

SMEs: Diversifying the Economy Beyond Hydrocarbons through International Marketing

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Abstract

The world has witnessed various changes that have prompted small and medium-sized enterprises (SMEs) to reassess their strategies, shifting their focus from merely achieving profits to adapting to an increasingly competitive environment. This study aims to explore the importance of international marketing for these enterprises, particularly in rentier states like Algeria, which is striving to diversify its non-oil exports. The results showed that success in global markets requires understanding consumer needs and meeting those needs through effective marketing strategies. Therefore, Algeria needs a new vision that aligns with the global economic system to enhance its competitiveness and achieve its developmental goals.

Key words: Small and medium-sized enterprises, marketing, rentier state.

PME : Diversification de l'économie au-delà des hydrocarbures grâce au marketing international

Résumé

Le monde a connu des transformations majeures, poussant les petites et moyennes entreprises (PME) à adapter leurs stratégies pour répondre aux exigences d'un environnement hautement compétitif. Cette étude examine l'importance du marketing international pour les PME, en particulier dans des pays rentiers comme l'Algérie, qui aspire à diversifier ses exportations non pétrolières. Les résultats révèlent que réussir sur les marchés mondiaux nécessite une compréhension et une satisfaction des besoins des consommateurs via des stratégies de marketing ciblées. L'Algérie doit ainsi adopter une vision économique alignée avec les standards mondiaux pour accroître sa compétitivité et réaliser ses objectifs de développement.

Mots-clés : Petites et moyennes entreprises, marketing, État rentier.

Introduction

Given the rapid growth in global economic and technological developments, along with the spread of marketing through numerous traditional and non-traditional channels, a fundamental shift has occurred in the practice of economic roles across multiple fields. We frequently hear about marketing, and it appears that improving foreign currency revenues in Algeria will not be achieved without researching and developing this crucial area. Gradually, this could lead to reducing the country's complete reliance on rent-based income. The present era is marked by competitiveness in marketing and its importance in the development and diversification of the national economy as a whole. Due to the rapid, continuous advancements in marketing capabilities, along with the widespread use of the internet and other available marketing channels, societies that rely on a specific, singular economy are compelled to transition to another economy, which is international marketing. The core of this shift lies in small and medium-sized enterprises (SMEs) and their role in promoting exports beyond the hydrocarbons sector.

To understand the status and role of small and medium-sized enterprises (SMEs) in the national economy in driving economic and social development and contributing to the increase of national income, this research paper seeks to answer the following question: What role do small and medium-sized enterprises (SMEs) play in contributing to the development of international marketing to transition Algeria into a country with a diversified economy?

It can be assumed that small and medium-sized enterprises (SMEs) in Algeria enhance their international competitiveness by adopting innovative marketing strategies, contributing to an increase in non-oil exports and reducing reliance on rent-based income. There is also expected to be a positive correlation between improving digital marketing skills within these enterprises and increasing their foreign currency revenues, which aids in achieving sustainable economic development. Additionally, the role of these enterprises is crucial in promoting economic diversification in Algeria through the development of strategic partnerships with global markets, contributing to the country's social and economic development goals.

Theoretical Aspect

1.1 Concept and Definition of Marketing

This concept emerged in the mid-1950s, representing the organization's mission to identify the needs, desires, and interests of target markets in order to achieve desired satisfaction more efficiently and effectively than competitors.

Marketing has been given multiple definitions, varying according to the intellectual development of marketing. These definitions may expand to include modern variables in this field. Here, we will present some important definitions that address marketing.

