghosh et al (2001) who analyzed the strategic dynamics and key success factors (KSFs) for excellence in performance of SMEs in Singapore. This study found that main factors which contributed to the success of companies (SMEs) were as the following: satisfying customers needs, close working relationship between top management and employee, regionalization, Leadership, Availability of financial and technology resources and support. These factors come through a combination of some strategic dynamics that are found to be :1- a committed, supportive and strong management team, 2- a strong , visionary, and capable leadership, 3- adopting the correct stratigic approach, 4- ability to identify and focus on market, 5- ability to develop and sustain capability, 6- a good customer relationship. These KSFs change as the organizations face different challenges when competition becomes tougher;

Similar study of Chuthamas Chittithaworn et al (2011) who examined eight factors that influenced SMEs business success in Thailand, these factors were: SMEs characteristics, management and know-how, products and services, customer and market, the way of doing business and cooperation, resources and finance, strategy and external environment.

They found that just five factors were influence significantly SMEs success as the following: SMEs need to ensure resources and finance, and customers and market are developed continuously. External environment as social network help entrepreneurs to reduce risks and transaction costs, improve access to business idea, knowledge and capital, as well as government support to foster SMEs development. The way of doing business and cooperation is considered also as a factor effecting bussiness success of SMEs as inter-firm cooperation contributes positively to gaining organizational legitimacy and to developing a desirable marketplace reputaion, and anble the small firm to improve its strategic position, reduce transaction costs, learn new skills, and cope positively with rapid technological changes;

An other contribution of Chengter Ho & Yi- Fan Yang (2012) who examined the KSFs in SME R & D, especially in automotive electronics industry through using two methods ; Delphi method to achieve the consensus among experts on the R & D issues, and Analytic Hierarchy Process( AHP). The syudy found 16 key success factors obtained by Delphi survey, these factors were categorized into four dimensions ( 1- Industry Structure, 2- Political and regulatory, 3- Industry/ Product life cycle, 4- Knowledge management), then examined by AHP method. The final results by AHP method revealed that the knowledge condition is the most important and knowledge innovation is the most important factor in knowledge conditions, other important factors are : resource management, political and regulatory- industry academia, government cooperation program, globalization of the automotive industry supply and demand-driven factor ;

The study of Michael Snyder (2012) who stated the most important KSFs of SMEs in : 1- Finance, through using more than one source of finance to both start and sustain their business, 2- Innovation through finding new ways of doing things and encourage their employees to think and behave innovatively, 3- Advice and support to seek external advice, 4- Outsourcing and exporting ; through adapting to changing market conditions, 5- Learning orientation to realize a cometitive advantage, 6-

Social capital through considering direct referrals and search engine optimisations as central to SMEs success.

As mentioned above, these factors can be categorized into two groups; the first is internal success factors which include all factors that can be affected by SMEs themselves, and since SMEs are operating in a complicated environment along side with big companies, and because of the strong competitiveness which characterises this environment, they should search for external success factors, this makes the second group.

### **A- Internal Success Factors :**

There are no limited internal success factors, however; we can state in this section the most common IKSFs as found in many studies (Hee. Song Ng, Daisy Mui Hung Kee. 2011. pp: 202-206):

- New products development, financial performance, objective market acceptance;
  - Designing products more quickly, reduce waste and re-work, and introduce continuous improvement ;
  - High-technology, and technologically upgrading knowledge and resources to engage in training programs ;
  - Using IT systems provide SMEs with better quality of services, high efficiency and lower costs ;
  - Adopting knowledge management and applying Human resources management principles to ensure that an SME has the capacity to grow, because the base of knowledge in organizations is human. Therefore, important factors in SME HR management is organizational learning in the form of regular and structured training and recruitment, and the presence of an HR manager in the company board. This knowledge should be shared among participants, which lead to new opportunities and innovation.
  - Technological sourcing and internet and ICT adoption for effectiveness ;
- Other KSFs contribute effectively in developing SMEs, such as (John Eriksson, Muyu Li 2012. pp:12-13) :

### **B- External Success Factors :**

This group comprises outside factors which are found in external environment and cannot be affected by the company itself, so they're

considered as challenges more than internal factors. Among these factors we state the following (Michael Snyder. 2012):

- It's necessary that local rules and regulations are introduced, implemented and applied in a consistent manner ;
- Successful SMEs are likely to use more than one source of finance to both start and sustain their business (• Bank loan • Remortgaging personal property • Business Angels/Venture Capital finance/Grant • Leasing • Factoring and Invoice Discounting) ;
- Successful SMEs are more willing to seek external advice: SMEs with larger numbers of employees are more likely to purchase external advice on managing people and developing management skills.
- Outsourcing and exporting ; Outsourcing provides SMEs with the flexibility to respond to market conditions, and SMEs with larger numbers of employees view exporting as important to their continuing success ;
- Availability of skilled labor especially for companies that are highly innovative and/or exploiting new technologies.

