

**SMEs and the challenge of internationalization: challenges of resistance and support strategies****Nassima Bouri**<sup>1</sup>**University of Oran 2, nassimabouri@rocketmail.com***Received: 02/04/2019**Revised: 13/06/2019**Accepted: 30/06/2019***Abstract**

The majority of analyzes on the Algerian economy evoke the increasingly important role played by SMEs in the economic growth of the country. These continue to be the source of most new jobs, improving economic competitiveness. As an organized economic institution, its growth will depend on its ability to withstand the movements of an uncertain economic environment that weakens it. Its survival is a function of resistance to the considerable strengths and opportunities of competition and to intercept new local and international markets.

**Key words:** SMEs, internationalization, growth, competitiveness, globalization, export, SME support structures.

**Jel Classification:** L32, O19, F43, D41, F23, F13, G21.

**Résumé**

La majorité des analyses sur l'économie algérienne évoquent le rôle de plus en plus important joué par les PME dans la croissance économique du pays. Elles continuent à être à la source de la plus grande partie des nouveaux emplois, de l'amélioration de la compétitivité économique. En tant qu'une institution économique organisée, sa croissance dépendra de sa capacité à résister aux mouvements d'un environnement économique incertain qui la fragilise. Sa survie est une fonction de résistance face aux atouts et aux opportunités considérables de la concurrence et à intercepter de nouveaux marchés locaux et internationaux.

**Mots clés :** PME, internationalisation, croissance, compétitivité, mondialisation, exportation, structures d'appui à la PME.

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## 1. Introduction

The subject of internationalization of small and medium-sized enterprises has inspired a considerable and quite fertile literature, in the light of the work claimed by several researchers, such as; (Boutary, M, Monnoyer, M. C, and -Pierre, Josée, S, [2006]), (Fernandez and Noël [1994]), and (Perrault JL, and J. ST Pierre, [2010]), Marchesnay [1993], Torres [1994]). Thus (Julien and St-Pierre, [2009]). Gradually, this subject has gathered a scientific community recognized in precision and specificity.

Moreover, Fernandez and Noël [1994] explain the success of globalized SMEs by the existence of hyper-segmented markets of specific products, difficult to reach by large companies that instead invest in standardized and homogenized markets. These micromarkets that do not offer great growth potential can be very interesting opportunities for small and medium-sized companies (K. Assala [2006]). But, on the other hand, and as has been shown in previous studies, doing business abroad is more complex than trading only in domestic or local markets for a variety of reasons. The lack of proximity, the language, the culture, the ways of doing things are all factors that can slow down the international development of SMEs or, at least, make it less rapid than national development (Boutary, M, Monnoyer. C, and -Pierre Josée, S, [2006]).

This clear contradiction has led us to split the response by the use of specialized agencies, and as noted in the introduction of the OECD [2000] report on SME access to international markets, there is little precise data on trends in the international activity of SMEs. But the first observation is that of the weak commitment of these companies in international activities. Only 20% of European SMEs are involved in exporting. Doing business abroad is more complex than trading on national or local markets (St-Pierre, 2003). Preference is often given to the domestic market, or to those of the same culture or language (Boutary, [2004], Rutashobya and Jaensson, [2004]).

This element, which in turn gains access to the globalization of SMEs. It allows discerning SMEs face the challenge of internationalization, but, after a lighting of the concept of internationalization, and a presentation of a typology of SMEs in the face of globalization, as well as the various structures supporting SMEs in Algeria.

## 2. Definition of internationalization

"The internationalization of a company is understood as the intrusion of a firm on territories geographically, culturally, economically and legally different from those of its national market from which they are separated by multiform borders (tariff, sanitary, fiscal, and regulatory) "<sup>1</sup>.

Also, "It is now well known that changes in recent decades in the global economic environment explain why fewer SMEs, whether in developed economies or those of developing countries can continue to stand away from the international markets. Many of them are supplied directly or through regional intermediaries in foreign markets or buy equipment coming from across the globe. While others are taking advantage of the opening borders to offer their products in one or more of the countries near or far, with imports and exports often going hand in hand "(Holmlund et al., [2007]).

## 3. Causes of internationalization

The decision of internalisation can take place according to various causes, of which Bourguinat, [1982] classified them in: technical, economic or political "<sup>2</sup>.

### **3.1. The technical causes**

- Development of international transport (lower costs and transport time);
- Improvement of the means of communication (the Internet which allows in real time to the four corners of the planet);
  - Importance of unevenly distributed technological know-how;
  - Increase of production capacities.

### **3.2. Economic causes**

- Qualification of the different workforce according to the countries;
- Different wage level unlike countries (China: factory of the world thanks to its competitive and competent workforce);
- Saturation of demand in industrialized countries;
- Unequal allocation of productive resources to countries (Under the pressure of Chinese demand, the price of steel on international markets is rising);
- Partial standardization of consumption patterns.

