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Abbes



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كلية العلوم الاقتصادية، العلوم التجارية وعلوم التسيير
Faculty of Economics, Business and Management Sciences

Department: Financial Sciences and Accounting

Course Pack Titled :

Economics of the Enterprise

اقتصاد المؤسسة

**Addressed to : 1st year students -Common Core-
Second Semester**

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Syllabus

This course is designed for the first year/second semester students of LMD system in faculties of Economics, Commerce and Management Sciences. It provides an introduction to the enterprise as the main body of modern economic life — the institution where labour, capital, knowledge and entrepreneurial energy are brought together to generate the products and services which are essential to modern societies. Students are introduced to the conceptual terminology, to the analytical frameworks and the main theoretical traditions in which economists and managers have tried to explain the firm, since the beginning of the eighteenth century.

The course aims at an integrated view. It sees the enterprise as an economic actor – it takes in inputs, transforms them through productive activity, sells outputs, creates value added and shares it with its stakeholders; and as a social process – a hierarchical organization of people, formal and informal relationships among them, their collective culture, and the wider surrounding social setting. The course will introduce students to the main approaches of understanding the nature, components and interactions of the enterprise, its surroundings and its change over time, developed by the Classical, Marxist, Neo-classical, Keynesian and contemporary schools of economic thought, and the management traditions of Fayol, Taylor, Weber, Mintzberg, Porter and others.

The fourteen week programme starts with the definition and the characteristics of the enterprise, then its historical and theoretical development is covered, and a survey of its classifications by legal form, sector and size is given. It then looks at the resources that the firm mobilises, such as human, material, financial and intangible resources, and the roles that the firm plays such as production, marketing, finance, accounting, human resource management, research and development, logistics, information systems and managing general. Two weeks are spent on organisational structure and its basic types, two more weeks on the interaction of the firm with the internal and external environment. The Course ends with an analysis of the dynamics of life cycle and growth, the modern trends of start-ups, Artificial Intelligence, Corporate Social Responsibility and Sustainable Development, and an integrated case study taken from the productive landscape of Algeria.

Syllabus-Basic Information

Name of the Course : Economics of the Enterprise			
Field	Economics, Business and Management Sciences	Branch	Common trunk
Major	-----	Level	First year of bachelor's degree
Semester	Second	Year	2025 - 2026
Course Overview			
Course Name	Economics of the Enterprise	Learning Unit	Fundamental
Credit	06	Coefficient	03
Weekly Teaching Hr	03h00	Lecture (N° of hours per week)	1h30
TP	-----	TD (per week)	1h30

Specialized Information

Description of the Course	
Capabilities	The student needs to read attentively, to reason logically, to compare contrasting perspectives, and to relate abstract concepts to concrete observation. A basic familiarity with the principles of economics is assumed.
Main Object	Enabling the student to grasp the enterprise as a coherent object of study, to master its core conceptual vocabulary, and to apply elementary frameworks of analysis to real-world firms -with particular reference to the Algerian productive landscape.
Learning Outcomes	• Defining the enterprise and distinguishing it from related notions such as firm, company and establishment. • Tracing the historical development of the enterprise and the principal schools of economic and managerial thought that have analysed it. • Classifying enterprises by legal form, sector of activity and size, with reference to Algerian and international conventions.

	• Identifying the resources of the enterprise — human, material, financial, intangible — and applying the VRIN criteria of competitive advantage. • Describing the principal functions of the enterprise and integrating them through Porter's value chain. • Understanding the determinants and the principal types of organisational structure. • Conducting a diagnosis of the internal and external environment of an enterprise using the SWOT, PESTEL and five-forces frameworks. • Recognising the phases of the life cycle of the enterprise and the principal modes of growth. • Apprehending the contemporary transformations of the firm: digital start-ups, artificial intelligence, corporate social responsibility and sustainable development. • Conducting an integrated analysis of an Algerian enterprise mobilising all the concepts of the course.
Course Content	
Chapter 1	The concept of the enterprise
Chapter 2	Origin and development of the enterprise
Chapter 3	Classifications of the enterprise
Chapter 4	Resources of the enterprise
Chapter 5	Functions of the enterprise
Chapter 6	Organisation and organisational structure
Chapter 7	Classifications of organisational structure
Chapter 8	The enterprise and its environment (I)
Chapter 9	The enterprise and its environment (II)
Chapter 10	Life cycle and patterns of enterprise growth
Chapter 11	Modern trends I -Start-ups and artificial intelligence-
Chapter 12	Modern trends II -CSR and sustainable development-
Chapter 13	Integrated case study
Chapter 14	General review

Evaluation Scheme

The evaluation in %	Mark		The relative weight of the evaluation		
Exam	20 / 20		Lecture	60%	60%
TD Exam	-----	20	TD	40%	-----
Exposé	10				20%
Presence	06				12%
Participation	04				8%

Teaching / Learning Methods

1. Lectures (CM) — 1h30/week. Concepts, theory, examples.
2. Tutorials (TD) — 1h30/week. Exercises, mini-cases, applied analysis.
3. Directed reading — One or two references per chapter from the APA bibliography.
4. Individual + group work — A short essay and a group diagnosis of a real Algerian enterprise.
5. Case studies — Embedded "Algeria in Focus" cases plus the integrated case in Chapter 13.
6. Digital resources + office hours — ONS, Banque d'Algérie, OECD, World Bank; weekly tutor availability.

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Introduction

There are no institutions as widely known, or as powerful, as the enterprise. In enterprises most of the goods and services produced in modern societies are produced. It is enterprises which provide work for the majority of the active population, who pay the highest proportion of taxes, who create and spread new technologies, and who organise the international division of labour in their activities. Economics is unable to be learned without learning the enterprise, just as the study of the human body cannot be learned without the study of the cells.

However, for a long period of time economics tended to be rather oblivious to what really goes on inside the firm. In the neoclassical theory of the firm, the firm was regarded as a "black box", which took inputs and produced outputs, following a production function. There were few decisions on the manner of this change, the motivation of workers, the coordination of departments, or how to cope with a changing environment. The black box only began to be opened with the work of Ronald Coase in 1937 who set out to answer the seemingly innocuous question: why do firms exist at all? If markets are a successful coordination device of economic activity, why so much is structured in hierarchical organisations instead of being organised in arm's length market transactions? Coase's response was that the use of the market involves costs, and that sometimes these costs can be decreased by having firms coordinate production with a single authority, this is known as the theory of the firm.

This theoretical progress has been paralleled by the enterprise study in the management sciences. General and Industrial Management, written by Henri Fayol in 1916, The Principles of Scientific Management (1911), by Frederick Taylor, the idea of bureaucracy as presented by Max Weber, and the human-relations school of Elton Mayo and the Hawthorne studies all aimed to understand, and to improve, the ways in which the firm worked. These principles led to the development of the contemporary fields of strategic

management, organisational behaviour, operations research and human-resource management.

This course is part of a subject area called the economics of the enterprise, which draws on both traditions. It applies economic analysis to explain the decision making processes of firms relating to their production, investment, financing and growth and, it applies the concepts and practices of management and organisation to explain the internal structure of firms and their interactions with the external environment. The outcome is a holistic perspective of the enterprise as an economic agent (consumer of inputs, producer of outputs, maximiser of some objective) and a social institution (a hierarchy of human beings working together in a goal-oriented manner in the face of uncertainty).