## **II- Importance of innovation and clusters for SMEs.**

In this section we focus on two factors from the two groups to discuss their importance in SMEs success. The first factor is one of the most important internal success factors, it is innovation; and the second factor is also considered as the most important because it forms a combination of many external factors at the same time, this factor is clustering.

### **II-1 Innovation as a key success factor for SMEs:**

There are various definitions of the term "innovation" which derives from the Latin "innovation" which means the creation of something new (Johannessen, J. A, Oslen, B. Lumpki. G.T 2001, pp: 20-31). It means making new products and offering new services, or adding new value to existing ones (Thought up in Barcelona. [http://www.barcelonactiva.cat/barcelonactiva/images/en/Thought\\_up\\_in\\_Barcelona\\_vXS\\_tcm84-46949.pdf](http://www.barcelonactiva.cat/barcelonactiva/images/en/Thought_up_in_Barcelona_vXS_tcm84-46949.pdf)) It's based on the results of new technological developments, new combinations of existing technology or the utilization of other knowledge acquired by the company (Cassey Lee, Lee Chew-Guing, 2007. P:2) .

Generally, Innovation is defined as the degree to which value is created for customers through enterprise that transforms new knowledge and technologies into profitable products and services for national and global markets. It covers a wide range of activities to improve firm performance, including the implementation of a new or significantly improved product, service distribution process manufacturing process, marketing or organizational method (Reguia, Cherroun. 2009) .

According to Casals as mentioned in the study of Rangarirai, globalization of the markets and increasing international competition force SMEs to search for new, innovative, flexible and imaginative ways to survive.

Many studies highlighted the relationship between innovation and companies growth, such as the study of Rangarirai et al (2013), who concluded that innovation was found as one of the major attributes which aid SMEs to remain competitive, and discovered a strong link between innovation and SMEs operations sustainability ;

Another study of Rosenbusch et al (2011) in which they identified several factors that affect the relationship between innovation and SMEs performance. They are of the view that SMEs benefit more from innovation than the mature companies, mainly due to their flexibility to accept change in their environment;

Similar study of Kamariah et al (2014) who evaluated the role of innovation towards SMEs performance and growth in Malaysia, and they concluded that the Malaysian SMEs management is aware of the role innovation plays in the growth of the firms, and that innovation is essential if companies want to grow and become more competitive in relation to their national and international competitors; this would help SMEs to gain market share and sustain themselves in the longer run. So the survival of Malaysian SMEs will depend on their ability to innovate as they will face enormous challenge from other member countries SMEs especially with the coming of the ASEAN Economic Community single market commencing in 2015.

The characteristics of SMEs influence innovation management processes in them. The hierarchical and bureaucratic management structures in SMEs can result in an innovation advantage because generally the innovation decision is made in an environment free of bureaucratic constraints. Furthermore, the organizational atmosphere in SMEs is beneficial to creative work: lines of communication are short, there is no more direct interaction between the enterprise and its customers and there are no fixed reward and control structures stifling creativity (Thierry Volery, [www.kmu.unisg.ch/.../D/Rencontres\\_2008\\_Volery\\_f.pdf](http://www.kmu.unisg.ch/.../D/Rencontres_2008_Volery_f.pdf) ).

**SMEs can benefit from innovation as a key success factor through three angles as the following:** (The Importance of Innovation in Entrepreneurship.<http://www.paggu.com/entrepreneurship/the-importance-of-innovation-in-entrepreneurship/>)

✓ Entrepreneur, as innovators, see not just one solution to a need, they keep coming up with ideas and do not settle until they come up with multiple solutions. Innovation is extremely important that companies often see their employees' creativity as a solution.;

✓ An other factor that raises the importance of innovation in SMEs is the competition. It stimulates any entrepreneur to come up with something much better than their competitors in a lower price, and still be cost-effective and qualitative;

✓ Small businesses see the importance of innovation in entrepreneurship. They were able to compete with large industry and see their value in the economy. Small businesses are important as they are directly involved in the community and therefore, contribute to their financial and economic gain.

