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Resources, Intangible Assets, Competencies, Capabilities and Algerian SMEs' Performance: Strategy as Mediator

ABSTRACT

Objective: The object of this study is to empirically examine Small and Medium Enterprise (SME) performance through the prism of strategic management theory.

Methodology: We apply Resource-Based-View into our research to explain the relationship of a firm's performance with Resource factors and firm strategy. Fifty Algerian SMEs from the northwest region are targeted and PLS statistical analysis is applied to produce valid results.

Findings: Results show a direct positive relationship between firm strategy and resource factors with a firm's performance. A direct positive relationship of resource factors with firm strategy is also recorded. However, the mediator role of the strategy is rejected.

Value Added: Research on Algerian SMEs' performance has intensified in recent years, but few empirical studies have explored the influence of environmental, resource, and strategy factors related to performance.

Recommendations: The study makes a compelling case for strengthening government intervention alongside national Algerian SMEs, particularly those belonging to the industrial sector. It is an intervention that will specifically target the improvement, or even the simplification of the tax or quasi-tax system, banks' credit standards flexibility (financial resources), and above all, substantive managerial support that could allow our SMEs to manage their resources better and acquire and develop new ones to provide higher performance.

Key words: strategy, SME Algerian, performance, resource-based view, PLS-SEM technique

JEL codes: L1, L19, L26, M19

Introduction

In Algeria, the SME sector, which has today become of critical importance to industrial growth and development, remains the only solution to steer the

country out of the current economic crisis due to the fall in oil prices. In the first half of 2019, the Ministry of Mines and Industries indicated that 1,171,945 SMEs exist – of which 1,136,787 are VSCs, 30,471 are SCs, and only 4,688 are MSCs – which contribute over 99(%) of employment in terms of employer-employee (Statistical information bulletin, Ministry of Mines and Industries, November edition, 2019), and about 77(%) of value-added targets for 2015 (Benhamed & Lohous, 2017, p. 14). Algerian SMEs that remain concentrated in trading, service, construction, and agro-food activities are known not only for their "weak financial structure, lack of technical, professional and managerial skills, lack of reliable and up-to-date information, lack of structural flexibility and specialization, poor engagement in R&D, and subcontracting activities" (Si Lekhal, 2013, p. 47) but also for their unique entrepreneurial characteristics, and their lack of marketing competencies (Benzazoua, Ardjouman, & Abada, 2015, p. 109). Furthermore, Algerian SMEs are subject to numerous constraints in the ordinary course of business, particularly the bureaucratic public administration (Mebtoul, 2017, 2016); the informal market dominance (Benhabib & Attalah, 2014; Mebtoul, 2009, 2017), as well as the financial system deficiency (Bounoua, 2011; Si Lekhal, 2013, 2012), as signs of an economic environment where business cannot thrive, remain the main operative events of such a situation.

From this bitter observation and following notably the lack of empirical research on Algerian SMEs, we offer the present paper as a contribution to analyzing Algerian SMEs' performance in the broader framework of strategic management theory, a theory that is now dominated by two main principles and leading paradigms that remain contradictory even though they are complementary (Amit & Schoemaker, 1993; Henderson & Mitchell, 1997; Pribadi & Kanai, 2011; Spanos & Lioukas, 2001). If the SCP paradigm, or Porter's (1980, 1985) five forces Model, explains performance variation of firms by industry factors, the Resource-based-view (RBV) focused more on their idiosyncratic resources (Barney, 1991).

Besides the multiple research efforts (Galbreath & Gavin, 2008; Garson, 2016; Hansen & Wernerfelt, 1989; Mauri & Micheals, 1998; O'Cass & Ngo, 2007; Subroto, Alhabsji, & Djumahir, 2014; Sylvie & Huang, 2010) that haveprompted

a wide-ranging debate about the industry factors versus resources for firms performance, our contribution focuses per the available literature on the empirical validation of the RBV approach, in SMEs, particularly in developing countries. Unlike past research, dealing with a single category of resources, we propose investigating SMEs' performance in Algeria with a broader spectrum, which integrates the triptych Resources-Competencies-Capacities. Our objective is to address the algerian SME's performance issue as close as possible, for which perfection is required, in a business environment that is both hostile and uncertain.

The central hypothesis of our research is, therefore, based on the following observation:

- A relationship exists between the Resources and competencies heritage, strategic behavior, and the Algerian SMEs' performance.

Literature Review

Foundations of the Resource-Based-View (RBV)

It was a result of the very apparent increase in the complexity of the business environment in the early 1990s – due in particular to increased hyper-competitiveness, the development of a knowledge-based economy, and the prominent rise of Japanese firms that combined conflicting competitive advantages (time, cost, quality) – that strategic management theory would see the emergence of the resource and competence movement (RCM) (Barney, 1986; Wernerfelt, 1984, Grant, 1991; Hamel & Prahalad, 1990, 1994). The movement, whose hypotheses were in total contradiction with those formulated by the adaptation and positioning then current (first movement), dominated the arena of the strategic discipline by refocusing on the external factors of the environment, with reference to the competitive forces of Porter (1980, 1985). These factors would have to be better understood by companies, allowing them to choose

a favourable competitive position by choosing a particular value creation configuration (cost leadership/differentiation) and thus achieving a unique and sustainable competitive advantage.