This holistic perspective is especially pertinent in the context of Algeria. The last sixty years of Algerian economic history have been a continuous series of experiments in the organization of economic activity, beginning with public enterprises in the socialist era (1962–1988), the restructuring and partial privatization of the 1990s, the increasing presence of the formal private sector since 2000, the constant importance of the informal sector, and the current flourishing of start-ups and digital enterprises. The Algerian student must be well informed in international theory and have a clear understanding of national reality, to comprehend these changes. The double goal of this course pack is to help you achieve that.

Chapter 01 : The Concept of the Enterprise

Objectives

After studying this chapter, the student will be able to:

1. Define the term enterprise and distinguish it from related notions such as firm, company and establishment.
2. Identify the principal characteristics of an enterprise as an economic agent and a social institution.
3. Describe the main roles and objectives of the enterprise in a contemporary economy.
4. Explain the relationship between the enterprise and other economic agents (households, the State, financial institutions, the rest of the world).
5. Discuss the distinctive features of contemporary enterprises in a globalised, digitalised economy.

Key terms : enterprise, firm, company, establishment, economic agent, factors of production, value added, stakeholders, economic circuit, multinational corporation.

Introduction

In order to analyse the enterprise, we need to agree upon what to analyse. The term is used loosely in colloquial use, whether for a corner store, a multinational corporation, a public utility or a charitable foundation; but the economist and the manager must have a more rigorous jargon. The enterprise is therefore described in this opening chapter as a task which is simple but essential: it outlines the key features of the enterprise and places it in the overall framework of the economic agents. The clarity needed for everything that follows in this course pack is dependent on the clarity that we get here.

1. Defining the Enterprise

The origin of enterprise is from the Old French verb *entreprendre*, which means "**to undertake**". Strictly speaking, an enterprise is any activity that brings together resources to work towards a specific goal. In the economic jargon, it is used to designate a particular type of activity, namely a legal body which is set up to combine the factors of production so as to create goods or services aimed at the market with a profit motive and the intention of generating value added and rewarding those who have contributed towards it.

A number of authors have offered definitions which focus on various aspects of this reality. According to **François Perroux (1973)** the enterprise can be described as an "economic agent different from the factors of production and to whom the various prices of the factors of production used in a patrimony are combined, in order to sell on the market a good or a service and to gain a final income in monetary form". The enterprise was the object of a managerial vision by **Henri Fayol (1916)** who saw the enterprise as an organism with its own life, its functions, its own will and its own ends. The French economist Jean **Lojkiné (1986)** prefers to define sociologically, as "a collective body whose members are united by an organised division of labour. Each of these three views – the

economic, the managerial and the sociological – does not detract from the other, but each illuminates one aspect of a multidimensional institution.

Working Definition

An enterprise is an organised, autonomous and legally constituted economic unit that combines human, material, financial and intangible resources in order to produce goods or services intended for the market, with the aim of generating value added and durably satisfying the needs of its stakeholders.

1.1. Enterprise, firm, company and establishment

In everyday speech the terms enterprise, firm, company and establishment are often used interchangeably. The difference between them is carefully distinguished by economists and lawyers, however.

The firm is the economic decision-making unit: it is the unit that brings together factors of production to produce output. **The enterprise** is wider as it refers to the organization (legally and administratively established) where one or several companies function. More specifically, **the company** will have a legal structure, such as a limited liability company, a public limited company and so on. Lastly, an "**establishment**" is a place where the enterprise operates: a factory, a workshop, a sales office, a warehouse. So, a single business can have multiple businesses in various geographical locations.

In this course pack, enterprise and firm are broadly interchangeable terms, as in the international literature, and company is used when it is specifically about the legal form; establishment is used when it is specifically about the physical location of activity.

1.2. The enterprise as an autonomous decision-making centre

One of the unique aspects of the enterprise is its independence. Regardless of the form of ownership (private, public or cooperative), the enterprise must have a sphere of decision-making that gives it freedom to decide on the

production of what, how, for whom, how much and at what price. If an entrepreneur is not autonomous what it is, then, is not an enterprise, but just an administrative arm of a higher authority. The Algerian experience with the socialist period, during which many large "national enterprises" lacked autonomy and were run by the ministry responsible for them, is illustrative of how lack of autonomy will affect the economic logic of the firm — a problem that was addressed during structural reform in the 1980s and 1990s (Benbitour, 1998).

2. Characteristics of the Enterprise

The enterprise, however defined, exhibits a number of recurring features that distinguish it from other economic and social institutions such as households, public administrations or voluntary associations. Six characteristics deserve particular attention.

2.1. An Economic Unit: the enterprise is above all a business unit. It makes products or services for exchange on the market for a monetary equivalent. The main characteristic that sets it apart from the household (producing goods and services mainly for own use) and from the public administration (producing non-market services at public costs resulting from compulsory levies). The production of the enterprise is intended for sale and the activity over a long period of time must provide enough revenue to cover costs and provide remuneration for the investment of capital into the enterprise.

2.2. A combination of factors of production: The enterprise combines three elements of production: labour, capital and natural resources, and two more were added to the classical model of the economy: organisation (or entrepreneurship) and knowledge (or technology). The selection of right combination of these factors lies at the very heart of the productive decision of the firm that is: Is the firm to be a labour intensive or a capital intensive enterprise? Should it go with the way it has always done or should it put its

money into the latest technology? Will it be internally sourced from the natural resources available in the region or sourced from other parts of the world? All of the above choices will impact the business's cost structure and competitive position.

2.3. A producer of value added: An enterprise is a value added creator from an accounting perspective. Value added: amount of added value created by the enterprise (output) minus the value of goods and services used by the enterprise in the process of production (intermediate consumption). It shows the real productivity of the business to the nation's economy. Value added is then shared amongst different stakeholders of the company: employees in the form of wages and salaries; lenders in the form of interest; the State in the form of taxes; shareholders in the form of dividends and the company itself in the form of retained earnings from the company, which are used for financing the company.

2.4. A legally constituted entity: The enterprise is a legal entity. It has the “legal personality” which means that it can enter into contracts, own property, sue and be sued and be held liable for its actions. The legal personality is granted through the registration with the competent authorities, in Algeria, with the National Centre of the Trade Register (Centre National du Registre du Commerce, CNRC). Each of the legal forms established by the founders (sole proprietorship, limited liability company, joint-stock company) has a different structure for governing the internal running of the firm, a different legal liability of its owners, and a different regime of tax that applies to it.

2.5. A social organisation: The enterprise has also a social aspect: a group of people who work together based on an organised division of labour, under hierarchical organization, committed by a shared culture and influenced by formal and informal relations. These social dimensions were brought to the fore by the human-relations school of management, which emerged in connection with the work of Elton Mayo (1933), and which had tended to ignore them in

favor of the scientific-management school. The social aspect of the business is now regarded as one of the key factors in the performance of modern human-resource management.

2.6. An open system: Lastly, the enterprise is an open system: it interacts continually with its external environment, from which it receives its inputs (labour, capital, raw materials, technology, information) and from which it produces its outputs (goods, services, wages, taxes, dividends, emissions). It is a source of its opportunities and threats and also a key element of modern strategic management (Ansoff, 1965; Porter, 1980).