## **II-2 Clustering as a key success factor for SMEs**

Clusters are today recognized as an important instrument for promoting industrial development, innovation, competitiveness and growth. Nevertheless, their theorisation was not a smooth process, and the evolution of the concept has lasted for over a century (Callegati Enrico e Silvia Grandi. 2005. P: 4) .



Indeed, the notion of clusters is not a new, but it's changing as the approaches and importance of clusters are changing. So, there has been a variety of different definitions used when examining cluster. (Reguia, Cherroun. 2014)

The most evident definition of cluster is that of Porter: "A cluster is a geographically proximate group of interconnected companies and associated institutions in a specific field based on commonalities and complementary" (Marta Valgyine Nadaban. 2009. P: 774). These interconnections include: organizations, universities and vocational schools, financial institutions and local and national government agencies (BGI.<http://www.businessgrowthinitiative.org/key> Practice Areas/competitiveness/Pages/clusters.aspx) , suppliers, and associated institutions in a particular field, for increasing the productivity with which companies can compete, nationally and globally ([http://en.wikipedia.org/wiki/business\\_cluster](http://en.wikipedia.org/wiki/business_cluster)).

There have been many studies which addressed the role and the importance of cluster as a source of innovation in developing and promoting SMEs. We state in this section two main studies as following:

The study of Masoomah Z. et al (2011) who addressed the effect of clustering and networking on SMEs competitiveness in developing countries. They found that cluster policy brings many positive effects in industrialized countries, especially with contribution of ITC through online networking and knowledge sharing, and the importance of clustering as critical success factor for SMEs to access finance especially;

The results obtained in the European Cluster Conference (2014) which addressed the role of clusters in supporting SMEs growth, industrial renewal and regional structural change and competitiveness. Many participants in this conference discussed the importance of clusters through providing SMEs and industry with a favorable business environment and customized support to unlock growth opportunities, and that clusters could provide the basis for developing strong networks and creating trust between partners, and this is important when bringing SMEs and large companies

together in complex industrial value chains. (European Cluster Conference 2014. [ec.europa.eu/.../cluster/.../news-item-post-conf.pdf](http://ec.europa.eu/.../cluster/.../news-item-post-conf.pdf).)

Since SMEs work alongside with big companies which have capacities more than them, and in viewing the characteristics of SMEs, it's better to them to work in a cluster for being near to the financial sources, skilled human resources, customers, as well as to work alongside with other companies and benefit from each other as a new sort of collaboration, especially in innovation field.

**Other advantages like:**

- \* Absorb new ideas of production, management, marketing ...etc;
- \* Integrate production processes and find good transacting partners;
- \* Ensure the collection of money.

**III- Innovation and clusters strategies in Algerian SMEs**

In this section, we try to analyse the efforts of Algerian government in implementing its strategies of upgrading, and encouraging SMEs. As well as the facts of clusters and innovation strategies adopted by the Algerian authorities.

**III- 1 Efforts of Algerian authorities in supporting SMEs**

Algerian government launched many laws and programs in order to adapt and provide an appropriate environment to enhance and encourage innovative SMEs which are viewed as a fundamental pillar of growth.

In this context, we can list the main programs and structures launched by the Algerian authorities to encourage and help SMEs as follows (Chelil Abdelatif, Ayad Sidi Mohamad [fseg.univ-lemcen.dz/larevue09/CHELIL%20Abdelatif.pdf](http://fseg.univ-lemcen.dz/larevue09/CHELIL%20Abdelatif.pdf)) :

- **Law of orientation to SMEs** launched in 2011 ; the main aims of this law are ( Soulimen Nacer, Aouatef Mohecin. 2014) :
  - The inclusion of the development of small and medium enterprises within the dynamic transformation and technological adaptation ;
  - Upgrading legislative and regulatory framework to fit entrepreneurial spirit of small and medium enterprises ;

