

Study of business model in Algerian companies: state of some companies in the willaya of Bajaia.

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Abstract:

In a constantly changing socio-economic context, the creation or adjustment of a business model by companies that meets their economic needs requires finding an effective strategy to propose, create and capture value for customers, suppliers and various partners. This paper seeks to provide details on the place of the business model within Algerian companies. This research aims, through a field survey, to examine the current aspects of economic models in the Algerian context. The companies surveyed highlight that making profits in the long term is one of their major objectives. Thus, these entities emphasize reducing expenses as part of their new business model, to achieve this cash flow objective. In addition, these companies face several financial and human constraints (insufficient required skills), restricting the implementation of innovative business strategies.

Keywords: Business model, companies, Algeria.

Jel Classification Codes : L1 ; L2; M2.

Résumé:

Dans un contexte socio-économique en perpétuelle mutation, la création ou l'ajustement d'un business model, par les entreprises, qui répond aux besoins économiques de ces dernières nécessite de trouver une stratégie efficace pour proposer, créer et capturer de la valeur pour les clients, les fournisseurs et divers associés. Ce papier cherche à offrir des détails sur la place du business model au sein des entreprises algériennes. Cette recherche vise, grâce à une enquête de terrain, à examiner les aspects actuels des modèles économiques dans le contexte algérien. Les sociétés enquêtées mettent en avant que la réalisation de profits sur le long terme est un de leurs objectifs majeurs. Ainsi, ces entités mettent l'accent sur la diminution des dépenses dans le cadre de leur nouveau modèle d'affaires, pour atteindre cet objectif de trésorerie. Par ailleurs, ces entreprises font face à plusieurs entraves financières et humaines (insuffisance de compétences requises), restreignant la réalisation de stratégies d'affaires novatrices.

Mots clés: Business model, entreprises, Algérie.

Jel Classification Codes : L1 ; L2; M2.

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I. Introduction

In a turbulent and recurrently changing socio-economic environment, each company must adapt its business model, trying to bring it into line with the requirements of the company's environment. In fact, in this environment, each entity whatever its branch of activity, is confronted with multiple technological and organizational changes which, at the same time, generate business opportunities and challenges for organizations (Tongur & Engwall, 2014). The development or adaptation of a business model by the company, to socio-economic requirements, involves the search for an efficient method in terms of proposition, creation and capture of value for customers, suppliers and different partners (Gambardella & Mc Gahan, 2010). The literature in organizational management states that innovation in the business model is necessary for the sustainable development of each country, the survival and performance of companies, as well as it is considered as a source for obtaining competitive advantages. (Demil & Lecocq, 2010).

In addition, with the evolution of customer expectations and technological advances, the design of the business model has attracted particular attention by business strategists in recent years. (Casadesus-Masanell & Llanes, 2011). Therefore, the business model as a concept is a recent addition to research in organizational development management. A common opinion in the literature states that the business model is linked to the logic of the company, including its mode of operation and the way in which it creates added value for stakeholders (Reim, 2018).

The Algerian companies face various challenges, namely: competition, maintaining its survival, responding to consumer demands, replacing imports with local production for certain manufactured products, etc. Despite the gloomy situation experienced by the Algerian companies, observed in its small participation in the national GDP. The latter is called upon to recurrently review its business model. The research question that we addressed in this study is the following: **To what extent do the challenges faced by the Algerian company promote the adoption of sustainable and innovative business models (BMs)?**

To answer our research question, This article is structured around three parts: the first part is dedicated to the presentation of the definition of business model as well as its different dimensions, the second part relates to the presentation of the methodology adopted for the empirical investigation which is the questionnaire survey while the third part is a highlighting of the main results obtained.

II .literature review

In the following we will present the key concepts about the business model.

II .1.Definition of business model

The results of this study offer a new perspective on the key elements that Algerian companies seek to offer, create, deliver and capture through their innovative economic models, while indicating the set of obstacles that reduce the application of new innovative business models within these entities.

Several publications have been dedicated to the study of the concept of business model, despite the interest given to this notion, there is until now no clear and common definition of it. Due to its application in various socio-economic contexts. Furthermore, in order to understand the notion of business model, in this work, we have retained the definition of (Osterwalder & Pigneur, 2010, p. 14), considering “a business model describes the rationale for how an organization creates, delivers and captures value”, (Mikl & al, 2021), and that of (Teece, 2010, p. 172) who defines the business model as: “the design or architecture of the value creation, delivery and capture mechanisms employed”.

