

AN ANALYTICAL STUDY OF CRITICAL BARRIERS PERSISTING IN ENTREPRENEURSHIP ECOSYSTEM IN ALGERIA

Abderrazak Laghouag and Faiz Bin Zafruh

College of Business, King Khalid University

ABSTRACT:

Supporting Small Entrepreneurship represents, for both developed and developing Countries, the platform for economic growth and diversification, social progress and employment creation. In Algeria, the government grants a plurality of support and facilitations to investors, accentuated mainly on financial aids, tax exoneration and streamlining procedures. Despite all these dynamism and incentives, Algerian entrepreneurs seem to be still facing a constraining reality. This paper aims to investigate and understand the reality of the entrepreneurial context in a developing country, namely Algeria and identifies the entrepreneurship critical barriers (ECB) that still impede the entrepreneurs. To reach this goal, an in-depth literature review about the critical barriers have been presented. Then, this ECB list has been purified through a qualitative study, within an industrial company that has started its activity recently in food industry, in order to determine the most persistent critical barriers even though all the reforms. Based on the results of this study, this paper aims to come up with some recommendations that might encourage the small entrepreneurship creation process.

Keywords:

Entrepreneurship Ecosystem, Critical Barriers, Business Creation.

Article Received: 18 October 2020, Revised: 3 November 2020, Accepted: 24 December 2020

1. INTRODUCTION

For a long time in the last millennium, the issue of small and medium entrepreneurship was not attracting the intention of both researchers in management sciences as well as professionals. The first reflections on this issue were in the early 1970s, with the valuable contribution of some researchers such as Blau (1970) and Mintzberg (1982) who focused on the benefits and vitality of this form of enterprise in the economy structure. After this era, it seems that most countries became aware about the necessity of Small and Medium Enterprises (SMEs) as a strong pillar to restructure the economy and move effectively to a market economy (Torres O, 1997, Penoul M, 2000) as long as, according to researchers as well as professionals, the investment and the support of Small and Medium Enterprises creation means for the economy more flexibility, adaptation to different changes and the ability to reduce unemployment (Kadi, 2013).

The entrepreneurship issues still attract the attention of researchers and practitioners as well. Several researches have dealt with the entrepreneurship issue in many facets. Some

researches such as (Kurniawan et al, 2021) explored students' entrepreneurship orientation through the assessment of innovativeness, risky proactiveness, and competitiveness levels in educational organizations and provided some directions to strengthen their programs through integrating entrepreneurial courses to orient students' behavior in the future. In the same line, (Dif at al, 2019) studied the role of universities in the entrepreneurial ecosystem and found that this latest could rely on universities, through the entrepreneurship education integration and startup competition, to foster innovation behaviors and entrepreneurial intention and spirit. Other recherche, such as (Hakami, 2021) explored the importance of social entrepreneurship for developing the community through exploiting opportunities and reducing the youth unemployment that represents a challenge for all countries. Some other studies, such as (Gulomjanovna et al, 2021), discussed the idea that involving women in entrepreneurship activities, through an effective reform, help prevent and reduce poverty and improve the quality of women's life and increase their incomes.

Actually, it is commonly noticed and heard that people in developing countries are reluctant to become entrepreneurs compared to developed countries. On one hand, this difference is sometimes due to cultural, religious and social factors and, on other hands, to economic conjuncture, political and financial factors. The common result of all these factors is demotivating and penalizing entrepreneurs. For Algeria, there is a strong political willingness to develop and promote entrepreneurship which is considered as a vital means for creating added-value and increasing national growth, and reducing unemployment rate and informal work (Benredjem, 2009, Rédha et al, 2016, Zemirli & Hammache, 2018).

Unfortunately, all the efforts and economic reforms dedicated to create an appropriate atmosphere for entrepreneurship in Algeria, namely the promulgation of investment code, and particularly, implementation of different institutions and programs and funds to support and promote entrepreneurship such as ANSEJ, ANGEM, ANDI, it seems that are entrepreneurs and new projects are terribly struggling because of some barriers and difficulties that are still persisting. These barriers are of different nature: Geographical, infrastructural, Administrative and regulation, technological, financial and market barriers (Rédha et al, 2016, Zemirli & Hammache, 2018). Based on this facts, it becomes pertinent to understand the factors that stand behind entrepreneur's reluctance and even failure. So, the fundamental question around which this work is articulated is the following: **What are the critical barriers that are still perturbing the success of Small and Medium Entrepreneurship and prevent them of being a locomotive for Algerian economy prosperity?** Dealing with this kind of issues is motivated by the importance given today to the field of entrepreneurship in Small and Medium Business as a source of diversification on one hand, and by the willingness of the researcher to emphasize the different obstacles that still make projects fail despite the fact that significant efforts and investment devoted to this sector for its

development. The challenge facing us in this work is to find out what are the obstacles, through a literature review, to the creation of small and medium enterprises and confronting these latest to the ones faced by a company that operates in the food sector and that has struggled to run its business. Afterwards, these obstacles have been ranked through a qualitative study based on interviews.

In order to answer the previous research question; this article has been structured in the following way: First, an overview and a diagnostic about entrepreneurship and SM business creation reality and evolution in Algeria has been provided. Afterwards, in the second point, a literature review about the different barriers that stand behind the success of Small and Medium Entrepreneurship has been developed. Third, a case study has been presented in order to evaluate the barriers and associate them with a criticality weight in order to see which barriers are still persisting even though all the economic reforms launched by the government.

