

**Upgrade Programs for Small and Medium-Sized Enterprises "SMEs", Performance
Analysis: The Case Of Algeria**

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Abstract

As a result of economic globalization and a changing business environment, small and medium-sized enterprises "SMEs" continue to suffer the adverse effects of the arduous and fierce competition. In this new business climate, SMEs are expected to improve their performance, especially in emerging and developing countries context. To improve the performance of the SMEs

in these countries, upgrade programs have been implemented by public authorities. So, the research conducts a performance analysis on upgrade programs for (SMEs). These programs are prepared for SMES in emerging and developing countries. The study is a literature review on upgrade programs for SMEs in emerging and developing countries. This study seeks to theoretically find if there is a relationship between the achievement of an upgrade program and the performance of SMEs. Thus, the study comes to develop a theoretical model supporting the effect of upgrade programs on the SMEs performance. This model could be applied to any context of emerging and developing countries, Algeria is a practical case.

Key words: Upgrade programs, government programs, performance analysis of SMEs, emerging and developing countries, Algeria.

Paper type: Theoretical paper

1. Introduction

In a changing world, small and medium-sized enterprises "SMEs" continue to suffer the adverse effects of economic globalization and the conditions of open and intense environment, according to Lejárraga, I. et al. (2014). These enterprises confront a difficult and hard competition to the disadvantage of SMEs that are really uncompetitive and inefficient, especially in the context of

developing countries. This new business environment requires taking into account the development of SME, insert it into the arena of national and international competition and ensure the promotion of a more efficient SMEs (Guo and Cao, 2014; Appiah et al. 2015).

By consensus, SMEs are generally represented by most enterprises in developed and developing countries (Krasniqi et al., 2015). They employ a large segment of the workforce and contribute significantly to the national economy (Ayyagari et al., 2014). It is recognized that, SMEs safe, efficient and dynamic sector, plays a key role in the creation of the international competitive advantage (Hall, 2003) and provides economic development (APBSD, 2004). In recent years, there has been an increasing focus, in these countries, to this sector of business. It must respond to the new competitive landscape characterized by unfavorable trends for SMEs (Appiah et al. 2015).

This state of fact leads us to qualify it unfavorable for the country, including enterprises involved in a transition context. Algeria is a country in transition from a planned economy to a market economy. This situation has inversely affected the Algerian enterprises. It made the country's decision makers lacked professional vision to ensure the performance and sustainability of the enterprise in this new and difficult business climate. Macro-economic and politico-economic factors have caused a cruel microeconomic situation within SMEs. This context of rich and complex transition could be described as generally unavoidable. Algerian and foreign economic experts confirm that the Algerian decision makers lack vision to ensure the viability of the enterprise in this new environment. Indeed, the situation of Algerian SMEs is particularly difficult (Bouzidi, 2010 and Amroune, 2016).

In fact, in the statistical information bulletin on SMEs in the first half of 2014, it has been mentioned that 97.8% of these businesses do not survive to the opening of the markets and the transition from a planned economy to a market economy. There are only 15 820 enterprises active in Algeria that are resistant to the adverse effects of this transition. Then, a percentage of 2.2% of enterprises are in a state of excellence. In addition, according to the report of statistical information from SMEs number 25 of the Ministry of Industry and Mines edition of June 2014, the statistics show that there are more than 820 738 SMEs, including 633 891 private SMEs and only 544 State-owned enterprises in several sectors of production. These enterprises employ 2 082 304 workers. The SME sector in Algeria is composed by 633 891 enterprises, 151 761 individuals, 482 130 private SME Corporations and 186 303 crafts activities (MIM, 2014 and Amroune, 2016).

For example, surveys, conducted by experts from the Commission of the European Union (CEPMÀN 2007a), highlight three main types of SMEs in Algeria. For example, surveys conducted by experts from the Commission of the European Union (CEPMÀN 2007a) highlight three main types of SMEs in Algeria. SMEs in a position of excellence are the minority. SMEs in a state of passivity and survival are the majority of the population of SMEs. SMEs in a situation of growth are without financial difficulties. The latter requires the intervention of public authorities to ensure their development.

