

# **How To Explain The Algerian Bad Cooperation Between Companies Exporting Dates : Retrospective Analysis Over The Period 1962/2015 ?**

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## **Abstract:**

This article addresses the question of the inter-company cooperation's weakness within the Algerian date palm sector. Through a field survey of several companies producing and exporting dates, we establish an exploratory diagnosis of the state of inter-company cooperation and we suggest ways to improve the effects of this cooperative process on export performance. Thus, the objective of this article is to explain, in the light of the internationalization approaches theories and in particular the territorial approach, why small Algerian companies exporting dates do not engage in a cooperative and innovative process, especially since their small size greatly limits their ability to penetrate new external markets.

**Keywords:** Governance, territories, export, date sector, performance.

## **1. Introduction**

The main research question in this article is why small Algerian companies exporting dates do not engage in a cooperative process, especially since their small size greatly limits their ability to penetrate new external markets. We discuss the issue of territorial governance and its effects on exports and local growth. To do this, we will follow a specific approach about territorial governance. The weak cooperation has a significant effect on exports, despite the various attempts at support and promotion by the public

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authorities. It is a question of suggesting some solutions that can improve the incentives for cooperation, in particular for export.

The fabric of the Algerian agri-food industries and in particular the companies producing and exporting dates suffer from chronic difficulties, linked mainly to their small size. The latter is explained by the nature of the entrepreneurs, often small farmers, without training and with low means of production. The historical transformations (collectivization, monopolization then liberalization) which marked more particularly the date sector and favored the fragmentation of the productive fabric.

Despite the small size of the companies producing and exporting Algerian dates and their lack of means, no cooperation or networking has been undertaken, despite the advantages that this could bring for the entire sector. Under-cooperation leads to under-utilization of the existing potential in terms of production, as well as in processing and export.

After a brief presentation of our referential framework in a first point, we will show in a second point the results of our survey on the structure of Algerian companies producing and exporting dates. In the last point, we will suggest a diagnosis of the causes and solutions that can strengthen cooperation in the date palm production business.

## **2. Literature Review**

The relationship between interfirm cooperation and export performance has been the subject of several theoretical analyses. The theories of internationalization that we will briefly introduce below have particularly emphasized the factors favoring the internationalization of firms, especially of SMEs. However, these approaches deal only weakly with the case of small businesses, which are very widespread in the Mediterranean area. Moreover, the role of cooperation in the process of internationalization is only marginally treated.

By contrast, the territorial approach, which echoes the success of the Italian districts and the Marshallian theory of external economies, puts the small businesses and the importance of cooperation at the center of its analysis in their export performance. This approach seems to us to be particularly suitable for understanding the mechanisms that thwart the emergence of a

dynamic cooperation within the Algerian date sector, and the consequences on exports.

## **2.1. Theories of Internationalization Limits for the Small Companies**

The phenomenon of business internationalization is mainly based on the behaviorist approach (Johanson and Widersheim-Paul, 1975, Bilkey and Tesar, 1977, etc.) which considers internationalization as a learning process that makes businesses transit through several mandatory steps (Pantin, 2006). It was complemented by the resource-based approach, which emphasizes on the specific capabilities that lead to international competitive advantage. The network approach (Johanson, Vahlne, 1990) interprets internationalization as a phenomenon of construction and/or involvement in a transnational network, allowing the company to expand its activities beyond the national market. Many authors call for an integrative approach in order to overcome the limitations of each and build an interpretative model that is as general as possible.

### **2.1.1. Behaviorist Approaches: U-model and I-model**

Behavioral approaches to internationalization, initiated by the work of the Swedish school, emphasizes on two essential factors: learning and psychological distance (Meier, Meschi, 2010, Cheriet, 2010, Laghzaoui, 2009). Learning refers to a company's ability to accumulate the knowledge and skills necessary for internationalization. Psychological distance refers to cultural distance. This is a barrier that companies overcome as they learn. By integrating these two factors, the Uppsala-model of Johanson and Vahlne (1977) interprets internationalization as an evolutionary process that goes through several stages, following the experience accumulated by the manager and the company. Four sequential phases are put forward: Irregular export, Export via an agent, Creation of subsidiary, Production in the foreign country.