The RBV's perspective states that the difference between firms is more often perceived exclusively in terms of resources provided, following its own exploitation model (Amit & Schoemaker, 1993; Grant, 1991), and which can allow it to derive a best effective service (Penrose, 1959). A mode whose originality lies in the existence of a set of complex organizational routines, of a tacit nature, stemming from a long organizational learning process (Grant, 1991), which is rooted in the history and culture of the company, thus giving the benefit of a strategic asymmetry (Hafsi & Martinet, 2007, p. 91), where innovation (product/process) prevails over the simple imitation of acts and facts.

"It is the environment that adopts the ex-post, the organizations surviving depending on the level of competition and the frequency of technological discontinuities" (Teece et al., 1994, as cited in Tywoniak, 1998, p. 4).

Under the assumption that the company is a set of resources and competencies, the founders of the RBV movement (Barney, 1986, 1991; Dierickx & Cool, 1989; Grant, 1991; Wernerfelt, 1984) linked competitiveness to the detention of some strategic resources described as valuable, rare, imperfectly imitable and not substitutable — as defined by Barney (1991) — and heterogeneous and imperfectly mobile with ex-ante limits (better information compared to the competition) and ex-post limits (isolation mechanisms) as stated by Peteraf (1993).

Theoretically, the term 'Resources' has received particular attention as it is widely used meaning (Huang, 2012, p. 16) bears witness to this. Specifically, Barney (1991) conceptualizes resources as "all assets, capabilities, organizational processes, firm attributes, information, knowledge, and so on controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Barney, 1991, p. 101). Wernerfelt (1984) instead categorized resources into two types, the tangible type which corresponds to physical resources, and the intangible type which refers not only to "culture, human capital, knowledge, but also databases, intellectual property rights, and personal and organizational networks" (Tournois, 2002, p. 07). In line with Hall (1992), it is the intangible resources owned by firms which

give them a differential capacity compared to the competition. The author indicated that there are two main types of intangible resources: "(i)assets that include contracts, licenses, intellectual property rights, trade secrets, reputation, networks, and databases, and which are the origin of differential regulatory capacity and position" (Hall, 1992, p. 144), and (ii) competencies of both "know-how (employees, suppliers, and distributors, etc.), and organizational culture (perception of quality, ability to manage change, perception of service, etc.) from which functional, and cultural capacities are derived, respectively" (Hall, 1992, p. 144). In furtherance of these views, other authors distinguish clearly capacity from resources. It was at that point that Grant (1991) indicated that "while resources are the source of a firm's capabilities, capabilities are the main source of its competitive advantage" (Grant, 1991, p. 119). In other words, it concerns "the capacity for a team of resources to work together synergistically" (Grant, 1991, p. 120). In this respect, it is considered a set of processes capable of allowing a better organization of resources.

Firm Resources and Firm Performance Strategy

Several empirical studies have examined the relationship between resources-strategy, and resources-firm performance over the past few years. In a study examining local authorities' performance in Israel, Carmeli & Tishler (2004) focused on intangible organizational elements and their interactions. The results confirmed a positive impact, including the link between perceived culture and reputation. An impact whose importance is relatively linked to the existence of synergy effects between these elements (Carmeli & Tishler, 2004, p. 1259). Alimin Ismadi et al. (2012) for their part tested the value of organizational resources, capacities, and systems to achieve a competitive advantage. Simultaneously, the three variables revealed a strong positive significance concerning the competitive advantage. In isolation, however, systems and capabilities are considered critical elements in gaining a competitive advantage at the expense of organizational resources. The dynamic capacities' value for strategic orientation (cost/differentiation) and the competitive advantage/performance of Portuguese SMEs firms were mentioned

by Barbosa Ferreira, Coelho, & Amorim Weersma (2019). The results demonstrate a positive-indirect link between exploration and exploitation capabilities and performance via managerial / innovation capacities and strategic orientation, an orientation whose positive impact on competitive advantage/performance was also recognized (Barbosa Ferreira, Coelho, & Amorim Weersma, 2019, p. 1). It can also be seen as a strong confirmation of intangible assets and capabilities – depending on tangible resources – as a critical source of performance provided by Galbreath & Galvin (2008) in their study of Australian firms. Al Mamun, Fazal & Muniady (2019) examine the relationship between entrepreneurial skills–market orientation, sales orientation and networking, and entrepreneurial competencies and Microenterprises' Performance in Malaysia. The authors have found a mediator effect, stressing the link of the entrepreneurial competencies to the market orientation and network-performance (Al Mamun, Fazal, & Muniady, 2019, p. 29). Furthermore, the intervention of Laosirihongthong, Prajogo, and Adebanjo (2013) uncovered a relationship between the differentiation strategy and (internal/ network) resources, and between these same resources and innovation performance of Thai manufacturing. The authors reveal that the differentiation strategy leads to the development of internal/network resources, that internal ones are in a positive–direct link to innovation performance and mediate the link between resources network–performance (Laosirihongthong, Prajogo, & Adebanjo, 2013, p. 1231). Roostika (2019), for his part, tested SMEs' craft industry application of resource-based-view (RBV) in Indonesia. The author then explored the role of capabilities in their versions: innovation, marketing, and learning concerning performance. These three types of capacities positively influence the firms' performance under study (Roostika, 2019, p. 423). Barbosa de Almeida et al. (2013) analyzed, on the other hand, the organizational capabilities in their strategic, managerial, technological, and marketing configurations concerning strategy types, strategy formulation quality, and strategy implementation capability and organizational performance in Brazilian textiles companies. The results indicate a significant relationship between marketing capabilities and concentration strategy, managerial capabilities and cost strategy, managerial capabilities and financial performance, and strategy