3. Roles and Objectives of the Enterprise

Why do enterprises exist? What functions do they fulfil in society? And what are they trying to achieve? These three questions - about the roles, the functions and the objectives of the firm - are at the heart of the discipline.

3.1. The economic role: The enterprise has four main economic functions. It creates the products and services which are required by households, other firms, the public administration and overseas markets. Secondly, it generates jobs which lead to household incomes of consumption and savings. Thirdly, it adds value added which forms the basis of national wealth as measured by Gross Domestic Product (GDP). Finally, the business invests a portion of its earnings into expanding its capacity, and invests in research and development and in training its workforce, which helps to build up physical and human capital that supports long-term economic growth (Solow, 1957).

3.2. The social role: In addition to its economic role, the enterprise also has a significant social role. It is one of the key socialisation domains of modern societies: most of the adults spend a significant part of their life at work, and the workplace is a domain in which professional competences are developed and shaped and in which social norms and personal identities are both shaped and

reshaped. The enterprise is also a significant 'redistributor of income' as it remunerates with wages, and also as it pays tax. More recently, the expectations imposed on the firm have broadened to explicitly include social responsibilities towards employees, customers, suppliers, host communities and the natural environment.

3.3. The political role: Large companies also play a political function, in the broad sense of using collective choices that impact the polity. They advocate for pro-activity policies in the law, they engage in diplomacy with governments on taxation, regulation and infrastructure matters, and they participate in public dialogue via advertising, sponsorship and the influence of their executives. As a political aspect of the firm, it also raises some questions about the balance of power between economic and political institutions in democratic societies — questions that have been central to current debates about how to regulate multinational firms and the impact of these large digital platforms (Stiglitz, 2019).

3.4. Objectives of the enterprise : Classical economic theory describes the firm as a profit-maximising agent. This is undoubtedly a useful first approximation, but observation reveals that real enterprises pursue a more complex and plural set of objectives. Drawing on the work of Herbert Simon (1947), Cyert and March (1963), and others, contemporary scholarship recognises that firms typically pursue some combination of the following objectives:

- i. **Economic objectives:** profitability, growth in turnover, market share, productivity, financial autonomy.
- ii. **Commercial objectives:** quality of products, customer satisfaction, brand image, position relative to competitors.
- iii. **Social objectives:** job creation and security, professional development of employees, working conditions, social climate.

- iv. **Societal objectives:** protection of the natural environment, contribution to regional development, respect of ethical standards.
- v. **Strategic objectives:** long-term survival, innovation, internationalisation, succession.

These objectives may be complementary or contradictory. Increasing wages, for example, may improve the social climate but reduce short-term profitability; investing in clean technologies may serve the firm's societal objectives but raise its production costs. The art of management consists, in large part, in finding acceptable trade-offs among objectives that cannot all be maximised simultaneously.

4. The Enterprise and the Other Economic Agents

The enterprise does not exist in isolation. It is one node of a network of economic relations involving the other principal categories of agent recognised by national accounting: households, public administrations, financial institutions, the rest of the world. These relations are bidirectional: each agent supplies the enterprise with something and, in return, receives something from it.

Table1. The Enterprise and the Other Economic Agents

Economic Agent	What the Enterprise Receives	What the Enterprise Provides
Households	Labour, savings, demand for goods and services.	Wages, dividends, goods and services.
Other enterprises	Intermediate inputs, capital goods, services.	Outputs, payments, intermediate inputs in turn.
Financial institutions	Credit, equity, financial services.	Repayments, interest, fees, deposits.
Public administrations	Infrastructure, education, security, regulation.	Taxes, social contributions, public-procurement supply.
The rest of the world	Imports, foreign capital, foreign demand.	Exports, foreign-currency earnings, foreign investment abroad.

Source : Elaborated by the author

Conclusion

The enterprise we have defined in this chapter is, however, not a timeless universal. It has a history, and that history is inseparable from the history of the theories that have sought to make sense of it. The next chapter therefore takes a step back to trace the historical development of the enterprise from the pre-industrial workshop to the contemporary multinational, and to survey the principal schools of economic thought — Classical, Marxist, Neo-classical, Keynesian and contemporary — that have shaped our understanding of the firm.

Questions for discussion :

1. Propose your own definition of the enterprise, drawing on but not limited to the definitions given in this chapter.
2. Distinguish between the terms enterprise, firm, company and establishment, and give one concrete example of each.
3. List and briefly explain the six characteristics of the enterprise.
4. 5. Identify five distinct objectives that an enterprise may pursue. In what circumstances might these objectives come into conflict?
6. Explain the position of the enterprise in the economic circuit, illustrating your answer with at least three reciprocal relations.
8. Choose an Algerian enterprise of your acquaintance (it may be a public enterprise, a large private group, a small firm or a start-up) and analyse it in light of the concepts introduced in this chapter.

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Chapter 02: The Origin and Development of the Enterprise

Objectives

After studying this chapter, the student will be able to:

1. Trace the historical evolution of the enterprise from the pre-industrial workshop to the contemporary multinational.
2. Describe the main contributions of the Classical, Marxist, Neo-classical, Keynesian and contemporary schools to the theory of the firm.
3. Identify the central economic and managerial doctrines that have shaped enterprise practice over the past two centuries.
4. Critically compare the assumptions and limits of each theoretical approach.

Key terms: Classical school, Marxist school, Neo-classical school, Keynesian school, scientific management, human relations, transaction-cost economics, resource-based view, evolutionary economics.

Introduction

Why should an economic student learn the history of the enterprise and the history of theories of it? The answer lies, of course, in the fact that the business enterprise of the present was not born out of the blue. Their legal organizations, their organizational preoccupations, their strategic preoccupations, indeed their questions they ask about themselves are the sum of two and a half centuries of economic change and intellectual reflection. It is to mistake the contingent for the natural to analyse a contemporary firm without being aware of this heritage. This chapter therefore provides a short economic history of the enterprise and an overview of the core theories which have attempted to study the enterprise.

1. A Brief History of the Enterprise

Although exchange and production are as old as human society itself, the enterprise as we understand it today -a permanent, capitalised, organised undertaking operating on a market- is a relatively recent phenomenon. Historians of the firm conventionally distinguish four major phases in its development.

1.1. The pre-industrial phase (before c. 1750)

Change of this kind, however, took place first in three institutional forms, not all of which were productive: the peasant household, in which productive activity and consumption were closely intertwined and work was done largely by hand; the artisan workshop, where a master craftsman, supported by journeymen and apprentices, produced goods to order with simple tools; and the trading company, of which the most famous cases (the Dutch and English East India Companies around 1600) were the first ones to be established on a permanent and capitalised basis, but which were primarily commercial rather than productive. The mediaeval guild system controlled access to the trades, the

nature of the product and the relationship between master and journeyman, giving little scope for the independent market-oriented enterprise of later times.

1.2. The industrial phase (c. 1750 – c. 1900)

The industrial enterprise, as such, was born with the First Industrial Revolution that started around 1750 in Britain and gradually spread to continental Europe, North America and parts of Asia. Three innovations were crucial: mechanisation of the production process with the help of steam-powered machines, the centralisation of labour in factories, and the new legal entities, principally the Joint-Stock Company with limited liability, that enabled the pooling of capital from a large number of investors. The model of the industrial firm in this period is that of the British cotton mill described by classical economists, the worker is a wage earner who sells a daily labour power, the entrepreneur a coordinator who employs factors of production and incurs the risk on the activity.