Undoubtedly, one of the most controversial definitions is the one provided by the Definitions Committee of the American Marketing Association, which defines marketing as: "Marketing is a set of functions related to the flow of goods and services from the producer to the final consumer." Some who have discussed this topic argue that this definition does not address the marketing functions that occur before production, such as market research and product planning. However, a number of writers have supported this definition. (A. A. Abdelmajid, , 1982, p. 12)

Marketing is defined as all activities and efforts undertaken to facilitate the transfer and flow of goods and services from their production centers to their ultimate consumers. Another definition comes from the Marketing Society in the United Kingdom, which states: "Marketing is the management process involved in identifying, anticipating, and efficiently and profitably meeting consumer needs. (A.A. Abdelmajid, , 1982)

Marketing is also defined as a set of functions that complement each other, related to the flow of goods and services from the producer or importer to the ultimate consumer or industrial buyers. The performance of these functions aims to satisfy the desires, needs, and demands of the final consumer or industrial buyer, while also improving the standard of living and achieving profits for the business (M.S. Bazra'a, , 1982, p. 15).

Kotler defines the marketing concept as "a management philosophy that asserts that the primary task of organizations is to identify the desires and needs of the target market and to adapt the organization's practices to deliver the desired satisfaction for these desires more efficiently than its competitors. (M.S. Zouiteh, , 2007, p. 2)

Marketing is the process of planning, implementing, pricing, promoting, and distributing ideas, goods, and services necessary to complete the exchange process that satisfies the needs and desires of individuals and achieves the objectives of organizations (A. Al-Sayyid, A., p. 25).

1-2- Concept of Small and Medium-sized Enterprises

The concept of small and medium-sized enterprises (SMEs) is difficult to define, especially in the absence of a clear and comprehensive definition that all scholars, researchers,

and stakeholders in this field can agree upon. Therefore, it is necessary to mention some of the different definitions.

The process of finding a clear definition for small and medium-sized enterprises (SMEs) is crucial for establishing one of the foundations of economic development in the country. This contributes to assisting the state in formulating support policies and programs for beneficiaries in this sector. However, there is a lack of a universally accepted definition for SMEs, primarily due to the noticeable differences in economic growth levels between countries. Some countries, like the United States and Japan, rely on legal definitions, while others, such as Germany and the Netherlands, adopt an administrative definition (H. Bouabdallah, 2016, p. 07).

According to the Small and Medium-sized Enterprises Act of 1953, which regulated the management of these enterprises in the United States, small and medium-sized enterprises are defined as those types of businesses that are independently owned and managed, controlling the area of work in which they operate (Maddah, L. & Abdelhamid, H., 2011, p. 31).

Definition adopted by Southeast Asian countries: Southeast Asian countries based their definition of small and medium-sized enterprises on a study conducted by "Brush" and "Helms," which primarily classified them based on employment criteria. This definition has become recognized by these countries, as summarized in the following table:

Table I: Classification of Small and Medium-sized Enterprises by the Association of Southeast Asian Nations

Number of Employees	Type of Enterprise:
1 to 9 Employees	Family and Craft Enterprises
10 to 49 Employees	Small Enterprises
50 to 100 Employees	Medium Enterprises
More than 100 Employees	Large Enterprises

Source : (L. Maddah & H. Abdelhamid, 2011, p. 31)

In Algerian law, the legislator defined marketing in paragraph eight of Article 2 of Executive Decree No. 90-39, which relates to quality control and the suppression of fraud. It states: "Marketing refers to the set of operations involving the storage of all products in bulk, their transportation, possession, and display for sale or free transfer, including import and export and the provision of services."

The public economic institution is considered, under Algerian law, as a means of producing goods and services and accumulating capital. Additionally, the Algerian legislator

did not include this type of institution within the Algerian commercial law; instead, it established a specific law represented by the guiding law for the promotion of small and medium-sized enterprises (O. journal, 1990).

1- Methods

This study employs an analytical and descriptive approach to examine the role of SMEs in fostering international marketing and economic diversification in Algeria. The descriptive method is used to outline theoretical concepts such as marketing, SMEs, and their contributions to the national economy, drawing on prior studies, reports, and statistical data. The analytical method allows for evaluating the current status of SMEs in Algeria, their performance, and the challenges they face in marketing and export activities. Additionally, comparative analysis is applied to extract lessons from international experiences, aiming to provide actionable insights and recommendations to improve the competitiveness of Algerian SMEs and their integration into global markets.