implementation capabilities and strategy formulation quality. Despite this, so far, there is no link despite technological capabilities and differentiation strategies. With this in mind, a Chinese study revealed that marketing capabilities, in particular, seem to have a moderating effect on the relationship between entrepreneurial strategy and performance (Li, Zhang & Chan, 2005). A refocusing on social capital and managerial links, which may form a link between owners/managers and community leaders, government owners/managerial, and political leaders, was undertaken by Acquaah (2011). The findings therefore revealed significant positive moderating effects of community leaders and bureaucratic officials' relationships on business strategy and firms' performance in Ghana, as a source of resources, information, and knowledge. On the other hand, the negative moderating effects of political leaders are associated with tremendous mutual interests that may limit the advantage of new opportunities for these firms. Pribadi & Kanai (2011) noted a dual resource effect on SMEs' business performance in Indonesia. Thus, the resources turned out to be positively and directly linked to the performance, which has, in turn, a positive indirect relationship via strategy where the firms' resources affect not only the way but also the decision (Pribadi & Kanai, 2011, p. 104).

Business Strategy–Firm Performance Relationship

In strategic management, improving firm performance is associated with adopting a coherent strategic approach in business, which involves setting a "system consistent of goals and determining functional policies; aligning a business's strengths, weaknesses, environmental threats, and opportunities, focusing on developing and exploiting distinctive competences, driving forces for competitive success" (Gibcus & Kemp, 2003, p. 23). In developing countries, where emerging companies, being small businesses with a low level of resources (Hafsi & Gauthier, 2003, p. 6), a great interest was paid, in recent strategic management studies, to the concept of strategy. From an evolutionary point of view, the strategic principles have a significant impact on these companies' performance so that they "try to avoid competition by discovery; a sign of the strong development of the informal sector in these

countries" (Hafsi & Gauthier, 2003, p. 6). For this purpose, numerous empirical studies have been given. Jaoua (2014) had tested the level of adoption of strategic management practices in Tunisian SMEs under the upgrading program. The author, having taken note of the existence of the main functional strategies, and the genuine participation of middle managers in strategic decision–making, confirms real strategic management. Muogbo (2013) associated manufacturing companies' performance in Nigeria with the existence of a structured planning mechanism, formulated policies, written vision/asserted mission, and with the team who allocates and controls resources. For Kenya's economic context, Otieno, Namusonge, and Mugambi (2017) demonstrate a positive–significant effect between the strategic management process (environmental analysis, formulation, implementation, and strategic control) and SMEs' performance in Kenya. Moreover, a study by Gomera, Chinyamurindi, & Mishi (2018) aimed to endorse this view, which revealed a positive link between the strategic planning process and the financial performance of SMEs in South Africa, acknowledging the mentioned process as a *sine qua non* organizational capacity leading to a competitive advantage realization (Gomera, Chinyamurindi, & Mishi, 2018, p. 1). According to the study of Sirajuddin, Ridwan, & Jayadi (2017), in Indonesian SMEs, strategic planning, strategic execution, and strategic evaluation have a positive and significant impact on sales volume, BEP (break even point) achievement, and profits of SMEs. In opposite to that, the mission determination, and the strategic formulation do nothave any link. Other scholars have proposed that strategic orientation represented by entrepreneurial orientation (innovation, proactivity, risk-taking) is perceived as a key resource, and source of competitive advantage/performance of SMEs in Nigeria (Abiodun & Isa Kida, 2016, pp. 206–210). Furthermore, it is a strategic entrepreneurship discussed in terms of entrepreneurial orientation (EO), entrepreneurial values (EV), knowledge creation process (KCP), which has been tested in relation to the performance of SMEs in Malaysia (Chai, 2014). This study has regarded entrepreneurial orientation (EO), among the three studied variables, as of paramount importance for the performance of SMEs (Chai, 2014, p. 5). Sidi Bello, Haim Hilman, & Manaf Bohari (2018) studied the relationship between business

strategy and firm performance of SMEs in Nigeria. Hence, the differentiation strategy as proven to mediate the relationship: strategic growth (Product/ Market Expansion) – performance of manufacturing-based SMEs (Sidi Bello, Haim Hilman, & Manaf Bohari, 2018, pp. 133–135). Additionally, Aldehayyat & Twaissi (2011) examined the characteristics of the strategic planning system in small industrial firms in Jordan in relation to their performance. The findings were clearly combined strategic planning with superior financial performance. They reveal, among others, the existence of a plan for most business functions, a refocusing on financial and external analysis techniques (PEST analysis, Porter's five forces analysis, and Key Factors of Success (KFS)) – depending on internal analyses and other strategic analysis techniques – and line managers' involvement in the strategic planning process.

