



Entrepreneurial Orientation and performance in SMEs: A Study of Algerian SMEs Performance in some Macro Indicators

التوجه المقاولاتي والأداء في المؤسسات الصغيرة والمتوسطة: دراسة أداء
المؤسسات الصغيرة والمتوسطة الجزائرية في بعض المؤشرات الكلية

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Abstract:

Through this study, the ongoing developments within Algeria's SME sector and its part in stimulating economic expansion and reinforcing the entrepreneurship culture in Algeria will be assessed since the issuance of law N° 01-18 in 2001. To accomplish this the study analyzes data derived from over 130 government reports from 2001 to 2022. Using the inductive approach, the study evaluates the effectiveness of SMEs in creating jobs and wealth.

The findings from the study indicate that SMEs in Algeria currently face many challenges and do not significantly contribute to the economy. This is noticeable in a context where unemployment rates, especially among the youth remain elevated. While Algeria has made efforts to broaden its economic base, economic diversification remains weak with a significant portion of the productive sector continuing to be focused in the hydrocarbon field. Furthermore, the labor-intensive SMEs (50 to 250 workers) remain inadequately developed.

Keywords: SMEs; Entrepreneurship; Employment; Gross domestic product; Exports; Algeria.

Jel Classification Codes : E02, J21.

الملخص:

من خلال هذه الدراسة، سيتم تقييم التطورات الجارية في قطاع المؤسسات الصغيرة والمتوسطة ودورها في تحفيز التوسع الاقتصادي وتعزيز الثقافة المقاولاتية منذ صدور القانون رقم 01-18 سنة 2001. لتحقيق ذلك تحلل الدراسة بيانات مستقاة من أكثر من 130 تقرير حكومي باستخدام المنهج الاستقرائي لتقييم فعالية المؤسسات الصغيرة والمتوسطة في خلق فرص العمل والثروة.

تشير نتائج الدراسة الى ان المؤسسات الصغيرة والمتوسطة في الجزائر وفي الوقت الحالي تواجه العديد من الصعوبات ولا تساهم بشكل كبير في الاقتصاد. وهذا ملحوظ من خلال معدلات البطالة والتي لا تزال مرتفعة. وضعف التنوع الاقتصادي مع استمرار تركيز جزء كبير من القطاع الإنتاجي في مجال المحروقات. بالإضافة الى ذلك لا تزال المؤسسات الصغيرة والمتوسطة ذات العمالة الكثيفة (من 50 الى 250 عاملا) غير متطورة بشكل كاف.

الكلمات المفتاحية: مؤسسات صغيرة ومتوسطة، مقاولاتية، توظيف، ناتج محلي إجمالي، صادرات، الجزائر.

تصنيف JEL: E02, J21

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1. Introduction

Entrepreneurial Orientation (EO) has emerged as a critical determinant of Small and Medium Enterprises (SMEs) performance, significantly influencing their contribution to the national economy. EO encompasses dimensions such as innovativeness, proactiveness, and risk-taking, which collectively drive SMEs toward better performance outcomes (Covin & Slevin, 1989; Lumpkin & Dess, 1996).

SMEs are widely recognized as the backbone of many economies, contributing to job creation, innovation, and economic diversification (Beck et al., 2005). The strategic orientation of these enterprises plays a pivotal role in harnessing their potential. High EO within SMEs fosters an environment conducive to innovative practices and proactive market behaviors, thereby enabling these firms to seize emerging opportunities and navigate competitive landscapes effectively (Miller, 1983; Rauch et al., 2009).

Studies reveal there is a positive correlation between EO and the performance of SMEs, implying that firms exhibiting higher levels of EO tend to achieve superior growth, profitability, and market positioning (Wiklund & Shepherd, 2005). Innovativeness drives the development of new products and services, proactiveness ensures timely market entry and opportunity exploitation, while risk-taking allows firms to undertake bold initiatives that can lead to significant competitive advantages (Covin & Slevin, 1989; Miller, 1983). In the context of the national economy, SMEs with strong EO contribute significantly to economic development by fostering innovation and enhancing competitiveness at both the firm and industry levels. Their ability to adapt to and influence market dynamics translates into improved economic resilience and growth (Teece, 2007). Moreover, the aggregate impact of EO-driven SMEs can stimulate broader economic benefits, including increased employment, enhanced productivity, and technological advancements (Beck et al., 2005).

