


The term start-up in Algeria: concept or notion?

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Abstract:

From 2019, following the promulgation of a regulatory framework for the benefit of start-ups, this latter has experienced growing popularity among various social categories (entrepreneurs, university teachers, accountants, media). However, an interest in these companies does not provide us with a good understanding of the meaning of the term start-up in Algeria.

Through a survey conducted with 112 respondents belonging to these categories, the results of the social study show that the term start-up does not benefit from a good understanding within this sample.

Keywords: Start-up; definition; understanding; Algeria.

JEL Classification : L26; L29 M13.

Introduction

During the 2017-2018 period, the global start-up economy generated no less than \$2.8 trillion (Montani, Gervasio, and Pulcini 2020). On the other hand, these companies are also known for their contribution to the creation of new sectors and the introduction of innovation (Colombelli, Krafft, and Vivarelli 2016).

While researchers seem to agree on the virtues arising from start-ups, they are far from agreeing on a common definition of a start-up, as evidenced by the words of (Cockayne 2019) who indicates that although the term start-up is widely used, disagreement persists between the various players from the academic and non-academic community around a common definition of the concept. For their part (Tamoor 2013; Söderblom and Samuelsson 2014; Kolosok and Koniukh 2017; Magalhães 2019; Montani, Gervasio, and Pulcini 2020; Bekaddour and Benhabib 2021; Bekaddour 2021; Parida and Prasanna 2021) all conclude that there is no common definition of a start-up.

In his empirical study, (Magalhães 2019) examined 187 scientific articles from the English-language literature. Of these, only 15 articles gave a definition of the start-up. This reflects researchers' apprehension about defining the start-up.

There are three main reasons for the lack of consensus among authors when it comes to defining the start-up. (Djekidel, Doua, and Merrad 2021) The authors attribute this to the term, which is itself ambiguous. Indeed, from an etymological point of view, the term refers to a company in the process of creation, whereas in reality, a strong innovative aspect is attached to the company. For (Cockayne 2019) people associate the term start-up with idealistic fantasies, which has the effect of ignoring the problems hidden behind the start-up myth. Finally, for (Baldrige and Curry 2021) the lack of consensus between authors on the definition of a start-up can be linked to heterogeneities in the revenues, profits and number of employees of these companies.

The lack of a common understanding of the term start-up in the literature prompted us to look at the Algerian context. In this respect, we formulate the following problematic:

- Is the term start-up understood in Algeria?

This main question leads to the following sub-questions:

- What is a start-up?
- Is there a definition of start-up in Algeria?

With regard to the question posed at the problematic level, we formulate the following hypothesis:

- *Hypothesis*: The term start-up should be well understood by the different categories targeted by this study.

Although the term start-up has only been popularised in Algeria since 2020, with the creation of the Ministry of Start-ups, the term should be understood by the various categories targeted by this study, because of the success stories with which it is associated (Intel, Google, Amazon, etc.).

To answer this question, we interviewed individuals from five social categories: entrepreneurs, students, university teachers, accountants and the media.

The answer to this question will enable us to determine whether the term start-up is a notion - an abstract or global idea - or a concept - an abstract idea which is, however, more precisely defined.

Before presenting the results of this study, however, it is important to position ourselves in relation to a definition of the start-up, which will enable us to understand the veracity and relevance of the respondents' answers.

2- Definition of a start-up

Our literature review on the definition of a start-up shows that researchers are not the only ones to define this type of company. Entrepreneurs and governments have also been keen to define this form of enterprise. The section below lists the main definitions proposed.

2-1- Definitions of the start-up resulting from the researchers

To our knowledge, the article by (Luger and Koo 2005) is the first to review the literature on the definition of a start-up. The results of this review show that researchers have adopted three main definitional criteria: new, active and independent. Taking these criteria into account, (Luger and Koo 2005) proposed the following definition of a start-up *"is a business entity that did not previously exist, that begins to employ at least one paid employee during the given period, and that is neither a subsidiary nor a branch of an existing firm"*.