All of the above research deeply confirmed the importance of resources and strategy as determinants of a business's success. As for the Algerian SMEs, if most researchers agree to explain their fragility by the negative impact of external business environment factors (Abdi, 2009; Benhabib & Attalah, 2014; Si Lekhal, Korichi, & Gaboussa, 2013), the capital resources was also raised to be a success factor for minority businesses in excellent situations. Capital relations (Melbouci, 2006), financial ease, and modern management techniques usage (Tabet Aoul, 2012) are the most cited by the authors. Concerning strategy, even though the existence of a strategic consciousness, even hidden, has been confirmed by some authors (Melbouci, 2006), few studies have been devoted to analyzing Algerian SMEs' relationship strategy–performance. Based on these findings and all the results of the empirical literature review presented above, we will attempt to verify the impact of resources on the construct of strategy and then on performance, according to a setup of four main sub-hypotheses:

**H1:** There is a positive relationship between resources and performance of SMEs in Algeria.
H2: There is a positive relationship between resources and a strategic mastermind within Algerian SMEs.

H3: There is a positive relationship between strategy and performance of SMEs in Algeria.

H4: There is an indirect relationship between Algerian SMEs' resources and performance via strategic practice.

The conceptual framework adopted in this research is presented in figure 1.

Figure 1. Conceptual framework
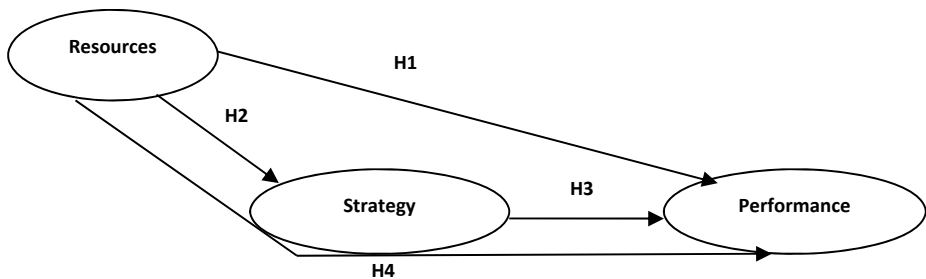
Source: own elaboration.

Operationalization of Resources, Strategy, and Performance

The construct of "Strategy" is operationalized in a single dimension, namely the degree of strategy adoption in business practices (S.A) (Jaoua, 2014; Muogbo, 2013), and the variable "Resources" is measured concerning the Galbreath & Galvin (2008) scale, which was inspired from Hall's (1992) contribution. The capital "Resources" will then be represented in four sequences: tangible resources (T.R.), intangible resources (I.R) [intangible assets (I.A.), Competencies (C), and capacities (C.P.)]. Finally, performance is also considered in two sub-dimensions: Market performance (M.P.) (Galbreath & Galvin, 2008), and profitability (P) (Spanos & Lioukas, 2001).

Research Methodology

To test the four sub-hypotheses and thus verify the research question (central hypothesis), a quantitative research method was adopted. To collect data, a questionnaire was distributed to a sample of 50 Algerian SMEs randomly chosen from three industrial zones throughout the western region. Data collection was performed via a five-point Likert scale, as follows: 1 = Strongly Disagree / 5 = Strongly Agree with the concept "Degree of Strategy Adoption in Business Practices", 1 = Much weaker than the competitor / 5 = Much more substantial than the competitor for the concept "Resources", and 1 = Much below average / 5 = Much above average for "Performance." Concerning statistical techniques used for data analysis, Partial Least Squares Structural Equation Modelling (PLS-SEM) Techniques were adopted to apply tosmaller samples, allowing flexibility in terms of data distribution, and handling missing data. The questionnaire data were treated with SmartPLS 2.0 software for statistical analysis.

Results Analysis

This research aims to explore the relationship between Resources–Strategy–Performance at the sample of Algerian SMEs. The PLS-SEM Technique has two main stages: outer model assessment and inner model assessment/testing hypotheses.

Measurement Model Evaluation

The measurement model's evaluation process in its first step assessed by the PLS-SEM technique, and carried out under SmartPLS 2.0 software has proven to be significant. The reliability and validity of all measurement scales have been confirmed. Indeed, the results of Composite Reliability (C.R.) > 0.7 (Hair, Ringle, & Sarstedt, 2011), citing the recommendations of Nunnally & Bernstein (1994), is a proof of the constructs' reliability. The indicators' reliability was measured in terms of factor loadings. All factor loadings at threshold ≥ 0.7 (Garson, 2016, p.

60), including the Student's t-test (t ≥ 1.96) (Bäuml, 2014, p. 57), were accepted. However, thresholds greater than or equal to 0.6 (≥ 0.6) were retained because they were significant. Overall, three measurement items have been eliminated (see table 1 in Appendix B).

The convergent validity is examined since the set of AVEs (Average Variance Extracted) > 0.5 (Fornell & Larcker, 1981, p. 46). Regarding Discriminant Validity, Fornell & Larcker (1981) criteria were applied; i.e., each AVE value's square-roots were calculated. These should significantly be higher than correlation coefficients, linking them up with other constructs. Discriminant validity was also accepted (see details in table 1, Appendix B).