2. ENTREPRENEURSHIP ECOSYSTEM AND BUSINESS CREATION IN ALGERIA: CHARACTERISTICS & EVOLUTION

The majority of SMEs in Algeria, mainly in the private sector, have seen the light by the 90s, namely after the economic and political reforms. Before this period, the Algerian economic was completely state-controlled and characterized by a very high level of state-interventionism and low entrepreneurial dynamic (Berrah and Boukrif, 2013). In 1993, a legislative decree dedicated to the promotion of investment has focused on the fact that all the economic reforms and all the efforts should be oriented towards the establishment of a diversified economic system, supported by a certain level of liberalism in order to foster the private initiatives as a mean to support the national economic sector. This strategic decree has enlarged the institutional framework and gives more advantages to the development of private SMEs. This decree also focuses on the importance of the

economic sectors sources diversification which is supposed to increase exportation outside the oil sector (Rédha et al, 2016).

In order to encourage the creation of SMEs, the government has set up an incentive mechanism depending on the nature and location of the projects. In this context, the legislative framework has been more and more strengthened in the sense where all guarantees to grant to investors have been specified through the law of orientation on the promotion of the Small and Medium Enterprises promulgated on December 12, 2001. This law also

makes public and private investment in the same line by eliminating any differentiation between them.

It is to say that a considerable growth has noticed since 2001 due to the favorable conditions and support given by the said law mentioned Supra. Figure 1 below shows the significant increasing in the creation of Small and Medium Enterprises. The total number of Small and Medium Enterprises at the end of 2019 reached 1193339 SMEs while this number was only 245348 in 2001. So, the number has more than quadrupled.

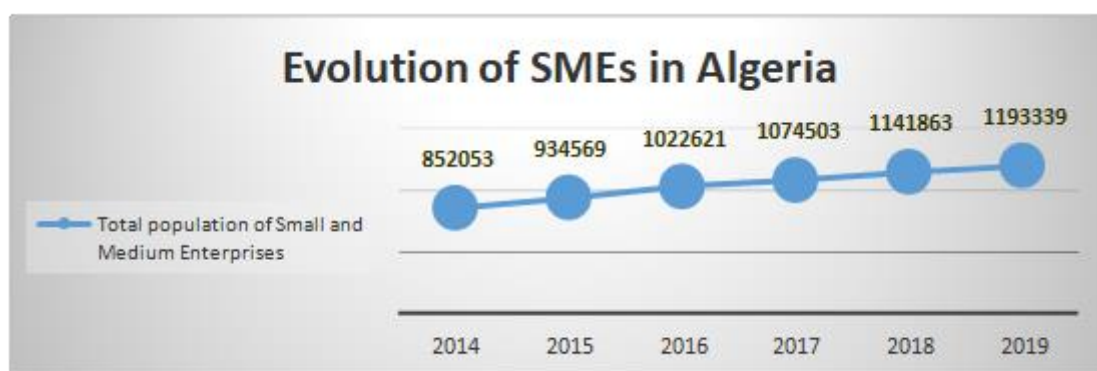


Figure 1. Evolution of Small and Medium Enterprises in Algeria

Sources: Statistical Reports n° 26-28-30-32-34-36, Ministry of Industry of Algeria

The statistical reports also show that during the last two decades, graduates, youth people, and even employees are moving towards independent

projects through being employees or self-employed as shown in Figure 2.

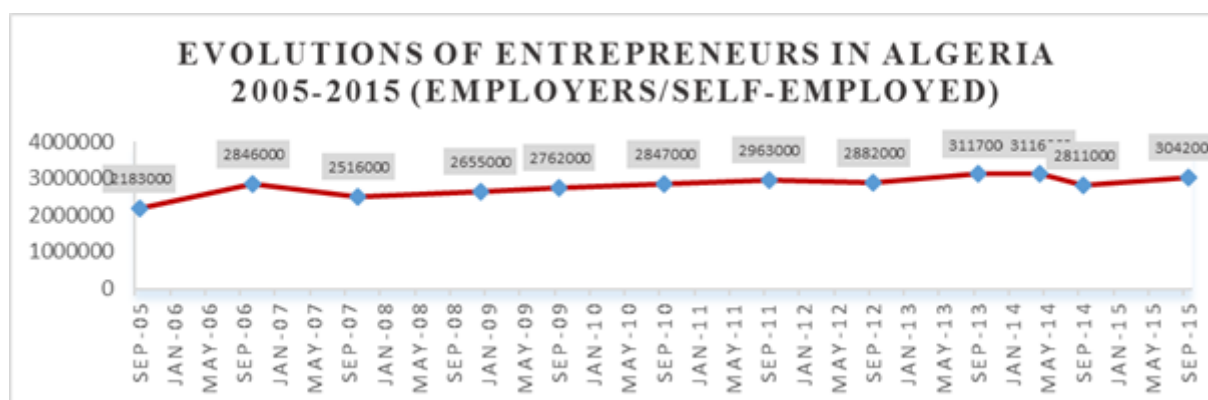


Figure 2. Evolution of Entrepreneurs in Algeria (Employers-Self-Employed)

Sources: National Office of Statistics, Report N° 726: Activity, Employment & Unemployment in September, 2015

To support this trend, Algeria tried to provide favourable conditions as well as programs and

support services, it is to notice that many actors and programs have been developed as follow:

A. Agencies and Institutions to Support and Promote SMEs

A.1.National Investment Development (ANDI):

ANDI is a governmental institution whose mission is to facilitate, promote and support investment and business creation through incentive structures that are essentially based on tax exemption and reduction measures (www.andi.dz).

A.2.National unemployment insurance fund (CNAC):

CNAC is a support system for the creation and extension of activities devoted for unemployed promoters of 30 -50 years, having lost their job for economic reasons for 1 month. This institution provides three financial supports: (1) Unpaid loan representing 28 to 29% of the overall cost of the project. (2) Reducing bank interest. (3) Assistance in obtaining financing (www.cnac.dz).