1.3. The managerial phase (c. 1900 – c. 1970)

The enterprise was again revolutionized with the advent of electricity and the internal-combustion engine, the chemical industries, and assembly-line production – the Second Industrial Revolution. The large, vertically integrated corporation, such as Ford (automobiles), Standard Oil (petroleum), US Steel (steel), Siemens (electrical equipment) is the typical type of the phase. Alfred Chandler (1962; 1977) in his famous historical research demonstrated that this change created a new economic player: the salaried manager and a new internal organisation: the multi-divisional structure (M-form). The separation of ownership from control had occurred, and the question arose, as Berle and Means (1932) dubbed it, "The relations between dispersed shareholders and a self-perpetuating managerial elite.

1.4. The contemporary phase (since c. 1970)

Over the last few decades, the firm has been reshaped by a variety of trends: the increasing importance of services, financial globalisation, the spreading of information technologies, a re-emerging focus on entrepreneurial SMEs and, more recently, on digital start-ups, and the relative decline of vertical integration in favour of outsourcing and global value chains. The modern business is not as imperialistic as the mid-twentieth-century one, is more international, more efficient at doing what it does, and is more susceptible to the vagaries of the world's financial markets; it is more reliant on intangible assets, and held more accountable for ever-expanding responsibilities by society.

2. The Classical School

The first systematic body of economic thought devoted to the enterprise emerged with the Classical school, whose principal authors are Adam Smith (1723–1790), David Ricardo (1772–1823), Jean-Baptiste Say (1767–1832) and John Stuart Mill (1806–1873). Writing in the closing decades of the eighteenth century and the first half of the nineteenth, the Classical economists witnessed the birth and consolidation of industrial capitalism, and their work bears the imprint of that experience.

2.1. Adam Smith and the division of labour

Adam Smith's 1776 work *An Inquiry into the Nature and Causes of the Wealth of Nations* contained one of the deepest examinations of the productive efficiency of the enterprise. The famous case of the pin factory, in which Smith demonstrates that the division of labour among specialised workers increases productivity. For Smith, the division of labour boosts productivity in three ways: repetition makes workers more skilled, it eliminates wasted time in switching between tasks, and it promotes the development of machinery that reduces and simplifies work.

The division of labour will be limited by the size of the market, though: it will only be profitable to specialise, provided that there is a large enough market for the output of specialised producers. It is this insight that forms the foundation for a fundamental relationship between the development of the firm and the development of exchange, a relationship to be rediscovered in a modified form by twentieth-century internationalisation and globalisation theorists.

2.2. David Ricardo and the theory of value

The Classical school's most systematic theory of value and distribution was given by Ricardo in his *Principles of Political Economy and Taxation* (1817). Ricardo argued that the value of a commodity is determined by the amount of labour that is needed to produce it. The product of labour is subsequently split between three social classes: the workers get wages, the capitalists get profits, and the landowners get rents. The Classical theory of distribution is therefore closely related to a particular vision of the enterprise: the firm is the place where labour and capital come together, and the rate of profit is the main force of accumulation and growth, the focus of Ricardo's analytical apparatus.

2.3. Jean-Baptiste Say and the entrepreneur

The French economist Jean-Baptiste Say was of particular importance to the theory of the firm. It is the entrepreneur (*entrepreneur d'industrie*), a figure different from the capitalist who provides the capital and from the worker who provides the work, that Say introduced in his *Traité d'économie politique* (1803); or, more exactly, that he gave a systematic form to. For Say, the entrepreneur is the agent who brings together the factors of production and faces the risk of the enterprise and receives in exchange a certain income (profit of the entrepreneur) besides interest on capital and wages. Say's law -production generates its own demand- also depends on an interpretation of the firm as a generator of income flows which automatically lead to income flows from the production of goods of similar value.

2.4. The Classical legacy

The Classical school bequeathed to the discipline several enduring themes: the centrality of the division of labour, the link between firm and market, the distinction between labour, capital and entrepreneurial functions, the importance of accumulation as a driver of economic growth, and a generally optimistic view of the social benefits of competitive enterprise. Its limits are equally clear with the benefit of hindsight: little attention to the internal organisation of the firm, an assumption of perfectly competitive markets that the real world rarely satisfies, and a treatment of macroeconomic fluctuations (Say's law) that the experience of recurrent crises would refute.

3. The Marxist School

Exposing but fundamentally changing the Classical tradition, Karl Marx (1818–1883) offered a critique of the capitalist enterprise that continues to be a touchstone for those who do not agree with his conclusions. The major sources are the volumes of *Capital*, published in 1867 (volume 1) and posthumously in 1885 (volume 2) and 1894 (volume 3), and a huge collection of preparatory manuscripts referred to as the *Grundrisse*.

3.2. Value and price

Surplus value is the central theme of Marx's analysis. For Marx, the capitalist enterprise is the institutional setting in which labour-power, the worker's productive capacity, is put to work to be productive of more value than the worker's own labour. The difference, surplus value, is taken by the capitalist as profit. The social class nature of the firm is defined as exploitation in this perspective: a social class arrangement where one class obtains unpaid labour from another class. In Marx's hands this extraction is entirely legitimate and perfectly legal, and is no violation of the law of exchange of equivalents in the market, because the system itself is a deceitful and coercive system, and

workers, who are separated from the means of production, have no alternative but to sell their labour-power.

3.3. The socialisation of the process of production

Both of these processes, the concentration of capital (growth of the individual firms through reinvestment of profits), and its centralisation (the merger and take-over of smaller firms by larger ones), were envisaged by Marx in the long-term tendency of capitalism. This double movement will, he said, continually evolve competitive capitalism into a system of ever fewer ever larger companies. Later observation has since reinforced the significance of these forces on the whole, but with less effects on politics than Marx thought would be.

3.4. The Marxist legacy

The Marxist school continues to be an important source of critical analysis of the capitalist enterprise. Its most lasting contributions to the discipline are perhaps: its analytical vocabulary for thinking about the relations between firms and the social classes that make up them; its long-period view of the structural transformations of capitalism (concentration, internationalisation, financialisation); and questions of power and conflict, which other more consensual approaches sometimes downplay. In Algeria, the Marxist tradition had a great impact on the economic theories of the early post-Independent era, as well as on the planning of the 'national enterprises' of the 1970s (Hamouda, 2009).

4. The Neo-classical School

A new class of economists emerged starting in the 1870s, such as Léon Walras (1834–1910), Carl Menger (1840–1921), William Stanley Jevons (1835–1882) and Alfred Marshall (1842–1924), who developed their own theory of marginal utility. In contrast to its Classical and Marxist counterparts, the firm is

used very differently in the Neo-classical school that would eventually prevail in twentieth-century academic economics.

4.1. A firm's production function

The firm is treated in standard neo-classical microeconomics as a production function $Q = f(K, L)$ which gives the maximum quantity of output Q that can be produced by a given amount of capital K and a given amount of labour L . The firm is assumed to be a rational agent so that he or she selects the combination of inputs that is the cheapest, and the level of output that maximises profit, for a given set of market prices. This idealised image, however, contains little of the internal structure of the firm, human relations in the firm, conflict between the members of the firm and technology selection issues, and gave rise to the well-known nickname of the Neo-classical theory of the firm, the black box.