The Innovation-model (Bilkey, Tesar, 1977) is based on principles which are identical to the U-model, namely a step-by-step internationalization and a gradual penetration of local markets and then of the most distant ones (Leonidou, Katsikeas, 1996). Moving from one stage to another is considered here as a break or an innovation that breaks with the previous routine (Khayat, 2004)

### **2.1.2. The Resource Approach**

This approach mainly relies on the internal functioning of companies to explain the process of internationalization. It emphasizes on the resources and skills, particularly managerial, it means of the manager and the company. The nature of these resources and skills determines the ability to develop abroad (Pantin, 2006). Thus, a reading grid of internationalization ability can be proposed on the basis of these two factors.

### **2.1.3. The Network Approach**

It developed following the work of Johanson and Vahlne (1990) who re-examined their model of internationalization in stages, emphasizing on the importance of the company's position in transnational networks. The commercial, financial or market connections established by companies make it possible to internationally extend their activity. The network offers the small companies, with limited resources, the possibility of internationalization, following the three stages defined by Johanson and Mattson (1988) namely extension, penetration and integration. The extension is the first step that allows the company either to integrate an existing network or to set up a new network. Penetration is a step that allows the company to develop new resources and skills within the network. Integration is the most advanced step. It offers the possibility of extending the company relations and of coordinating several local networks.

The presented approaches suffer from several limitations already much discussed in the literature. It is not a question of repeating them here but of highlighting two other criticisms, in relation to the theme addressed in this article. These approaches do not distinguish between the different categories of companies. The small businesses that interest us here seem to be excluded from the analysis by the very fact of their small size and the weakness of their resources. The latter remain for the most part local entities, very few of them indeed manage to internationalize. Moreover, inter-company cooperation at the local level is not put forward as a possible driver of integration in international trade. This inter-firm cooperation is particularly fundamental in the case of local production systems made up essentially of small firms. The territorial approach provides a complement and a more adequate conceptual framework for the analysis of the process of inter-company cooperation and its effect on internationalization (Bonaccorsi, Dalli, 1990).

## **2.2. Interest of the Territorial Approach in the Analysis of the Cooperation of Small Companies in Export**

During the 1970s, another analysis of globalization emerged under the impetus of Ph. Aydalot, which favored territorial entry. The latter challenges both the paradigms of neoclassical convergence and Marxist divergence. For him, another way exists, it is that of spatial reversal which places environments or territories at the center of the analysis (Aydalot, 1976). Globalization is the place of emergence of territorial organizations which succeed more or less in being competitive by basing themselves essentially on a development of the endogenous type but not compartmentalized. Thus, for Pecqueur (2007, p7) “Globalization and the international division of labor do not necessarily lead to standardization. A parallel and complementary path of development, linked to the differentiation and specification of territories, emerges. This strategy is based on logic different from the sole question of competitiveness, of comparing productivity in a standard model of center periphery as described by Paul Krugman”.

Territories play a significant role in the economic sphere and in trade. Globalization paradoxically gives value to the local with its specificities and to the territorial anchoring of companies. The latter leads to an increasing territorialization of behaviors. Guigou (1997, p14) gives five major reasons for this phenomenon: the mobility that characterizes the world economy in turn arouses the need for a sedentary lifestyle, the ephemeral engenders the need to identify, the homogeneous entails the need for differences, the loss of national identity gives rise to regional identities and the globalization of markets restores value to local products.

Territory is considered as a relevant scale of analysis that lies between macroeconomics and microeconomics. The emergence of territory as an economic reality and a theoretical concept can also be explained by the political dimension, since in recent years the process of decentralization undertaken in several countries has continued to delegate economic responsibilities to local spaces (Hadjou, 2009). The context of globalization reinforces territorial competition and encourages territories to differentiate themselves to escape competition. This is the main variable on which local territories focus in their development strategy.

Many other studies focus on the Italian experience of industrial districts. For Courlet (2001), it is the work of Italian researchers (A. Bagnasco (1977, 1988), S. Brusco (1982), G. Garfoldi (1981) and C. Triglia (1986) from the early 1980s who emphasized on the emergence in Northeast and Central Italy of small businesses systems “successfully engaging in the world market through a specialized industry” (Courlet, 2001, p97). Beccatini (1987) assimilates this organization to Marshallian districts, the notions of industrial atmosphere and external economies are particularly put forward to understand their functioning.