II.2 .Business model dimension

The business model literature identifies four main dimensions linked to the latter (Figure 1): (1) value proposition, (2) value creation, (3) value delivery and (4) value capture

Table 01: Business model for companies

Type of good Strategy of differentiation 1 VALUE PROPOSITION	Key activities Key resources Company processes 2 VALUE CREATION
Target customer Communication 3 VALUE DELIVERY	Revenue model Cost structure 4 VALUE CAPTURE

Source: adapted from Mikl, J and al, 2021

II .2.1. The value proposition

The first element that constitutes the business model is the value proposition, the latter meaning the services or products of a company offered to a customer segment. In the context of the industry, it describes the different

products placed on the market, and the index of differentiation of these goods compared to those of the competition.

II .2.2 The creation of value

The creation of value, in the company means the process followed, as well as all the tangible resources (physical infrastructure, industrial equipment, etc.) and intangible resources (goodwill, knowledge, skills, etc.) highlighted or created by the organization to establish the business model, and give a plus compared to other organizations. In other words, this business model dimension includes the different internal and external factors linked to the construction of resources that create value (Delmond & al, 2016).

II .2.3 The value delivery

Value delivery describes the customer segments targeted by the company, in order to offer them the values established in the business model. These segments could be, for example, mass markets, niche markets, segmented customers etc. This constituent element of the business model also includes the interaction between the company and its customers. In particular, it shows the types of connections that a company establishes with its customers, such as one-on-one service, establishing a direct relationship with company staff, dedicated one-on-one service, automated service, co- creation or community engagement (Osterwalder & Pigneur, 2010).

II .2.4 The value capture

Value capture identifies the sources of revenue or profits derived by the company. It describes how a company transforms the value delivered into revenues and profits. This part of the business model describes the sources of income from the delivery or proposition of tangible or intangible goods. Furthermore, value capture is used to demonstrate the pricing mechanism, which could be characterized, for example, by fixed pricing, market pricing, tiered pricing or quantity-based pricing. Thus, for (Osterwalder & Pigneur, 2010) this component indicates that the main cost factors associated with the business model can be fixed or variable.

II .3.Challenges of business models for sustainability in companies

The ability of each company to implement innovative business models is an important source of sustainable competitive advantage and an essential lever for improving sustainability and performance of organizations (Geissdoerfer, Vladimirova, & Evans, 2018). To highlight flexible business models that meet the requirements of the economic context and the business environment (Inigo &



Albareda, 2019) argue that companies can engage in four main organizational activities: Give importance to innovation for sustainability; consider new social and environmental regulations as an opportunity; make their value chains sustainable (life cycle analysis of the goods and services offered); design sustainable products and services; and identify sustainable economic models (find new ways to generate and capture value).

According to (Nunes & al, 2022), the innovation of sustainable economic models faces various obstacles: the first is that meetings and workshops on the innovation of economic models are carried out on a recurring basis between companies, but the ideas are not generally followed by the hierarchical top ; the second is that even if there are promising concepts of sustainable economic models, they are still not implemented, especially in small businesses; the last is that the most implemented economic models, notably from their creation, fail over time on the market, given the rapid change in customer requirements, and especially the pressures that companies undergo through their internal and external environments.

III. Methodology of empirical investigation

We conducted a questionnaire survey among a group of industrial companies located in the Bejaia region (Bejaia-city, Amizour, ELKseur, Tala Hamza and Akbou) in order to answer our research question. This survey was seen as the best way for us to take a closer look at the business model in industrial companies in the wilaya of Bejaia, to better appreciate its place and know the barriers to its suitable implementation.

The questionnaire is designed in the form of three axes which are as follows: identification of the profile of the company, the purpose of Algerian companies and the reality of the business model in the Algerian company.

The final sample consists of fifteen SMEs. Thus, the sampling method used to constitute our sample corresponds to a non-probability and voluntary technical sampling. The main characteristics of the companies surveyed are presented in the results and discussion section.

IV. Results obtained

We present below the various results obtained from the survey carried out among industrial companies in the wilaya of Bejaia. The analysis of the industrial company profile, in this work, is based on five variables with multiple modalities. Table 02 indicates the dominant modalities for each variable retained

with their respective percentages, which makes it possible to identify the profile of the industrial company.

IV. 1 Profile of the company surveyed

Below we present the characteristics of the companies surveyed.