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- The adoption of human resources management which favors and encourages innovation policies, creativity and entrepreneurial culture ;....etc
- **Ministry of SMEs and Craft** : Algeria has established in 1991 the Delegated Ministry for small and medium enterprises, which became in 1993 the Ministry of small and medium enterprises and industries, and in 2010 the affairs of small and medium enterprises has been appended to the Ministry of Industries to intensify industrial fabric, then it has become called the Ministry of Industry and small and medium enterprises and promotion of investment (Soulimen Nacer et al, Op cit)
- **National Agency of development of SMEs (NADSMEs- ANADPME)** ; in 2001
- **Guarantee Funds for SMEs ( FGAR )** ;( launched by the executive decree n 02-373 in 2002, it was created for the following purposes :
  - To intervene in the granting of guarantees to SMEs making investments in terms of : creation of enterprise, equipments renovation, expansion of the enterprise and stake ;
  - To take decisions about the eligibility of projects and the required guarantees ;
  - To control and monitor risks raising from the granting of the guarantee of the fund ;
  - To provide advice and technical assistance to SMEs which benefit from the fun ;
- **Guarantee Crate of investment loans for SMEs ( CGCI )** ; launched by the presidential decree n 04-134 in 2004 ; intended to cover risks of distrust for reimbursement of granted loans, and the juridicial reorganization or liquidation for the borrower (hanane beggat, salima halem. 2018, p:44) .
- **Advisory National Council for SMEs** : It was launched by the executive decree n 03-80 in 2003, as a pblic-private sector body to promote regular dialogue between the government, SMEs and SME' professional associations on strategies for SME development . It was also given the role of conducting studies to inform SME policies and programmes. (Loi Stevenson. 2010.p : 293).

- **Creation of Business incubators** by the decree n 03-78 in 2003; these incubators intended to encourage innovative projects, to develop synergy with the environment of entrepreneurship , and to bring support to new business creators. The assistance provided to promoters consists mainly of: Providing fixed-term accommodation for project leaders and offering the following services(<https://www.industrie.gov.dz/?Les-Pepinieres-d-entreprise>):
  - Fixed-term offices or premises;
  - Office furniture and computer equipment;
  - Documentation, Means of communication and reprography, Internet network, Fax telephone, photocopying and printing;They also support project promoters in all procedures with:
  - Financial institutions;
  - Aid and support funds;
  - Wilayas, municipalities and other organizations related to their projects.

Incubators offer also personalized advice on financial, legal, fiscal, commercial and technical levels; Organize any form of animation, assistance, specific training and follow-up for project leaders until the maturation and creation of their business; 04 Nurseries are now operational, they are active in the following cities: Oran, Annaba, Ghardaïa and Bordj Bouariridj

These incubators can take one of the following forms :

- **Incubators** : to support and help projects creators in services sector ;
  - **Workshops** : intended to projects of small industry and craft ;
  - **Enterprise Hotel**: intended to projects bearer in research feilds.
- Creation of (ANSEJ-** actually is called: The National Agency for Support and Development of Entrepreneurship, **ANGEM, CNAC)** to support young entrepreneurs in financing their projects;
- **Upgrade programs**: In order to develop SMEs and support their capacities of innovation, Algerian authorities implemented upgrade programs for Algerian SMEs. The main objectives of these programs are :
    - Improve the capacities of production of SMEs to make them more competitive and allow them to intergrate in markets, accession to the WTO, and to ensure the access to the Euro-Mediterranean free trade zone ;

- Upgrading industrial competitiveness and the development of technological support services and advice to industry, diversification of exports and limit oil dependance, furthermore; the programs aim at supporting research and innovation to constitute a diversified industrial fabric made up of innovative SMEs.

In this context, two upgrade programs were launched since 2000,

- ✓ Industrial Competitivity which was covered by the fund of promotion of industrial competitivity FPIC ;

- ✓ « EDPME » SMEs Support program»: this program is funded jointly by the delegation European commission and the ministry of SMEs and crafts under the Euro-mediterranean partnership, amounting respectively 57 million and 3.4 million, adding € 2.5 million representing estimated contributions of SMEs. This program began in July 2002 and ended on 31 décembre 2007 (Lamia Azouaou. fseg.univ-tlemcen.dz/larevue09/Lamia%20AZOUAOU.pdf). The main objective of this program was to improve Algerian SMEs competitiveness

**-SME Development and Innovation Promotion Agency (l'Agence de Développement de la PME et de la Promotion de l'Innovation):** Placed under the supervision of the minister responsible for small and medium-sized enterprises, the agency is a specific public establishment, endowed with legal personality and financial autonomy.

The agency ensures the implementation of the SME development policy, in terms of the emergence, growth and sustainability of SMEs in coordination with the sectors concerned.