Structural Model Assessment

The structural model's quality of fit is estimated via two main indexes: *Coefficient of Determination (R2)* and *Goodness-of-Fit (GoF index)*. The values of *R2* of the two endogenous variables, "Strategy" and "Performance", are 0.611 and 0.602, respectively (figure 2). The R^2 Values > 0.1, which can be considered satisfactory (Duarte & Raposo, 2010, p. 468), indicate a useful contribution of the independent variables in predicting the dependent variables. Regarding the *GoF index*, and for lack of any consensus, we will adopt the criterion that it is to be statistically significant; for this reason, we retain the opinion of Akter, D'Ambra & Ray (2011), according to which GoF is between 0 and 1 (Akter, D'Ambra & Ray, 2011, p. 4). The closer the GoF values are to 1, the more this indicates the model's quality of fit. Therefore, it should be noted that the GoF index is 0.62 (GoF = 0.62), and thus the evaluation of the structural model displays a good fit.

Figure 2. Measurement and structural model after applying PLS-SEM algorithm
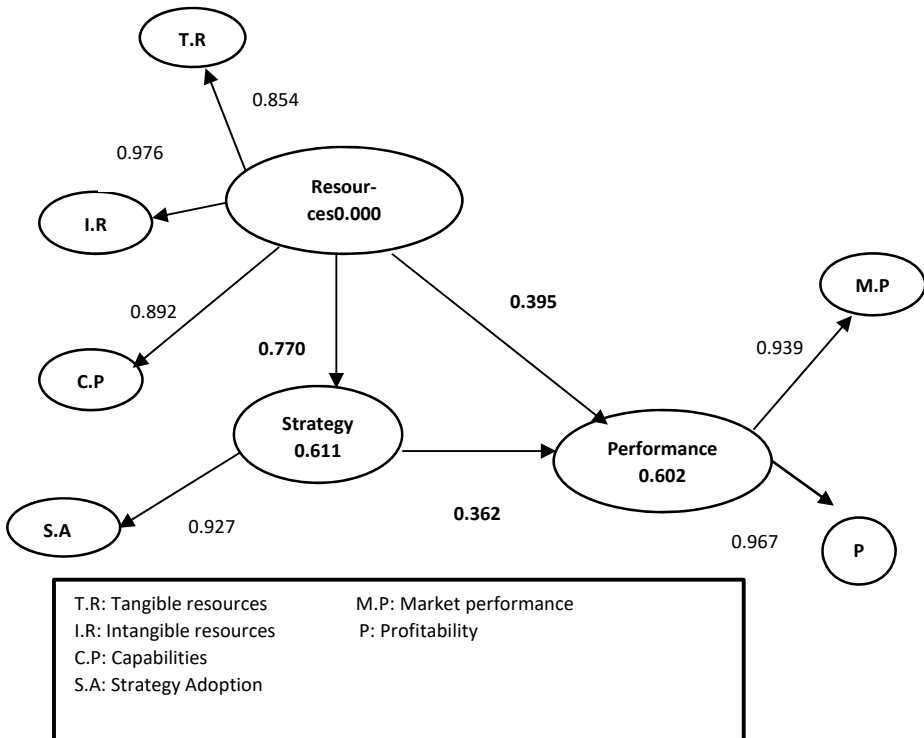
Source: own elaboration.

Testing Hypotheses' Results

According to the regression coefficients that describe the relationship between the independent variables and the dependent variables, and the *Student t-test* estimation by applying the Bootstrap method (figure 3), the following reports are observed:

- A positive / significant relationship is recorded between the constructs; Resource and performance (β = .395, t = 2.67 > 1.96), which confirms H1.
- A positive / significant relationship is noted between the constructs; Resource and strategy (β = .770, t = 8.983 > 1.96). Thus, H2 is retained.

- A positive / significant relationship is also admitted between strategy and performance (β = .362, t = 2.159 > 1.96). H3 is therefore accepted.

Figure 3. Measurement and structural model after the Bootstrap method application
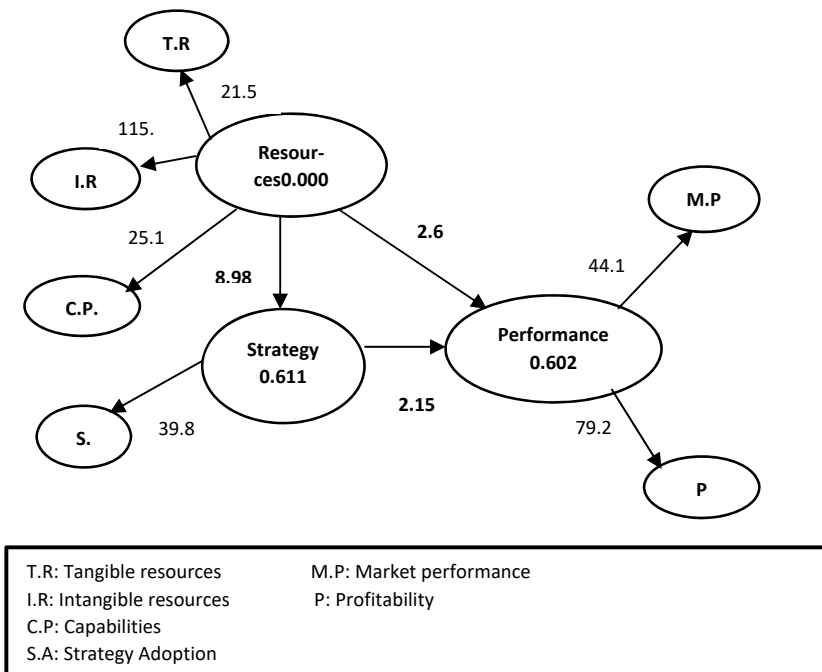
Source: own elaboration.