Boutaflika (2003, p. 8), in his speech to the nation executives, says that "there is no doubt that the Algerian enterprises need new skills, know-how and technological expertise. They must change their production systems, distribution and management if they want to maintain or gain market share. They do not change their management and do not improve their performance if their upgrade

is not performed in the direction outlined by the reforms, and sanctioned by the market. They must become competitive instead of relying on the state to protect them indefinitely from foreign competition. The era of protectionism and economic nationalism is over."

So to overcome this rich and complex issue, the Algerian public authorities have drawn up and implemented upgrade programs for the Algerian SMEs. These programs are developed and overseen by an advisory board in charge of upgrading the enterprises. Upgrade programs in Algeria have managed to, so far, bring up a few thousand of SMEs in order to include them in the arena of national and international competition and improve their performance. These programs are initiated by several national and international organizations. International agencies are: United Nations for Industrial Development Organization "UNIDO" and the European Commission appointed by the upgrade program, according to Amroune (2016).

CEPMÀN (2007) argues that the objective for the upgrade is to improve the competitiveness of Algerian SMEs, maintaining its share of the domestic market and the eventual conquest of the foreign market. In short, the purpose is to improve the competitiveness of SMEs and promote their performance. However, the expected results of these programs are: the viability of SMEs, SME competitiveness and job creation. A competing SMEs seems necessarily efficient.

In the case of Algeria, three upgrade programs have been completed or are in progress since 1999. More than 5 billion \$ US have been committed to date, and phenomenal human resources and material were devoted to this purpose (Amroune, 2014). However, the question which arises is whether these upgrade programs have really contributed to the achievement of the desired goal.

So, the main objective of this research is to conduct a performance analysis on Algerian SMEs beneficiaries of the upgrade program

2. Literature review

SMEs are a very diverse group and are present in a wide variety of activities. The definition of SMEs varies from country to country due to differences in business law and infrastructure both physical and legal (Storey, 1994). The SME is generally defined as a private enterprise which is relatively small compared to other enterprises in the same market or industry, and is not formed under large enterprise or business group (Storey, 1994).

Indeed, the growing interest in the role of SMEs in the economic development process continues to be at the forefront of the political debate in developing countries, particularly in Algeria for the last two decades. Also in developing countries, according to Ahlstrom and Ding (2014), the development of China and the importance of SMEs have been the subject of increasing attention in the political and popular discourse, media and universities. Since the 1990s, SMEs play an increasingly important role in the economic growth. Fening et al. (2008) ; Mashhadi et al. (2012) and Ayyagari et al. (2014) argue that SMEs play multiple roles in the developing countries in terms of job creation, income generation and the assurance of a fair distribution of limited resources.

Thus, in the whole world, the SME sector has grown rapidly over the years and contributes to almost 40% of total industrial production. This sector plays an important role in the generation of

income for the country because the growth rate of this sector has always been higher than the average industrial growth rate (Julien, 1994). Raja and Kumar (2008) add that SMEs in India are considered as one of the most dynamic sectors of the economy. According to Bellihi and Bazi (2015), SMEs are considered as engines of growth in developed in developing countries because they provide employment at low cost and the unit cost of employees is lower for both SMEs than for large units.

The World Bank (2002-2004) gives three main arguments supporting the idea that SMEs can function as the engine of growth in developing countries. At first look, SMEs strengthen competition, entrepreneurship, innovation and productivity growth. Therefore, SMEs have external benefits on the efficiency of the economy. Thus, SMEs are generally more productive than large firms. Therefore, in the financial market, institutional failures and unfavorable macroeconomic environmental aspects hinder the development of SMEs.

According to the Organisation for Economic Co-operation and Development “OECD” report (2004) and according to (Krasniqi et al., 2015), in the world, specifically in developing countries, there is agreement on the fact that the strong economic growth contributes to economic and social development and poverty reduction. Meanwhile, it is becoming increasingly recognized that the impact of growth on poverty depends on the quality of the growth of the SME sector. In addition, according to the latter source, the World Bank estimates that SMEs can stimulate economic growth and development in these countries. The advantages of the SME sector in national growth are proved. The study of Habaradas (2008) was done on the former Socialist countries of Eastern

Europe. It illustrates the contribution of SMEs on the gross domestic product (GDP) and employment participation for countries in transition.

However, the Algerian SMEs lived almost the same conditions as the SMEs in developing countries, but taking into account historical factors in each country. Furthermore, the private SMEs sector in Algeria is in emerging state. This sector has hatched mainly in the period of the year 2000. As a result, the SME sector in Algeria is very young, according to Amroune (2014).