As such, it is responsible( <https://www.industrie.gov.dz/?l-Agence-Nationale-de> ):

- To encourage the densification of the fabric of SMEs, in concert with business creation mechanisms, in particular through the development of an entrepreneurial culture, support for project leaders, incubation and hosting of SMEs in the creation phase and support for SMEs with banks and financial institutions;
- To support innovation and research and development within SMEs, as well as start-ups;

- To implement programs for the modernization of SMEs, aimed at improving their competitiveness;
  - To support the development of subcontracting;
  - To encourage the emergence of an environment favorable to the creation and development of SMEs through support for the different types of SME networks, the promotion of expertise and advice for the benefit of SMEs and the realization of economic studies;
  - To undertake any action to raise awareness, provide information and provide assistance to public institutions, with a view to promoting and facilitating the access of SMEs to public procurement;
  - To support the internationalization of SMEs through, in particular, exports, technology transfer and partnerships;
  - To support SMEs in their efforts to strengthen human resources, in coordination with the national training system and professional integration mechanisms;
  - To set up an economic information system on SMEs;
  - To support SMEs in difficulty due to inadequacies in terms of organization, financial management or market positioning
- **The National Agency of exploiting the results of research and technological development;** was created to support and encourage innovation, and to offer services to support the innovative capacities of Algerian SMEs.

**Furthermore;** Algerian government implemented few programs and structures to support the investment related to research to allow SMEs mastering knowledge and facilitating the transfer of technologies, in order to promote the development of innovative projects. These projects are represented by (Soumia Gacem, Khaled Khebbache. [fseg.univ-tlemcen.dz/larevue09/Soumia%20GACEM.pdf](http://fseg.univ-tlemcen.dz/larevue09/Soumia%20GACEM.pdf).) :

- Local Algerian Room of Industrial Production ( MEDA Program) with the objective of accompanying SMEs to facilitate the acquisition of new investments ( new technologies) ; In this context, the European Union has contributed in this policy by granting a financial support ( 100 Euros Million for the period 2002-2014) in order to reinforce SMEs to meet the exigencies of opening of the Algerian Market to the concurrence.

- Algerian Room of Trade and Industry to provide information to SMEs about technologic evolutions, markets and products.

### **III- 2 Innovation in Algerian SMEs:**

Indeed, the analysis of the real efforts of Algerian authorities in the field of innovation generally shows the low spending on research and development which represents less than 1% of GDP- according to the World Bank, it is approximately 0,07%- this is far from the recommended level which is 3% (Aidoudi.Fatimazohr. 2020).

In addition, the funds allocated to scientific research suffer from the bureaucratic management of the administration, which takes more than 60% of its budget (Aidoudi.Fatimazohr, opcit). This fact led to the weak level of innovation, where; according to the World Innovation Index, Algeria has been ranked 113th in 2019, and 120<sup>th</sup> in 2021 (Dgrsdt Repport, 2022), despite the increase in number of patents, it remains very low compared to other countries.

According to the report of the National Agency of exploiting the results of research and technological development, there was a weak level of innovation between 1998-2005, where among 700 selected projects only 277 projects resulting from only 8 National Research Plans. This fact revealed the failure of the majority of research projects to express social and economic objectives on one hand, and the failure of institutions of programming and organization of Algerian research system on the other side. However ; few projects have been successful like that of production and marketing of vaccins and anti venom serum, as well as the production system and electrical transformer maintenance (Hammoutene Ouardia, Ferfera Mohamed Yacine [.www.ummt0.dz/IMG/pdf/Communication\\_Casablanca.pdf](http://www.ummt0.dz/IMG/pdf/Communication_Casablanca.pdf)).

In the same context; according to the study of Haudeville et Bouacida 2012, Algerian SMEs don't have yet an innovative culture, and the capacities of innovation of these enterprises are so weak, even if there are few SMEs which implement innovation in their strategies, it is just an ameliorations and modifications of existant products. (Haudeville, B. Bouacida, R, Opcit.)

