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The Reality Of Business Incubators As A Mechanism To Support Emerging Enterprises In Algeria, With Reference To Some Successful Experiences

BOUFARH Mounira 1*, DJEDDI Abdelhalim 2

¹ University 8 Mai 1945 – Guelma (Algeria), Endogenous Development Laboratory, Self-Development and Good Governance (Algeria) Boufarah.mounira@univ-guelma.dz

² University 8 Mai 1945 – Guelma (Algeria), Endogenous Development Laboratory, Self-Development and Good Governance (Algeria), djeddi.abdelhalim@univ-guelma.dz

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Abstract:

This study aims to demonstrate the effectiveness of business incubators as a means of supporting emerging enterprises in Algeria. The government has recently placed great emphasis on supporting these enterprises towards economic diversification. We have utilized descriptive and analytical statistical approaches to shed light on the conceptual framework of business incubators and emerging enterprises, and to evaluate the role of business incubators in supporting emerging enterprises. We have also examined a sample of successful business incubators and emerging enterprises in Algeria to draw insights that can benefit entrepreneurs and innovators.

Keywords: startups; business incubators; project owners; Algeria; successful experiences.

 $^{^{1}}$ Corresponding author : BOUFARH mounira, e-mail: Boufarah.mounira@univ-guelma.dz

- INTRODUCTION

Various countries of the world, whether advanced or backward, seek to achieve sustainable development, and Algeria, like other countries, aims to revive and diversify its economy by diversifying its sources of income, seeking to abandon the rentier system, benefiting from the positive results achieved by various global experiences to create a strong economic system based on... Emerging enterprises are considered the main engine for achieving development, creating wealth, increasing the gross domestic product, and eliminating unemployment. The government has paid attention to the emerging enterprises sector, by establishing legal, legislative and financial measures and mechanisms with the aim of supporting and developing the emerging enterprises sector, such as establishing business incubators as an important and necessary means to support and grow enterprises. Emerging companies, as it works to help them overcome most or most of the financial, administrative, technical, marketing, etc. problems that stand as a stumbling block in the path of their growth, development and sustainability.

1. B. the study Problem:

Within this context, the following problem can be raised: What is the reality of business incubators and emerging institutions in Algeria?

This main problem includes a group of the following subquestions:

- What is meant by business incubators? What are emerging institutions?
- How do business incubators contribute to supporting emerging enterprises?
- What are the measures taken by the government to support emerging enterprises?

2. T. Study hypotheses:

Business incubators have many possibilities for forming and developing emerging enterprises.

Business incubators contribute to supporting and developing emerging enterprises through the services they provide during their incubation stages.

Business incubators and emerging institutions in Algeria are witnessing remarkable development.

Th. the importance of studying:

The importance of this study lies in highlighting the important strategic role played by business incubators in supporting and developing emerging enterprises in Algeria, especially since the government has recently realized the extreme importance of the emerging enterprises sector in achieving sustainable development and that this sector must be promoted through a set of measures and mechanisms. Legal.

3. C. Objectives of the study:

This study seeks to achieve a number of objectives, most notably:

Identify the conceptual framework for business incubators and emerging institutions;

Highlighting the strategic role of business incubators as a mechanism to support and develop emerging enterprises;

Showing the reality of business incubators and emerging institutions in Algeria;

Identify some successful experiences of business incubators and emerging institutions in Algeria to benefit from them.

4. Previous studies:

- Study (Vincius Figueiredo de faria and others, The Business Model Innovation and Lean Startup Process supporting Startup Sustainability, Journal of Procedia computer science, Vol. 93, No. 101, 2021)

This study aims to develop a business model that contributes to the sustainability and development of emerging enterprises, as this model is a source of competitive advantage and raises the need for innovation that contributes to attracting customers.

- Study (Maryam Elbahjaoui, Abdelaziz Elabjani, Incubation Process: A Key Innovation Lever for Successful Start-up Businesses, LC International Journal Of Stem, Vol2, N°03, september 2021)

This study aimed to shed light on business incubators as a bridge between the project owner and the external environment, as well as highlighting the relationship between incubators and owners of emerging enterprises to enhance innovation in their institutions.

5. Study divisions:

To cover all aspects of the study and in order to answer the aforementioned problem, we divided the study into two axes that address the essence of the topic, beginning with an introduction that includes a brief picture of the subject of the study, where the first axis included: the theoretical framework of business incubators and emerging institutions, while the second axis touched on the reality of business incubators and institutions. emerging in Algeria.