Thus, in this section, we discuss many concepts. We first present the SMEs in developing economies. Then we discuss the relationship between SMEs, upgrade programs and performance. We also observe a transition on upgrading in developing countries and in Algeria. Ultimately, we finish with the presentation of the effect of the upgrade programs on performance, and this, in the formulation of hypotheses.

2.1 Small and medium-sized enterprises in emerging and developing economies

Indeed, during the 70s and 80s in the socialist countries, communism has banned private sector development. The socialist economy was linked to the Marxist ideology that fights against the market economy. According to Van Pham and St-Pierre (2009), planned economic model was dominant in the socialist countries like the Soviet Union, the countries of Central and Eastern Europe, China, Vietnam, Cuba and Algeria. In the late 70s, the economic crisis of the socialist countries has highlighted the disadvantages of public enterprises and the planned economy. In reality, public enterprises have not achieved the desired results by the State.

The collapse of the Soviet Union and the Eastern European socialist block, forced countries to undertake reforms. These countries then entered a period of transition from a planned economy to a market economy. While observing the economic success of the capitalist countries, socialist countries have recognized the important contributions to the development of the economy by private economic components and SMEs in particular. These enterprises are therefore key players in the economy, fostering and accelerating the pace of development (Amroune, 2014).

All the countries of the former Soviet Union and generally the former socialist countries have experienced, in more than a decade, both economic and political transition. Among the significant achievements during this transition are the development of the private sector and the business environment (Szabo, 2000 and Harc, 2015).

During the Soviet period, the Union's economy was mainly structured so that each state depends on the production of other States. This dependence has led to economic underdevelopment of States. Danis and Shipilov (2002) reported that one of the ways to transform this system was to develop industries and thereby achieve economic growth. The challenge for these countries is the creation of private businesses and encourages entrepreneurial activity. These enterprises are introducing new products and services, and creating new employment opportunities in countries formerly focused on industrial and military production rather than consumer products. Entrepreneurs are counted among the most important elements in both the economic transition in the creation and stabilization of democracy (OECD, 2004).

Yalcin and Kapu (2008) and Russu and Sima (2015) reaffirmed that countries in transition are attending an economic shift to the right of ownership of an enterprise. This period was a challenge. These authors argue that the need to learn liberal economic policies and capitalist business practices, and deal with national and international competition, were not easy. Enterprises strive to find a way to get out of these adverse conditions.

2.2 SMEs and performance

SMEs are most vulnerable to an uncertain and changing environment, particularly in developing countries. Adomako and Danso (2014) argue that the turbulent nature and lack of power to emerging markets create many SMEs vulnerable to external influences. Thus, the external environment is particularly influential in determining the competitiveness and performance of SMEs.

In the highly competitive countries, SMEs seem to work better in hostile environments (Covin and Slevin, 1989). The uncertain environments guide entrepreneurs to examine the enterprise's resources and ability to pursue various action plans; this is in response to environmental conditions (Pett and Wolff, 2007). They add that in order to ensure better performance, SMEs should react in two ways: expand the markets served geographically, or capture a larger share of existing markets.

In addition, SMEs do not have adequate staffing resources for the daily operation and more performance. This lack of performance may be compensated by the flexibility, agility and the ability to innovate (Qian and Li, 2003). Innovation and pro-activity, as a response to the uncertainty

of the environment, can lead SMEs in the process of improvement or modification of products. Zahra and Nielsen (2002) confirm that innovative products facilitate the growth of market share by attracting customers from rivals.

In any context, to withstand environmental changes, there must be a better fit and better performance, while "a business can manage the increased complexity of the environment, if (...) processing capacity of information is more improved and has an organic structure (Chakravarthy, 1982, p. 37).

The definition of an organic structure provides a better opportunity for more open communication, circulation of information flows and network relationships (Covin and Slevin 1989). The organic structure facilitates the processing of information and ensures behavioral change of staff of the SMEs. At the other end, the mechanical organizational structure is associated with very structured transactions and promotes stability and vertical communication channels (Khandwalla, 1977).