In addition, The National Agency for the Promotion of Investment stated that 86% of the projects of small and medium-sized enterprises are confined to the transport and public works sectors, which are weakly linked to innovation. (Yassine, Mimouni.2015)

Indeed, there are many obstacles which prevent Algerian SMEs from innovation, these obstacles can be summarized in the following points (Soumia Gacem,et al. Opcit):

- Limited financial resources, where there is no special loans for SMEs in Algerian Banks, and the absence of capital-risk market and seed capital ;
- Lack of information about evolution of technologies in SMEs, and the lack of financial support to improva and training employees in SMES ;
- The National Innovation System doesn't encourage the relationship between the production and the use of knowledge, where univesity laboratories do'nt contribute effectivley in the innovation of enterprises, and have no impact on enterprise competitiveness ;
- Algerian SMEs don't have technique competencies for conducting innovation projects ;
- Managers of Algerian SMEs are not qualified, sot hey don't have the required competencies : to improve productive process, mobilize the internal and external resources, make long term strategies especially innovation strategies to promote competitivety in their enterprises, and to integrate in international markets (Haudeville, B. Bouacida, R, Opcit.);

Furthermore, there are some foctors which affect the growth of Algerian SMEs and than their innovation capacities such as (Asma Benzazoua Bouazza. Et al. 2015. Pp :105-107) :

- Unfair competition from the non-official sector ;
- Bureaucracy : The Algerian SMEs face serious difficulties in developing administrative and operational procedures to deal with the requirements of government regulations, such as costly and timely procedures to obtain licenses and permits, register property, and move collateral ;
- Tax system : Algeria, SMEs are discouraged from expanding their operations and becoming visible to governmental officials, since being visible or operating formally is likely to increase the cost of operating ;



- Lack of marketing skills : SMEs in Algeria are weak in terms of market research and have inadequate marketing skills because most Algerian SMEs are owned and managed by one person. Such entrepreneurs take care of all the managerial functions of the enterprise and lack the time and funds to invest in research to establish their target market or identify customer trends ;
- Growth methods such as merger and acquisition, licensing and franchising are seldom used.

### **III-3 Facts of clusters in Algeria**

In Algeria, public policies to promote clusters have been implemented since the Industrial Policy in 2007. Thus, a «National Conference of Industry" held from 26 to 28/02/2007 include the creation of clusters. The document entitled "Industrial Strategy" from the «National Conference of Industry" defines the cluster by the following elements (Belkacem Djamila.et al. 2014. P: 159):

- Synergy ;
- Sharing external economies ;
- Supply of training centers and R & D structures that promote innovation in Enterprises ;
- Contribution to the development of a new class of entrepreneurs based on the mobilization of new technologies ;
- Contribution to the attractiveness of FDI (Foreign Direct Investment) ;
- A place where economic reforms find their actual translation.

Industrial cluster in Algeria, have many forms as the following: ( For more details, please see: Souad Goufi, 2017):

- **Poles of Excellence/Technical Centers:** They are structures specialized in industrial sectors based on partnership to contribute in the promotion of innovation, especially for SMEs, by carrying out research and development activities for the benefit of enterprises which do not have the capabilities to do so. This was adopted by the Executive Decree No. 11-17 of January 25th, 2011. There are only two organizations that provide these services :( **Center for Studies and Technological Services for the Building**

**Materials Industry – CETIM, and the National Center for Technology and Consultation);**

- **The kernel to support the synergy of craftsmen:** It is a communication nucleus that allows the exchange of experiences and ideas between members, aimed at assisting members in developing and upgrading their enterprises. The one nucleus includes from 12 to 30 enterprises. This program came within the framework of the Algerian-German cooperation between the Ministry of Small and Medium Enterprises and Handicrafts and the German Agency for Technical Cooperation in July 2007. The program was demonstrated success through its embodiment of several operations, including:
  - ☞ Access to financial services through the establishment of a service company in partnership with Al Baraka Bank;
  - ☞ Signing 15 partnership agreements with professional associations and employers, to help define a local development strategy;
  - ☞ Reducing the prices of raw materials by encouraging group buying
- **Local Production Systems:** they consist of the Activation Structure, Enterprises, Chambers of traditional industries and craftsmanship, State Institutions and local groups, training institutions, Tax Directorate, Support bodies for SMEs- ANSEJ, CNAC, ANGEM-, Banks, the National Social Security Fund for non-workers. There are 20 systems in Algeria which aim to exchange experiences, and solve common problems;
- **Industrial Areas:** where industrial enterprises gather in spaces prepared and equipped with the necessary means, with giving facilities to investors for mobilizing locally available resources and encourage individual initiatives.