1. The theoretical framework for business incubators and emerging institutions

Business incubators are currently considered an inevitable necessity and an effective element in achieving sustainable development, and an important center for incubating project ideas and implementing them on the ground.

1.1 conceptual introduction to business incubators

1.1.1 The concept of business incubators

The idea of the incubator stems from the care and custody of the child due to his inability alone to satisfy his needs and achieve his desires and directions.

The incubator is defined as: "organized projects that aim to provide technical and material capabilities so that project owners can establish their projects, transform their ideas and innovations into practical projects, and teach them, throughout their stay in the incubator, to establish and sustain the project and market its productsc

It is also known as: "An integrated framework of space, equipment, services, facilities, support mechanisms, consultation, organization...etc., dedicated to assisting entrepreneurs in starting, managing, growing and developing productive, service, economic or technical institutions specialized in new research and development, and protecting, nurturing and supporting these institutions for some time." It is limited to less than two years in most cases. Still, it does not exceed three years, which reduces these pioneers from the usual risks and provides these establishments with more significant opportunities for success through a legal entity established for this purpose and endowed with the necessary capabilities, experience, and relationships." ¹

1.1.2 The importance of business incubators

The importance of business incubators is evident through the pioneering strategic roles that work to activate the business environment as follows:

- Addressing social and economic problems such as unemployment and the resulting low standards of living for laid-off workers;
- Increasing the effectiveness and efficiency of small enterprises in many countries of the world, according to the 1994 Organization, the share of small enterprises in exports reached more than 30% in Italy, 40% in Korea, and 62% in Turkey. International Labor Organization studies also confirmed that these small enterprises contributed to creating... New job opportunities in industrialized countries, such that the percentage of workers in the United States of America reached 44.6%, and 71.4% in Italy;
- Business incubators contribute to solving the problems facing new projects, which are:
- 1. Weak marketing experience.
- 2. High-interest rates on loans and tax rates;
- 3. Negligence in technical and administrative aspects;
- 4. Lack of necessary liquidity;

- 5. High cost of production;²
- Contributes to providing scientific advice and feasibility studies for emerging small and medium enterprises;
- Links emerging and innovative projects to productive sectors, market dynamics and requirements;
 - Encourages non-traditional and enterprising investors to establish their own companies, which are described as venture capital companies.
 - It contributes to employing the results of scientific research, innovations and creativity in the form of projects that make them transferable to production.
 - It works to establish and support small or medium production or service projects based on the application of appropriate technologies and modern innovations.
 - It qualifies a generation of business owners and supports them to establish serious and profitable businesses, which contributes to the development of production and the economy's advancement.

1.2 conceptual introduction to emerging enterprises

1.2.1 The concept of emerging enterprises

There have been many definitions of start-up enterprises, as the term "startup" began to be used immediately after World War II, with the beginning of the emergence of risk capital companies, and this term has become more widely used in the world since the end of the nineties with the spread of Internet (Dot-Com) facilities, as the financial markets witnessed... There are several speculations on information technology facilities that seek quick entry into the stock market.³ Among the most important of these definitions we find:

In the absence of a consensus on a unified definition of Startup, this concept, according to the La Rousse dictionary, refers to it as: "those young, creative institutions in the field of information and communication technologies whose mission is to create and market new technologies."

Researcher Erice Reis defines it as: "those institutions that aim to develop and distribute a new product under a high degree of uncertainty." ⁴

1.2.2 The role of business incubators in supporting emerging enterprises

1.2.2.1 Services provided by business incubators

Business incubators, during their temporary incubation of emerging enterprises, provide a number of services, including:
Providing facilities related to infrastructure: Business incubators provide the emerging institutions to which they are affiliated with the necessary basic facilities of laboratories, laboratories, and equipment, and additional needs of information technology devices and services and communications networks. They also make the necessary arrangements to provide infrastructure requirements through participation or coordination with universities, technology transfer bodies and associated support service providers or by hire; ⁵

Administrative services:

- Facilitating company establishment procedures;
- Providing accounting and billing services;
- Building a model structure for creating and establishing new businesses and companies. ⁶

Specialized services: The incubator, through experienced and specialized managers, trains project owners on how to perform their work in various fields through: ⁷

- Holding seminars, training courses and workshops in the incubator and outside it:
- Providing an information base to serve projects;
- Increasing the ability of projects to use advanced technology, especially in technological incubators;
- The continuation of the relationship between the incubator and the project after graduation from the incubator, with the form of the relationship varying from one model to another, so that the

- project can continue to benefit from some of its services;
- Participate in exhibitions and obtain information on an ongoing basis

