

Emerging institutions: Start up as a model of innovation

المؤسسات الناشئة: الشركات الناشئة كنموذج للابتكار

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Abstract:

Emerging institutions are one of the most important institutions that contribute to providing job opportunities and employing the workforce. For this reason, Algeria is interested in this type of institutions and encourages various groups to establish emerging institutions.

Algeria issued several laws specific to this type of institutions and established the Ministry of Small Enterprises and Emerging Enterprises due to the great interest in these institutions, which play a major role in achieving economic and social development and, as a result, improving the purchasing power of the citizen, meeting his needs, and creating wealth.

Through this research paper, we will attempt to study emerging institutions and their role in achieving economic and social development.

Keywords: Emerging institutions- Economic development- Citizen- Wealth- Social development-innovation.

الملخص:

تعد المؤسسات الناشئة أحد أهم المؤسسات التي تساهم في توفير فرص العمل وتشغيل اليد العاملة ومن أجل ذلك تهتم الجزائر بهذا النوع من المؤسسات وتقوم بتشجيع مختلف الفئات لإنشاء المؤسسات الناشئة.

وأصدرت الجزائر عدة قوانين خاصة بهذا النوع من المؤسسات وقامت بإنشاء وزارة المؤسسات الصغيرة والمؤسسات الناشئة نظرا للاهتمام الكبير بهذه المؤسسات التي تؤدي دور كبير في تحقيق التنمية الاقتصادية والاجتماعية وبالنتيجة تحسين القدرة الشرائية للمواطن وتلبية حاجياته وخلق الثروة.

سنحاول من خلال هذه الورقة البحثية دراسة المؤسسات الناشئة ودورها في تحقيق التنمية الاقتصادية والاجتماعية.

الكلمات المفتاحية: المؤسسات الناشئة، التنمية الاقتصادية، المواطن، الثروة، التنمية الاجتماعية الابتكار.

Introduction:

Algeria is striving to adapt to global economic changes by embracing economic reform programs and structural adjustments across various sectors. This effort aims to boost its national economy and drive development beyond reliance on oil revenues. Consequently, there is a strong focus on upgrading and developing the business sector, which is seen as pivotal for achieving economic and social development.

Start-ups are among the key institutions that garner attention and support from authorities due to their ability to create employment opportunities and utilize both technical and non-technical workforce. These establishments do not require significant capital to commence operations and enter the business market, with minimal complexities in their establishment and management processes.

In this context, the Algerian authorities have endeavoured to promote the climate of emerging institutions by establishing a ministry of their own, under (Presidential Decree N^o. 20-01) , which has been named: The Ministry of Small Enterprises and Emerging Enterprises has been appointed Minister-in-Charge of Emerging Enterprises, which has already been reinforced by the provisions of (the 2020 Finance Law), where a special allocation account entitled: "Start-up" has been introduced. Also, under article 68 of (the Supplementary Finance Law of 2020), where the Fund's interventions have been expanded.

As the authorities' role in supporting and promoting the environment of emerging enterprises continued to be reflected, (Executive Decree 20-254) was promulgated, containing a national commission to award the label of "start-up enterprise", "innovative enterprise", and "business incubator", defining its functions, composition and functioning, the provisions of which contained various measures to support such enterprises.

Through this paper, we will therefore try to highlight emerging institutions and highlight their role in the country's economic and social development.

That is why we wonder: have the emerging institutions succeeded in reducing the problem of unemployment in Algeria?

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In order to take note of the various aspects of the study and to find an answer to the legal problem, both the prescriptive curriculum will be followed by identifying and defining the study's conceptual framework, as well as the analytical curriculum by extrapolating and analysing the various provisions of the legal texts relating to emerging institutions.

Accordingly, we have divided this paper into two main pillars. In the first, we have dealt with the conceptual and legal framework of emerging institutions. In the second, we have devoted it to examining the role of emerging institutions in reducing unemployment.