Moreover; many programs have been initiated both in public and private sectors in order to encourage clustering SMEs. We state below the most implemented experiences as the follows (Belkacem Djamila et al. opcit):

➤ **Private initiatives:**

As mentioned before, cluster approach is less known in Algeria, However; some forms of grouping in private sector has been noticed, such as:

- In agro-food sector, it has been listed a spontaneous initiatives of cooperation between operators of the same production field, with an

institutional support of Agriculture Ministry or Agriculture Development Agency;

.\* Some industrial leaders, especially in sectors of: milk, tomato industry, and cereals, play an integrator role providing supports and assistance to farmers( formation and advices about: rearing, preservation, milking..ect), in order to improve the returns and the high quality of agricultural production;

.\* In mechanical engineering, some big manufacturers show their interest to support the development of a tissue of a specialized subcontracting. These interests should be reinforced in the context of partnership projects discussed actually with international firms.

### ➤ **Public policies:**

Ministry of Industry, SMEs and investment promotion especially through its SMEs direction is interested in the cluster demarche in enterprise competitiveness promotion. In this context, actions have been initiated particularly in:

\* Creation in collaboration with local authorities of an “Enterprise House” in Oran as a facilitation instrument and incubation for SMEs;

\* Ongoing creation of a local productive system in linkage with research sector and universities;

\* In ICT domain, the cluster demarche seems more assimilated by the National Agency of Technological Parks Promotion and Development which supports the creation of net projects and puts to their disposal the means of its technological park for grouping and animating companies to a strong potential innovation. In this context, the technological park of SIDI – ABDALLAH which is considered as the 1st technological pole in the national territory was launched in 2001 (It aggregates all enterprises whether local or foreign which offer products and services related to information and communication technologies), it focuses on three districts (Amdoud Mounir. 2014. P : 129):

✓ Technopolitan Park : It covers production aspects, and it includes centers of technologies transfer, incubators, and support agencies for SMEs, and ICT observatories ;

✓ Innovation District : includes centers of services, research and development of private and public enterprises, universities, consortia and independent research laboratories in new technologies field ;

✓ and Support Pole : includes all leisure and trade activities like : hotels structures, establishment of catering and small trade of details, and SPEs for enterprises.

\* Policy of the Agriculture and Rural Development ministry focus on grouping farmers and agro-industry operators, research institutions and universities. At the same time, this ministry has established of interprofessional council and committee in some domains like: milk, dates, olive oil..etc.

### **Conclusion:**

SMEs are considered by many governments and authorities as motor of growth due to the role they play at both micro and macroeconomic levels, under this importance of SMEs in economies, it becomes necessary to search for their key success factors, and enhance their strengths. In this context innovation is one of the most important KSFs for SMEs which help them to realize a competitive advantage and expand the market share. To ensure the benefits of innovation, SMEs have to be near from the essential resources of innovation as financial resources, skilled labor, new ideas to meet the desires of customers...etc, that can be obtained only if they work nearby these sources within a cluster.

Algeria as a developing country which depends a lot on hydrocarbons returns needs to search for other resources of returns to make its economy more productive by giving more interest to economic enterprises, especially SMEs through creating structures to enhance their role in the economy (offering jobs, contributing in GDP, reducing imports, encouraging innovation...etc).

The fierce competition in the market obliges SMEs to search for competitive advantage resources where innovation represents the most important resource, this latter needs many conditions to be provided both inside and outside the enterprise. Algerian authorities worked to create an

appropriate environment to develop SMEs and encourage the innovation process, as well as establishing clusters to support them.

Despite of the efforts of Algerian authorities to encourage SMEs innovation, the statistics show a low level of innovation in these enterprises due to many obstacles which face SMEs such as: limited financial resources, lack of marketing skills, lack of qualified competencies, bureaucracy, the competition of non-official market which limits the development of these enterprises...etc

For that, Algerian authorities has to rethink about more effective strategies for SMEs, like :

- Giving more financial facilities ;
- Creating a linkage between universities and Algerian SMEs to benefit from the researchs and academic outputs of these universities and laboratories in SMEs innovation process ;
- Giving more motivations to SMEs as : tax facilitations especially in the begining of their activities ;
- Activating the role of support pole to help SMEs ;
- Organizing training courses for SMEs managers about management methods, use of computers, foreign languages ...etc ;
- Mitigating the juridical conditions of SMEs establishment ;
- Creating clusters for SMEs to provide all the necessar resources of innovation.

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