A.3.National Support Agency for Youth Employment (ANSEJ):

ANSEJ is a public institution created in 1996, responsible for encouraging, supporting and assisting the entrepreneurs in business creation. The ANSEJ support is devoted to unemployed young people (19-35 years old) who have idea of a business creation project. This institution provides three financial supports: (1) Unpaid loan representing 28 to 29% of the overall cost of the project. (2) Reducing bank interest. (3) Assistance in obtaining financing (<https://www.ansej.org.dz>).

A.4.National Agency for Microcredit Management (ANGEM):

ANGEM develops a micro-credit used at developing the individual capacities of people to bear responsibility by creating their own activity. The Micro Credit is a loan allowing the purchase of a small equipment and raw materials to start an activity or a trade. This

support is intended for all citizens over 18 years without income or with unstable and irregular income. Its purpose is the economic and social integration through the creation of activities of production of goods and services. This institution provides two financial supports: (1) a credit to "purchase of raw material". (2) a credit for "acquisition of small equipment" (www.angem.dz).

B. Funds & Committees: Assistance to have access to bank financing

B.1.Small and Medium Enterprises Credit Guarantee Fund (FGAR):

FGAR is a public institution, designed to facilitate Small and Medium Enterprises' access to bank financing when launching business or extension projects, by granting credit guarantees to banks (www.fgar.dz).

B.2.Capital Investment Society:

Capital Investment is a technique of financing through the acquisition of minority and temporary stakes in the capital of a company. It takes several forms including: (1) venture capital to finance the creation of a business; (2) Development capital intended to finance the development of the company.

B.3.The investment credit guarantees fund (CGCI):

CGCI is a public institution set up to support the creation and development of Small and Medium Enterprises by facilitating their access to credit.

B.4.Mutual guarantee fund risks/ credits of investments for unemployed promoters:

This fund was created to further reinforce and encourage banks in taking risks when financing companies created under the CNAC system (for people aged from 35 to 50 years).

B.5.Mutual guarantee fund risks /credits for young promoters:

This fund was created to further strengthen banks in taking the risks

in financing companies created under the ANSEJ system.

B.6. Mutual Guarantee Fund for Micro

Loans: This guarantees the microcredit granted by the banks and financial institutions that are members of the fund, to the beneficiaries who have received the notification of aid from ANGEM system.

C. Support and local economic animation structures and Professional organizations

C.1. Business incubators: The business incubator is a public hosting, structure support for promoters implemented by the Ministry of Small and Medium Enterprises. The assistance provided to the promoters consists essentially in: Hosting project and offering the following services: Offices, computer equipment, documentation, and also accompanying project promoters in all the process besides the financial institutions;

C.2. National Chamber of Commerce and Industry (CNCI): Provides economic operators with a useful economic data; provide economic, financial and legal advice for businesses; ratifying commercial documents such as invoices and certificates as well as the search for foreign partners, in particular with the European Union (www.caci.dz).

In addition to the different form of support mentioned in the table above, and according to the statistical information report about SMEs N° 33, provided by the ministry of energy in mid-2018, several measures and reforms for the development of SMEs have been introduced in the context of the Finance Law for 2018, and this, by the application

of the new orientation law on the development of the SMEs promulgated in early 2017. these reforms include, for example, upgrading the SMEs Development Agency to become National Agency for Development and Modernization of SMEs (Andpme) to get more flexibility and realize the missions assigned to it. Also, the orientation law for SMEs Development promulgated in 2017 comes to modify and complete the orientation law promulgated in 2001, and encourage the creation of SMEs, the improvement of their competitiveness and their export capacity as well as improving the national integration rate and outsourcing. Actually, (Coduras et al, 2018) highlights the strengths of Algerian entrepreneurship ecosystem in several points, namely, the dynamic of the internal market, the infrastructure, the cultural environment, financing support, knowledge transfer, and governmental policies.

Even though all the efforts and strenghts of Algerian entrepreneurship ecosystem, there is still a gap between potential entrepreneurs and the support services (Sedkaoui, 2019). Also, the main weaknesses still persisting could be taxes and bureaucracy; entrepreneurial education and innovation programs at all levels; commercial and professional infrastructure; regulations. Actually, the status of entrepreneurial ecosystems in Algeria is still insufficient regarding several key factors, and the present study comes to investigate this, fact. Algeria showed an insufficient level of 50% (Coduras et al, 2018). To confirm this fact, The Global Entrepreneurship Index (2019) shows that Algeria, even though all the resources and capabilities, is still lagged by many countries in the world regarding many entrepreneurial indicators. The figure 2 presents a comparison among Algeria, Tunisia and morocco.

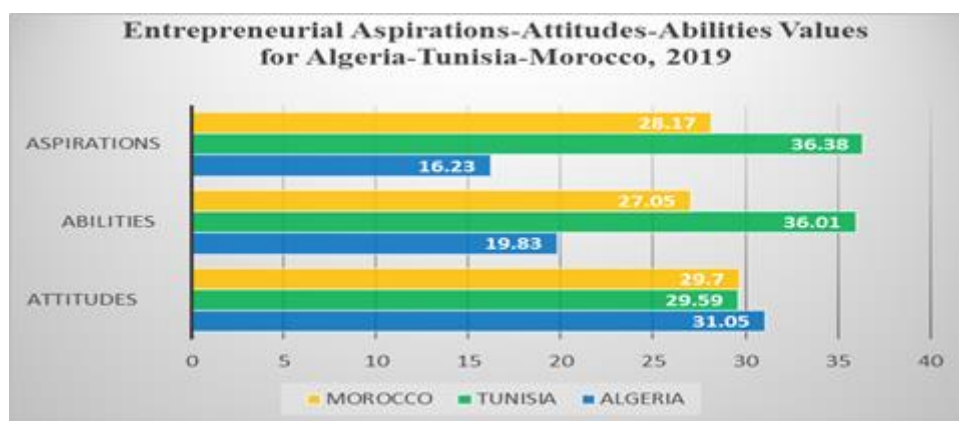


Figure 3. Entrepreneurial Indicators Values for Algeria-Tunisia-Morocco

Sources: Provided by the researchers based on GEI Report (2019)