The operationalization and measurement of EO have evolved over time, with scholars advocating for both unidimensional and multidimensional approaches to better capture its complex nature (Rauch et al., 2009). Despite the robust evidence supporting the benefits of EO, its implementation can pose significant challenges, particularly in balancing the inherent trade-offs between exploration and exploitation activities (March, 1991). Overall, understanding the effect of EO on SME performance provides valuable insights for policymakers and business leaders aiming to promote entrepreneurial activities and sustainable economic development. By encouraging EO among SMEs, nations can

leverage the dynamism of these enterprises to achieve robust economic outcomes.

The screening process and data analysis of over 130 government reports spanning from 2001 to 2022 have been conducted to address the following research questions:

RQ1: What is the reality of entrepreneurial activity in Algeria during the research period?

RQ2: What is the situation of SMEs in Algeria during the research period, and what criteria are used by Algeria and other countries and organizations to classify them?

RQ3: What contributions do small and medium enterprises make to the Algerian economy, and how do they reinforce the entrepreneurship culture in Algeria?

This research aims to enhance understanding of entrepreneurship and SMEs in Algeria, emphasize the significance of entrepreneurial activity in attaining economic and social development, and present practical suggestions for fostering and advancing small and medium firms and entrepreneurship in Algeria. To accomplish this, the study has been structured into three parts: the first part presents a literature review about entrepreneurial orientation and SMEs' performance; the second one involves presenting the results and discussing them in alignment with previous literature. Lastly, the results are summed up in the third part, which also offers suggestions for advancing SMEs and entrepreneurship in Algeria.

The study's implications lie in its comprehensive analysis of data regarding SMEs and their involvement in economic growth and diversification, covering a significant dataset spanning over two decades, from 2001 to 2022. Furthermore, this paper fills an important research gap by providing contemporary analysis on the topic of entrepreneurship and SMEs' performance in Algeria, which is a developing nation heavily reliant on hydrocarbon revenues.

2. Literature review

2.1 Entrepreneurial orientation (EO)

Entrepreneurial orientation is recognized as a pivotal determinant of firm success and performance, especially within international markets. Empirical research has established that EO, encompassing dimensions such as risk-taking, proactiveness, and innovation, exerts a substantial influence on firm performance (Naldi et al., 2007). Moreover, a firm's dynamic capabilities, particularly those related to reconfiguring capabilities, significantly affect its international performance (Jantunen et al., 2005). The intricate relationship between EO and firm performance is

especially pertinent to small and medium-sized enterprises (SMEs). Evidence indicates that EO, coupled with effective use of marketing information, can markedly enhance SME performance (Keh et al., 2007). Additionally, the synergy between EO and market orientation has been demonstrated to elevate business performance, particularly in developing economies where robust social and business network ties exist (Boso et al., 2013).

EO also plays a crucial role in the knowledge creation processes within firms. Research has shown that EO can both directly and indirectly impact firm performance through these knowledge creation mechanisms (Li et al., 2009). In addition, the separate components of EO can influence the connection between competitive strategy and business outcomes., underlining the need to comprehend how different facets of EO affect overall performance (Lechner & Gudmundsson, 2014). In the realm of international entrepreneurship, firms with pronounced entrepreneurial orientations frequently pursue international market expansion to boost performance. Strategic alliances are posited as a supportive mechanism for SMEs with strong EO in their international expansion endeavors (Brouthers et al., 2015). Overall, the body of literature underscores EO as a critical factor influencing firm performance, notably in relation to international markets and SMEs.

2.2 The concept of small and medium enterprises (SMEs)

There is no globally recognized definition of SMEs. The categorization of SMEs varies among economists and experts due to differing definitions that often consider factors such as total assets, number of employees, annual turnover, and capital investments. Moreover, officials from various multilateral development institutions have their unique interpretations of what constitutes an SME, reflecting their respective institutional definitions. According to economist Karl-Heinz Schmidt in his article on the distinct attitude of SMEs plays a vital role in the manufacturing and delivery of products and services. These companies are typically composed of individual producers, some of whom rely on family labor, while others employ workers and craftsmen. They often operate with fixed capital that generates low returns, resulting in irregular incomes and creating unstable job opportunities (Schmidt, 1990).

Similarly, Professor Bolton, who chaired the committee studying the challenges faced by small and medium enterprises in Britain during the 1960s, described SMEs as institutions characterized by their simple organizational structure, with the owner holding a pivotal position at the apex, ultimately responsible for decision-making. Although

authority may be delegated for urgent decisions, this management style remains prevalent in enterprises with an estimated workforce of 200 or fewer employees (BOLTON, 1982).