First axis: The conceptual framework of Start-up

In recent times, the topic of emerging projects, known as (*Start-up*)¹, has received considerable attention in Algeria's business environment², both by official bodies and by academia, because of its positive economic and social aspects.³

We will therefore first address the definition and characteristics of emerging enterprises -a- and then proceed to distinguish them from other types of origination.-b-

a) Meaning of emerging enterprises:

The term (start-up)⁴ attracts many definitions, both by jurisprudence and by Algerian legislation.

- For the doctrine:

Emerging enterprises are defined as: "a thought and vision embodied by the project holder, operating in an often unstable market to propose a new product or service."⁵

¹ The term "startup" began to be used immediately after World War II, coinciding with the emergence of venture capital companies, leading to the widespread use of this term thereafter. For more details, refer to: Sherifa Bou-Alchour, The Role of Business Incubators in Supporting and Developing Startups: A Case Study of Algeria, El-Bashair Economic review, University of Tahri Mohamed Bechar, Vol. 04, Iss. 02, 2018, p. 420.

² The second edition of the annual conference for startups in Algeria, "Algeria Disrupt 2022." witnessed the announcement of new incentive measures for startups, enhancing the gains achieved over the past two years. For more details, please visit the website: www.aps.dz

³ We would like to point out here that the topic of startups is not a new concept in the Algerian business environment, but rather the framing and regulation of this sector by official entities is a recent development. The first startups emerged in the early 2000s, such as "Wad Knis" and "Emploitic.cm" for example. Additionally, the first event focusing on startups was "StartupWeekend", which took place in the capital in 2011. For more details, please refer to: Blue Green Business, premier incubateur de Start-up dans la wilaya de Tipaza. [www.youtube.com](https://www.youtube.com/watch?v=...)

⁴ According to the English dictionary, a « startup » is defined as a newly established project. This word consists of two parts: "Start-" which refers to the idea of launching the project, and "-Up." which signifies the concept of strong growth. Please refer to the website: <http://dictionary.cambridge.org>

⁵ Ali Bekhiti, Salima Bououina, Emerging Small and Medium Enterprises in Algeria: Realities and Challenges. Studies and Research Journal, University of Ziane Achour Djelfa, Vol. 12, Iss. 04, 2020, p. 536.

Or they are: "newly established enterprises, meaning young enterprises in the business world, which is confirmed by the term" start up "in the foreign language."¹

Others have also defined it as: "An interim organization looking for an economic model that allows for profitable growth on a frequent and measurable basis. It tests different economic models, discovers their environment and gradually adapts to them. That is, the startup must work on the success of its project rapidly and has an impact on the market that it wants to exist and work with immediately."²

What is observed through these definitions is that some have narrowed the term "start-up", limiting it to being a newly established enterprise in the business world and only, without mentioning its function and other advantages, while another group has expanded to the point of classifying these enterprises as "business", although the two terms are different.

This makes us propose the following definition: "Emerging enterprises are modern enterprises in the business environment, providing new products and services based on innovation and technology, with great potential for growth and expansion, and do not require significant costs at the start-up stage".

For the legislation:

With reference to (the aforementioned Executive Decree N^o. 254-20)³, the project provided a specific definition of emerging enterprises by stating the following conditions:

- The institution must be subject to Algerian law, insofar as it is active within the national territory.
- The institution shall not exceed the age of 08 years. It shall be calculated at the beginning of its first acquisition of an emerging institution's mark, since the provisions of article 14 of this Decree stipulate that it shall be granted this mark for a period of four years, renewable once.

¹ Abdelhamid Lamain, Samia Hassaine, Support Measures for Start-ups and Innovation in Algeria: An Analysis of Executive Decree N^o. 20-254, Journal of Contracts and Business Law, Mentouri Brothers University of Constantine, Vol. 05, Iss. 02, 2020, p. 8.

² Amina Athamnia, Manal Belabed, Entrepreneurial Institutions in Algeria: *Between* Organizational Efforts and Support Structures. Annals of Bechar University in Economic Sciences, Vol. 07, Iss. 03, 2020, p. 359.