Mediation Test Results: (Hypothesis H4)

To determine the mediator link in the relationship between *Resources–Strategy––Performance*, we performed a regression analysis by applying a Bootstrap method between the variable resources taken in isolation and performance, and subsequently inserting the construct "strategy" that is supposed to mediate the relationship, and lastly compared coefficients and their significance. The results clearly demonstrate a significant positive relationship between *resources* and *performance* (ß = .006; p = .005), which is increased with the insertion of

the variable *strategy* (ß = .009; p = .005). The *strategy-performance* relationship turns out to be negative – non-significant – (ß = − .02; p = .254). We, therefore, conclude that there is no mediation at all.

Results Discussion

The present research implies the existence of a relationship between Resources–Strategy–Performance of Algerian SMEs. All the connections have been proved positive. Our results confirm several empirical research topic connections and invalidate others. Thus, the importance of tangible resources as a critical source of performance will appear clearly in the Ichrakie (2014) study conducted on Australian business service firms. Physical and financial assets have been positively correlated with market performance and financial performance; respectively. In contrast, Galbreath & Galvin (2008), and Pribadi & Kanai (2011) conclude that the firm's performance has a mediocre interest on tangible resources. A conclusion strongly approved by Kapelko (2006), has affirmed that the intangible category among resources and relatively young firms, with evidence from Polish and Spanish textile and clothing sectors, outweighs the disposal of tangible assets, in terms of achieving superior performance (Kapelko, 2006, p. 24). Our results relating to intangible resources in both forms: intangible assets/ competencies, receive more support as a source of superior performance than has been highly acknowledged by many scholars. In the case of Nigerian firms, management, knowledge, reputation, and culture are confirmed (Okpara, 2015, pp. 15–17); while in the case of Israel's local authorities, culture and perceived reputation are validated (Carmeli & Tishler, 2004), and intellectual capital with its three dimensions – human, structural, and relational capital – is shown in the case of Thai firms (Ingpochai & Digman, 2009). In terms of the competencies axis that has been drawn with its forms (managerial/entrepreneurial, and marketing), our results share the view of Li, Zhang, and Chan (2005) and Al Mamun, Fazal, and Muniady (2019) on marketing competence and entrepreneurial knowledge and skills. Also, Md Daud, Ahmad Khairy, and Azwardi (2014) find

strong support for Managerial competence, having revealed its importance in both relationships' quality and competitive advantage in Export Performance of SMEs in Indonesia (Md Daud, Ahmad Khairy, & Azwardi, 2014, p. 138). Regarding the construct "capacity", the findings of Alimin Ismadi et al. (2012), Barbosa Ferreira, Coelho, & Amorim Weersma (2019), and Roostika (2019) are indeed in line with our results. Interest is also being shown respectively for business systems and organizational capabilities, exploitation and exploration capabilities, managerial capabilities, innovation capability, marketing capability, and learning capability. Though opposed to semantic use, an empirical study carried out by Sajilan & Tehseen (2019) also values the role of network competencies (*Building the Supplier-Distributor Partnership's Capacity, and Managing the Supplier-Distributor Networks' Capacit*y, examined in the course of our research) for Chinese wholesales performance in Malaysia through entrepreneurial innovation. Finally, our findings concerning the Resources–Performance relationship's validity were consistent with two empirical pieces of evidence in the Algerian context. Relational capital (friendly-social relations developed by Algerian owner-managers) (Melbouci, 2008) and marketing capacities, managerial resources and internal relational resources (Haddoud et al., 2019), as the main determinants of Export Performance in Algerian SMEs, as well as external relations, were found to be significant precursors for firms' export regularity (Haddoud et al., 2019, p. 50).

Our results regarding the Resources–Strategy relationship were consistent with the existing literature. Nevertheless, the emphasis is placed principally on intangible resources as the best suited to support or even to apply strategic thinking in business. It was at that point that Rajasekar (2014) demonstrated that leadership (intangible resources–competencies) is of paramount importance for strategy implementation processes in a service industry in the Sultanate of Oman (Rajasekar, 2014, p. 169). Brenes, Mena, & Molina (2008), and Ahmadi et al. (2012), validate our results, on the firm culture side (as cited in Rajasekar, 2014, pp. 171–172). According to those authors, firm culture is vital to the successful implementation of a company's strategy. Additionally, 86% of the companies studied by Brenes, Mena, & Molina (2008) attribute their superior performance to the coherence between the firm's strategies and its culture (Rajasekar, 2014, pp. 171–172). Studying factors influencing strategy implementation among flower firms in Kenya, Alfaxard (2013) admitted

the significance of organizational capabilities, and the adoption of key performance indicators related to the strategy (Alfaxard, 2013, p. 28).