In his 1966 study on small and medium-sized enterprises (SMEs) within the European Common Market, Woitrin endeavored to define these enterprises by employing generally accepted standards alongside additional criteria that enable qualitative definitions. Woitrin identified several characteristics of SMEs (Woitrin, 1966):

- Negotiation capabilities are weak in these types of institutions;
- There is insufficient communication among the different levels of the administrative hierarchy;
- Administrative workers often lack specialization;
- SMEs exhibit weak integration with local authorities and maintain significant independence in their supply chains;
- These enterprises face difficulties accessing financial markets and obtaining loans, leading them to rely predominantly on their own resources;
- The small size of these institutions frequently acts as an impediment to their growth.

Hirigoyen posits that there are three primary criteria that can be used to accurately define SMEs: responsibility, ownership, and revenue. In addition to these criteria, Hirigoyen argues that these enterprises are typically managed by an individual who assumes full responsibility for the management (Hirigoyen & Basly, 2019).

In a 2016 study titled "The success factors of exporting SMEs: a management and business model-oriented analysis through the sales process," Rumo strived to identify the components contributing to the success of the internationalization process by examining sales. The research concluded that understanding international customer behavior is crucial and unavoidable before developing any export strategy. Additionally, the study found that distribution channels did not significantly impact the success of the internationalization process in the sample examined (Rumo, 2016).

2.3 Small and medium enterprises on an international level

In European countries and according to the European Union's law a medium-sized industry is an enterprise that employs less than 250 workers, has a turnover of more than 50 million euros, and/or total assets of more than 43 million euros. As for the small industry, it is an establishment that employs less than 50 workers, its sales volume does not exceed 10 million euros, and its total assets also do not exceed 10 million euros. Whereas, a mini-industry is defined as any establishment that employs less than 10

workers, whose sales volume does not exceed 2 million euros, and whose total assets do not exceed 2 million euros (Ogbor, 2009).

And according to the United Nations International Development Organization, there are two types of definitions for small and medium industries, the first is for developing countries, in which a medium industry means that establishment that employs between 20 and 99 workers. While a small industry is that establishment that employs between 5 and 19 workers. While a mini-industry is referred to as every establishment that employs less than 5 workers. As for the second definition, it is specific to industrialized countries, in which a medium industry is defined as every establishment that employs between 100 and 499 workers, while a small industry is defined as every establishment that employs less than 99 workers. As for mini-industries, they do not exist in industrialized countries according to the aforementioned organization (Ogbor, 2009).

The World Bank defines small industries as every establishment whose number of workers does not exceed 50, and its total assets and total sales do not exceed 3 million US dollars. While the medium industry is that whose total assets and total sales do not exceed 15 million US dollars and the number of its workers does not exceed about 300 workers (IFC Advisory Services, 2009).

In Japan, SMEs are categorized based on their field of activity (Industry, construction, and transportation/ Wholesale/ Retail sales/ Services), and in general a small and medium-sized enterprise in Japan hires less than 300 employee and its capital does not exceed 300 million Yen (2018, عبد الرحمن & براشن).

In Tunisia, SMEs can be defined based on one of the following criteria: total number of employees (less than 50 people), or total investment (less than 1 million Tunisian dinars) (2006, أرميص).

2.4 Small and medium enterprises locally

In accordance with the guiding law N° 01-18 regarding the promotion of SMEs issued in December 2001, SMEs in Algeria are outlined as institutions that produce goods or provide services, employ from 1 to 250 people, and whose total annual turnover do not exceed 2 billion DA, or their total annual revenue do not exceed 500 million DA, and make their legal and financial decisions independently (The Directive Law for the Promotion of Small and Medium-Sized Enterprises, 2001).

The antecedent legislation underwent a revision with the issuance of law N° 17-02 in January of 2017, leading to adjustments in the maximum annual turnover and annual revenue thresholds, these thresholds were

raised to 4 billion DA and 1 billion DA, respectively, from their previous figures of 2 billion DA and 500 million DA in 2001, notably, the criteria regarding the number of workers stayed the same in both regulations (The Directive Law for the Promotion of Small and Medium-Sized Enterprises, 2017).