³ Art. 11, Executive Decree N^o. 20-254, establishes a national committee for awarding the labels "Startup", "Innovative Project", and "Business Incubator", specifying its tasks, composition, and operations as mentioned above.

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- The enterprise's work and activity shall be focused on the production of goods or the provision of services, whatever their nature or type, and the activity shall include an innovative idea.
- The business number of the institution shall not exceed the limit imposed by the competent committee, which is not specified in the provisions of this Executive Decree.
- The company's capital shall be at least 50 per cent owned by natural persons or approved investment funds, or by other enterprises marked as "start-up enterprises".
- The Foundation's work includes significant growth potential, to accelerate its exit from the accompanying period and contribute to growth and development.
- The number of workers in the enterprise shall not exceed 250, which distinguishes between small and medium enterprises and large enterprises.

After extrapolating all the definitions provided by scholars and legislators, we find that the emerging institutions have a number of characteristics, which can be presented below:

- It is a new company in the business world ¹: where emerging enterprises are characterized as young entrepreneurs in the business market, they have two options of either evolving into a successful enterprise, or losing and closing.
- It has great potential for growth and ability to expand, generating revenue much faster than the costs it requires at the beginning of its activity.
- Emerging enterprises rely on technology for growth and progress, finding finance through online platforms, and by receiving support from business incubators.
- They are institutions that require low costs for the start of their activity, compared to the quick profits they may receive.

¹ we note Here that the life cycle of a startup goes through five stages. The first stage is before the launch of the startup, where an initial model of a new idea is presented, market research is conducted, and consumer preferences are studied. The second stage is the launch stage, where the first generation of the product or service is introduced, and efforts are made to find investors and supporters to promote and advertise the startup further. Next comes the third stage, the takeoff and growth stage, where the product reaches its peak, the business expands, and challenges arise, leading to a decline and exit from the market despite continued funding. This is followed by the stage of scaling the slope, where the entrepreneur begins to make modifications and improvements to the product, launching new versions to revive the startup. Subsequently, the second generation of the product is released for marketing, leading to the final stage of high growth, where the product is fully developed and introduced to the appropriate market, enabling the startup to achieve continuous growth and profitability. For more details, refer to: Sherifa BouAl-chouar, The Role of Business Incubators in Supporting Startups, Previous Reference, pp. 421-422.

- Flexibility and resilience to variables occurring in their surroundings, constituting an economic bet with the slogan "Crisis Adaptation Model".

a) Distinction of institution arising from other establishments:

The term "start-up" has provoked much controversy to the extent that it is confused with other terms, which at first glance seem similar, there are those who use the term "small and medium enterprises" to refer to emerging enterprises, and there are those who rely on the word "start-up" to refer to them.

Accordingly, we will be discriminated against by enterprises arising from small and medium enterprises (b.1) and then move on to distinguish them from commercial enterprises (b.2).

b.1- Start-up distinction from small and medium enterprises:

The two terms (emerging enterprises, small enterprises and medium enterprises) have the same meaning, inappropriately because SMEs are enterprises with special advantages¹, subject to (the provisions of Law 17-02) on the SME Development Directive Act, which defines all legal frameworks governed and administered by them. The latter is also characterized by a narrow domestic market, in which it seeks to preserve its standing as well as its unwillingness to take risks. It also seeks to maintain its profits gradually and does not use technology heavily.² in return for enterprises emerging from their advantages and characteristics that they rely on technology and are able to meet market demands, Providing goods and services to all consumers due to their speed and ability to grow and expand In addition, the provisions of (the Supplementary Finance Law of 2020)and (the aforementioned Executive Decree 254-20) are different legal texts.

b.2- Start-up distinction from commercial companies:

Not every startup is a company, the company is the collection of individuals' effort and savings to create projects that one cannot do alone³, and it may be either a civil or commercial company according to the purpose they aspire to achieve, and the commercial company may take one