4.2. Market structures and competition

There are four types of market structures in which the firm may operate and they are many small firms producing a homogeneous product, free entry & exit in the market, perfect information, pure and perfect competition, monopoly (single seller of a product), oligopoly (few large sellers) and monopolistic competition (many sellers selling differentiated products). The market structure in which the firm operates is a key determinant of the behaviour of the firm and the economic consequences of its activity. Pure and perfect competition is used as an attribute of efficiency in neo-classical analysis and when it is not present, it may be regarded as a cause of inefficiency justifying in some interpretations public regulation.

4.3. The neo-classical legacy and its critics

The neo classical theory of the firm has the great virtue of its analytical tractability: it offers a consistent framework in which firms, prices and quantities

are simultaneously determined as a result of the interaction between supply and demand. Its boundary is, however, very familiar. It renders the firm a black box, that is, it leaves no space for the questions that move the theory of management and organisation. It makes assumptions of perfect information and perfect rationality to abstract from uncertainty and bounded rationality in real decision making. It also neglects the conflict in real enterprises and the politics of their internal power distribution. The schools we are going to consider in the rest of this chapter are to be read, in part at least, as attempts to transcend these constraints.

5. The Keynesian School

The Great Depression of the 1930s, the most severe economic crisis of the modern era, prompted a fundamental rethinking of macroeconomics. John Maynard Keynes (1883–1946), in *The General Theory of Employment, Interest and Money* (1936), proposed a new framework in which the level of aggregate output and employment is determined by the level of aggregate effective demand, and not — as neo-classical theory had supposed — by the supply side of the economy.

5.1. The macroeconomic context of the firm

Keynesian theory is primarily a theory of the economy as a whole rather than of the individual firm. Its implications for the firm, however, are profound. If aggregate demand drives output and employment, then the prospects of any individual enterprise depend, beyond its own efforts, on the macroeconomic environment that surrounds it. The firm is no longer the master of its destiny in the way that the Classical and Neo-classical traditions had suggested: it operates in a world of pervasive uncertainty about future demand, future prices and future policies, in which animal spirits — Keynes's term for the spontaneous urge to action that underlies investment decisions — play as great a role as cold calculation.

5.2. Investment and the role of the State

Keynesian theory accords central importance to investment by enterprises, which is treated as the principal driver of fluctuations in aggregate demand. Because investment depends on expectations about an uncertain future, it is inherently volatile, and these fluctuations can throw the economy into recession or boom. The role of the State, in the Keynesian view, is to stabilise aggregate demand through countercyclical fiscal and monetary policy, thereby providing a more predictable environment within which enterprises can plan and invest. The post-war "Keynesian compromise" between the State, large enterprises and organised labour, which prevailed in much of Europe and North America between 1945 and the 1970s, was the political expression of this analytical vision.

5.3. The Keynesian legacy

For the contemporary student of the enterprise, the Keynesian school offers three durable lessons: that the firm is not isolated from the macroeconomy but is embedded within it; that uncertainty about the future is a central feature of enterprise life that cannot be reduced to a calculable probability; and that public policy — fiscal, monetary, regulatory — is a major determinant of the conditions under which enterprises operate. These lessons remain pertinent today, as the experience of the Covid-19 pandemic and its aftermath have amply illustrated.

Conclusion

The historical and theoretical perspective developed in this chapter prepares us to undertake more focused analyses. In particular, the diversity of enterprises that the schools of thought have sought to grasp invites a more systematic classification — by legal form, by sector, by size, by ownership. This is the task of the next chapter, which equips the student with the categorial vocabulary needed to navigate the heterogeneous productive landscape of any modern economy, including the Algerian one.

Questions for discussion :

1. Distinguish the four phases of historical development of the enterprise discussed in section 2.1. What are the principal characteristics of the firm in each phase?
2. Explain Adam Smith's analysis of the division of labour. Why, according to Smith, is the extent of the division of labour limited by the size of the market?
3. What does Marx mean by surplus value? Why does he describe the capitalist firm as a site of exploitation, and what does he mean by this term?
4. Why is the neo-classical theory of the firm sometimes called a "black-box" theory? What does this theory leave out, and why might this matter?
5. What problem does Ronald Coase's 1937 article seek to address? Summarise his answer and explain its theoretical significance.
6. Describe the resource-based view (RBV) of the firm. According to this approach, under what conditions does a resource generate a sustainable competitive advantage?
7. What does Schumpeter mean by creative destruction? Give a Choose two of the schools studied in this chapter and contrast their respective visions

of the firm. Which seems to you better suited to analysing Algerian enterprises today, and why?

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Chapter 03 : Classifications of the Enterprise

Objectives

After studying this chapter, the student will be able to:

1. Apply the principal criteria — legal, economic, sectoral, size — used to classify enterprises.
2. Distinguish the main legal forms of business organisation in Algerian and international law.
3. Recognise the categories of economic activity defined by international classifications.
4. Define micro-, small, medium-sized and large enterprises and explain the significance of these size categories.
5. Discuss alternative classifications based on ownership, geographical scope and degree of technological intensity.

Key terms: legal form, sole proprietorship, partnership, limited liability company (SARL), joint-stock company (SPA), public enterprise, sector of activity, primary sector, secondary sector, tertiary sector, quaternary sector, SME, multinational enterprise.

Introduction

Even within a single national economy, enterprises differ enormously: in their legal form, their sector of activity, their size, their ownership, their geographical scope, their technological intensity, their relationship to formal regulation. No serious analysis of "the" enterprise can proceed without first acknowledging this diversity and providing analytical categories to organise it. This chapter therefore presents the principal classifications used by economists, jurists and public authorities.

1. The Purpose of Classification

Classifying enterprises is more than a taxonomic exercise. It serves at least four practical purposes. First, classification organises observation: the productive landscape of any modern economy is so heterogeneous that one cannot reason about it without first grouping firms into meaningful categories. Second, classification supports public policy: many policies — fiscal, regulatory, industrial — apply differentially to firms depending on their legal form, sector or size, and statistical thresholds (for the SME, for the "large enterprise", for the "micro-enterprise") are explicit instruments of policy. Third, classification informs strategy: an enterprise must know to which competitive group it belongs in order to identify its rivals, its customers and its partners. Fourth, classification enables comparison: international and inter-firm comparisons require a common classificatory language.

No single classification can capture all the relevant dimensions of enterprise diversity. The serious analyst combines several classifications, each illuminating one facet of the object under study.

2. Classification by Legal Form

The legal form of an enterprise determines the rules governing its creation, its internal functioning, the liability of its owners, the regime of taxation that

applies to it, and the conditions of its dissolution. The principal legal forms used in Algeria — and broadly equivalent in their general features to those used in other countries of civil-law tradition — may be grouped into three families: sole proprietorships, partnerships and capital companies. To these three families one must add public enterprises and cooperative enterprises.

2.1. The sole proprietorship

The sole proprietorship (*entreprise individuelle*, also called the "natural person" form) is the simplest legal form. A single individual carries on a commercial, industrial, artisanal or agricultural activity in his or her own name. There is no legal personality distinct from that of the owner: the patrimony of the firm and the patrimony of the entrepreneur are one and the same, with the consequence that the owner is personally and indefinitely liable for the debts of the business. The sole proprietorship is well suited to small activities that require little capital and few formalities; it is the dominant legal form for micro-enterprises, artisans, retailers and the liberal professions throughout the Maghreb and beyond.