Law N° 01-18 was a decisive turning point in the history of small and medium-sized industries as it finally gave a proper legal definition for these types of enterprises, as well as measures and mechanisms to assist and develop them, and later in 2017, law N° 17-02 was released to update the prior regulation and comply to the current circumstances which led to the adoption of next principles:

- Distribute and promote the circulation of industrial, commercial, legal, economic, financial, vocational, and technological information related to small and medium firms;
- Encouraging every initiative that facilitates access to real estate for small and medium industries;
- Work to put in place tax systems adapted to small and medium industries;
- Encouraging and consolidating entrepreneurial culture, as well as contemporary technologies and innovation in SMEs;
- Supporting SMEs in accessing financial tools and services tailored to their specific requirements;
- Promoting professional associations, trade exchanges, and industry associations;
- Reinforcing coordination between establishment and support agencies for SMEs at the central and local levels.

And, regarding the establishment and promotion of SMEs, articles 17, 18, and 19 of law 17-02 calls for the establishment of a public body of a special nature called "the agency" in the text, responsible for implementing initiatives to aid and bolster SMEs in areas such as establishment, growth, and longevity.

This includes enhancing quality, fostering innovation, and enhancing the management abilities of SMEs, as well as managing the associated expenses of the agency, which are financed through the special allocation account N° 124/302 entitled "The National Fund for the Rehabilitation of Small and Medium Enterprises, Support for Investment and Promotion of Industrial Competitiveness".

There is no question that the directive laws related to the promotion of SMEs (N°01-18 and N°17-02) had a significant impact on the growth and output of small and medium-sized industries as well as promoting entrepreneurship among young creative entrepreneurs which will be highlighted in the rest of the study.

Based on an analysis of past studies and literature pertaining to the study issue, the hypotheses can be proposed as follows:

H1: There are many criteria that help classify SMEs around the world and they differ from country to country, region to region based on the level of economic development.

H2: Since 2001 and the introduction of the first directive law aimed at promoting SMEs in Algeria, they have experienced significant growth and development.

H3: SMEs in Algeria make substantial contributions to the economy.

3. Methodology

3.1 Data and sources

The study relies on data sourced from a comprehensive collection of 130+ official government reports spanning 21 years, from 2001 to 2022. These reports include quarterly and annual updates from the (The National Office for Statistics, 2022), periodic reports from (General Directorate of Customs, 2022), statistical bulletins from (Ministry of Industry and Pharmaceutical Production, 2022), and (Bank of Algeria, 2022). The chosen timeframe, from 2001 to 2022, enables us to explore the role of SMEs in leading economic development and to verify our hypotheses. This period encompasses the introduction of the first legislation on SMEs (Law n° 01-18) in 2001, the economic downturn of 2008, the hydrocarbon price crisis that occurred between 2014 and 2017, and the impact of the Covid-19 pandemic in 2020-2022. We are confident that this extensive dataset provides a robust foundation for our analysis.

3.2 Method

The data is analyzed using the inductive approach to have a clear view on SMEs' impact on economic development and diversification and verify the hypotheses. The inductive approach, widely utilized among scholars (Gavriel, 2015; Jebreen, 2012; D. A. Thomas, 2003), involves the generation of theories and hypotheses through the systematic observation of empirical data. Unlike the deductive approach, which starts with a hypothesis and tests it against observations, the inductive approach begins with specific observations and moves towards broader generalizations and theoretical frameworks. This method is particularly favored in qualitative research, where it enables scholars to develop deep insights and nuanced understandings of complex occurrences. By permitting sequences, themes, and classifications to arise from the data, the inductive approach fosters a more flexible and exploratory research process, accommodating the

discovery of unforeseen connections and relationships within the study context (D. R. Thomas, 2006).

4. Results and discussion

4.1 The growth of SMEs since 2001

Since 2001, the Algerian government has shown significant support for SMEs, leading to a notable increase in their numbers. This growth is evident in statistics showing a rise in the establishment of these businesses and their expansion into various economic sectors, as illustrated in the table below:

Table 01. SMEs count development in Algeria since 2001

Year	Number of SMEs	
	Private SMEs	Public SMEs
2001	244560	788
2005	341953	835
2009	586903	591
2015	934037	532
2019	1193096	243
2020	1230844	229
2021	1286140	225
2022	1359580	223

Source: compiled by researchers using (Ministry of Industry and Pharmaceutical Production, 2022)

The data exhibited in table 01, highlights a substantial increase in the number of SMEs underlining the proactive steps embarked by the Algeria administration. to foster this sector and this is noticeable in the above table where there is a positive trend in SME creation as the number of SMEs grew from 245,348 firms in 2001 to 342,788 firms by 2005, representing the establishment of nearly 100,000 new SMEs over a five-year span. This momentum persisted into the 2nd half of the decade (2006-2010), which saw a doubling in the count of SMEs between the 1st and 2nd stages. Furthermore, this growth trajectory continued into the second decade, culminating in 1,359,803 enterprises by the end of 2022.