A subsequent study by (Bystrova et al 2014) raised further definition criteria namely age, life cycle stage and a combined approach. Based on these criteria, these researchers also proposed their own definition to start-up namely *"is an organisation aged 1 to 8 years, which is in the early stage of development, production or sale of goods or services in order to meet existing market needs for profit for its development and growth"*.

More recently, (Ehsan 2021) initiated a literature review which shows that the criteria for defining a start-up have evolved over time. For this researcher, pre-2000 definitions placed more emphasis on the novelty dimension, while post-2000 definitions focused on the innovative dimension. According to (Ehsan 2021) this evolution reflects current market requirements.

The results of the (Ehsan 2021) are in line with our review, with two exceptions, namely the existence of post-2000 definitions that emphasise novelty - for example, see the studies by (Kasych and Amelyaniuk 2020; Montani, Gervasio, and Pulcini 2020). We have also identified definitions that combine the criteria of novelty and innovation, for example see the studies by (Parida and Prasanna 2021; Krejčí, Strielkowski, and Cabelkova 2015).

2-2- Definitions of start-up resulting from entrepreneurs

Within this community, (Cichosz 2021; Kasych and Amelyaniuk 2020) believe that the most widely used definition is that of Steve Blank - American entrepreneur and author - who defines a start-up as "*a temporary organisation formed to pursue a replicable and scalable business model*". Eric Ries - American entrepreneur and author of the best seller "*The lean start-up*" - has also proposed a definition that has been widely disseminated. For this author, a start-up is "*a human institution designed to create a new product or service under conditions of extreme uncertainty*".

Unlike the previous category, the main concepts identified in these definitions are divided between the search for an economic model and extreme uncertainty.

2-3- Definitions of start-up resulting from governments

If governments have also begun to define the start-up, it is not out of mimicry but rather with the aim of providing a legal and fiscal framework for the development of these companies. In his article, (Shvets 2018) raised the definition used by the Small Business Administration in the United States, which states that a start-up is "*a business that is generally technology-oriented and has strong development potential*". For its part, (de SAINT-EXUPÉRY 2018) highlighted the definition assigned to them by the Office québécois de la langue française, which states that "they are

innovative and dynamic companies that have only recently been launched and that are promised rapid growth".

In North Africa, Tunisia was the first country to provide a regulatory framework for the operation of start-ups (Makhlouf and Chihani 2021) through Law 2018-20 of 17 April 2018 on start-ups. At the same time, this law provides the following definition of these companies: "they are *commercial companies constituted in accordance with commercial law and having obtained the start-up label, which attests to their compliance with the conditions of the said law*". The law also stipulates that start-ups must be recently established and be characterised by innovation.

Algeria, for its part, in its desire to move towards an economy based on innovation and knowledge, has introduced a series of regulations aimed at governing these companies. Article 11 of Executive Decree no. 20-254 of 15 September 2020 establishing the National Committee for the Labelling of Start-ups, Innovative Projects and Incubators and setting out its tasks, composition and operation defines a start-up as any company incorporated under Algerian law that meets the following criteria:

- The company must not have been in existence for more than 8 years;
- The company's business model must be based on products, services, business models or any other innovative concept;
- Annual sales must not exceed the amount set by the national committee;
- At least 50% of the share capital must be held by individuals, approved investment funds or other companies with the start-up label;
- The company's growth potential must be sufficiently great;
- The company must not have more than 250 employees.

This definition is similar to the one used by the Minister Delegate for Start-ups, Yassine El Mahdi OUALID, in an interview with the electronic newspaper "Tout Sur l'Algérie (TSA)" on 16 February 2020, where he defined a start-up as: "*a company whose business model is based on an **innovative** idea. It's a company that from the very first days of its existence behaves like a big business, with an **innovative** product that can address a market. A start-up is generally a **small company** with vertical growth. After that, we have different definitions depending on the country and the person,*

*but the most important criteria remain **innovation** and **scalability**, i.e. the ability to grow the size of the market at will".*

In this article, since the context of this study is Algeria, we have decided to use the two definitions cited above as a basis for defining the start-up.