### **3.3. Political causes**

- Reduction of customs barriers;
- Reduction of non-tariff barriers;
- Dominant ideology of free trade;
- Creation of free trade zones and economic communities;
- Incentives of the public authorities.

In addition, one can unveil for this purpose, the causes encouraging the company to internationalize, but under another form you; it is the one entitled "the motivations for the internationalization of companies". In this respect, the company's destination in general, or the SME in particular, can be illustrated, accompanying a range of motivations, of which Joffre, 1994, has stated alization process is access to new markets<sup>3</sup>.

that "the most popular motivation for launching enterprise in an internation

## **4. A typology of SMEs facing internationalization**

In many reports or scientific articles, a hasty causality is often posed between export and performance: export performance. For example, a Canadian study attempts to identify "capabilities as determinants of export performance and behavior" (Lefebvre and Lefebvre, [2000])<sup>4</sup>.

This logic of export as revealing performance is a widespread approach, one of whose objects is to respond either to government impatience in terms of trade balance, or looking for external opportunities when the macroeconomic situation domestic is unfavorable. This kind of approach has the disadvantage of diverting us from the analysis of SMEs themselves, to see them only through the prism of export intensity, which prioritises and qualifies SMEs based on this criterion. unique (Perrault JL, and J. ST Pierre, [2010]).

"The internationalization strategies of SMEs have already undergone changes in their response to globalization. Export as a gateway to foreign markets remains important, however in the last ten years, the activity of internationalization of SMEs is become more diversified "(Werner, [2002]).<sup>5</sup>

As a result, several authors have contributed to the lighting of this kind of approach; according to Perrault JL, and J. ST Pierre, [2010], the researchers endeavored to take into account the different types of operations and the different types of organization that could contribute to the global integration of these companies: subcontracting, alliance, export group, etc. ; what Julien and

Morin call direct and indirect behaviors with regard to globalization (Julien and Morin, [1995]). Perrault J.L, and J. ST Pierre considered that these studies are now old, but they have retained a strong analytical capacity.

Indeed, the authors cited the work of Torres, to enrich the contribution, they see that in the context of an original typology, Torres opposed a market space, concept that covers the scope of the market of a local SME in the world, in the area of operation, which refers to the origin, from the local to the global as well, of the resources necessary for the creation of value in the company; this has been claimed and demonstrated by (Torres, [1994], Torres and Leyronas, [1996]). Torres derives a typology in four groups of SMEs. Its typology describes several levels of integration of SMEs into globalization.

On this analytical basis, Julien has enriched this typology, by introducing the behavior of SMEs to a need, more or less affirmed, of global integration (Julien and St-Pierre, [2009]). In other words, he claimed to introduce strategic modalities of internationalization. Thus, he proposed to add the SMEs that stand back from globalization and the SMEs that indirectly reach the global market, either in networks or in portage, an approach that was deepened by Julien and Morin, [1995] across analysis of strategic choices (Perrault JL, and J. ST Pierre, [2010]).

In addition, because they are strongly related to the personality of the entrepreneur and its path, including the smallest (less than five employees) who represent nearly 70% of firms. It is therefore not natural for SMEs to think globally about large companies that, by definition, must act on a large number of markets to sell their products. In addition, many of them do not want or cannot go international because their small size is sufficient to achieve the goals of their creator (Walker and Brown, [2004]) or, again, because they do not consider have the means to expand into other markets (Julien and Marchesnay, [1992]).

Only a small number of SMEs, especially those seeking growth, efficiency and cost efficiency, in particular to reduce their costs, or who follow their customers in international markets, see the international market as an opportunity if not a necessity. Even SMEs that buy imported materials or products often do so through national distributors without knowing that they come from outside the borders (Julien and St-Pierre, [2009]).

Julien and St-Pierre, [2009] divided SMEs into six groups according to their needs for resources from outside the borders or their sales in supranational markets. According to these authors, this classification distinguishes SMEs according to the type of market covered or used, the strategy followed by their management, and their direct or indirect links with other firms operating in international markets. It is based on figures exploited from the elaborated studies.

✓ **SMEs more or less escaping globalization**

About a quarter of SMEs (or more than 50% in developing countries), especially smaller ones, operating in niches protected by geographical distance or by demand related to local needs or offering personal services to the population and to very small businesses, escape completely if not most of this globalization. Above all, they come from face-to-face or socio-cultural relations that are not very subject to international benefits (Julien and St-Pierre, [2009]).