1.2.3 The role of business incubators in supporting emerging

The projects enrolled in the incubator are sponsored and followed up during the various stages of the life of these projects in three stages as follows:

The first stage before incubation: This stage is mainly related to helping the entrepreneur develop the business idea, and this happens before the startup joins the incubator, as a meeting must be held between the entrepreneur and the incubator's management with the aim of analyzing the idea and evaluating its suitability, and evaluating creativity: through internal competencies, External committees, as well as business incubators, help the entrepreneur accurately define his business idea and develop a business model by answering the following questions: Who are the target consumers? What are the distribution channels? Who creates and finances the project? Preparing the business plan: This involves completing business plans and financial estimates. Training at this stage is related to administrative skills and more specialized topics (property rights, administrative laws and legislation...).

The second stage is the incubation stage or the project joining the incubator: This stage continues from the stage of starting to implement the project idea until it reaches the stage of maturity and expansion (from one to three years), and the incubator works during this stage to provide all the services that would make it easier for the pioneer The business can implement his idea on the ground at the lowest costs. After the contractor contracts with the incubator and joins it, he can benefit from the infrastructure (offices, facilities) provided by the incubator at reasonable prices. In general, the services provided during this stage vary depending on the nature of the incubator, as well as the nature of the project. The incubator also works We must mobilize financial resources through fundraising and

crowdfunding, with the aim of providing the necessary funding to implement the idea. Supervision and guidance during the project implementation stages are provided, and specialized technical assistance and consultations are provided by the incubator's management. Training will also continue during this stage, and all services provided by the incubator. This will help startups achieve high growth rates.

The third stage is the graduation stage from the incubator. It is the final stage for projects within the incubator, where the startup company has achieved its desired goals and expanded its activity. The company has emerged in the business world as a creative idea and its market has expanded from local to global. At this stage, an exit plan is drawn up, which is determined by the incubator program after internationalizing it and marketing it electronically. Graduation requirements are based on a set of criteria such as the company's revenues or employment level, rather than the program's duration. Although the project becomes established and can carry out its activity outside the incubator, it can continue to benefit from its services and guidance even after graduation.⁸

2. The reality and prospects of business incubators and emerging institutions in Algeria

2.1 Business climate for startups in Algeria

Algeria's interest in emerging companies is recent, especially after the decline in oil prices and the attempt to move towards an economic diversification policy based mainly on the enterprise and how to create added value and jobs and the trend towards innovation and encouraging the creation of emerging enterprises depends in general on factors related to aspects of the macroeconomic (governance system, business environment Favorable, adequate financing), and partial adequate (qualified managerial and technological skills).

The success and development of startup companies depends

on a favorable business environment, and the weak activity of startup companies in Algeria is due to several reasons that can be summarized in the following points:

- •The budget allocated to scientific research does not exceed 1% of the PIB;
- •The absence of a clear policy that involves innovation with all actors, whether the state, private or public institutions, or the university.
- •Weak relationship between university research centers and the economic fabric;
- •The absence of statistics on the number of startups active in Algeria;
- •Difficulty in finding sufficient funding for innovative projects of emerging institutions in Algeria;
 - •The absence of an ecosystem for startups. ⁹

2.2 Algeria's new direction towards promoting and supporting emerging companies

This new trend has emerged through many decisions, mechanisms, and devices developed to create a new environment suitable for creating, supporting, and developing startup companies, as officials confirm - especially through the Ministry created since 2020 for small enterprises, emerging institutions, and the knowledge economy, and the ministries mandated for incubators and institutions that have emerged from it. The company aims to achieve the goal of establishing 5,000 startup companies in the current year 2021.

The embodiment of this new orientation of the public authorities in Algeria emerged through several new decisions, mechanisms, and devices, which we summarize below: ¹⁰

 Creating a new legal and regulatory framework: This is to define emerging institutions and incubators, as well as the terminology of the knowledge economy ecosystem, which was carried by Executive Decree No. 20/254 dated 09/15/2020 with the aim of facilitating the procedures for establishing these entities and determining methods for evaluating their performance and ways to support and finance them, such as what it carried. The Finance Law of 2020 provides tax facilities and incentives for the benefit of emerging institutions that are active in the fields of innovation and new technologies, exempting them from the tax on profits and the value-added tax, while approving the facilitation of these institutions' access to real estate to expand their investment projects, with the aim of accompanying them in the launch stage and ensuring their subsequent development.