2.2. Partnerships

Partnerships (*sociétés de personnes*) are formed by two or more persons who agree to combine their efforts and contributions for the purpose of carrying on a common activity and sharing the resulting profits. They are characterised by the *intuitu personae* principle: the identity of the partners matters, and shares cannot freely be transferred to outsiders. The principal partnership forms are:

- The general partnership (*société en nom collectif*, SNC), in which all the partners are commercial traders and are jointly and severally liable for the debts of the company on their personal patrimony.
- The limited partnership (*société en commandite simple*, SCS), which combines two categories of partner: general partners with unlimited

liability and limited partners whose liability is restricted to their capital contribution.

2.3. Capital companies

Capital companies (sociétés de capitaux) accord pre-eminence to the capital contributed rather than to the identity of the contributors. They possess their own legal personality, distinct from that of the shareholders, and the liability of the shareholders is in principle limited to their contribution. The principal forms are:

- The limited liability company (société à responsabilité limitée, SARL), the most widespread legal form for small and medium-sized enterprises. The capital is divided into shares of equal nominal value held by between two and fifty associates. Liability is limited to the amount of the contribution.
- The sole-shareholder limited liability company (EURL — entreprise unipersonnelle à responsabilité limitée), a single-shareholder variant of the SARL that combines the simplicity of the sole proprietorship with the limited liability of the capital company.
- The joint-stock company (société par actions, SPA), generally reserved to larger undertakings. The capital is divided into freely transferable shares, and the company is administered by a board of directors or a directorate supervised by a supervisory board. The SPA is the legal form of choice for firms wishing to raise capital on the financial markets or to involve a large number of investors.
- The limited partnership with shares (société en commandite par actions, SCA), a less frequently used hybrid form.

2.4. Public enterprises

Public enterprises (entreprises publiques) are productive units owned wholly or principally by the State or by a public collectivity. Their juridical status varies considerably across countries and over time. In Algeria, the public enterprise sector has gone through several major reforms. After 1988, public enterprises were progressively transformed into commercial companies (sociétés par actions) wholly owned by the State, organised since 2001 under State-Owned Holdings (SGP) and now under the supervision of the Ministry of Industry. The Economic Public Enterprises (Entreprises Publiques Économiques, EPE) thus enjoy in principle the same legal status as private capital companies, while remaining subject to specific governance and oversight rules (Bouzidi, 2014).

2.5. Cooperative enterprises

The cooperative enterprise is a special legal form based on three principles formulated in the nineteenth century by the pioneers of the cooperative movement: one member, one vote (regardless of the size of the contribution); limited remuneration of capital; and reinvestment of surplus in the cooperative itself or distribution to members in proportion to their participation rather than to their capital. Cooperatives are particularly developed in agriculture, in housing, in retail trade and, more recently, in services. In Algeria, the agricultural cooperative (Coopérative Agricole) and the credit cooperative remain important institutional forms in certain regions.

3. Classification by Economic Sector

A second major axis of classification is the sector of economic activity. The classical tripartition between the primary, secondary and tertiary sectors, due to Colin Clark (1940) and Jean Fourastié (1949), has been refined by international classifications such as the International Standard Industrial Classification (ISIC)

of the United Nations and, at the national level, by the Algerian Nomenclature of Activities (Nomenclature des Activités, NAA). A fourth and even fifth sector are sometimes distinguished to capture the rise of knowledge-intensive and digital activities.

3.1. The primary sector

The primary sector groups together all activities that involve the extraction or harvesting of natural resources without major industrial transformation: agriculture, forestry, fishing, hunting and the extractive industries (mining, quarrying, oil and gas extraction). The economic importance of the primary sector varies considerably across countries and over time. In Algeria, the primary sector — and especially the hydrocarbons sub-sector — has historically played, and continues to play, a structural role in the national economy.

3.2. The secondary sector

The secondary sector encompasses the activities of industrial transformation of raw materials into manufactured goods: agro-food industries, textile and clothing, chemical and pharmaceutical industries, metallurgy, mechanical and electrical industries, building and public works. Industrialisation — that is, the rise of the secondary sector's share in GDP and employment — has historically been associated with rising productivity and rising living standards, and remains a central objective of development policy.

3.3. The tertiary sector

The tertiary sector covers all services: commerce, transport, finance, insurance, real estate, tourism, education, health, public administration. Modern economies are characterised by the growing share of the tertiary sector in GDP and employment — a phenomenon known as tertiarisation. In Algeria, services already represent close to 50% of GDP, and their share is expected to continue rising.

3.4. The quaternary and quinary sectors

Some authors propose a quaternary sector to group together knowledge-based activities: research and development, information technology, education, consulting, scientific publishing. A few even speak of a quinary sector to designate strategic decision-making activities at the top of the largest organisations. These distinctions are not universally accepted but they have the merit of drawing attention to the qualitative transformations of contemporary economies.

3.5. The notion of activity branch

The notions of sector and branch are sometimes confused. A sector is composed of enterprises whose principal activity belongs to a given category (a hydrocarbons enterprise, a textile enterprise). A branch is composed of homogeneous productive units — irrespective of the enterprise to which they belong — engaged in producing a given good or service. The same enterprise may thus simultaneously belong to several branches if it is diversified, but only to one sector (its principal one).

4. Classification by Size

The size of an enterprise is a third major axis of classification. Three criteria are commonly used to measure size: the number of employees, the annual turnover and the total balance-sheet value. International institutions and national legislators set quantitative thresholds for the different size categories, but these thresholds vary across jurisdictions.

4.1. The Algerian definition of the SME

In Algeria, Law 17-02 of 10 January 2017 on the development of small and medium-sized enterprises defines the categories of enterprise as follows:

Table2 : Categories of Enterprise

Category	Employees	Turnover (DZD)	Total Assets (DZD)
Micro-enterprise	1 – 9	≤ 40 million	≤ 20 million
Small enterprise	10 – 49	≤ 400 million	≤ 200 million
Medium-sized enterprise	50 – 250	400 million – 4 billion	200 million – 1 billion
Large enterprise	> 250	> 4 billion	> 1 billion

It should be noted that these thresholds are cumulative in the sense that an enterprise must satisfy the employment criterion and at least one of the two financial criteria (turnover or balance-sheet total) to fall into a given category. An enterprise that exceeds the thresholds in one dimension may be reclassified upwards (Journal Officiel de la République Algérienne, 2017).

4.2. International definitions

The European Union Recommendation 2003/361 distinguishes micro-enterprises (fewer than 10 employees and turnover or balance-sheet total ≤ 2 million euros), small enterprises (fewer than 50 employees and ≤ 10 million euros), and medium-sized enterprises (fewer than 250 employees and ≤ 50 million euros turnover or ≤ 43 million euros balance-sheet total). The OECD, the World Bank and the United Nations apply somewhat different conventions, with the consequence that international SME statistics must always be interpreted with caution.

4.3. The economic importance of SMEs

Across virtually all economies, SMEs represent the overwhelming majority of enterprises in number, a major share of total employment and a substantial fraction of value added. In Algeria, the Ministry of Industry estimates that more than 95% of registered enterprises are SMEs and that they employ more than half of the active population in the formal private sector. The SME sector is also a major source of new job creation, of innovation in many traditional industries and of entrepreneurial dynamism. The promotion of SMEs has been, since the early 2000s, a central pillar of Algerian industrial policy, supported by dedicated

public agencies (ANADE, formerly ANSEJ; ANGEM; CNAC) that offer financing, advice and incentives to project-holders.