2.3 SMEs and upgrade

The SME sector is heavily exposed to the new requirements of free trade, it faces among other many challenges: lack of control of management methods, inadequate growth markets, etc. (CEPMÀN, 2007). To address the vulnerability of SMEs that are not adequately equipped in this

context of globalization and internationalization of trade, upgrade programs for businesses have been developed and implemented by different agencies.

The importance of the upgrade program is linked to the economic and social interests of the industry both locally, regionally, nationally and even internationally. This importance also reproduced the difficulties encountered by SMEs, both internally at the enterprise level and at the level of their environment, according to Amroune (2016).

The performance of a given economic system depends on the quality of its enterprises; this is verified in the field. This theory has been proven in the largest industrialized countries, even those whose economy is based on the activity of small and medium-sized enterprises (Krasniqi et al., 2015). This is one of the steps that Algeria has adopted in recent years through upgrade programs for SMEs for which substantial financial package have been released for this purpose (Amroune, 2016).

But, what does the upgrade of small and medium-sized enterprises mean?

According to Bouzidi (2010), "The upgrade concept of SMEs in the region of the Mediterranean was born in 1988 with the experience of Portugal. The Tunisian experience dates back to 1996; and the experience of Morocco is initiated in 2002. After the signing of partnership agreements with the European Union, these countries have tried to set up rehabilitation programs for their businesses. This agreement aimed at the gradual dismantling of customs duties, raising more openness of its economy, which in part requires more competitiveness. « In fact, the practice of

upgrade programs for SMEs inspired by the Asian experience, especially Asian emerging countries.

Also, Bouzidi (2010) reports that "upgrade programs of SMEs are designed to help the enterprises meet the demands of economic openness, competition and free trade. The goal is to help the enterprises control costs and improve the quality of their products, develop creativity and modernize its equipment. To be successful, these programs must be developed in a suitable business environment, efficiency of government bodies and the fight against the bureaucratic legislation."

Amroune (2016) argues that the objective set for the upgrade is to improve the competitiveness of Algerian SMEs, maintaining its share of the domestic market and the eventual conquest of the foreign market. In short, the purpose is to improve the competitiveness of SMEs and their immediate environment at the macro level as well as at the *méso* level. However, the expected results of these programs are the viability of SMEs, competitiveness and job creation. Upgrade programs relating to SMEs as defined by the framework law, with a potential for growth, growth markets and products for the best quality/price. In addition, the upgrade program in Algeria covers the SMEs that are experiencing growth. Where the primary objective is to improve SME's performance.

2.4 Upgrade and performance of SMEs

Knowing that the effect of the competitive position is an exogenous measure, however, the

performance effect is an endogenous measure to the enterprise. That said, we can know the competitive position of the business by external factors to the enterprise. Moreover, to understand the dimension of performance, these measures are reflected on the internal of the enterprise. Primarily, the upgrade program is designed to improve the competitive position of SMEs in the national and international markets. Moreover, in its definition, United Nations of Industrial Development Organization "UNIDO" advance that the enterprise's performance improvement dimension in first place, and then notify the definition to improve competitiveness in the future. This is clear in its definition for the upgrade program. In fact, the definition of the upgrade program, according to UNIDO announces "Action to improve enterprise performance (production and growth) and competitiveness to enable it to compete effectively in its new competitive field, maintaining and growing inside it ", quoted in Madaoui and Boukrif (2009).

If one also considers the definition of the upgrade program developed by the European Commission, the founder of this program in the Arab Maghreb countries, it does not comply with one of UNIDO. The European Commission also adds dimension to improve the performance side of the competitive dimension. It defines the upgrade program such as "An upgrade program is concretely defined through its main objective, which is to assist SMEs to enable them to significantly improve their competitiveness and performance by aligning to international standards organization and management to consolidate and coach their future development", European Commission responsible for the upgrade program in Algeria (Amroune, 2016).

Bennaceur et al. (2007) are the initiators of the first academic study on the impact of the upgrade program on the performance of SMEs in Northern Africa. They also consider the scale

improvement of the performance as fundamental. The performance is a primary goal in improving the competitive position of SMEs. The definition of the latter authors similarly consolidates the previous two definitions in its statement by the "Adaptation of structures, resources and SMEs management processes. Those are in order to improve its performance and to insert it into the competitive arena both domestically and internationally", Bennaceur et al. (2007). So in this new business environment, performance and competitiveness are a strong couple where their objective is the development of SMEs and the creation of wealth for the whole society. So, what about the upgrade program experience in the developing countries?