2- Results

3-1 The Importance of Marketing for the Economic Institution

Marketing is viewed as the link between the management of the organization and the community in which it operates. “The success of marketing activities within an organization can ensure its continuity and prosperity, while failure in marketing can lead to numerous problems”. The importance of marketing management becomes evident in this context (Al-Muezzin, M.S., 1999, p. 40).

- a- Creating a formal utility for the produced goods by communicating the desires and opinions of consumers regarding the required products to the production or design management, whether in terms of shape, quality, uses, or even packaging methods.
- B: Facing competition from foreign or multinational companies within national markets.
- b- Penetrating international markets by discovering marketing opportunities in these markets, whether through direct methods (such as foreign direct investment), exporting, or sales or production licenses, for example (Abu Qafh, A.S., p. 27).
- c- Given the importance and status that international marketing has reached today, the state has worked through various policies and legislation to organize and regulate this complex and multifaceted activity. This regulation encompasses several technical, financial, customs, tax, and market aspects, ensuring better business operations,

combating fraud and deception, and protecting the consumer, who is the primary victim of this activity.

3-2 Factors for the Success of Small and Medium-sized Enterprises and Their

Challenges

In this section, we will discuss the factors that contribute to the success of small and medium-sized enterprises (SMEs) and address the various challenges they face.

The factors for the success of small and medium-sized enterprises (SMEs) are multifaceted, with the most important being the clear identification of goals. This clarity helps direct all efforts towards meeting people's needs and achieving greater project success. Additionally, knowing the appropriate amount of capital needed for financing and obtaining it from suitable sources is essential. It is important to determine the costs associated with acquiring financing in order to choose the optimal source at the lowest cost.

Moreover, control plays a vital role, encompassing financial oversight, maintaining accurate records, and monitoring inventory and production, which helps identify negative aspects and provide necessary solutions. Business planning is also crucial, as it requires placing the "appropriate goods" in the right location, at the right time, with the right quality and price. Lastly, selecting a good location for establishing the enterprise is one of the key factors contributing to its success, as location directly impacts customer access and sales growth.

Appropriate financing, in its internal and external forms, is a critical factor in the success of small and medium-sized enterprises (SMEs). Internal financing consists of financial contributions from the owners of the enterprise themselves, while external financing relies on borrowing from friends, relatives, or financial institutions. The management of the enterprise must maintain a higher level of internal cash flow than external cash flow to meet obligations and face increasing competitive challenges, especially given the complexities of identifying competitors due to the openness to local and global markets (T.A.R. Youssef., 2002, pp. 63-65).

It is also essential to enhance the effectiveness and efficiency of performance within the enterprise, where effectiveness means doing things correctly, while efficiency refers to doing things in the right way. Additionally, enterprises seek to differentiate their products and services from their competitors through various means, such as providing services quickly, reducing costs, offering exceptional services to customers, and increasing quality, all of which contribute to enhancing their competitive advantage in the market.

3-3 Algeria's Interests in Small and Medium-sized Enterprises

Algeria has demonstrated its interest in small and medium-sized enterprises (SMEs) and micro-enterprises by establishing a range of financial and legal institutions and bodies that oversee the operations of these enterprises. Additionally, various programs have been created, such as the qualification program, along with international agreements like partnerships with the European Union and the World Bank, as well as a series of bilateral agreements with several countries. All of these efforts aim to develop and promote these enterprises, which face numerous obstacles and challenges that hinder their operations and the roles they are intended to play, as well as their development processes.

It can be said that the strategy adopted by Algeria to support and promote small and medium-sized enterprises has borne fruit, as reflected in policies that contribute to the positive development of these enterprises' contributions toward achieving the fundamental points of sustainable development. These points include employment rates, gross domestic product, and exports to achieve economic development beyond hydrocarbons.

3-4 Contribution of Small and Medium-sized Enterprises to Gross Domestic Product

The small and medium-sized enterprise (SME) sector is a dominant sector in the major economic activities in Algeria. Therefore, it contributes to the gross domestic product (GDP) regardless of the hydrocarbons sector, which is the leading sector in the national economy. This is evident through the role played by SMEs in contributing to the GDP (M., Mesghount, 2012, p. 127).