Finally, the business strategy, which also showed a positive direction in its relationship with the performance of the SMEs in our sample, is fully confirmed by the empirical literature. Sirajuddin, Ridwan, and Jayadi (2017) have indicated, in a research study measuring the effect of strategic management practices on SME Performances in Makassar (Indonesia), that strategic planning, strategic execution, and strategic evaluation have a positive and significant impact on sales volume and profits of SMEs (Sirajuddin, Ridwan, & Jyadi, 2017, p. 71). In the same line, Skokan, Pawliczek, & Piszczur (2013) have concluded a "positive impact of a full strategic document (written) on the performance of the micro, small and medium-sized enterprises in Czech republic and Slovakia" (Skokan, Pawliczek, & Piszczur, 2013, p. 57). Jaoua (2014), in his contribution, has demonstrated that strategic management practices turn out to be a fundamental tool for upgrading SMEs in Tunisia. It should be noted that the main functional strategies and the genuine participation of managers, junior staff, and subordinates in strategic decision-making are the main aspects retained. Moreover, our findings' confirmation can also be drawn from Muogbo (2013), who associated the performance of manufacturing companies in Nigeria with the existence of a structured planning mechanism, formulated policies, a written vision / asserted mission, and a team that allocates and controls resources. This research paper's results complement another study carried out by Aldehayyat and Twaissi (2011) that focuses on operational plans, financial and external analysis techniques, and line managers' involvement as a financial performance source.

Concerning the *strategy* mediator role between Resources and firm performance, our results that reject any indirect association between internal factors (resources) and performance via *strategy* are opposed to those revealed by Pribadi and Kanai (2011). They confirmed this association for the economic context of Indonesia. This clearly shows that strategic thinking is therefore taking second place in most leaders' managerial thinking of SMEs under study, and the resort to strategic management tools, in our sample of firms (from our results which confirm the direct link between strategy and performance) remains an orientation that is still scarcely developed.

Conclusions

The strong Resource / Strategy constructs' impact on Algerian SMEs performance, which we have confirmed in this research, reveals the interest aroused by strategic management — notably in its internal version — for the development of our national SMEs, in a business environment which is both hostile and uncertain.

The detention of a certain level of resources and competencies and the development of a business strategic mind would thus be a source of SMEs' superior performance in our sample. A result that strongly supports Tabet Aoul's (2012) findings justified the competitiveness of 5% of the SMEs studied by financial ease, and adoption of modern management techniques.

This research's theoretical implications consist of supporting the RBV approach principles by illustrating the value of resources and competencies and their management for firm performance. In the case of our Algerian SMEs, our study makes a compelling case for strengthening government intervention alongside national Algerian SMEs, particularly those belonging to the industrial sector. It is an intervention that will specifically target companies' improvement, tax or quasi-tax system simplification, banks' credit standards flexibility (financial resources), and above all, substantive managerial support that could allow our SMEs to manage their resources better, and acquire and develop new ones to provide higher performance.

However, as with any research paper, there are several limitations associated with this research. The sampling method, the data collection methods, and the used source type limit our research interest. Due to the unavailability of a specific SME database at the local SMEs department level in the province of Sidi-bel-Abbes, and the expressed resistance of most SMEs owner-managers to Academic studies, we used a random sampling method to prospect a sample of 50 companies directly. We were also obliged to accept data sets provided by the respondents of various statuses, from a simple Office Worker to Human Resources Director and Accounting and Finance Manager.

In general, our approach and results contribute significantly to the literature related to the subject discussed herein and are among the most critical initiatives in Algeria's academic field.

Based on the promising findings presented in this paper, work on the remaining issues is continuing and will be presented in future papers.

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APPENDIX A

Tangible Resource Items

Much weaker than the competitor ◄————► **Much stronger than the competitor**

T.R.V1: Buildings and other physical structures (i.e. factories, offices, warehouses, stores, showrooms)	1 2 3 4 5
T.R.V2: Financial Capital [financial capital availability, accessibility (bank credit), liquidity]	1 2 3 4 5
T.R.V3: Land	1 2 3 4 5
T.R.V4: Cash money (cash and / or bank) earned from various operations	1 2 3 4 5
T.R.V5: Technological investments (high-tech production equipment, facilities to improve customer service)	1 2 3 4 5
T.R.V6: Human resources (employees' number and loyalty)	1 2 3 4 5

Intangible Assets Items

Much weaker than the competitor ◄————► **Much stronger than the competitor**

I.A.V7 : Patent	1 2 3 4 5
I.A.V8: Trademarks	1 2 3 4 5
I.A.V9: Links with top managers from other firms	1 2 3 4 5
I.A.V10: Links with government officials	1 2 3 4 5
I.A.V11: Links with community leaders	1 2 3 4 5
I.A.V12: Company reputation	1 2 3 4 5
I.A.V13: Organizational structure (firm's operating and reporting structure)	1 2 3 4 5
I.A.V14: ICT organizational infrastructure (ICT system provision for timely reporting of firm performance)	1 2 3 4 5

Competencies Items

Much weaker than the competitor ←————————→ **Much stronger than the competitor**

C.V15: Managers' know-how, qualifications, expertise, and creativity	1	2	3	4	5
C.V16: employees' know-how, qualifications, expertise, and creativity	1	2	3	4	5
C.V17: Individuals knowledge bases development	1	2	3	4	5
C.V18: Employee self-development	1	2	3	4	5
C.V19: Organizational culture (i.e., shared organizational values, beliefs, attitudes, and behaviours)	1	2	3	4	5
C.V20 : Continuous technological infrastructure improvement	1	2	3	4	5
C.V21: Focus on company's research and development department	1	2	3	4	5
C.V22: Focus on cooperation with universities, research institutes and / or other companies to acquire knowledge)	1	2	3	4	5
C.V23: Strong brand name	1	2	3	4	5
C.V24: Focus on a strong sales force and / or strong external communication	1	2	3	4	5
C.V25: Well organized marketing department	1	2	3	4	5
C.V26: Routines regularly measuring changes in customer / competitor behaviour	1	2	3	4	5
C.V27: Customer management (customer loyalty, response time to customer requirements)	1	2	3	4	5