The table above shows a consistent decrease in the number of public SMEs registered since 2001, with less than 900 enterprises compared to the private sector. This phenomenon may be ascribed to the state's transition towards placing greater dependence on the private sector as the principal catalyst for economic growth and promoting entrepreneurial activities from the early 1990s.

Overall, the table shows a steady and notable rise in the quantity of SMEs following the implementation of law N° 01-18 in 2001. This indicates a favorable economic climate and potential government efforts to support small and medium firms and entrepreneurship within the nation.

4.2 The distribution of SMEs according to the sector of activity

The table below shows the distribution of SMEs based on their sector of operations:

Table 02. The distribution of SMEs based on their field of activity

Year	Agriculture	Hydrocarbons, energy, mines, and related services	Construction and public works	Manufacturing industries	Services
2010	3806	1870	129762	61228	172653
2014	5038	2439	159775	78108	251629
2018	7168	2985	185137	99938	585983
2019	7481	3066	190170	103693	614375
2020	7690	3115	193965	106121	625999
2021	8010	3243	199331	109991	662185
2022	8404	3371	204452	115992	703499

Source: compiled by researchers using (Ministry of Industry and Pharmaceutical Production, 2022)

The data in the table shows that nearly all of SMEs' activity in Algeria that occurred in the previous thirteen years is focused on the services sector, accounting for more than half of the total. Construction and public works follow closely behind, with rates hovering around 30%, while the hydrocarbons, energy, and mining sector ranks lowest, with percentages not exceeding 1%, along with the agriculture sector.

The data suggests that Algerian SMEs primarily focus on service-oriented activities, which hinders the creation of wealth, added value, and economic diversification. To address this issue, the government must reassess national programs and funding mechanisms, guiding new businesses towards industrial sectors and productivity. Additionally, support should be provided to existing institutions in these areas to enhance their competitiveness on the international stage and foster entrepreneurship.

4.3 SMEs' influence on job creation

SMEs are known as catalysts for economic expansion, creative advancement, and employment generation in both advanced and emerging economies. Virtually every major corporation had its origins as an SME. Microsoft for instance, commenced with just 02 individuals working in a

modest North American garage, while Google was founded by two young visionaries who had a promising concept.

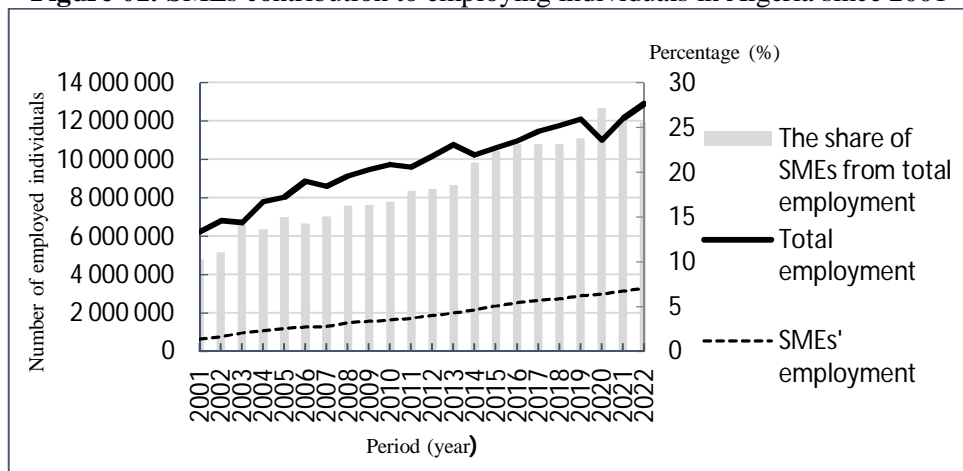
SMEs are seen as a fertile ground for nurturing talent and fostering innovation, making them an excellent environment for development and creative endeavors. Numerous research studies have shown that SMEs produce more than twice the number of innovations compared to large corporations, highlighting the important role performed by this dynamic industry. The subsequent points delineate the crucial advantages of SMEs.

SMEs play an essential part in creating job opportunities and employing a large segment of the workforce at different levels, thereby helping to reduce unemployment and support sustainable economic growth.

In many developing countries, including Algeria, unemployment appears in various forms, such as disguised unemployment, which is partly caused by the rapid population growth. According to ONS in their published report in 2012: Algeria's population increases by an average of 500,000 people annually, leading to an approximate yearly rise of 300,000 individuals in labor force.