Moreover, Algeria is a developing country suffering from lack of diversification where and the hydrocarbons sector dominates the country's exports with 95.2% in 2016 (Baaziz, 2018). The situation of entrepreneurship ecosystem seems to

persist in 2020, for example, in the Global Entrepreneurship Index (GEI), Algeria was ranked 80 among 137 countries. The GEI takes into account 14 dimensions as shown in figure 4.

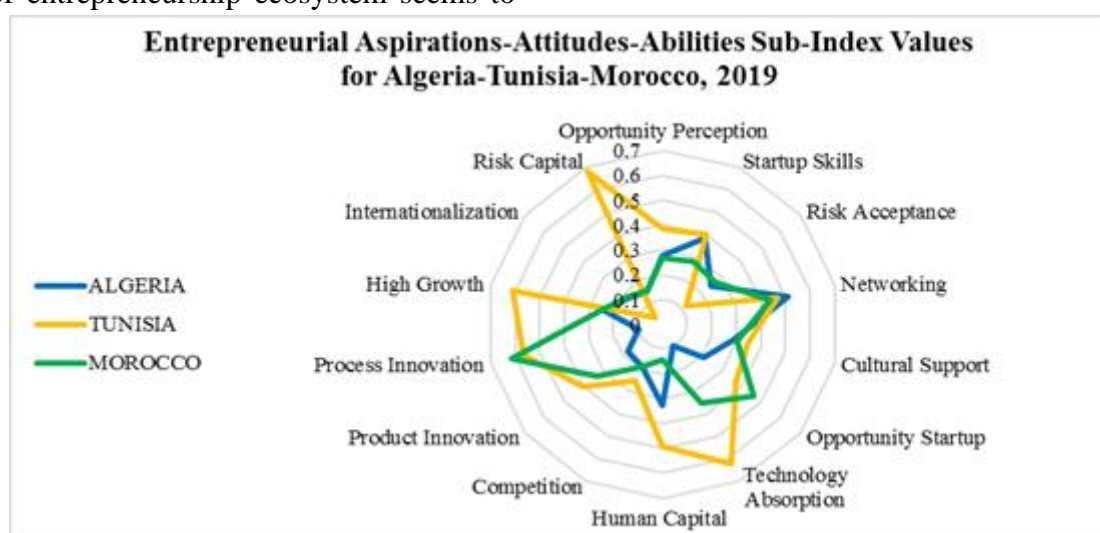


Figure 4. Entrepreneurial Sub-Indicators Values for Algeria-Tunisia-Morocco

Sources: Provided by the researchers based on GEI Report (2019)

In Table 1 below, it is to notice that Algeria presents some critical weaknesses regarding the technology absorption as well as product and process innovation. The Global Innovation Index 2020 (GII) confirms this fact where Algeria was ranked 121 from 131 countries regarding seven factors such as institutions, human capital & research, market and business sophistication,

infrastructure, knowledge & technology as well as creative outputs. Chohra (2019) emphasizes the importance of developing a strong connection between universities and their socio-economic environments to facilitate the commercialization of R&D outcomes developed by researchers in Algeria.

Table 1: Entrepreneurial Sub-Indicators Values for Algeria-Tunisia-Morocco

| | ALGERIA | TUNISIA | MOROCCO |
|----------------------------------|--------------|--------------|--------------|
| 1. Opportunity Perception | 0.274 | 0.385 | 0.265 |
| 2. Startup Skills | 0.387 | 0.403 | 0.283 |
| 3. Risk Acceptance | 0.248 | 0.117 | 0.272 |
| 4. Networking | 0.51 | 0.469 | 0.438 |
| 5. Cultural Support | 0.289 | 0.345 | 0.301 |
| 6. Opportunity Startup | 0.212 | 0.371 | 0.463 |
| 7. Technology Absorption | 0.097 | 0.625 | 0.351 |
| 8. Human Capital | 0.328 | 0.494 | 0.145 |
| 9. Competition | 0.192 | 0.255 | 0.189 |
| 10. Product Innovation | 0.177 | 0.404 | 0.335 |
| 11. Process Innovation | 0.098 | 0.566 | 0.615 |
| 12. High Growth | 0.239 | 0.609 | 0.252 |
| 13. Internationalization | 0.172 | 0.039 | 0.175 |
| 14. Risk Capital | 0.142 | 0.684 | 0.149 |

Source: GEI Report (2019)

3. CRITICAL BARRIERS TO SUCCESS OF SMALL ENTREPRENEURSHIP: A LITERATURE REVIEW

Despite the multiplicity of support programs and structures for Small and Medium creation started by the Algerian government, the results sound to be still weak. The purpose of this section is to address a literature review that allow us to understand and enumerate the main critical

barriers facing entrepreneurs. Actually, many typologies have been provided in the literature such as the model of Baaziz (2018) that distinguishes between two types of barriers, namely, internal and external barriers as shown in figure 5.