Capabilities Items

| Much weaker than the competitor | ←————————→ | Much stronger than the competitor |

C.P.V28: Learning capacity (mechanisms creation and knowledge sharing, teamwork efficiency, continuous improvement process (CIP))	1 2 3 4 5
C.P.V29: Logistics and supply efficiency	1 2 3 4 5
C.P.V30: Supplier / distributor network management	1 2 3 4 5
C.P.V31: Key performance indicators (KPIs) adoption	1 2 3 4 5
C.P.V32: Building suppliers / distributors relationships' capacity	1 2 3 4 5
C.P.V33: Formalised working procedures for each firm function	1 2 3 4 5

Items of Degree of Strategy Adoption in Business Practices

| Strongly Disagree | ←————————→ | Strongly Agree |

S.A.V1: Written vision and affirmed mission existence	1 2 3 4 5
S.A.V2: Global strategy and functional strategies existence	1 2 3 4 5
S.A.V3: Environmental (internal / external) analysis	1 2 3 4 5
S.A.V4: Strategy techniques usage [M. Porter's 05 force analysis, portfolio strategies (BCG, Mackinsey, ADL) analysis, resource and competencies analysis, PEST analysis, etc.]	1 2 3 4 5
S.A.V5: Organizational actors (Tops and Line managers) participation in strategy formulation	1 2 3 4 5
S.A.V6: Commitment to implement the strategy	1 2 3 4 5
S.A.V7: Strategy evaluation and control	1 2 3 4 5

Market Performance Items

| Much below average | ←——————→ | Much above average |

M.P.V1: Increase in sales volume (Business Turnover) compared to competition.   **1   2   3   4   5**

M.P.V2: Increase in market share compared to competition.   **1   2   3   4   5**

Profitability Items

| Much below average | ←——————→ | Much above average |

P.V3: Company's net profit compared to competition.   **1   2   3   4   5**

P.V4: Company's return on sales (ROS) compared to competition.   **1   2   3   4   5**

P.V5: Company's return on investment (ROI) compared to competition.   **1   2   3   4   5**

P.V6: Company's liquidity compared to competition.   **1   2   3   4   5**

APPENDIX B

Table 1. Parameters for evaluating the measurement model

Constructs	Items	Loading	Student	C.R	AVE	1	2	3	4	5	6	7
Tangible Resources	T.R V1	0.82	13.54	0.90	0.59	0.77	–	–	–	–	–	–
	T.R V2	0.88	14.98									
	T.R V3	0.75	8.87									
	T.R V4	0.81	11.43									
	T.R V5	0.67	7.30									
	T.R V6	0.66	6.47									
Intangibles Assets	I.A V7	Eliminated		0.89	0.57	0.78	0.75	–	–	–	–	–
	I.A V8	0.65	8.10									
	I.A V9	0.64	6.21									
	I.A V10	0.66	8.26									
	I.A V11	Eliminated										
	I.A V12	0.82	19.82									
	I.A V13	0.83	15.80									
	I.A V14	0.88	24.36									
Compe-tences	C.V15	0.75	8.01	0.93	0.53	0.70	0.84	0.73	–	–	–	–
	C.V16	0.68	6.52									
	C.V17	0.68	6.46									
	C.V18	0.68	5.41									
	C.V19	0.73	6.95									
	C.V20	0.86	12.51									
	C.V21	Eliminated										
	C.V22	0.67	7.82									
	C.V23	0.80	14.88									
	C.V24	0.77	10.81									
	C.V25	0.69	9.13									
	C.V26	0.64	5.95									
	C.V27	0.77	10.46									

Constructs	Items	Loading	Student	C.R	AVE	1	2	3	4	5	6	7
Capabilities	C.P.V28	0.81	15.14									
	C.P.V29	0.78	11.49							–	–	–
	C.P.V30	0.72	6.05	0.90	0.59	0.71	0.78	0.78	0.77			
	C.P.V31	0.82	10.88									
	C.P.V32	0.74	10.18							–	–	–
	C.P.V33	0.72	13.12									
Strategy Adoption Practices	S.A.V1	0.84	13.90									
	S.A.V2	0.90	29.29									
	S.A.V3	0.91	33.60									
	S.A.V4	0.70	12.18	0.95	0.72	0.40	0.65	0.77	0.51	0.85	–	–
	S.A.V5	0.81	14.87									
	S.A.V6	0.87	20.65									
	S.A.V7	0.90	24.94									
Market Performance	M.P.V1	0.98	140.61	0.98	0.97	0.70	0.61	0.62	0.53	0.56	0.98	–
	M.P.V2	0.98	143.60									
Profitability	P.V3	0.89	20.47									
	P.V4	0.73	5.25	0.91	0.73	0.74	0.64	0.55	0.56	0.46	0.82	0.85
	P.V5	0.86	17.99									
	P.V6	0.92	36.38									

Source: Developed by the author based on results of PLS-SEM analysis. Bold values on the diagonal are square roots of AVE.