Algerian economic experts agree that large corporations are not capable of creating enough jobs to solve the current unemployment crisis or to absorb the growing workforce each year. This highlights the crucial role of SMEs in tackling unemployment, as illustrated in the graph below:

Figure 01. SMEs contribution to employing individuals in Algeria since 2001



Source: compiled by researchers based on (The National Office for Statistics, 2022) and (Ministry of Industry and Pharmaceutical Production, 2022)

The graph above shows the increasing role of SMEs in overall employment, with jobs rising from just over 639,000 in 2001 to more than 3.307 million in 2022. However, it is important to note that despite this growth, SMEs' share of total employment remains relatively modest at 25.6% in 2022, significantly lower than the contributions made by SMEs in other developing countries.

The reasons for this phenomenon are outlined below:

Firstly, in Algeria, the government remains the primary employer and struggles to transition to the private sector that is still in its early stages.

Additionally, the majority of SMEs in Algeria are focused on industries with low job creation rates, such as services and construction. On the other hand, sectors like manufacturing, tourism, and agriculture, which have higher job creation rates, are not as popular among newly established SMEs.

Thirdly, the majority of Algerian SMEs are micro-sized enterprises, making up nearly 97% of all businesses and their ability to create new jobs is limited.

In order to better understand how SMEs contribute to job creation, we analyze the growth rates of SMEs and employment levels as key indicators of their role in generating jobs.

Our findings reveal a parallel trend between employment and SMEs from 2001 to 2022, highlighting the critical role of entrepreneurship in generating employment. This progression can be divided into three distinct phases:

Initial Phase (2001–2007): there was a significant surge in employment growth due to the implementation of an SME-related law in 2001 and the expansion of job opportunities by private enterprises.

Second Phase (2007–2020): this period saw a marked increase in the proliferation of SMEs, driven by their eligibility to enhance existing projects through ANSEJ and CNAC. A significant number of SMEs emerged in the construction and hydraulic sectors, stimulated by growth initiatives from 2002/2004 and 2005/2009. However, job creation declined due to the removal of quasi-fiscal benefits, the 2014 oil price crash, subsequent state austerity policies in 2015, and the imposed closure during the COVID-19 pandemic.

Third Phase (2021–2022): there was a noticeable recovery in SME performance regarding job creation, attributed to rising oil prices, the lifting of some restrictions on import operations and the financing of new SMEs through the aforementioned agencies.

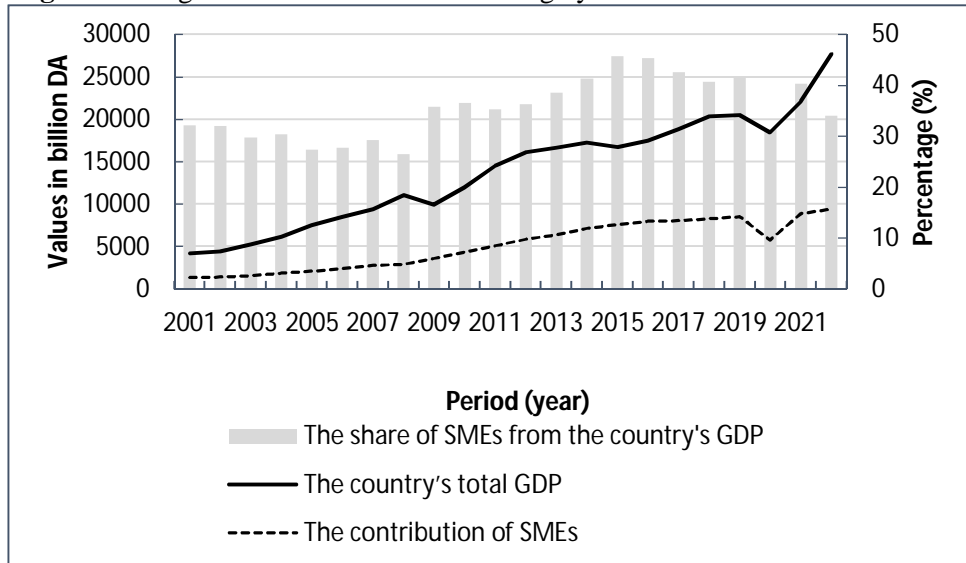
When it comes to job creation, SMEs are often viewed as valuable contributors to the employment sector. However, in Algeria, SMEs employ only 25.6% of the total working population, with youth unemployment remaining a significant issue. Thus, we can conclude that Algerian SMEs are still relatively fragile and have not substantially enhanced employment generation.