2.5 Upgrade programs for SMEs in developing and emerging countries

In developing countries, to overcome this adverse situation of SMEs, public authorities have implemented programs to develop the SME sector. In Poland, the unexpected growth of the SME sector gave a great impetus to the creation of employment. The main objectives of SME support programs are: the creation of employment, assistance in organizational development, identification of markets in the SME sector, financial assistance in the form of loans or loan guarantees to finance investment and expansion of SMEs, providing advisory services and the provision of training on good business and management practices, according to Dec and Masiukiewicz (2014).

The case of Romania is a good example for countries in transition. According to Anton et al. (1996), Ceptureanu (2015) and Tocan and Chindriș-Vășioiu (2015), Romania has adapted its SME sector through a battery of measures: organize guidance activities for entrepreneurs, remove discrimination between state enterprises and the private sector, encourage them to develop

relationships between private enterprises, align incentives and facilities granted to Romanian investors to those offered to foreigners, facilitate access of private entrepreneurs to infrastructure facilities needed to start and grow their businesses. They are also intended to set up a national network of advice centers and training of entrepreneurs, which will also give them the ability and the authority to approve the necessary documents to apply for loans.

Based on the work of Habaradas (2008) who studied the case of entrepreneurial development in Malaysia, he reveals that upgrade programs in the SME sector in Malaysia were implemented. It shows that the experience of this country in the development of this sector of economic activity is valuable and deserves to be an inspiration for other countries that have the same economic environment. According to Tambunan (2007), from the early years of 1960, the Indonesian economy has experienced a large structural transformation. An economic change appeared, where before, the agricultural sector played a dominant role in the Gross Domestic Product "GDP" of the country, to an economy where the contribution of imports of goods and services becomes more or less important.

China, one of the emerging economies, is a country considered to be in transition. It has developed its SME sector by improving the business environment of its context, empowerment of public enterprises and opening its domestic market to foreign direct investment, specifically multinational enterprises (Liou, 2012). Ahlstrom and Ding (2014) argue that, in the context of the overall reform policy, China has been able to establish a decentralized authority over public enterprises and opened their markets to foreign competition. Apart from the example of the transition countries like Romania and Poland, the North African countries such as Morocco, Tunisia and Egypt are

good examples in how to institute adjustment programs "upgrade" to support their sectors of SMEs, according Bennaceur et al. (2007), Bellihi and Bazi (2015), El Makrini (2015) and Hassan and Hart (2016).

Moreover, upgrade programs in the three North African countries, including Morocco, Tunisia and Egypt, have helped directly or indirectly to contribute to the improvement of the business environment. For some countries such as Tunisia, the upgrade program includes explicitly a section devoted to improving the business environment and infrastructure. The other countries are engaged in improving institutional and legal framework for business policies. The establishment of upgrade programs served as impetus for other aspects of economic policy and has had a positive effect on economic reforms in general (Bennaceur et al., 2007).

2.6 Upgrading of SMEs in Algeria

In the same manner, the Algerian public authorities have drawn up and have implemented upgrade programs for the sector of Algerian SMEs. These programs are developed and overseen by an advisory board for the upgrade of the SME. Upgrade programs have managed to upgrade several thousand of SMEs, with the aim to include them in the arena of national and international competition and improve their performance. These programs are initiated by several national and international organizations, according to Amroune (2015). Thus, a presentation of upgrade programs proved interesting.

The upgrade in Algeria appeared with the pilot project of the United Nations Industrial Development Organization and the program of the former Ministry of Industry and Restructuring "MIR" in 2000. Then, the ex-Ministry of SMEs and Craft has implemented support programs for SME development in cooperation with foreign partners, including: the United Nations Industrial Development Organization, the World Bank, the French Development Agency, the European Program and German Cooperation Agency, according to MIR and UNIDO (2003) and Amroune (2016).

The upgrade program for Algerian SMEs has two components. The first is the upgrading of the enterprise general environment and the second part is the upgrade of the enterprise itself to its environment. The upgrade program known by Algerian entrepreneurs is the upgrade of the enterprise itself only. Thus, the upgrade program takes into account the general environment in its two aspects, namely the macro and *méso* level, and the micro level that affects SMEs inclusively. This level is related to the upgrade from SMEs to the immediate environment (Amroune, 2016).