This positioning enables us to determine the criteria for defining a start-up. In the two definitions cited above, the start-up was mainly characterised by reference to its innovative nature. This criterion of discrimination is consistent with the idea that (de SAINT-EXUPÉRY 2018) considers start-ups to be more than just entities.

3- Methodology of the empirical study

To determine the level of understanding of the term start-up in Algeria, we administered the **attached** questionnaire to 5 main audiences, namely:

- University teachers from the Faculty of Economics, Business and Management Sciences of the University of Tizi Ouzou and the University of Boumerdes, who are expected to play an important role in both promoting and popularising entrepreneurial practices.
- Students from the Faculty of Economics, Business and Management Sciences of the University of Boumerdes, who represent the next generation of start-up entrepreneurs.
- Current entrepreneurs or startups, who were questioned through three main Facebook groups namely: N'STARTUPIW قناع, DZAIR Startup, Algeria Startup Community.
- A group of accountants working in the wilayas of Tizi Ouzou and Boumerdes. These accountants play an important role in applying the tax policy introduced for start-ups by the Finance Acts and the Supplementary Finance Acts for 2020 and 2021.
- The French and Arabic speaking Algerian media are an important channel for promoting the start-up ecosystem.

A non-probability sampling approach (voluntary sampling) was used to target these 5 populations. As a result, the responses obtained in this study depend more on the willingness of individuals to contribute to the study than on chance.

The questionnaire was administered on paper for teachers and through Google forms for entrepreneurs and students. Accountants and the media were contacted by telephone. At this stage we were only able to contact accountants who gave their telephone number on the Google search engine.

The questionnaire asked four questions. These were analysed using an ordinal scale:

0 correct answer = No understanding of the term start-up;

1 correct answer = poor understanding of the term start-up;

2 correct answers = average understanding of the term start-up;

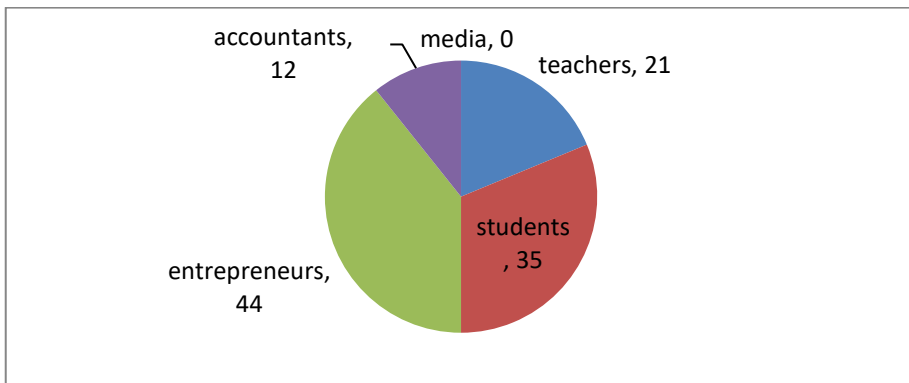
3 correct answers = correct understanding of the term start-up;

4 correct answers = very good understanding of the term start-up.

4-Results of the study

112 responses were collected for this study. These responses were collected between March and May 2022. The pie chart below shows the distribution of responses to the questionnaire according to the target population.

Figure number (1): Breakdown of responses obtained.