Table 02: Profile of the company surveyed

Variable	Characteristic of the companies surveyed
Legal status	SARL (47%), SPA (27%), EURL (13%), Single company (13%)
Creation period	Before 1990 (16.67), 1990 – 2000 (23.34%), After 2000 (60%)
Size of the company	Medium business (60%), Small business (27 %), Very Small business (13 %).
Activity area	Food industry (30%), Wood, cork et paper (16.66%) Construction materials (13.34%), Chemistry, rubber and plastic (13.34 %), other industries (26.66%)
Business market	National (67%), International (20%), local (13%)

Source: established by us from the field survey

The sectoral distribution of the companies surveyed shows that the sample is representative of the different branches of industrial activity in the region. However, our sample is dominated by agri-food companies which represent 30% of all industrial companies surveyed. The companies in our sample have been in existence for more than ten years, but generally speaking the majority was created at the end of the 90s and the beginning of the 2000s. Furthermore, only 16.67% of the companies have been operating since more than thirty years. Concerning the legal status of the companies in our study, we note that the majority of them are limited liability companies. Or the limited liability company (SARL) at 47%, the stock company (SPA) at 27% and the Single member limited liability company (EURL) at 16.66%. This status reflects the family form of management of SMEs/SMIs in Algeria. We also note that 23.33% of the companies surveyed are very small companies operating in small manufacturing workshops.



This shows that despite the large number of very small companies in Algeria, their engagement in industry remains rudimentary, they are very active in agriculture and services. The majority of companies surveyed operate on the national market and only 20% of these entities export their products.

IV.2 The main purposes of companies

Table 03 provides us with interesting information by stating the main purposes of the company. In fact, we proposed a list of eight variables where the respondent must classify these discriminating variables in a decreasing order of priority, starting from the first purpose of the company to its last objective. Analysis of the table shows that the business leaders surveyed mainly seek long-term profitability. For this, there are seven SMEs which are interested in long-term profitability, i.e. a rate of 46.67% of the total of our sample. It is the desire for power that leads them to prefer long-term growth over the short term. Also, there are three units which give the objective of security as their first priority. The latter two are family businesses who want to preserve heritage to pass it on to their descendants and which lead them to prefer security to opportunities involving risks. Thus, these same companies declare that they give very little importance to financial independence.

For two business leaders, the main goal is survival. These companies constitute the two very small companies (less than 10 workers) included in our study and are companies in financial difficulty, losing position in their traditional market, poorly structured and whose sustainability requires making modernization investments. and/or divestments (to limit losses and release new resources or even redeploy on new products or activities). The leaders of these two companies are absorbed in daily problems and are not able to think about the future of their company. For two of the business leaders surveyed, the main goal is growth. Both companies are not experiencing financial difficulties, are seeking to increase sales and revenue, and are working to maintain or improve their market positions. Only one unit mentioned that its main objective is to achieve financial independence and the latter refuses any external growth policy.

As we defined in the theoretical part, the company's profession refers to a set of general skills and know-how, making it possible to satisfy a demand with an adapted offer. We seek to know, in this section, the company's profession because the perception that managers have of their professions delimits the field of strategic reflection. In our case, the business leaders interviewed defined their professions by the goods produced, but did not highlight the necessary skills when defining their professions. Furthermore, the majority of companies

surveyed declared that their business will be the same in five years. Only one company stated that its business will be the same if conditions are favorable.

Table 03: The main purposes of the companies

The main purposes of the company	CHOICE							
	1	2	3	4	5	6	7	8
Long-term profitability	N 07	N 04	N 02	N ----	N 02	N ----	N ---	N ---
Short-term profitability	---	----	----	03	---	03	03	06
Growth	02	05	03	01	04	---	---	---
Security	03	---	01	02	---	04	02	03
Survival	02	03	07	---	01	---	01	01
Flexibility	---	---	---	01	05	07	02	---
financial Independence	01	03	---	07	01	---	---	03
Obtaining full employment	---	---	02	01	02	01	07	02

Source: established by us from the field survey

IV.3 Element on strategic diagnosis within Algerian companies

In every company that plans to integrate new business models, a strategic analysis is essential. This strategic diagnosis highlights the internal weaknesses and strengths of the company, as well as the dangers and opportunities arising from the external context. As the table (04) demonstrates in our situation, 33.34% of small and medium-sized businesses carry out a diagnosis in order to examine their internal and external context.

Table 04: the diagnosis in companies

the implementation of the diagnosis	Frequency	Percentage of responses
Agree	5	33,34
No	7	46,67
No response	3	20

Source: established by us from the field survey

It should be noted that these companies are also dedicated to planning. In the process of designing the diagnosis, we note that the 05 companies favor



the study of competition and the market rather than the financial diagnosis. Only two companies present a structured procedure for carrying out the diagnosis. Apart from the study of the competition and the market, as well as the financial analysis, the other aspects presented in the questionnaire do not undergo a careful and detailed analysis.