The explanation given to this type of agglomeration does not stem from the arbitration between the home market effect and transaction costs as defined in the new geographical economy, but from the articulation between four complementary dimensions which promote the cooperation of small businesses and their internationalization :

### **2.2.1. Spatial Dimension**

The spatial dimension favors the cooperation of small businesses and their export performance thanks to external economies. These do not come from the resources specific to each company but from the effects of agglomeration and specialization. Several factors contribute to the emergence of these economies, in particular the training of a skilled workforce, the progress of technical knowledge, the improvement of production methods, etc. These external economies create an industrial atmosphere which is conducive to market and non-market cooperation and coordination. This dimension has favored the emergence of Italian districts and the dynamism of its small businesses. Numerous territorial concentrations of companies, in Prato (Laine), in Emilia-Romagna (Ceramics) and elsewhere, have favored competitiveness, prosperity and internationalization (Benko, Dunford, Lipietz, 1996).

### **2.2.2. Organizational Dimension**

The organizational dimension plays an essential role in the emergence of districts, as a form of cooperation between small businesses and a means to improve export performance. The organizational dimension is explained by a dual logic of geographical and organizational proximity. These logics are part of a collective construction that facilitates coordination between companies and the emergence of a supra form that is the district (Hadjou,

2009). From an institutionalist perspective, it is possible to interpret inter-firm cooperation as a desire to minimize the transaction costs which are inherent in the market. The choice of a form of cooperation will depend on the nature of the transactions on the one hand; and the institutional environment on the other hand (Brousseau, 1997).

### **2.2.3. Technological Dimension**

Small businesses face many difficulties, especially the weakness of their resources and organization. Technological innovation is difficult in these conditions, unlike large firms. The pooling of resources and skills is likely to promote collective innovative processes. This is allowed on a small scale when the production process is decomposable. Moreover, innovation is increasingly defined as a collective social process of differentiation or specification of corporate resources (Coppin, 2002).

### **2.2.4. Institutional Dimension**

Inter-firm cooperation is strongly favored by the institutional dimension in its formal and informal component. The formal rules as well as the informal norms in force in a territory create an atmosphere of a relational capital which can be favorable to cooperation as in the case of districts, or unfavorable as in the case of agglomerations of companies without links. Trust is particularly important as a driving force for cooperation, especially for export. This is based on the sharing of a certain number of standards and values common to entrepreneurs and companies. These values are often the result of a long social construction which required the involvement of all territorial actors, namely companies, employees, the population, communities, media agents and the State.

After an analysis of the inter-company cooperation state within the Algerian date palm sector in the following point, we will attempt in the last point to deal with the causes and possible solutions to improve this cooperation as well as export performance.

## **3. The Structuring of Algerian Companies Exporting Dates: Weak Cooperation**

The objective of this second part is to establish an inventory of inter-company cooperation within the Algerian date palm sector and its consequences on exports. To do this, we conducted a survey of five Algerian

date-exporting companies that participated in the international food fair in Paris in 2012.

#### Methodological Box

Survey Research Protocol: Algerian Date Exporters

Objective :

Diagnosis of the inter-company cooperation state and the export performance of Algerian companies producing and exporting dates

Period: September – December 2012

Procedure: Interview grid

Places: Paris International Food Fair (SIAL de Paris)

Data: Nature and Resources

-Primary via surveys by interviews with companies,

-Secondary through a press review, bibliographic research, websites of the companies in question.

Sample: Five companies exporting Algerian dates

Representativeness: Our sample represents a quarter of Algerian date exporting companies

Method of administration: Face-to-face interviews.

Method of analysis: Processing of company data, analysis of the entrepreneurs profile and diagnosis of cooperation mechanisms, using a reading grid adapted from the literature.

Limits: The limits of this survey are linked to the used methodology, since it is essentially qualitative in nature.



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### 3.1. Profile of the Surveyed Companies

The interviews conducted with the heads of these companies made it possible to draw up their overall profile. Our maintenance grid is based on several themes related to the identity of companies, their main activity, the local products exported, the geography of exports, their strategic orientations, their cooperation, the nature of institutional support and the basic difficulties.

The business leaders are all farmers from father to son, some for generations. Businesses are based on a family and peasant base. The activity is not limited to date palm cultivation, it extends to packaging, marketing and export. All these companies have their head office in the Tolga region in Biskra (except for the Afridate company which is in Touggourt).

The legal status of these entities, EURL for the most part and SARL for some, proves their small size. They are all, moreover, recently created. The reason for this is that the State has, since independence, monopolized foreign trade activities. The monopoly was lifted only lately, from the 1990s. The Haddoud company was the first to take advantage of this liberalization to embark on the international trade of dates. Haddoud is, thus, the oldest but also the largest in terms of exported tonnage (2,000 tonnes/year).