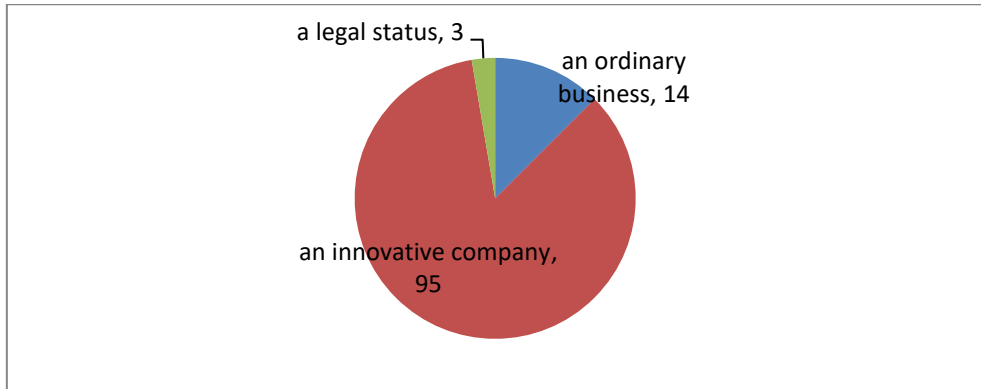
Source: data collected.

The graph shows that there was no response from the media. The telephone numbers given on the media websites could not be reached. This is regrettable, given the role played by the media in disseminating information.

The first question aims to determine whether this sample has mastered the basic principles relating to start-ups, such as their innovative nature.

The pie chart below illustrates the distribution of responses to the first question.

Figure number (2): Breakdown of responses to the first question.



Source: data collected.

The results of this graph clearly indicate that the majority of respondents (85%) associate the start-up with an innovative company, while 12.5% consider it to be an ordinary business. Finally, a minority (2.7%) associate it with a legal status.

The table below shows the distribution of responses to the first question according to respondents' status.

Table number (1): Cross-tabulated respondent status * answer to question 1.

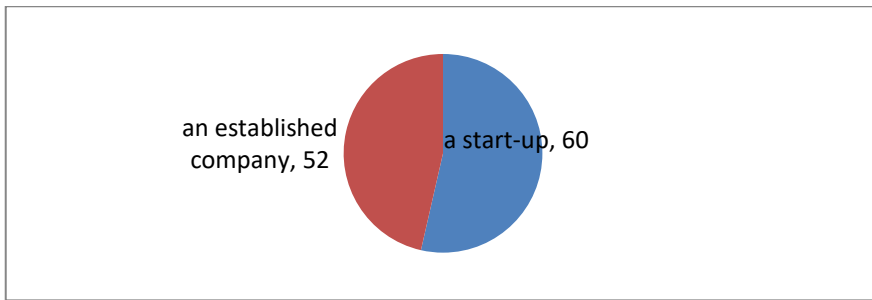
Status	False Answer	Correct answer	% correct answers	Total
Students	6	29	83%	35
Teachers	1	20	95%	21
Entrepreneurs	5	39	87%	44
Accountants	5	7	58%	12
Total	17	95	85%	112

Source: SPSS.

The table shows that teachers have the highest percentage of correct answers to the first question, followed by entrepreneurs and students.

The aim of the second question is to find out whether these five populations still associate "Ouedkniss" with start-up status. As the Ministry's definition of start-ups explicitly states, start-up status is limited in time. In Algeria, it has been set at 8 years. The representation below highlights the results obtained for this question.

Figure number (3): Breakdown of responses to the second question.



Source: data collected.

In contrast to the first question, respondents here were divided. 53.6% thought that Ouedkniss was still a start-up, while 46.4% thought that it was an established company. We can see that the dominant class was wrong on this question.

The table below provides an exploration of the responses obtained according to respondents' status.

Table number (2): Cross-tabulated respondent status * answer to question 2.