The upgrade program for the SME to its environment, at the micro level, affects mainly the supply of SME by tangible and intangible resources. The aim is not only to ensure the viability of SMEs, but also its long-term performance and competitiveness. Madaoui and Boukrif (2009) report that upgrade program aims to promote intangible resources that are lacking in Algerian SMEs.

Indeed, Bennaceur et al. (2007) emphasize that the objective of upgrading in Algerian enterprises is to transform the inside and outside of the enterprise. On the other hand, Amroune (2015) argues that the purpose of the upgrade is to support: the dynamics of restructuring, integration and growth

of industries in the context of the liberalization process and opening of the Algerian economy. The objective is to modernize the environment, to improve the enterprise's competitiveness through strengthening of support structures and promotion of competitive industries. These later authors estimate that the upgrade program is a form of assistance to enterprises seeking to upgrade.

In fact, Bennaceur et al. (2007) and Amroune (2016) suggest that the idea of upgrade is relatively old in the minds of Algerian public authorities. It appeared only two years after the publication of the texts on the autonomy of enterprises in 1988 and the transition to a market economy. They note that the idea of upgrading is prior to the Structural Adjustment Plan. It was not until April 1998 that the idea was adopted at the council of government. This program gave a period of five years to develop a favorable environment to support restructuring, to upgrade enterprises and to ensure their privatization. The upgrade starts to become a reality only in 2002.

Bennaceur et al. (2007), Madaoui and Boukrif (2009) confirm that few academic studies address the issue of upgrading SMEs in Algeria. The few studies, which have been the subject of seminars and study days, focused on the descriptive approaches of the upgrade process and the presentation of upgrade programs balance sheets, which limits, in our opinion, the understanding of the behavior by the different actors face with upgrade. In this context, it fits the objective of exploring the effect of the upgrade program on the performance of the SME.

2.7 Research Framework

Improved performance is the major concern of all business managers (Tan et al., 2012 and Hsu et al., 2015). Therefore, these managers and/or public authorities, particularly in the developing countries, develop and implement programs to improve tangible and intangible resources of enterprises (Grimaldi et al., 2016). This is the case, for example, with the implementation of an Enterprise Resource Planning "ERP" software. The implementation of these programs allows the enterprise to reduce the business transaction costs, improve productivity, ensure customer satisfaction and increase profitability. Furthermore, the purpose of the implementation of these programs is the reduction of stocks, the development of human resources competences, the improvement of productivity, the development of management, controls and new processes, the expansion of customer responsiveness and the reduction of costs of production , etc. (Florescu et al, 2010 ; Beheshti and Beheshti, 2010).

Overall, the enterprise is facing internal and external constraints (Kuo et al., 2013). Alipour et al. (2011) reported that increased competition drives the organization to find ways to improve business performance and achieve competitive advantages. Olweny Shipho (2011) argues that the profitability of an organization is based on internal and external factors. This includes the idea that primarily affects internal resources improving the performance of the organization (Coserin et al., 2012 and Castilla-Polo and Ggallardo-Vázquez, 2016)

Furthermore, Wiji Suratno (2013) and Crema and Nosella (2014) confirm that the internal resources, which support the tangible and intangible resources, are in a better position to improve

the performance of an organization. In this argument, we deduce that the upgrade program for SMEs in developing countries, including Algeria, which is composed of tangible resources and intangible resources, is claimed to improve the performance of SMEs, this allowing us to advance the following hypotheses:

Hypothesis 1: The upgrade program improves performance: the case of Algerian SMEs.

Hypothesis 2: SMEs beneficiaries of an upgrade program are more performing than those who are not beneficiaries of this program: the case of Algerian SMEs.