3-4-1 Towards Increasing the Role of Small and Medium-sized Enterprises in Algeria to Achieve International Marketing

There is no doubt that the global economy is subject to the concept of globalization. Based on the prominent role of small and medium-sized enterprises (SMEs), which contribute significantly to economic growth, absorb unemployment by creating job opportunities, and assist in management, the new global economic trend has positioned SMEs as the foundational drivers of any country's economy, including Algeria, and consequently in marketing.

Therefore, the challenges faced by this sector in Algeria are substantial. Since the economic opening, the topic of SMEs remains in the establishment and growth phase. Thus, we must look forward to broad horizons that position these enterprises as the foundational drivers of the national economy and contribute to enhancing investment policies.

The prospects for increasing the role of small and medium-sized enterprises (SMEs) are evident in several vital areas. Firstly, the partnership between the public and private sectors is expected to witness broader expansion in financing major and minor projects, contributing to the expansion of infrastructure and the joint management of public enterprises. This vision is included among the priorities of public authorities.

Secondly, the development of assembly and manufacturing enterprises presents a real opportunity for small and medium-sized private enterprises to enter sectors of heavy industries, such as electronics, mechanics, and electricity, which are currently limited to light industries. This opportunity opens doors to global markets for these enterprises.

Thirdly, the agriculture sector is witnessing significant development, particularly in its contribution to manufacturing industries, which play a crucial role in economic development. In Algeria, this sector represents a national added value, and it is essential to work on increasing the international marketing of agricultural products.

Fourthly, there should be a focus on expanding the use of information and communication technology in the financial and banking sector, while raising awareness among enterprises about the importance of keeping pace with global developments. This will help improve the business environment and enhance the performance of enterprises (N. Broudi, , 2006, pp. 234-240).

Fifthly, training plays a fundamental role in the development of small and medium-sized enterprises (SMEs). Leveraging successful international experiences in international marketing is a necessary step to enhance the competitiveness of these enterprises.

Finally, qualifying human resources and developing managerial technical knowledge are crucial for improving the performance of enterprises, along with the need to develop financing mechanisms and encourage enterprises to participate in international competitions (N. Broudi, 2006, pp. 234-240).

3-4-2 Obstacles Facing Small and Medium-Sized Enterprises in International Marketing

There are several obstacles that hinder the practice of international marketing, limiting the activity of small and medium-sized enterprises (SMEs) and reducing their chances of entering international markets and their contribution to national development. The most significant obstacles can be summarized as follows:

Credit: Many SMEs face significant difficulties in obtaining the necessary resources to achieve financial independence, as well as dealing with complex relationships with banks.

Training Costs: It is rare to find SMEs that implement training programs to enhance the knowledge of their employees and human resources, due to the high costs associated with training and acquiring additional knowledge and skills.

Lack of Information Systems and Poor Management Techniques: The absence of a robust information system and poor control over management techniques make SMEs vulnerable to competition and environmental changes. These conditions are often unmotivating and unsuitable, serving only larger enterprises. Additionally, technological factors have become crucial for ensuring the competitive position of SMEs, given their limited financial resources (M.S. Zouita, 2007, p. 126).

Lack of Resources and Capabilities: There is insufficient capacity to employ high expertise in the field of marketing.

Neglect of Market Research: Owners of small and medium-sized enterprises (SMEs) often neglect market research and studies to understand their customers. Additionally, they suffer from several marketing weaknesses, including (Youssef, T.A.R., p. 2): **Weak Marketing Skills:** The marketing skills of small project management are weak and are often limited to selling and distribution, along with a lack of knowledge and conviction; **Low Sales Skills:** There is a decline in the sales skills of employees working in small projects; **High Prices and Low Quality:** This is particularly evident when compared to competing products produced by larger local or imported enterprises.