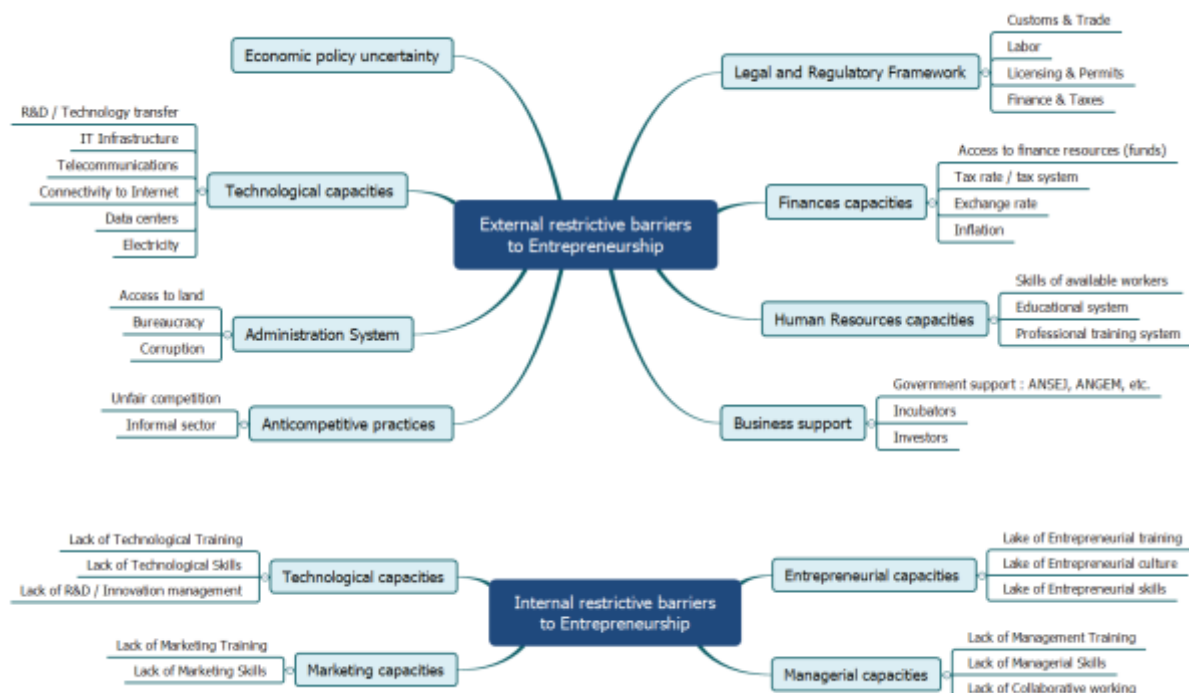


Figure 5. Internal and External Barriers to Entrepreneurship

Sources: Baaziz, (2018)

The model above seems to be more detailed, which makes the conducting of the case study more complicated. This leads to adopt a model that fits with the entrepreneurship ecosystem domains such as the model proposed by Isenberg (2010). Based on Isenberg model, six main barriers seem to be the most important that slow down the entrepreneurial activity in Algeria, namely, geographical, infrastructural, administrative and regulation, financial and technological barriers. These different barriers are presented as follow:

3.1. Geographical & Infrastructural Barriers:

According to (Berrah & Boukrif, 2013, Sekiou et al, 2017), These barriers reflect the territory nature, and represent preliminary obstacles that the entrepreneur face when starting business. There are mainly two facets of geographical obstacles: (1) The relief that represents a determinant for the success of the project as long as it determines the logistics fees as well as the sources of raw materials and so on. Algeria is characterized by different reliefs, mountains in the north, desert in the southern side. Also, the weather changes depending on the place. The Algerian government gives the entrepreneurs many advantages, such as tax exoneration and financial support to invest in the southern zone. (2) The problem of industrial property and land, also, represents one of the major obstacles to realize a project and It's decisive for economic development. In the same line, land and property ownership in Algeria denotes the absence of a general cadastre system. Developing countries are characterized by a sharp infrastructural deficit. In Algeria, a huge budget has been devoted to develop infrastructures that are vital to sustainable economic growth. The success of a project is largely conditioned by the infrastructures available to the investors. Actually, there is unanimity among investors

regarding the problem of industrial property and infrastructure which represents more than 35% of their requests. To solve this problem, the ministry of industry has created the National Agency for Intermediation and Land Regulation (ANIREF) that takes in charge the realization of industrial zones.

3.2. Administrative & Regulations Barriers:

In general, the Algerian legal framework adapts gradually to the obligations of a market economy. However, it is still weak due to the lack of understanding of best practices in other market economies (for example guarantee, bankruptcy procedures, etc.). The administrative constraints are very crucial as long as the entrepreneurs face them in various structures (Trade register, licences by legal authorities, hygiene certificate, eligibility certificate, conformity certificate, etc.). the lack of coordination between these structures sometimes push the promoters to change the activity or to abandon their initiative. Also, the lack of transparency or information besides different actors and organisations implied in the process of business creation discourages strongly the investors (Kisline, 2007, Kerzabi, 2013, Benissad, 1993, Sekiou et al, 2017, Berrah & Boukrif, 2015).

3.3. Market:

Getting access to both upstream and downstream market is one of the main challenge for entrepreneurs when deciding to start project. Especially when it depends on developing countries where the level of informal economy is very high and transactions based on social network are dominant. For the upstream market, most suppliers of raw materials and equipment are located outside where payments are made with foreign currency that submit to stock market, which might cause losses and delays to entrepreneurs when executing the payment and paying customs services taxes especially in the context of unstable economy. For the

downstream market, things are very difficult too, the entrepreneurs should face double competition: the products and services that come from a foreign country legally or through the informal sector and the ones produced locally. Getting access to the downstream market in developing countries is very difficult and is based mainly on the social network (Laghouag & Zouaghi, 2017, Berrah & Boukrif, 2013, Berrah & Boukrif, 2015, Kisline, 2007).