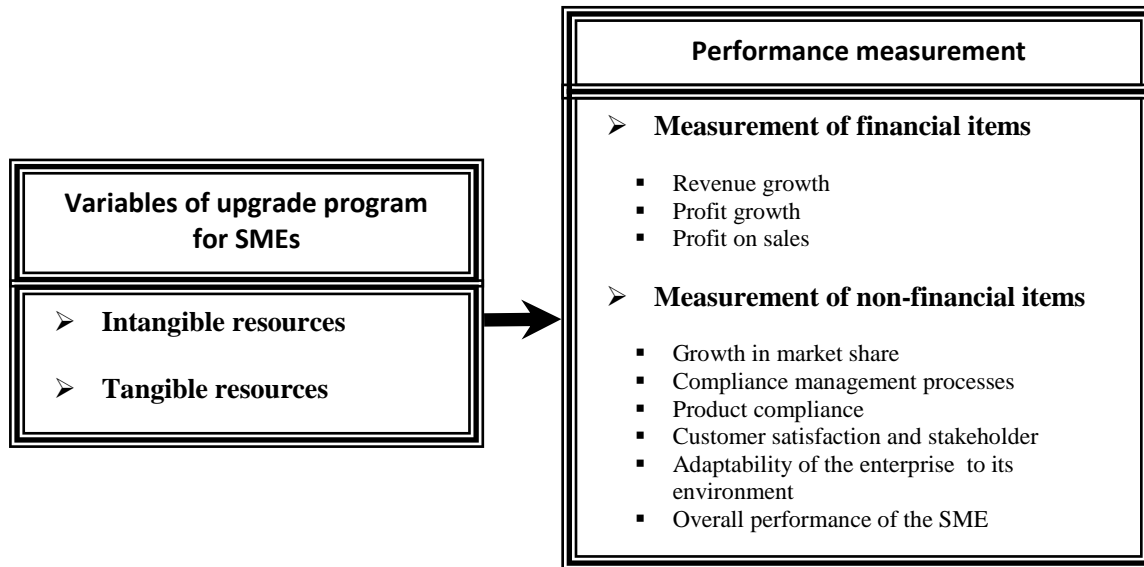


Figure 1: Theoretical model of the research.

3. Conclusion

Globalization has opened new perspectives for SMEs and created on the international level an open and intense environment for SMEs in emerging and developing countries, according to Mutalemwa (2015). These SMEs are forced to adapt to these environmental contingencies. Furthermore, by implementing upgrade programs, SMEs are trying to change their attitudes to these difficult environments to create or strengthen competitive advantages ensuring a satisfactory level of performance (Khalique and Bin Md. Isa, 2014). Knowing that the upgrade program is an adaptation mechanism, the decision to engage in this program is motivated by the desire to oppose decadence performance results of the SME. The decadence of business performance called into question the relevance of the policy options being implemented.

However, we must not delude ourselves, adaptation is not the preserve of firms in difficulty, but also prosperous and successful companies voluntarily adhere to an upgrade program. The aim is to consolidate their market positions. However, insufficient capacity to adapt in a changing environment and selective, may lead to the death of firms (Hannan and Freeman, 1984). In any case, adaptation is generally a difficult, long and uncertain. In this sense, it is clear that the adaptability of businesses is limited by many factors. These are primarily the social nature of the firm in terms of resistance to change and the play of the cognitive mechanisms involved in the entrepreneur, and in its perception towards the environment.

The tendency to adapt over time is positively associated with performance mainly with higher growth rates and profits compared to its main competitor (Dogson, 1993 and Andries and

Debackere, 2007). One of the essential elements of this conclusion is that the adaptation would have implications on SMEs performance. Therefore, we have developed a theoretical model that combines the performance variables and variables of the upgrade program.

In fact, in our theoretical framework, we have developed a theoretical model presented in **Figure 1**. This model is mainly based on the verification of two assumptions. Both hypotheses are looking to see if the upgrade program enhances the enterprise's performance.

More practically, for the verification of hypothesis 1, we want to know if the upgrade program enhances the performance of SMEs in developing countries, particularly in the case of Algerian SMEs. This hypothesis allows us to examine the dependent variable in our theoretical model of performance before and after the implementation of an upgrade program.

However, for hypothesis 2, we use two groups: a group of SMEs beneficiaries of an upgrade program and a group of SMEs taken randomly. To test the hypothesis 2, we compare the two groups. This assumption allows us to examine the performance improvement from the random selected SME group to another group of SME beneficiaries of an upgrade program. Thus, in this comparison, we consider SMEs randomly selected as a reference to measure the performance of SMEs beneficiaries of the upgrade program.

Then, in a second phase, we want to test the veracity of our two hypotheses by quantitative field studies. In these studies will use statistical methods on a large sample. We will thus develop a

quantitative questionnaire to be administered in the field, we believe that for the collection of data, we use the case of SMEs in Algeria.

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