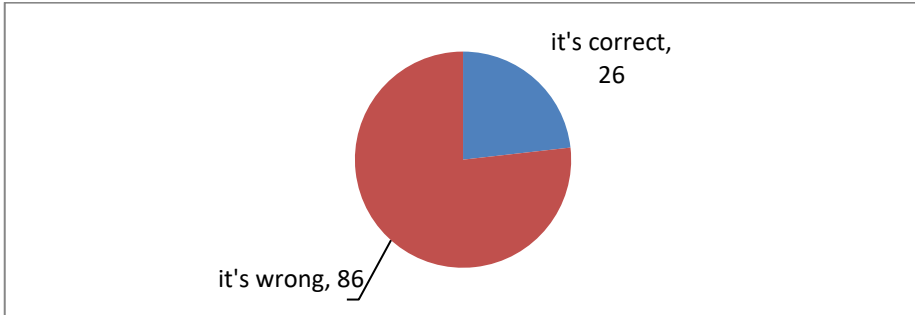
Status	False Answer	Correct answer	Percentage of correct answers	Total
Students	22	13	37%	35
Teachers	13	8	38%	21
Entrepreneurs	21	23	52%	44
Accountants	4	8	67%	12
Total	60	52	46%	112

Source: SPSS.

For this second question, accountants have the highest percentage of correct answers, followed by entrepreneurs with 52% of correct answers.

When we look at the answers to the third question: Does a start-up stay a start-up forever? which is a more explicit formulation of the second question, another trend emerges.

Figure number (4): Breakdown of responses to the third question.



Source: data collected.

In this respect, the majority of respondents (77%) clearly believe that start-up status is limited in time.

The table below explores the responses according to respondents' status.

Table number (3): Cross-tabulated respondent status * answer to question 3.

Status	Wrong answers	Correct answers	Percentage of correct answers	Total
Students	8	27	77%	35
Teachers	2	19	90%	21
Entrepreneurs	10	34	77%	44
Accountants	6	6	50%	12
Total	26	86	77%	112

Source: SPSS.

As with the first question, teachers gave the highest percentage of correct answers, followed by students and entrepreneurs equally, with 77% correct answers.

The divergence in responses between the second and third questions could be explained by the fact that these respondents cognitively associate "Ouedkniss" with its original character. This observation is confirmed when we analyse the answers to the fourth question.

The fourth question is an open-ended question asking respondents to name an actual start-up they know. Only 24 respondents were able to name a start-up. The rest either didn't answer, or named former start-ups that are no longer in business, such as Google, Facebook, Amazon, Yassir or Jumia.

The table shows an analysis of this question by respondent status.

Table number (4): Cross-tabulated respondent status * answer to question 4.

Status	Fake	True	Percentage of correct answers	Total
Students	26	9	26%	35
Teachers	19	2	9.5%	21
Entrepreneurs	31	13	30%	44
Accountants	12	0	0%	12
Total	88	24	21%	112

Source: SPSS.

In this respect, it is the entrepreneur's category that registers the most correct responses. This result is not surprising, given their close contact with the start-up ecosystem. Students came second, reflecting their interest in start-up news.

By way of summary, we present below a cross-tabulation between the status of the respondent and the degree of understanding.

Table number (5): Cross-tabulation between the status of the respondent and the degree of understanding of the term start-up.

		Understanding					Total
		No	Mediocre	average	Good	Very good	
Students	1	8	11	12	3	35	
Teachers	0	2	10	9	0	21	
Entrepreneurs	1	7	13	16	7	44	
Accountants	2	2	5	3	0	12	
Total	4	19	39	40	10	112	

Source: SPSS.

Based on the category of very good understanding of the term start-up, we can deduce that entrepreneurs have the best representation of the term start-up, followed by students. Accountants and teachers have at best a

good understanding of the term. These results can be refined by comparing the medians of the 4 groups.

Table number (6): Comparison of the medians of the 4 groups studied.

	Students	Teachers	Entrepreneurs	Accountants
Median	2	2	3	2
Minimum value	0	1	0	0
Maximum value	4	3	4	3

Source: SPSS.

This table shows that entrepreneurs have a good understanding of the term start-up, which is represented by the median level of 3. Within this group, a minimum value of 0 was recorded for one individual and a maximum value of 4 was recorded for 7 individuals. The group of students, teachers and accountants have an average understanding of the term start-up, which is represented by the median level 2.