3.4. Technological Barriers: According to (Berrah & Boukrif, 2013, 2015), Any process of business creation requires technology and equipment that, in Algeria, are generally acquired from foreign countries including the European and Asian market. This barrier requires also the ability to have adequate skills to use correctly the technology. Usually entrepreneurs have limited skills in this field, that is why they need training and experience, not only to have managerial skills but also technological skills.

3.5. Financial Barriers: The question of finding a source of financing has always been the center of the problem of entrepreneurship in Algeria. Many difficulties appear regarding this barrier: first, how to find a financing institution, how to deal with the high interest rates, also how to fill in the gap in the case of lack and insufficiency of the amount granted which is not in accordance with the project size, also the delays that are due to the decision to grant credit. Regarding the financing issue, it seems that the Algerian financial institutions are always reluctant to grant their support to Small and Medium Enterprises (Kisline, 2007, Zemirli & Hammache, 2018, Sekiou et al, 2017, Berrah & Boukrif, 2013, 2015).

4. RESEARCH METHODOLOGY

4.1. Case Study Presentation

The Company “Chiraz” is a small food manufacturing and distribution company that was created on 17/03/2015, with an effective start in the beginning of 2017 given the large number of obstacles faced by this company. This company is specialized in the milk powder packaging and commercialization. Its main customers are wholesalers and supermarkets. With a workforce that range between 10 to 50 employees (depending on the season) and (02) two warehouses spread on an area of more than 850 m² for each one. The main raw materials, namely milk powder, are imported from different foreign countries such as: Ireland, France, Argentina, New Zealand, Belgium etc. The rest of raw materials are provided locally from many suppliers.

Actually, the choice of this company is justified by the fact that the start of this latest has been characterized by a lot of difficulties and that the managers struggled to go over the different barriers that have caused to them a serious delay to start effectively and let the company bearing expensive charges.

According to the study conditions, it has been conducted through interviews with the owner of the company as well as with three function managers, namely import manager, production manager, inventory manager. Based on a literature review dealing with the different barriers, a list of semi-structured questions has been developed according to the different barriers related to different phases of company creation. In general, we have identified for each axe (Barrier) the appropriate manager. On the other hand, the interviews have been conducted in favorable conditions, the owner and all the managers did really want to collaborate with us in order to help them and come up with effective solutions to improve their performance regarding some axes that will be highlighted during the analysis. For managers who found difficulty to answer a question or talk about an obstacle and clarify some facts, the researcher helped them identify problems and put causal links with dependent and

/ or independent variables depending on the axe dealt with. Thus, in the case where the explanation of a manager is not clear, we asked for evidences (Documents, e-mails. etc) in order to properly identify the different obstacles.

4.2. Data Collection

As shown above, semi-directive questions were used with interviewed managers, namely the owner of the company as well as the import manager, production manager, inventory manager. A lot of interviews were conducted besides these managers repeatedly in order to not limit the respondents' answers. These interviews consist of several parts. First, the managers provided an overview about the business climate and conditions they are facing in every day's work. Then, the chronology of the company creation has been highlighted and, afterwards, the interviews has been oriented in order to stop on each obstacle faced by the company and analyze the different causes standing behind this obstacle and its respective negative consequences. Finally, an evaluation of the criticality level of each obstacle has been provided as well as which obstacles are still existing.

5. RESULTS & DISCUSSIONS

For the methodology adopted in this research, we have first identified, through an in-depth literature review, the major barriers and obstacles met by the investors along the project life cycle. For the present case study, the different obstacles will be assessed from a Small and Medium Enterprises managers perception. Also, a weight reflecting the criticality level of each barrier will be evaluated in order to aware the official authorities about the fact that some obstacles are still persisting even though all the reforms.

The results analysis will be demonstrated respectively with the obstacles identified in Table 2. Also, the interviews conducted besides managers gave the possibility to evoke other barriers that haven't been dealt with. So, when asking the owner about the geographical and infrastructural barriers, as well as the related

criticality level, he commented this situation and said:

"Actually, the geographical location was basically at the origin of all the problems I faced and all the delay I had to start effectively, about two years, was because of the industrial property. Well, after have had constructed my plant, it turned out that we can't get a license to start our activity as long as, for the cadaster system, the land on which the plant is based was for agricultural activities and not for industrial activities. For me, this barrier is the most important with a percentage of 90%"

According to the owner, the problem of industrial property seems to be happened to many business man, and some of them, they didn't regularize their situations and get the activity license for many years. Then, when asking the owner as well as the import manager about the administrative and regulations barriers, it seems that this latest is more serious than the first one. Regarding to this barrier, they said:

"Actually, this barrier could be joined to the first one, namely, geographical and infrastructural, even more. While the first was just before starting our activity, we can say that the administrative issues are a daily problem, the bureaucracy is omnipresent, even besides the intellectual property office or any other public administration...for example, we had to wait more than one year to protect our brand. The same thing for getting the license to import raw material (Milk powder), sometimes we should wait months. For me, even this barrier is very critical and represents about more than 90%"

In addition to what have been said above, the owner confirms that the administrative obstacles are met in almost all the administrations, namely the bank, customs services, town hall, agriculture ministry, etc. Afterwards, the owner and the commercial manager have been asked about the difficulties related to competition and market. For this axe, the managers answered as follow:

“Actually, the competition is very strong from both national and international competitors. Also, getting access to downstream market is not really easy as long as almost all the transactions with distribution channels, namely the wholesalers, are made in an informal way based on a trust control and reputation. The Algerian market is highly informal...and in such a context; the social network becomes very important to sell our product...Even though we have taken precaution to develop relationships with our customers, we have lost a lot of money with some of them in the context of informal business. I think the importance of market issues should be associated with 80%”

Likewise, the access to upstream market, namely the suppliers, seems to be also difficult and needs a time to develop relationships with them, especially when the major suppliers of raw materials are from foreign countries and need more guaranties besides the bank. Once the issues related to upstream and downstream market have been highlighted, the owner and the production manager have been conducted to talk about technological and financial barriers, as well as the related criticality level, they said:

“Well, I think the technological barrier is related directly to the financial barrier. While all the equipment required to our activity were easy to import, our ability to finance and invest in new

equipment was limited...we have solicited our bank, to help us acquire transportation and shipping material through a leasing operation. The file study and documents verification at the level of the bank has taken relatively long time. These two factors could get an importance level of 60%”

After answering all the questions, the owner was asked to identify and evoke additional barriers that are critical and that are disrupting the company business process. As a reply to the previous question, the owner has emphasized the lack of maturity in terms of management, or Managerial barriers, and said:

“Actually, one of the major problem that makes our company struggling in front of our competitors is the fact that our management is not, let’s say, mature, I mean, all our practices are relatively not good because of the lack of experienced and skilled employees as well as the absence of modern management tools and process..... this obstacle is also important and reflects the need of a lot of training for employees and could be associated with a percentage of 70%”

Based on the weight (percentage) associated, by the managers, to different critical barriers according to its importance, Figure 1 summarises these results as follow:

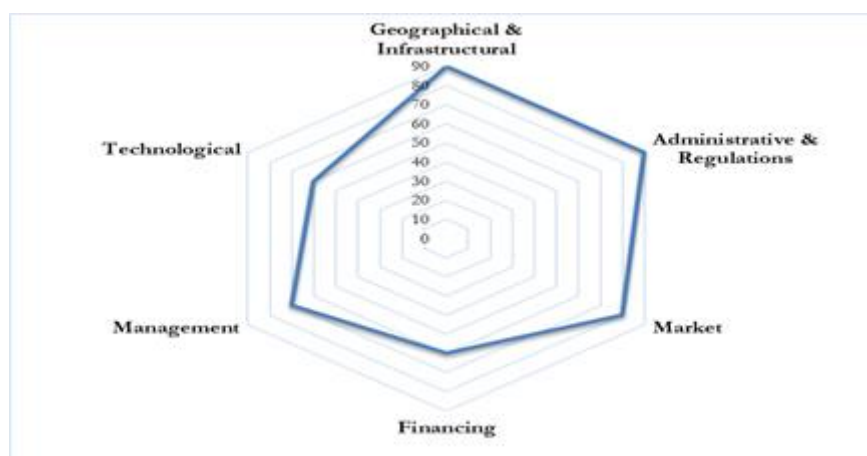


Figure 1. The Criticality level of Barriers for Entrepreneurs in Algeria

The study results conform to Sadkaoui (2019) findings, for the researcher, the administrative and regulations are considered the most negative and critical difficulties encountered by entrepreneurs while the technological barrier seems to be less critical. Also, the market is slightly negative while the management and human capital are moderately negative.

6. CONCLUSIONS

In conclusion, the purpose of the present study is to evaluate the critical barriers that still stand behind the failure of Small and Medium Entrepreneurship in Algeria despite all the efforts and economic reforms adopted and implemented for this reason, namely the creation of ministry dedicated to Small and Medium Enterprises, the promulgation of investment code as well as the implementation of different programs and institutions to support and accompany the entrepreneurs along the project lifecycle by providing them a favorable entrepreneurial environment.

The results obtained from a qualitative study based on interviews with responsible of a small company operating in the food sector, show that the different obstacles identified through the literature review are still existing with differences in terms of importance and criticality level. The results also reflect that despite all the reforms proposed and implemented at the strategic level in the government are not well declined and at the operational level.

The results show that the administrative and regulations barriers as well as the infrastructural and geographical barriers are the most perturbations that still face the entrepreneurs and for a long time lead them to abandon the project. The literature review highlights that an effective economic reforms, for any country, cannot be realized without an effective legal cadaster system that encompasses all the Algerian areas. According to administrative and regulation barriers, the bureaucracy and sometimes corruption are present in many public institutions.

The creation of cells, in all ministries, in charge of measuring the performance of each institution taking into account the entrepreneurs feedback about the service provided seems to be pertinent. Also, the human resource in the institution could be involved in many training programs to develop their competencies especially in terms of understanding the procedures as long as, according to the owner, the delay was mainly due and for many times to a misunderstanding of administrative procedures.

The results also highlight a very important obstacle, which is usually hidden, namely the immaturity of management, which reflects the company internal weaknesses, in addition to the external institutions weaknesses. To go over this problem, the use of consultants is strongly recommended as well as hiring employees with considerable work experience. As for market barrier, it seems that the use of Ouchi typology (1980), namely the clans (trust) and market control, is very pertinent in the context of informal relationships with logistics actors, namely suppliers and distributors. Finally, the financial and technological barriers sound to be less critical than the previous ones but still worry and preoccupy the entrepreneurs.

As seen above, the business climate is still not favorable for the development of the Small and Medium Enterprises sector. The Algerian government should focus its efforts on how to translate all the Small and Medium Enterprises development strategies into actions through a balanced scorecard for example, in order to promote Small and Medium Enterprises which are the source of a diversified and balanced economy. As all researches, this study presents a limit which is the fact that the results could not be significant as long as the analysis is based on one case study. The future research could take into account this weakness and deal with this issue besides a significant sample through a quantitative study based on pertinent and validated scales.