4.4. The specificities of large enterprises

Large enterprises — although small in number — concentrate a disproportionate share of capital, of turnover, of investment, of exports, of research and development, and of jobs paid above the median wage. They typically operate over several markets and several countries, possess a complex organisational architecture, and exert a substantial influence on the regulatory and political environment within which they operate. The very largest of them — the multinational corporations — give rise to specific analytical and political questions to which we shall return.

5. Other Useful Classifications

5.1. By ownership

Enterprises may be classified by the nature of their owners as: public (owned wholly or principally by the State), private domestic (owned by private nationals), private foreign (owned by non-residents) or mixed (combinations of the above). The relative weight of each category in the productive structure has major macroeconomic and political implications, and is a frequently debated issue of public policy. In Algeria, the mixed economy that has emerged since the reforms of the late 1980s combines a substantial public sector, a growing private domestic sector, and a more modest — though strategically important — foreign-owned segment, often in the form of joint ventures with public enterprises.

5.2. By geographical scope : A classification by geographical scope distinguishes:

- Local enterprises, whose market and operations are confined to a single town or region.
- National enterprises, which operate throughout the national territory.
- Multinational enterprises (MNEs), which operate in several countries through subsidiaries, branches or joint ventures.
- Global enterprises, the most internationalised category, which organise their value chain on a worldwide basis and consider the global market as their reference market.

The United Nations Conference on Trade and Development (UNCTAD) publishes an annual World Investment Report that documents the activities of the world's principal multinational enterprises, the destinations of foreign direct investment and the evolution of global value chains.

5.3. By technological intensity

The OECD classifies industrial activities by their technological intensity, measured chiefly by the share of research-and-development expenditure in turnover. Four categories are distinguished: high-technology industries (pharmaceuticals, aerospace, electronics), medium-high-technology (chemicals, motor vehicles, machinery), medium-low-technology (rubber and plastics, basic metals, ship-building), and low-technology industries (food, textiles, clothing, leather, wood, paper). This classification highlights the qualitative differences among industries and supports policy reflections on the technological upgrading of national productive structures.

5.4. By legal regime of registration

A final classification, particularly important in developing economies, distinguishes the formal enterprise — registered with the competent authorities, paying taxes and social contributions, complying with labour law — from the informal enterprise, which operates wholly or partly outside the formal

regulatory framework. The informal sector represents a significant share of employment and economic activity in many countries, including Algeria, where various estimates place it between 30% and 50% of non-agricultural employment (CREAD, 2020). The formalisation of informal activities is a major challenge of public policy.

Conclusion

Classification is, however, only a starting point. Knowing that a firm is a small SARL in the agro-food sector tells us much about its legal framework and its size category, but very little about what it actually does, what resources it mobilises and how it generates value. To understand the firm in this richer sense, we must look inside it — at the resources it commands and the productive potential they represent. This is the subject of the next chapter.

Review Questions

1. What are the principal differences between a sole proprietorship and a limited liability company in terms of legal personality, liability and taxation?
2. Distinguish between an SARL, an EURL and an SPA. In which circumstances would the founders of a new enterprise opt for one rather than another?
3. Define the primary, secondary and tertiary sectors. To which sector would you assign each of the following activities: olive cultivation, the manufacture of solar panels, banking, mining of phosphate, software development, restaurant business?
4. What is the difference between a sector and a branch of activity?
5. What thresholds does Algerian Law 17-02 of 2017 use to define the micro-, small, medium-sized and large enterprise? Compare these thresholds with the European Union definitions.

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Chapter 04 : The Resources of the Enterprise

Objectives

After studying this chapter, the student will be able to:

1. Define the notion of resource as used in modern theories of the firm.
2. Distinguish between human, material, financial and intangible resources, and describe each category.
3. Explain the difference between tangible and intangible resources.
4. Apply the VRIN criteria to identify resources capable of generating sustainable competitive advantage.
5. Understand the role of the various resources in determining enterprise performance.

Key terms: resource, capability, tangible resources, intangible resources, human capital, fixed capital, working capital, brand, intellectual property, know-how, organisational culture, VRIN criteria.

Introduction

What does an enterprise actually consist of? The classical answer -labour and capital- is correct as far as it goes but it is far too coarse to support contemporary analysis. The modern theory of the firm, especially in its resource-based variant, recognises an irreducible heterogeneity in what enterprises bring to the productive process. A factory and a brand, a skilled engineer and an organisational culture, a bank loan and a patent portfolio are all resources, but they are not interchangeable. This chapter offers a structured inventory of the resources of the enterprise and introduces the analytical criteria that distinguish ordinary resources from those capable of generating sustainable competitive advantage.

1. The Notion of Resource

In its most general sense, a resource is anything that can serve as an input to productive activity. In the language of modern strategic management, however, the term "resource" has acquired a more technical meaning. Following Wernerfelt (1984) and Barney (1991), a resource is any tangible or intangible asset that is controlled by the firm and that contributes to the conception, the implementation or the improvement of its productive activities. Resources are typically distinguished from capabilities, the latter being defined as the firm's ability to deploy and combine its resources in order to perform a given productive task. Resources and capabilities together constitute the productive potential of the firm.

This conceptual framework, known as the resource-based view (RBV), gradually displaced the older view of the firm as a mere combination of two homogeneous factors of production — labour and capital — and recognised the irreducible heterogeneity of the resources actually mobilised by enterprises. It thereby provided a theoretical foundation for the obvious empirical observation that firms operating in the same industry, facing the same prices and the same

technology, can nonetheless achieve very different levels of performance: they do not, in fact, have access to the same resources.

2. Human Resources

Human resources designate the persons who work for the enterprise and the knowledge, skills, motivation, experience and creativity that they bring to the productive process. Of all the resources of the firm, human resources are the most universally indispensable: even the most automated enterprise still requires human beings to design, operate, supervise and improve its systems.

2.1. The notion of human capital

Theodore Schultz (1961) and Gary Becker (1964) extended the Classical concept of capital to include the productive abilities embodied in human beings. According to this theory, expenditures on education, professional training, health and migration to better jobs are not pure consumption but investments that increase the productivity of the worker, just as expenditures on machinery increase the productivity of capital equipment. The human capital so produced is partly general (transferable to any employer) and partly specific (useful chiefly to the present employer). The combination of these two components has important implications for the firm's investment in training, for the wage structure and for the management of turnover.

2.2 Composition of the workforce

The human resources of a typical enterprise comprise several distinct categories: top managers (responsible for strategic decisions), middle managers (responsible for coordinating operations), supervisors (responsible for the immediate management of work groups), specialised technical personnel (engineers, accountants, jurists, IT specialists), production workers (operators on the shop floor) and support staff (administration, maintenance, security). The relative weights of these categories vary considerably across industries: a

software firm employs predominantly highly skilled engineers and managers, whereas a textile factory employs predominantly production workers.