- The incubator sector in Algeria has been approved since 2003, but only a limited number of them are actually active. The confusion in naming them as "nurseries" has caused problems as the two concepts are different. To remove this confusion, the Ministry Delegate to Incubators has approved new procedures that define the role of incubators and distinguish them from nurseries. This was done through the legal definition of incubators and supporting their structures through the new Executive Decree No. 20/254 dated 09/15/2020. The aim is to modernize the incubator sector and make it more effective in supporting Algerian startups.
- Creating a committee responsible for granting the "Emerging Enterprise" or "Innovative Project" label and the "Business Incubators" label according to specific conditions: Granting these labels allows for facilitating access to concessions, financing, and offers for public sectors and institutions. Failure to grant this label does not mean that they will be denied accreditation to carry out their activities. In addition to opening the way for the private sector to operate in the field of incubators, which can now grant an incubator label to every legal structure that wishes to specialize in accompanying and incubating emerging institutions and innovative projects according to specific conditions.
- Establishing the National Fund for Financing Emerging Enterprises: The decision to establish it came after the National Symposium for Emerging Enterprises, which was attended by the

President of the Republic and the Prime Minister, with the participation of more than a thousand participants from emerging institutions, incubators, representatives of governmental and financial bodies, economic operators, experts, and representatives of associations, universities, and research centers, who contribute to this fund. Public banks and the National Agency for the Promotion and Development of Technological Stockyards aim to finance all processes of establishing startup companies and enable their founders to avoid banks and bureaucratic procedures, relying on a financing mechanism based on investment in capital instead of traditional financing mechanisms based on loans.

- Transforming the National Agency for Youth Employment Support (UNSAG) into the National Agency for Entrepreneurship Support and Development (ANAAD): This is with the aim of encouraging entrepreneurial initiatives and developing activities with a diversified and effective economic return, as it was assigned to the Ministry of Small Enterprises, Emerging Enterprises and the Knowledge Economy since 05/05/2020 after It was under the guardianship of the Ministry of Labor and Employment and was assigned new tasks and functions pursuant to Executive Decree No. 20-374 dated 12/16/2020, which specifies the conditions and level of the subsidy provided to young people with projects.
- Launching an electronic platform for startups and small companies: which was activated on 10/15/2020. Through this platform, central data is built for all active parties in the startup ecosystem so that it can be a source for future partnerships with the best companies, whether public or private, in various projects. Futurism.
- A project to establish a national innovation council: It will be
 placed under the authority of the President of the Republic, and it
 will work to lay the legal foundations for technology transfer
 institutes, provided that the pilot phase begins through two
 universities by establishing two centers specialized in artificial

intelligence and the Internet in cooperation with Algerian talents abroad, with the aim of valuing innovative ideas and initiatives and the national potential for scientific research in Knowledge economy development service.

- Transferring the Technological Regional Excellence Hub (HUB) for emerging enterprises: (Khadra, 2021), which is being completed by Sonatrach at the level of the Great Wind Park, Dunia Park, to the Ministry of Small Enterprises, Emerging Enterprises and the Knowledge Economy;
- Preparing local communities for spaces allocated for emerging enterprises: giving priority to regions where there is great potential for innovative project holders, especially the states of: Béchar, Ouargla, Constantine, Oran, Tlemcen, Setif, and Batna, before expanding this endeavor to the entire national territory, and finally In order to ensure joint synergy between sectors to implement the strategy for developing emerging enterprises, the Minister of Small Enterprises, Emerging Enterprises and the Knowledge Economy is assigned to ensure control of the contributions made by all sectors.¹¹

2.3 The development of business incubators and emerging institutions in Algeria

The following table shows the development of the number of incubators in Algeria, the number of new projects and job positions during the period extending from 2011 to 2022.

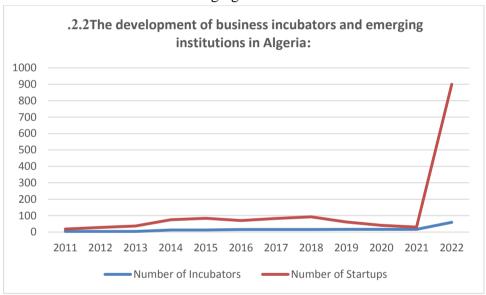
1a	Table No. (03): Examples of successful business incubators in Algeria						
	Years	Number of Incubators	Number of Startups				

Years	Number of Incubators	Number of Startups
2011	4	19
2012	4	28
2013	4	37
2014	13	75
2015	13	84
2016	16	70

2017	16	83
2018	16	93
2019	17	61
2020	17	41
2021	17	30
2022	60	900

Source: Prepared by the researchers based on statistics from the Ministry of Industry via the website: https://www.industrie.gov.dz, and statistics from the Ministry of Small Enterprises, Emerging Enterprises and the Knowledge Economy.