ACKNOWLEDGEMENTS

The author extends his appreciation to the Deanship of Scientific Research at King Khalid University for funding this work through research groups program under grant number (G.R.P 154-41).

REFERENCES

- [1] Baaziz, A. (2019). Towards a new paradigm of “coopetitiveness” in emerging countries: Case of the Algerian entrepreneurial ecosystems. *International Journal of Innovation*, 7(1), 67-86.
- [2] Benissad.H (1993). Micro-enterprises and institutional framework in Algeria, working document No. 85, Produced within the framework of the research program: Relations between the informal sector and the administrations and political power, OECD.
- [3] Benredjem, R. (2009). Entrepreneurial intention: the influence of factors linked to the individual and the environment. Halshs-00528755, version 1, 22 October.
- [4] Berrah Kafia, Boukrif Moussa, (2013), The issue of business creation: an application on Algerian SMEs, International Conference on Economics and Network Management (EMNET). Maroc.
- [5] Berrah Kafia, Boukrif Moussa, (2015), The issue of SMEs creation in Algeria, Algerian Journal of Economic Development N ° 02.
- [6] Chohra, M. (2019). A critical review of the academic entrepreneurial ecosystem in developing countries: The case of Algeria. *International Journal of Technology Management & Sustainable Development*, 18(3), 243-259.
- [7] Coduras, A., de la Vega, I., & Salman, M. B. (2018). Entrepreneurial Ecosystems in Arabic Countries: A Recent Overview. *Entrepreneurship Ecosystem in the Middle East and North Africa (MENA)*, 283-302.
- [8] Dif, A., Bourane, S., & Benziane, A. (2018, July). The role of the Startup competition and entrepreneurial ecosystem in the integration of entrepreneurship education within the Algerian universities. In *International Conference on Applied Human Factors and Ergonomics* (pp. 140-149). Springer, Cham.
- [9] Gharbi, S. (2011). SMEs / SMIs in Algeria: State of the Art. Work documents, (238).
- [10] Global Entrepreneurship Index Ranking, (2019), (<https://thegedi.org/global-entrepreneurship-and-development-index/>).
- [11] Global Innovation Index Ranking, (2020), 13th Edition, (https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2020.pdf)
- [12] Guechtouli, W., & Guechtouli, M. (2014). Entrepreneurship In Algeria: What Challenges for which realities, working paper series, IPAG, Business School, 150, P05.
- [13] Gulomjanovna, Z. D., Dotkamirzaevich, S. S., & Alojnovich, R. R. (2021). Conceptual Bases of Full Realization of Women's Labour and Entrepreneurial Activity. *Psychology and Education Journal*, 58(2), 237-240.
- [14] Hakami, S. (2021). The Role of Social Entrepreneurship in Community Development. A Case Study of Social Entrepreneurship in Saudi Arabia. *Psychology and Education Journal*, 58(2), 154-161.
- [15] Isenberg, D. J. (2010). How to start an entrepreneurial revolution? *Harvard Business Review*, 88(6), 40–50.

- [16] Kadi Mohamed, (2013). Relationship Between SMEs and Employment in Algeria: What Reality?, 9th International Academic Conference In Algeria.
- [17] Kerzabi, A. (2013). Business climate and private investment: the Case of Algeria.
- [18] Kisline, D. (2007). The main obstacles to the development of small entrepreneurship in the Russian Federation: the opinion of entrepreneurs. *Innovations*, (2), 95-108.
- [19] Kurniawan, J. E., Sanjaya, E. L., & Virlia, S. (2021). Confirmatory Factor Analysis and Norming of the High School Students' Entrepreneurial Orientation Scale. *Psychology and Education Journal*, 58(2), 17-26.
- [20] Laghouag Abderrazak et Zouaghi Iskander (2017), Dyadic relationship control in Supply Chains evolving in informal markets context, Annual American Business Research Conference, 10 – 11 July 2017, New York, USA.
- [21] Merzouk, F. (2008). SMEs and Competitiveness In Algeria. *Maghreb SMEs: Factors of Regional Integration*, 272.
- [22] National Office of Statistics, Report N° 726: Activity, Employment & Unemployment in September, 2015 (<https://www.ons.dz/IMG/pdf/DSEmploi0915.pdf>).
- [23] Rédha, B. M., Mira, K. R., & Larbi, G. (2016). The contribution of SMEs to non-hydrocarbon economic growth in Algeria. *Maghreb Review of Economic and Management*, 423(3921), 1-12.
- [24] Sedkaoui, S. (2019). An Empirical Analysis of the Algerian Entrepreneurship Ecosystem: Entrepreneurship Ecosystem in Algeria. In *Handbook of Research on Ethics, Entrepreneurship, and Governance in Higher Education* (pp. 476-497). IGI Global.
- [25] Sekiou Anwar, Bouhala Amine, Bouzidi Narimane, *Entrepreneurship In Algeria: Reality and Perspectives*, (Mar 2017), *Journal of Finance and Business Economies (JFBE)*, Mila university, Algeria.
- [26] Statistical Reports On SMEs, N° 26 (2015), N° 28(2016), N° 30(2017), N° 32(2018), N° 34,(2019), N° 36 (2020), Algerian Ministry of industry (<http://www.mdipi.gov.dz>)
- [27] Zemirli Radhia, Hammache Souria, (June 2018), *The Entrepreneurial Context In Algeria: What opportunities and Constraints for youth entrepreneurs?* *Journal of Control, Accounting and Auditing*, ISSN: 2550-469X, Num 5, Algeria.