The Problem of Lack of Experience and Qualified Labor: The operations of small and medium-sized enterprises (SMEs) are managed based on a lack of familiarity with modern international marketing policies, which allow these enterprises to increase their market share. Additionally, they often do not possess sufficient expertise regarding external financing sources, such as banks and financial institutions. As a result, they primarily rely on self-financing, which is considered less risky but hinders the growth and development of the enterprise due to its inadequacy.

Competition from Large Enterprises: SMEs face competition from larger companies and foreign trade firms that have similar products and operate in the same sector. The absence of efficient marketing mechanisms and reliance on intermediaries for selling goods further exacerbate this issue (I.F. Tamleh, 2009).

Rising transportation, advertising, and production costs: Due to fierce and unfair competition, the costs associated with transportation, advertising, and production have increased, which weakens the competitive ability of small and medium-sized enterprises

(SMEs). This makes them vulnerable to facing dumping practices employed by larger companies in the markets, aimed at eliminating competitors (K. Idriss, 2008, p. 16).

Scarcity of Raw Materials: This refers to both natural scarcity and the inability to store them, necessitating reliance on imports (S. Ghadir Ahmed, 2007).

Weak Presence of Supporting Companies: There is a lack of specialized companies that support these institutions, such as firms for marketing their products, companies that organize and hold local and international exhibitions, in addition to the weak capacity of markets and inadequate infrastructure (O. Ayman Ali, 2007).

Difficulty in Selling Certain Products: This is due to intense competition from larger companies on one hand, and on the other hand, marketing becomes an issue resulting from the lack of necessary funds and material resources for marketing and distributing products. This is a significant and complex problem facing the development of small and medium enterprises due to insufficient marketing information, limited distribution channels and networks, in addition to inadequate resources to hire specialized marketing expertise (M. Marzouki, 2008).

3- Discussion

The findings underscore the pivotal role marketing plays in the sustainability and growth of economic institutions. Marketing serves as the bridge between an organization and its community, ensuring products meet consumer demands in terms of quality, utility, and presentation. Effective marketing not only helps organizations withstand competition from multinational firms in domestic markets but also facilitates their penetration into international markets through strategies such as exports, foreign direct investment, and licensing. Governments also play a critical role by implementing regulatory frameworks that enhance business operations and protect consumers.

For SMEs, the discussion highlights several success factors, including goal clarity, appropriate financing, effective planning, and strategic location selection. Internal and external financing mechanisms are crucial, as is maintaining a balanced cash flow to address competitive pressures. SMEs also thrive on enhancing efficiency and effectiveness, emphasizing quality, cost reduction, and exceptional customer service. However, these enterprises face formidable challenges in achieving international marketing, including limited credit access, high training costs, inadequate information systems, and competition from larger firms.

Despite these hurdles, Algeria's initiatives to promote SMEs through financial support, international agreements, and infrastructure development have positively impacted economic

diversification and GDP contributions outside the hydrocarbons sector. Expanding SMEs' role requires fostering public-private partnerships, advancing manufacturing industries, leveraging agricultural potential, integrating technology, and prioritizing human resource training. Addressing obstacles like weak marketing skills, high costs, and insufficient market research remains critical for empowering SMEs to compete globally and contribute to sustainable economic development.

Conclusion

Algerian non-hydrocarbon exports are still insufficient to achieve real economic development. In the presence of small and medium enterprises, it has become essential to diversify them and rely on international marketing, which has become the best solution. It serves as an alternative core strategy that can be depended upon to enhance exports outside the hydrocarbon sector.

On another note, it is important to point out that the adoption of international marketing by exporting small and medium enterprises depends on their awareness of the importance of achieving a competitive advantage for their products. This can be achieved by employing modern scientific and electronic methods to develop and improve the quality of their products, which will certainly face fierce competition.

It is worth mentioning that supporting these enterprises in using this approach does not only depend on the existence of a conducive environment or supportive policies, such as legislation or incentives; it also relies on the willingness of these enterprises and their understanding of the importance of this direction in enhancing export competitiveness to achieve economic development outside the hydrocarbon sector.

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