✓ **SMEs acting mainly locally or regionally and passively towards globalization**

According to Julien and St-Pierre, this group of SMEs includes; small printers, machine shops, travel agencies, neighborhood garages and used parts dealers, dance and martial arts schools, home improvement and decorating companies, 50% of real estate agents, florists, photographers, small regional general truckers, custom furniture manufacturers, etc., representing another 30%

(40%) of SMEs. SMEs operating mainly locally or regionally and passively in the face of globalization are represented in the south-west quadrant, they operate on a local market, and buy a small part of their raw materials or products on the market. International markets or intermediaries located in the region.

✓ **SMEs buying heavily in global markets**

This group of SMEs using international resources, responds to the needs of local and regional markets until the time foreign firms or chains decide to open their own stores or their own distribution system. Julien and St-Pierre, [2009], consider it to be about 10% of SMEs, including specialized businesses, many of whose products come from imports, a number of small and medium-sized manufacturing SMEs to serve their needs. Other firms in the regions, some of the health services in the private sector or major medicines, and the public works firms in the regions.

✓ **SMEs linked to medium or large exporting companies**

"There are a number of SMEs, including medium-sized enterprises that act for larger exporting firms, either for service delivery such as electricity and electronics firms for equipment maintenance, or as management consulting, human resources or implementation of new quality standards, either to produce parts for assembly companies of complex products "(Julien and St-Pierre, [2009]). These authors estimated the number of these firms at about 10% of SMEs, or less than 5% for developing countries. According to Knudsen and Servais, [2007], these are most often strong importers of raw materials or complex knowledge and equipment for the needs of their principals.

✓ **SMEs with low exports**

The present group is represented according to these authors in the southeast quadrant represents, in addition to their regional or national market, or 15% (5%) of SMEs, which has been illustrated by (Roubaux, 2007) . Thus, "low-exporting SMEs export to one or two countries relatively close geographically or culturally, to a greater or lesser extent, less than 15% of their production." Among these firms, there are sporadic exporters, reacting to unsolicited external orders and in the same way that they respond to domestic customers "(Julien et al., [1997]). »They do not have a fixed strategy to export and do not dedicate any particular resources to do so" (Julien et al., 1997).

On the other hand, "SMEs are deliberately exporting in order to expand their market as their capabilities grow, while at the same time cautiously pursuing their primary customers," a close market before spreading, following the defensive principles

✓ **Global SMEs**

The positioning of SMEs in an international network resides in the north-east quadrant, most often coming from industrialized countries, operating in several countries, either because of their specific characteristics or because of a deliberate strategy. This group represents less than 5% (1%) of SMEs in most industrialized countries (Roubaud, [2007]). Thus, we find here the very early exporters, the product more or less unique and which requires many small markets here or there to be profitable and thus international contacts for very typical purchases (Oviatt and McDougall, [1995]; [2008]).

Finally, Julien and St-Pierre closed this analysis with the contributions of (Woodcock, Beamish and Makino, [1994], Terjesen, O'Gorman and Acs, [2008]), who found that these "globalized" SMEs use various means to position oneself in various markets other than direct or

indirect export by agents, such as subsidiaries or joint ventures with local entrepreneurs or various forms of alliances (Julien and St-Pierre, [2009], P 4).

## **5. Export Support Organizations for Algeria**

A real interest was developing for these economic entities and "appeared in the early 90's as a result of liberal economic reforms" (Kerzabi A and Saidani, M [2009]), and is justified by "reasons related to their weight. in the service economy and the reconfiguration of the productive system following the successive crises of the large organizations of the Algerian model and the soaring unemployment, especially among young people, increasingly attracted by the adventure abroad "(Madoui and Boukrif [2009]).

Moreover, it is not surprising that this vulnerable world is from the outset a dual challenge, that of evolving in a local environment still unstable due to the unfinished economic transition, and having to find a place in an environment now world. The purpose of setting up these structures is to strengthen the economic activity of SMEs in the face of the challenge of internationalization.

### **5.1. The Algerian Society of Fairs and Exports (S.A.F.E.X)**

The S.A.F.E.X is a corporation per share created on December 24, 1990 through the amendment of the former (O.N.A.F.E.X)<sup>6</sup>. Indeed, this mission:

- The organization of fairs, trade fairs and exhibitions of a regional, national and international nature;
- The organization of Algerian participation in commercial events abroad;
- The agreement of assistance to economic operators in the field of international trade, in particular through business relations with foreign partners, the extension of export procedures, economic and commercial information, the organization of professional meetings and seminars;
- Publication of commercial and advertising catalogs.

### **5.2. The National Association of Algerian Exporters (A.N.E.X.A.L)**

In order to defend the interests of Algerian exporters and facilitate their activities, thus raising awareness among all economic stakeholders on the need to export non-hydrocarbons, A.N.E.X.A.L was created on June 10, 2001. It is responsible for:

- Consolidate Algerian exporters to create a privileged listening space, a consultation and proposal force and an interface between exporters, agents involved in this field (customs, banks, insurance companies, freight forwarders, transporters, etc.) and authorities public;
- Participate with the public authorities in defining and implementing a non-hydrocarbon export development strategy;
- Develop relations of collaboration and exchanges with similar foreign associations;
- Undertake relevant, transparent and precise actions to enable all members to contribute actively, through their experience and knowledge on the ground, to the improvement of the regulatory system governing exports.