4.4 SMEs' influence on gross domestic product (GDP)

Small and medium-sized enterprises act as engines of wealth generation, contribute to social stability and generate tax revenue. There is a notable correlation between a nation's total income and the concentration of SMEs per 1,000 people. Additionally, SMEs have the capability to distribute economic activities effectively in remote areas, making them valuable tools for improving economic growth at the local level and encouraging the unification and blending of domestic areas.

The chart below illustrates the percentage of SMEs contributing to the country's GDP excluding the oil sector:

Figure 02. Algeria and SMEs GDP excluding hydrocarbons revenues since 2001



Source: prepared by researcher using (The National Office for Statistics, 2022) and (Ministry of Industry and Pharmaceutical Production, 2022)

As shown in Figure 02, Algeria's GDP has continuously grown, with small and medium-sized enterprises (SMEs) playing a limited but increasing role. In 2001, SMEs accounted for 32.22% of the GDP, which increased to 34.04% by 2022, totaling 94,250.55 billion Algerian dinars. This highlights the importance of SMEs, especially considering economic

reforms aimed at maximizing their contribution to the nation's development.

4.5 SMEs influence on non-oil exports

By the end of 2022, non-oil exports totaled 4606 billion USD, making up slightly less than 10% of the total export value. However, this proportion drops to nearly 1.1% when export operations conducted by Sonatrach (related to oil) and other major companies are excluded (Bank of Algeria, 2022).

Excluding the oil sector in 2012, a total of 83% of these exports were handled by four prominent companies: Sonatrach exported oil-derived products valued at \$935 million USD, while Fertial (dealing with ammonia and currently closed) contributed \$481 million USD. The remaining significant exporters were Somiphos (phosphates) based in Tebessa and Cevital. As for the remaining 17% of the country's exports: it was shared among micro, small, and medium-sized enterprises, amounting to a mere 0.51% of the nation's total exports. Essentially, the SME industry makes a minimal contribution to the country's overall export figures.

The data in the table shows the non-oil exports of Algeria, including those from SMEs. The information is gathered from reports by the Bank of Algeria and the Ministry of Industry and Pharmaceutical Production. However, it is difficult to accurately determine the exact contribution of SMEs to Algeria's non-oil exports due to limited transparency and disclosure in financial statements, especially from the latter source.

*Note that the data for 2023 only includes information for the first, second, and third quarters, as the Ministry's data for the fourth quarter has not yet been released. Consequently, to complete the study, an estimated value for fourth-quarter exports will be provided by averaging the figures from the first three quarters.

Table 03. Algeria's and SMEs non-oil exports since 2001 /Unit: Million USD

Year	Algeria's exports	SMEs' exports
2001	560	107,4
2005	746	190,57
2010	967	239,61
2015	1485	421,67
2019	2079	289,59
2020	1916	76,36
2021	4579	494,45
2022	5815	1337,8
2023*	3548	1034,04

Source: compiled by researchers using (Bank of Algeria, 2022; Ministry of Industry and Pharmaceutical Production, 2022)

Over time, there has been a consistent rise in the percentage of exports from industries other than hydrocarbons compared to total exports. Likewise, SMEs have seen a continuous increase in their exports outside of the oil sector, growing from 107.4 million USD in 2001 to 1337.8 million USD in 2022. This demonstrates the growing importance of SMEs in driving non-oil exports.

Upon examining the previous table, it becomes evident that both Algerian and SME exports outside the oil sector have followed an upward trajectory, reaching \$3548 million and \$1034.04 million USD, respectively, in 2023. Despite some fluctuations post-2014 attributed to the oil price collapse during this period, dropping to \$69.8 and \$43.6 USD per barrel in December 2014 and January 2016, respectively, and the decline experienced in 2020 due to the complete and partial closure of trade and economic activities prompted by the Covid-19 pandemic.

The notable rise in non-hydrocarbon exports from 2021 to 2023 can be credited to a range of elements including the recovery from the pandemic, improved economic conditions, and potential new market opportunities arising from the Russian-Ukrainian conflict.

The rising volumes of exports outside hydrocarbons and the role played by SMEs indicate improvements in the entrepreneurial culture in Algeria, this culture has the potential to reduce the country's dependency on energy revenues and support the development of a more stable and sustainable economy.