For these small family businesses specializing in the production and export of a local product quality, namely Deglet Nour dates, there are many difficulties in entering the international market. We noted this during our interviews with the owners, since it seemed clear that these companies have little technical means or managerial skills. Entrepreneurs often take care of both management, marketing and communication functions themselves.

In reality, it is difficult to talk about all these functions, in the modern sense, since business leaders generally limit themselves to a few promotional operations through leaflets and occasional communication at agri-food fairs. Participation is quite rare because the costs are high, except in the case of support from Safex, an Algerian organization which is responsible for helping companies to participate in agri-food fairs. It should also be remembered that the heads of these companies are often farmers, with a level of education limited to middle school or high school.

### **3.2. State of Play of Cooperation between Algerian Date Palm Companies**

The analysis of these companies' strategy in terms of management, innovation or communication, shows that it is often limited to the permanent search for new packaging likely to best respond to customers. In reality, in most cases, it is a question of responding to requests from customers, who are looking for high-performance packaging adapted to demand. There is, therefore, no department specifically dedicated to this packaging renewal function.

The heads of these companies know each other very well. They come from the same region and the same tradition, farmers who are very attached to the date, which they all consider to be a "blessed from heaven" product, and a true constituent of their family and regional identity.

However, this proximity and the cordial relations they maintain do not encourage them to coordinate or cooperate to pool their resources. Especially since the latter are very low in each company taken individually. This comes in the absence of a common export strategy. There is, indeed, no strategy or desire for cooperation or pooling of managerial and communication functions, which are necessary in prospecting for customers or markets abroad.

The weakness of cooperation is all the more questionable as competition is strong with Tunisian companies, which are better organized and more efficient. The direct consequence of weak inter-firm cooperation is market loss and poor export performance. Algeria's share in world date exports has continued to deteriorate in recent years (from 10% in 1999 to 3% in 2010), even though production is constantly increasing (from 400,000 tx in 1999 to more than 600,000 tx in 2010).

Under these conditions, export activity is limited to a one-time activity for most companies, depending on incoming orders. The privileged market is often that of proximity. The main customers of these companies are located in France, Belgium, Germany, Canada and Morocco. It should be noted that 80% of exports are absorbed by the French market.

The difficulties that the surveyed companies encounter in their internationalization process are not only related to the weak inter-company

cooperation. They are also linked to the insufficiency of their means, the non-certification of their product and the weakness of institutional support (Hadjou, Cheriet, 2013). All the business leaders that have been interviewed agree on this finding of a lack of institutional support. Before these difficulties, personal networks seem to be the only option allowing the opening on the international market. This is particularly clear for the case of the French market. The interviewed business leaders all have family or friendly networks, which they use in the search for customers.

#### **4. Mechanisms Acting on the Weakness of Inter-Company Cooperation and Managerial Implications within the Algerian Date Palm Industry**

In this last part, we will try, in the light of the territorial approach, to give a reading of the causes and possible managerial implications of inter-company cooperation in Algeria, with the consequences that this can have on internationalization. We classify the causes and managerial implications into four essential themes:

##### **4.1. Historical and Structural – Monopolization and Destruction of Business Networks**

The monopolization of date production and export activities from independence to the mid-1990s had negative consequences for private operators. Thus, “the marketing of the date, hitherto in the hands of a few companies, is entrusted to the OFVA (Office of Fruits and Vegetables of Algeria)” (Guillermou, 2004, p156). The production and export networks that were very active on the eve of monopolization have, therefore, been dismantled, the developed know-how has been lost and informal activity has replaced official circuits, due to arbitrary practices in terms of prices, approval criteria, payment terms, etc. The highly structured inter-company cooperation networks for export have been destroyed, some operators have even been forced to cease activity and go into exile. This is particularly the case of the Soua Soua company, currently under reconstruction. Some authors like Guillermou (2004) affirm that the state monopoly will result in a “break between the producers and the valuation of their production”.

As soon as the country gained independence, the date palm sector was subject to uncoordinated interventions and the absence of a long-term strategic vision. Colonial plantations are recovered and transformed into self-managed estates. They are the only ones to benefit from modernization

support, while small private operators will not benefit from any support. In addition, no cooperation nor coordination is established between the two public and private sectors.

In terms of managerial implications, it is necessary to restore trust between private and public producers and exporters. Without this, business-to-business cooperation cannot develop and export performance will only decline. Restoring trust requires the implementation of local organizations with cooperation and industry development projects.