Thus, it is responsible for the following services, in the context of its activities:

- The orientation and assistance of economic operators;
- The collection and dissemination of information of an economic and commercial nature;
- The connection to international information networks;
- The multiplication of business opportunities;
- The organization and the animation of trainings relating to the essential techniques in the export activity;

- Organization and participation in specialized fairs and exhibitions in Algeria;
- Technical assistance in upgrading the production apparatus to ensure the development of the export capacities of national operators.

### **5.3. The Algerian Office for Promotion of Foreign Trade (P.R.O.M.E.X)**

In order to promote the country's foreign trade and contribute to the growth of non-hydrocarbon exports, the Algerian Office for Promotion of Foreign Trade was created by the provisions of Executive Decree No. 96-234 of 01 October 1996<sup>7</sup>.

Its main missions are:

- To establish and manage legislative and regulatory databases on foreign trade of Algeria and partner countries;
- Collect, process and disseminate information on standards in force in international trade operators;
- Analyze the structural situations of world markets, relating to exportable goods and services and elaborate sectoral and global market studies;
- Establish business relations between national economic operators and foreign companies at national and international trade fairs and events;
- Participate in the development of the national export promotion strategy and its implementation;
- Providing economic operators with an exporter's guide, an export product directory, an exporter file, and databases on various aspects of foreign trade.

### **5.4. The Algerian Chamber of Commerce and Industry (C.A.C.I)**

The Algerian Chamber of Commerce and Industry, a commercial and industrial public establishment created by Executive Decree No. 96-94 of 03 March 1996<sup>8</sup>. Indeed, it is made up of chambers of commerce and industry, distributed throughout the national territory. It for missions<sup>9</sup> to make available to its members:

- A database of all Algerian companies (contact details, activity, manufactured products, etc.);
- The certification of commercial documents (invoices, certificates, etc.);
- The visa of certificates of origin of goods intended for export;
- The issuance of ATA Carnets, which allows companies to post bonds required by the customs of many countries during the temporary animation of professional equipment or goods intended for exhibition in commercial events;
- The search for foreign partners through the B.R.E (Business Reconciliation Bureau) initiated by the European Union;
- Training and development of company staff in various training programs related to their activities (marketing, customs, accounting, etc.);
- The provision of an important documentary background (foreign journals, books, statistics, newsletters, etc.);
- Assistance and advice in the areas (tax, customs and regulatory, etc.);
- The organization of exhibitions, trade missions abroad, meetings between Algerian and foreign businessmen.

### **5.5. The Algerian Export Guarantee Insurance Company (C.A.G.E.X)**

The Algerian Export Guarantee Insurance Company is a Joint Stock Company created by notarial deed on December 3, 1995 in charge of the management of the new credit insurance system. In this context, and moving the fulfillment of this idea, the ordinance N ° 96-06<sup>10</sup> instituted

the credit insurance, thus the executive decree N ° 96-235 of July 02, 1996 fixed its rules of operation. Indeed, its missions are:

- To make available to companies a set of credit insurance products:
- The insurance policy for prospecting, fairs and exhibitions: With a rate of 60%, this credit insurance product covers the risks of non-amortization of the company's expenses related to participation in the fairs or exhibitions envisaged. Indeed, it is intended for exporters and companies wishing to prospect new markets;
- The buyer credit insurance policy: This product guarantees major export contracts and medium-term buyer credit financing;
- The global insurance policy: With a rate of 80%, this credit insurance product guarantees overall repetitive or current export-related sales, it particularly affects companies that market consumer goods and products, equipment and services, the duration of which does not exceed 180 days;
- The individual insurance policy: With a rate similar to the previous policy, the individual insurance policy covers one-off export transactions, capital goods, works contracts or services.

## 6. Conclusion

In this logic, it should be noted that the majority of analyzes on the Algerian economy evoke the increasingly important role played by SMEs in the economic growth of the country (CNES, [2001]). They continue to be the source of most of the new jobs (OECD, [2005]), improved economic competitiveness (Conway, [2005]) and local development (Nolan, [2003]), and that one of their main characteristics is their heterogeneity, not only because they often respond to thousands of small local markets that are different from one another (Jaouen and Torres, [2008]).

Notwithstanding its growing importance, we must not lose sight of the fact that the Algerian SME, as an organized system, its growth will depend on its ability to withstand the onslaught of this economic environment that weakens it. Its survival is a function of its ability to resist competition and to intercept new local and international markets, in front of actors who have considerable assets and opportunities.

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