5. Discussion:

The study aimed to investigate the entrepreneurial orientation reality in Algeria and SMEs' performance and contribution to the national economy from 2001 to 2022. The study screened through 130+ government reports since 2001 collected from the sites of various official sources. Using the Inductive approach, and after examining the literature, the study accepts H1, as there a big dispute over the criteria used to classify small and medium enterprises worldwide, and these criteria change from country to country, region to region based on the degree of economic development, the nature of laws and regulations. The study also supports the assertion of H2, as table 01 shows that since 2001, over 1114400 new small and medium firm has been created, which indicates the immense the growth that this sector known since the issuance of law n° 01-18 concerning the development and promotion of SMEs in Algeria. The data presented in figure 01, 02, and table 03 support the rejection of H3, assuming that SMEs do not make significant contribution to employment creation, GDP, and export operations.

The results found on SMEs' contribution to the aforementioned macro indicators provide support for the findings of (Brouthers et al., 2015; Jantunen et al., 2005; Keh et al., 2007) who also confirmed that (EO) and a firm's dynamic capabilities have a positive effect on SMEs' performance in local and international markets.

6. Conclusion:

Entrepreneurial orientation has emerged as a pivotal driver of economic and social development, particularly in countries like Algeria whose economies rely heavily on fuel. These nations are actively seeking alternatives to enhance their economies, with a focus on encouraging entrepreneurial projects and SMEs are one of the main ways recognized globally to achieve that as they are acknowledged for their significant contributions to economic growth. They play a crucial role in boosting GDP, creating employment opportunities, fostering innovation, generating tax revenue, promoting exports, and catalyzing various other economic activities. Given their multifaceted functions, SMEs are essential to the foundation of both advanced and emerging economies. Therefore, it is crucial for any country to prioritize the development of the SME sector in order to ensure economic growth., regardless of its developmental stage. Recognizing this, the Algerian government has implemented a series of measures to support this vital sector since the 1990s.

The study revealed a rise in the count of SMEs, increasing from 245,348 firms in 2001 to 1,359,803 firms in 2022. This indicates a growing interest in entrepreneurship since the transition to a market economy in the early 90s. However, the propensity of SMEs to invest more in the services sector, rather than in other productive and potentially more beneficial sectors to the economy, remains a drawback in the entrepreneurial mindset.

Also, this research revealed that the Algerian SME sector accounts for 34,04% of the nation's GDP and engages 25.6% of the working population in 2022. Nevertheless, the challenge of high unemployment especially within the Algerian youth persists. Moreover, SMEs contribution to the country's non-oil exports remains modest standing at 29,1% of Algeria's non-oil exports by the end of 2023, this percentage drops even lower when considering that the oil sector accounts for over 90% of the country's overall exports in recent years.

Our research findings suggest that SMEs in Algeria exhibit notable vulnerability and do not significantly contribute to job creation, despite efforts to diversify the Algerian economy. This diversification is still

nascent, and the economic landscape remains heavily reliant on the oil sector.

Additionally, the underdeveloped nature of the labor-intensive SME sector hinders the promotion of entrepreneurship among young people.

The study is constrained by many limitations. To begin with, the study is limited to a single country -Algeria- which restricts its generalizability. Moreover, collecting recent financial statements of active small and medium firms poses a great challenge, which leads to delayed published reports and a loss of recency in the study. Finally, many enterprises resort to fiscal fraud to evade taxes, which undermines the credibility of their financial statements and produces less-than-accurate government reports. These limitations present a solid starting point for future research on the topic of entrepreneurial orientation and SMEs' performance.

According to the results of this study, we propose the subsequent suggestions:

- The Algerian state ought to improve its endeavors to build a comprehensive and efficacious strategy targeted at enhancing the country's business climate, which is now not suitable for private firms. Furthermore, there should be a gradual and continuous push to promote this sector. Without sustained and robust growth in other areas of the economy, there remains a risk of continued dependency on global oil prices and ongoing concerns regarding high youth unemployment. This is why the SME sector emerges as particularly promising in attaining the country's targets. Hence, the establishment of additional SMEs in industries such as tourism, manufacturing, and agribusiness would raise job prospects, greater revenues, and a decrease in the country's dependence on global oil markets.

- SMEs possess the capacity to make a substantial contribution to the economic prosperity of Algeria and effectively tackle the problem of unemployment, primarily due to their pivotal role in the job creation process. However, there is a need for increased commitment and action from both the Algerian government and SME proprietors to nurture and advance this crucial sector.

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Conflict of interest:

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