¹ The Algerian legislator has about small and medium enterprises in the text of Article 5 of Law N° 17-02, the aforementioned as: « The Institute for Production of Goods or Services: It occupies from 1 to 250 people, Its annual business number does not exceed 4 billion Algerian dinars, or does not exceed its annual outcome of One billion Algerian dinars, which meets the standard of independence. »

² Abdel Hamid Lamine, Samia Hasain, Support measures for emerging institutions and innovation in Algeria: Reading in the provisions of Al-Sadid Decree N° 20-254, previous reference, pp. 8-9.

³ Fatima Al-Zahraa Badi, Internal Control of Stock company, a thesis for a doctorate degree, Business Law Branch, Abu Bakr Balkad University, Tlemcen. 2016-2017, p. 1.

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of the following forms ¹, either a partnership company, a limited partnership company, a limited liability company, a joint stock company, a limited partnership by shares, and each of them has controls and rules governing it.

The startup has already dealt with its definition at length. It can be said that the word "enterprise" is broader than that of the company, especially by acquiring moral personality, because in any case the company acquires moral personality according to the subject matter of its activity. commercial companies acquire them after they are registered in the commercial registry and civil companies acquire them once they are formed, The institution includes the establishment as a moral person and the natural person it represents, As stated in the Competition Law ², "an enterprise is every natural or moral person...".³

Second axis: The role of Start-up in reducing unemployment

The growing interest in Algeria's emerging institutions as one of the strategic options for the economy⁴, as they are seen as the pillar and pillar of economic and social development because of their superior capacity to contribute to increasing productive capacity and attracting labour.

In this context, the State has devoted considerable efforts to supporting this emerging enterprise, which is embodied in various agencies and business incubators.⁵

¹ We point out here that, according to the degree of the bond between the partners, the doctrine divided these five species into two main sects, the first is called the Persons Company, while the second is called the money company. For detail, see: Fawzi Muhammad Sami, Commercial Companies, General Provisions, A comparative Study, House of Culture for Publishing and Distribution, Oman. 2010, p. 71.

² Abdel Hamid Lamine, Samia Hassain, Support measures for startups and innovation in Algeria: Reading in the provisions of Executive Decree n°. 20-254, previous reference, p. 8.

³ Art. 03 From Order N°. 03-03 of 19-07-2003, related to competition, Official Journal. N°. 43, issued on 20-07-2003.

⁴ We seek this through:

- Startups work on promoting and supporting exports while reducing imports by increasing the production and export of goods and services.
- Contributing to supporting the local output, as it is an effective tool in expanding the production base by relying primarily on local materials, leading to an increase in the total local output. Moreover, startups produce alternatives to imported goods to meet the market's needs for consumer and intermediate goods. For more details, refer to: Nabil Jawad, Management and Development of Small and Medium Enterprises, Majd University Press and Distribution, Lebanon. 2007, pp. 94-95.
- Startups supply large enterprises with their manufactured or semi-manufactured resources used as inputs in the production process at competitive prices in foreign markets.

⁵ Among the supportive agencies for startups are the following: the National Agency for Youth Support and Employment (ANSEJ), the National Unemployment Insurance Fund (CNAC), the National Agency for Investment Development (ANDI), and the National Microcredit Agency (ANGEM). For more details, refer to Amina Othmani, Manal Belabed, previous reference, pp. 364-368.

In keeping with the foregoing, through this pillar we will be exposed to Start-up as a source of creativity and innovation –A- and then address emerging enterprises as a tool for absorbing labour –B-

A- The Start-up as a source of creativity and innovation

The Start-up are regarded as the most important agents of social development in developing and developed countries, as they constitute a fertile area for the development of technical, productive and marketing skills.