In their competitive analysis, SMEs mainly examine competitive forces and identify the most discriminatory factors in the company's activity. Two companies designed a strategy map that determines the choice of rivals for each strategic variable. This is the case of the three companies which carried out a project and adopted a structured approach for formulating the diagnosis. Regarding market research, the five entities evaluate market share and its rate of growth, while also determining customer targets. In the area of human resources, the five companies concentrate mainly on the examination of the salary policy and the need for hiring. When it comes to production, the five companies look at the productivity level of manufacturing machines, the age of facilities and the amount of raw materials used. The three entities that focus on research and development analyze innovations concerning its products. For the marketing function, the five units analyze sales volume, sales distribution by distribution channels and pricing policy. The three companies met which carried out the organizational diagnosis analyze the distribution of tasks and the link between shareholders and management. For the financial diagnosis, business leaders make a multi-year comparison of the balance sheet, analyze working capital and their working capital needs as well as the result, and financially evaluate their companies. In our sample, SME financing is ensured by self-financing, personal contributions and bank credit.

Furthermore, the majority of managers of the SMEs sampled (66.66%) declare that their bankers require a technical-economic study in order to finance their projects. 26.66% of SMEs mentioned financial analysis as the main requirement of their bankers. In addition, two companies declared global planning.

IV.4 Analysis of the importance of business model dimensions in Algerian companies

The companies surveyed are ready to invest in innovative ideas to find new growth. And they want to engage in it incessantly. They plan to make significant adjustments to the business model to enable them to achieve their objectives. To respond well to new economic contexts, companies need to adopt or even reinvent new business models. A company that has a good management system will always look for new sources of income. In this study, three out of

five companies, for those with projects in 2023, are currently looking at new business models. There are many avenues, with, at the top of the list, reducing costs, modifying sales processes and discovering new markets (see table n° 05).

If these avenues are of interest to companies, whatever their size and market, some major trends emerge.

- Large companies are keen on projects generating cost reductions compared to medium-sized companies.
- The adoption of business models based on cost reductions is more popular in the agri-food and construction materials sector where Algerian companies are in great competition with each other and with foreign companies for market shares, more particularly, on the African market.
- Less than half (46%) of companies whose goal is to “survive” in 2023 will face major new or recurring changes in the next three years and more than half of them are currently waiting highlighting projects started before 2023. For companies experiencing financial difficulties, major changes are reported at a later, still unknown date.

Table 05: New business models envisaged by the companies

Types of business models	Number of companies that will adopt these models	Percentage of responses
Launch cost reduction projects	9	60%
Change the methods of selling products/services	8	53.33%
Looking towards new markets	8	53.33%
Reallocate resources	7	46.66%
Adapting an existing product for other purposes	6	40%
Dilevring better customer experiences	5	33.33%

Source: established by us from the field survey

IV.5 The obstacles to establishing new business models

In what follows (table n°06), we will analyze the challenges faced by Algerian companies in order to highlight an innovative business model that meets current economic requirements.



Table 06: Obstacles to the adoption of new business models in the Algerian companies surveyed

Obstacles influencing the adoption of new business model	Percentage of responses for each clue
Financial constraints	46.66%
Lack of necessary skills	26.66%
Fragmented security, risk and compliance	13.33%
Lack of suitable technologies	13.33%

Source: established by us from the field survey

In fact, in the table above we see that the biggest barrier to big changes is budgetary (39%). Other obstacles include issues of security, risks and compliance (20%) and lack of skills (26.66%).

Financing is less of an issue for larger companies that have greater financial resources. In the study, only 01 company with significant turnover cites budgetary limits as the main obstacle to major change, while 50% of mid-sized companies cite financial reasons.

Large companies are more concerned about compliance and security issues (13.33%) and the lack of skills (26.66%) needed to successfully complete their projects. This is a realistic attitude, large and medium-sized Algerian companies are concerned about the skills gap likely to undermine their growth. Knowing how to manage uncertainty requires a more intelligent risk management culture, especially for large and medium-sized Algerian companies which have initiated major changes to acquire the international, and more particularly African, market.

V. Conclusion

This paper attempts to provide information on the place of business model in Algerian companies. Thus, this study tries, using a field survey, to analyze the current dimensions of economic models, in the Algerian context. It presents results particularly focused on the case of Algerian companies, and more particularly industrial SMEs.

The results show that medium-sized companies, important in terms of market and turnover, expect more changes in their economic models compared to small companies. In addition, the companies surveyed emphasize that among their primary objectives is the achievement of long-term profits. To this end, these entities focus on reducing costs in their new business model, in order to achieve this objective.

On the other hand, these companies face various obstacles, financial and human (lack of necessary skills), preventing the implementation of

innovative business plans that allow them to develop, and to have a differential index compared to competition at the national and international level. To overcome these limitations and gaps, companies must highlight recurring strategic diagnostics, in order to identify their strengths and weaknesses, to focus on very specific segments.

In addition, companies operating in the same area or region can work together in a formalized network, in order to share the different rare and valuable resources between them.

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