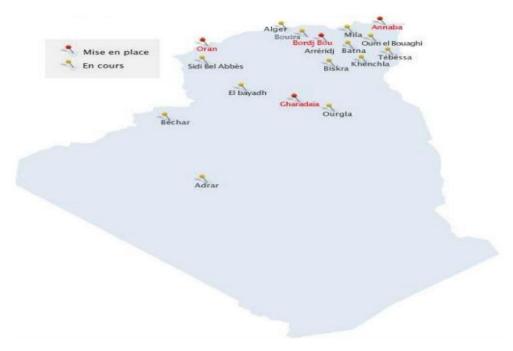
Figure 1: The evolution of the number of business incubators and the number of emerging institutions



Source: Achieved by researchers based on the data in Table No. 2-

From the table and figure presented above, it can be observed that the number of business incubators has increased from 4 in 2011 to 17 in 2021. Additionally, the number of emerging enterprises has risen from 19 in 2011 to 93 in 2018. However, due to the pandemic outbreak, the number of emerging enterprises declined to 30 in 2021. The decrease was due to the effects of the pandemic and the reorganization of business incubators. However, the number of incubators and start-up companies increased in 2022 and 2023 to 60 and 1,100, respectively. The increase was attributed to the state's recognition of the importance of promoting the start-up sector.

Map showing the distribution of business incubators in Algeria



Source: (Milani Hakim and Sultaniyeh Najiba, 2015, page 138) The following table shows a sample of successful business incubators in Algeria

Table No. (03): Examples of successful business incubators in Algeria

Business Incubator Name	State	Establishment Year	Key Activities	Source
INNOEST COMPANY	Tébessa	June 23, 2020	- Travel ticket booking application - App for women's transportation - Smart waste container system - First Algerian-made oxygen generator - High quality eco-friendly snail farm and products facility	(Bouazza & Bousminah, 2023)
TechnoBusiness	Algiers	March 24,	- Developing a data storage	(Noui &
Hub in Sid Abdallah	Capital	2004	and retrieval system for large institutions	Mimiche, 2021)

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Gherab	- Design and presentation of three-dimensional virtual park and tourism experience - Creating mobile payment card solution
	- Fire alert network establishment in forests
	- Electronic learning database creation

The following table includes a sample of successful emerging institutions in Algeria

Table No. (04): Includes a sample of the leading remote institutions in Algeria

Company Name	Logo / Brand	Headquarters Location	Founded Date	Field of Work	Source
Yassir	Yassir	Algiers Capital	2017	Transportation using smartphones	(Ghabri & Qatranani, 2023)
Jumia Algeria	JUMIA	Algiers Capital	2014	Online product sales Food delivery service Online hotel reservations platform	(Mohapob & Senoussi, 2021)
Yaldine Express	YALDINE EXPRESS	Algiers Capital	2013	Rapid goods delivery with instant checkout capability	(EXPRESS, 2024)

- CONCLUSION

Through what has been listed, described and analyzed in this study, we have found that business incubators have a major role in The aim is to support the national economy by providing various facilities and services to emerging enterprises during their incubation cycle. This helps to promote innovation and enhance the competitiveness of businesses.

Based on a study conducted, the following conclusions were drawn:

- -The startup sector is witnessing remarkable development, through the great interest that the Algerian government has paid to it, as well as the establishment of its own ministry.
- Business incubators help entrepreneurs by providing guidance and support, leading to the development of their innovations.
- Start-ups have a significant contribution to economic and social development in Algeria.
- The results achieved through start-up companies have made it necessary to move towards them.
- The accompaniment process is crucial for the success of emerging institutions.
- Incubators provide a suitable work environment for the growth of emerging enterprises in Algeria.
- The main goal of business incubators is to train emerging project owners on good management and develop their capabilities.

To further improve the situation, the following suggestions are proposed:

- Encourage and value innovations resulting from scientific research.
 - Support emerging institutions.
 - Motivate emerging entrepreneurs.
- Train executives and managers in incubators with modern developments.
- Comprehensive mobilization of resources and efforts in order to establish model incubators in several regions of the country.

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- Simplify administrative procedures.
- Enriching the electronic platform developed by the Ministry for emerging enterprises and opening it to holders of innovative ideas and projects in order to embody their ideas on the ground.

- Endnotes:

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