The Kruskal Wallis test for an independent sample can tell us whether there is a significant difference between the medians of the 4 groups under study. We will run this test using SPSS version 25 software.

However, before carrying out the test, it is necessary to formulate some hypotheses:

H0: the median is identical for the 4 groups studied.

H1: there is a significant difference in the median of the 4 groups studied.

To meet these hypotheses, we need to verify the value of the p-value obtained in the sense that :

p-value > 0.05: the 0 hypothesis or null hypothesis of similarity of the medians cannot be rejected.

p-value < 0.05: the null hypothesis is rejected and the alternative hypothesis indicating a difference in median is accepted.

Table number (7): Summary of the Kruskal Wallis test.

Null hypothesis	Test	Sig	Decision
The distribution of the degree of understanding is identical for the 4 categories	Kruskal Wallis test independent sample	,210	Retain the null hypothesis.

Source: SPSS.

The p.value is greater than the .005 threshold. This test therefore shows that there is no significant difference in the medians of the four groups studied.

In order to answer the initial hypothesis that these 4 groups have a good understanding of the term start-up, we need to check whether their median is aligned with the value 3. The Wilcoxon one-sample test allows us to check this.

As part of this test, we formulated the following 2 hypotheses:

H0: The median of the 4 groups should be equal to 3.

H1: The median of the 4 groups is different from 3.

To meet these hypotheses, we need to verify the value of the p-value obtained in the sense that :

p-value > 0.05: the 0 hypothesis or null hypothesis that the median conforms to the value 3 cannot be rejected.

p-value < 0.05: the null hypothesis is rejected and the alternative hypothesis indicating a median other than 3 is accepted.

Table number (8): Summary of the Wilcoxon test.

Null hypothesis	Test	Sig	Decision
The median level of understanding is 3	One-sample Wilcoxon signed rank test	,000	Reject the null hypothesis.

Source: SPSS.

Since the p-value is below the 0.05 threshold, we reject the null hypothesis of equality of the medians of the 4 groups studied at level 3, which indicates a good understanding of the term start-up. This therefore leads to the rejection of the hypothesis initially formulated, which indicates that the term start-up should be well understood by the different categories targeted by this study.

Conclusion

Faced with the risks posed by the global energy transition to Algeria's predominantly hydrocarbon-dependent economy, the Algerian government embarked towards the end of the second decade of the 21st century on a process of developing start-ups, which led to the creation of a

ministry, a regulatory framework and a financial ecosystem to support these companies.

The popularisation of the term "start-up" in Algeria is one of the consequences of the government's efforts to raise its profile.

This article looks at the degree of understanding of the term start-up in Algeria. The results of the survey of 112 respondents from four different populations (students, teachers, accountants, entrepreneurs) show that the term start-up is not well understood in this sample. This leads us to conclude that the term start-up is more a notion than a concept in Algeria.

The results of this study should give the public authorities food for thought about how to popularise this form of enterprise. Such an approach would make it possible to raise public awareness of the projects likely to benefit from a start-up label, and would consequently prevent the departments of the Ministry of Start-ups from examining applications for labelling that are devoid of any innovative aspect.

Future studies could use a probability sampling approach to ensure that the results can be generalised. Researchers could also look at the influence of the maturity of the start-up ecosystem on the degree of understanding of the term start-up, by undertaking, for example, a comparative study between the Maghreb countries.

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Annex (Appendices) Questionnaire :

This questionnaire is part of an academic study to find out whether the term start-up is well understood by 5 main communities: students, teachers, entrepreneurs, journalists and accountants.

1. What is your status?

- Student
- Teacher
- Contractor
- Accountant
- Journalist

2. In your opinion, a start-up is :

- An ordinary company
- An innovative company
- A legal status

3. In your opinion, Ouedkniss is

- An established company
- A start-up

4. Will a start-up always be a start-up?

- True
- False

5. Name an actual start-up you know

Thank you for your contribution!