It opens the way for small traders to enter the business world and embraces all their ideas and projects, with a view to reflecting them on the ground, especially as they are easy to establish and implement¹, This is due to a number of reasons:

- The small size of capital required for the establishment of the project.
- The small amount of loans needed and the risks involved.
- Easy installation of production lines, any production equipment, and preparation of production accessories - special material. In addition, it does not have much difficulty in providing funds for the project due to the low investment risks, as well as the ease of management and simplicity of the organization's organizational structure.²

B- The Start-up as a tool for labor absorption

The startup sector has now imposed its importance on the Algerian government, which prompted it to create financing programs and investment policies that develop and promote it, especially in light of the great role played by these institutions in attracting manpower, and this is evident through the following:

- The contribution of startups to local and regional development: At a time when we are witnessing the great endemism of industries and businesses in major cities, we note the marginalization and isolation suffered by rural and remote areas, and to alleviate these disparities and achieve some kind of

¹ Imad Al-Eid, Small and Medium Enterprises Between Challenges and Contribution to Socio-Economic Development, Development and Human Resource Management Journal, University of Blida-2- Lounis Aït Ali, Vol. 01, Iss. 01, p.176.

² We note here that according to the expert « Bill Gross » in the field of startups, the factors behind the success or failure of a startup are as follows: Time factor 42%, Execution team 32%, Core idea 28%, Business model 24%, Funding 14%. For more details, refer to: Anfal Aicha Dinaoui, Fatima Zahra Zerouati, Startups as a Driver for the New Algeria to Boost the National Economy: Challenges and Support Mechanisms. Buchar University Economic Sciences Annals, Vol. 07, Iss. 03, 2020, p. 332.

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development balance, emerging institutions come to resolve this crisis, and contribute to the local and regional development of the country.

- Creating a kind of regional and social balance: Start-up not only take major cities as their destination, but this type of small traders knows the expansion and geographical spread, which helps to create job opportunities, knowledge and skills for members of the local community (for example, the desert community) in which they are located, and then raise the standard of living in general for the owners of that area, as well as meet the demands of all consumers.

- Contributing to job creation: Start-ups are an effective means of absorbing the problem of unemployment, thereby alleviating poverty and reducing the social pressure faced by the authorities. These enterprises also contribute to the reintegration of laid-off workers into their positions of employment, as a result of the bankruptcy of some public institutions, or after the reduction of the workforce.¹

Conclusion:

Betting on Start-up as a tool for development is now one of the strategic choices of the Algerian economy. As a gateway to economic and social growth, so that these enterprises can play their full role, they must operate within a strategic climate that ensures continuity, ensures stability and success, and enables them to face market obstacles and resilience to competition.

Through this paper we have reached several conclusions that we justify as follows:

- The concept of Start-up becomes the subject of consensus for all categories
- jurisprudence and legislation - they are innovative institutions, bearing technical progress, as well as capable of growth and rapid development in order to meet economic requirements.
- Start-ups are enterprises built on innovation in various fields by contractors with insufficient expertise so they need escort and support.
- Start-up have characteristics that help adapt to crisis situations, such as flexibility, dynamism and softness.

¹ Hanane Bekka, Halima Slima, Support and Promotion Organizations for Small and Medium Enterprises in Algeria, Advanced Economic Research Journal, University of Martyr Hama Lakhdar El Oued, Vol. 03, Iss. 02, 2018, p. 46.

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- Start-up from small and medium-sized enterprises (SMEs), as well as commercial enterprises, each with characteristics and provisions governing them.
- Start-up play a major role in creating jobs and reducing the problem of unemployment.

In order to enrich this study, we suggested the following recommendations:

- ✓ The need to establish the right concepts for start-ups, contractors and business incubators in the scientific community.
- ✓ Providing material facilities (such as financing - opening the digital platform for registration and dispensing with physical registration - reducing documents and administrative procedures) for contractors so that they can register their innovative ideas and start embodying them.
- ✓ Provide consulting centers and offices to support these startups.
- ✓ Benefiting from the experiences of leading countries in this field, which avoids the major and early failure of Algerian startups.

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