#### **4.2. Institutional and Organizational – Weak Incentives**

Our survey allowed us to identify several obstacles at both the institutional and administrative levels. These include the absence of clear objectives on the part of the State, the inadequacy of support, the inconsistency between the announced objectives and what is actually done on the ground, the heaviness of the customs administration, the low involvement of banks, the absence of certification and efficient logistics. The presence of a binding institutional system with little incentive has discouraged initiatives. The institutional system has in fact established for years standards that are unfavorable to cooperation, organization and performance. A certain bureaucratic culture has taken hold. Entrepreneurs suffer the consequences. Investments are slowed down, even blocked, formal circuits are diverted and the logic of individual survival has taken over a collective logic. There is also a total lack of support in the investment or export process.

The managerial implications of this diagnosis call for urgent institutional and administrative reforms, the establishment of new standards, a new culture of inter-company cooperation and performance, in order to promote exports. New legislation is needed for both date and company certification. Date exporters would require active support. The idea of a green corridor facilitating the packaging, transport and customs clearance of goods is interesting if it is correctly implemented. This green corridor will also have to provide strong support for exporters, in a collective logic, with administrations and in particular customs, banks and insurance companies.

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### **4.3. Cultural – absence of a managerial culture**

Algerian date palm companies operate in a specific environment lacking a strong managerial culture. This is due to both historical and institutional constraints. Also, the nature of the companies, often small ones, and of the entrepreneurs, mainly untrained farmers, does not favor such a culture. Managerial functions are absent from this type of company. Therefore, management is done on a day-to-day basis, under the sole responsibility of the owner of the company.

Under these conditions, a possible outcome is inter-company cooperation in order to federate resources around a program for the recruitment and training of professional managers. Institutes and universities which are present in the territory, as well as chambers of commerce and agriculture, could provide training. The establishment of a strong managerial culture in companies and territories begins with awareness of the beneficial effects on all operators. The subsequent involvement of all territorial actors is fundamental in this construction process.

### **4.4. Territorial – Absence of a Territorial Project**

As we have seen in the case of the Italian districts, the role of the territories is essential in the emergence of inter-firm cooperation. In the case of the Algerian date palm sector, the territories represented by the communities, the media agents (chambers of agriculture and commerce, associations, local organizations, etc.) and the local population only play a marginal role. There is no territorial project or initiative for better cooperation between date palm companies. The latter are not federated around any collective project of certification, enhancement of the image of the product or even export promotion. The logic of companies' agglomeration in a context devoid of a collective and territorial vision leads to a total weakening of the external economies expected from such a configuration.

The promotion and development of date export circuits imply a reconsideration of the territories. The cultural diversity of the latter must be recognized and reconsidered as a common wealth. An in-depth process of decentralization is necessary to give the territories the tools and the means to develop their specific local resources. At the territorial level: the promotion of dates must be part of a project approach, taking into account both entrepreneurs, products, heritage, landscapes, culture and tourism. This

approach could be part of a call for tenders' process, encouraging the actors to cooperate in order to benefit from these projects. New bodies which are responsible for monitoring these territorial projects should be created. Development agents would enable these bodies to support local entrepreneurs in the process of organizing their production and export activities.

## 5. Conclusion

This article has highlighted the weakness of inter-company cooperation within the Algerian date palm industry. This observation can be generalized to the entire Algerian agri-food sector. This lack of cooperation, combined with the small size of companies, has resulted in growing difficulties in internationalization and poor export performance. Through a field survey of several Algerian companies producing and exporting dates, we have established a strategic diagnosis of the state of inter-company cooperation and its effects on internationalization performance. Our diagnosis is clear, business-to-business cooperation for small businesses is essential to reach the critical threshold necessary for strong integration into international markets.

The territorial approach used in this research has enabled us to highlight the underlying reasons for the weak cooperation between Algerian date palm companies. They are of four orders: historical, institutional, cultural and territorial. The combination of all these factors has led to a certain culture of individualism and mistrust between entrepreneurs and vis-à-vis local and central institutions. To remedy these causes, we have outlined several issues with strong managerial implications for companies and territories. This, in particular, establishes a new climate of trust in the territories, building a new culture of inter-company cooperation and a real territorial project with the involvement of all the actors, as well as the progressive establishment of a managerial culture.

Our approach does not claim to be exhaustive in its diagnosis, further research is needed to identify other factors that could possibly favor cooperation between Algerian date palm companies. Our sample would also need to be extended to date palm companies and other Algerian agri-food sectors. This opens interesting research perspectives in so far as the field of research on inter-company cooperation in Algeria is little explored, even though the performance of several sectors, composed mainly of small entities, depends on it.

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