2.3. Human-resource management

Modern human-resource management (HRM) covers the entire life cycle of the employment relation: planning of workforce needs, recruitment, selection, training, evaluation, remuneration, promotion, motivation, social dialogue and, where necessary, separation. The objective is to align the enterprise's human resources with its strategy, to develop their potential and to maintain a social climate conducive to productivity. The literature distinguishes between "hard" HRM, focused on cost control and the alignment of human resources with strategic objectives, and "soft" HRM, emphasising trust, commitment and the long-term development of personnel (Storey, 2007). In practice, most enterprises combine elements of both.

3. Material Resources

Material resources comprise all the tangible physical assets owned or controlled by the enterprise and used in the productive process. They are conventionally divided into two categories: fixed assets and current assets.

3.1.Fixed assets

Fixed assets — also called fixed capital — are durable productive resources used over several accounting periods. They include:

1. Land and buildings: the sites on which the enterprise carries out its activities (plants, offices, warehouses, retail outlets).
2. Machinery and equipment: production machines, tools, vehicles, computer hardware.
3. Furniture and fittings: office furniture, signs, interior installations.

Fixed assets are subject to depreciation, the accounting recognition of the progressive loss of value through use and obsolescence. The choice of depreciation method (straight-line, declining-balance) affects measured profit and is a familiar issue of financial accounting.

3.2. Current assets

Current assets — sometimes called working capital — comprise the resources used and renewed in the course of each productive cycle:

- Raw materials and supplies awaiting transformation.
- Work-in-progress: partially finished products in the course of manufacture.
- Finished products held in stock awaiting sale.
- Goods purchased for resale (in the case of trading enterprises).

The management of stocks is a classical theme of operations management. Holding stocks entails costs (storage, capital tied up, obsolescence, theft), but it also fulfils useful functions: smoothing supply and demand, protecting against uncertainty, allowing efficient batch sizes. The Japanese inventory management techniques of the second half of the twentieth century - and notably the just-in-time (JIT) system developed by Toyota - sought to minimise these costs while preserving the smooth flow of production. They have profoundly influenced manufacturing practice worldwide (Ohno, 1988).

4. Financial Resources

Financial resources are the monetary funds at the disposal of the enterprise, used to finance its operations and its investments. The financial structure of the firm — the combination of equity and debt that finances its assets — is one of the central concerns of corporate finance.

4.1. Equity

Equity (capitaux propres) comprises the funds contributed by the owners of the enterprise, together with the cumulated profits that have been retained rather than distributed. It includes:

- Share capital (or contributed capital), representing the initial and subsequent contributions of the shareholders.
- Issue premiums, the excess of the issue price of new shares over their nominal value.
- Retained earnings (réserves), the cumulated portion of past profits not distributed as dividends.
- Net income for the current period, before its allocation between distribution and retention.

Equity represents the residual claim on the enterprise - what would remain for the owners if all assets were liquidated and all liabilities paid. It is the principal cushion that protects the enterprise against losses and constitutes the basis of its long-term solvency.

4.2. Debt

Debt (dettes) comprises the funds borrowed from third parties — banks, bondholders, suppliers, the State — and constituting obligations to repay at specified dates. Debt is conventionally classified by maturity (long-term, medium-term, short-term) and by nature (bank credit, bonds, commercial credit from suppliers, tax and social-security liabilities). The cost of debt is the interest rate, which depends on prevailing market conditions, on the perceived creditworthiness of the borrower and on the duration and nature of the borrowing.

4.3. The optimal financial structure

The combination of equity and debt that an enterprise should adopt -its optimal capital structure- has been a major preoccupation of corporate finance since the seminal work of Modigliani and Miller (1958). In an idealised world without taxes, bankruptcy costs or information asymmetries, the financial structure would be a matter of indifference. In the real world, the deductibility of interest from taxable profit, the costs of financial distress, and the signals sent to investors by financing choices all give rise to a non-trivial trade-off. Empirically, capital structures vary considerably across industries (capital-intensive industries tend to be more leveraged than knowledge-intensive ones) and across countries (continental Europe and Japan have traditionally relied more heavily on bank credit than Anglo-Saxon economies).

5. Intangible Resources

Intangible resources, sometimes called invisible assets (Itami, 1987), have no physical existence but nonetheless contribute decisively to the value of contemporary enterprises. Studies of the market capitalisation of listed companies show that the share of intangible assets in total enterprise value has risen sharply over the past four decades and now exceeds, on average, the share of tangible assets in many sectors. Five categories of intangible resources deserve particular attention.

5.1. Intellectual property

Intellectual property comprises rights of exclusive exploitation granted by the State over creations of the mind:

- Patents protect inventions for a period of generally twenty years from filing, in exchange for public disclosure of the invention.
- Trademarks protect the distinctive signs (names, logos) under which goods and services are placed on the market.

- Copyrights protect original literary, artistic and increasingly software works.
- Industrial designs and models protect the visual appearance of objects.
- Trade secrets cover confidential business information that gives the firm an advantage over competitors.

The international protection of intellectual property is governed by a complex web of treaties administered chiefly by the World Intellectual Property Organisation (WIPO) and by the TRIPS agreement of the World Trade Organisation. At the national level, the Institut National Algérien de la Propriété Industrielle (INAPI) is the principal authority responsible for the registration of patents and trademarks.

5.2. Brand and reputation

The brand designates the set of associations - symbolic, emotional, functional - that customers attach to the name of an enterprise or of one of its products. A strong brand allows the firm to charge a price premium, to retain customers over time and to extend more easily into new product categories. The valuation of the leading global brands by specialised consultancies (Interbrand, Brand Finance, Kantar) yields figures in the tens or hundreds of billions of dollars, attesting to the economic importance of this intangible asset. Closely related to the brand is reputation, the perception that the various stakeholders of the firm (customers, employees, investors, public authorities, civil society) form of its trustworthiness and its overall behaviour.

5.3. Know-how and organisational knowledge

Beyond formally protected intellectual property, every enterprise possesses know-how (savoir-faire): the body of tacit knowledge, accumulated through experience, that allows it to perform productive tasks better or more cheaply than competitors. This know-how is partly encoded in routines, in standard

operating procedures, in databases and in software, but is largely embedded in the heads and the habits of employees. The pioneering work of Polanyi (1966) on tacit knowledge and of Nonaka and Takeuchi (1995) on knowledge creation in Japanese firms has placed the management of organisational knowledge at the centre of contemporary management thought.

5.4. Organisational culture

Organisational culture refers to the shared values, beliefs, norms and behavioural patterns that characterise a given enterprise and that shape the conduct of its members. Edgar Schein (1985) distinguished three levels of culture: artefacts (visible manifestations: rituals, dress, language), espoused values (the stated principles) and basic underlying assumptions (the deep, often unconscious beliefs about reality and human nature). A strong and well-aligned culture facilitates coordination, motivates employees and stabilises the firm's identity; a dysfunctional culture, by contrast, can hinder change and undermine performance.

5.5. Relationships and networks

Finally, the relational capital of the firm -its set of stable and trustworthy relations with customers, suppliers, partners, public authorities and the local community- is itself a productive resource. Long-term relations reduce the costs of transactions, facilitate the resolution of conflicts and open access to information and opportunities that would not otherwise be available. The literature on industrial districts, on clusters and on social capital has emphasised the importance of this relational dimension, which is particularly visible in entrepreneurial ecosystems such as Silicon Valley or, on a much more modest scale, the emerging digital ecosystems of Algiers, Oran and Constantine.

6. Resources and Performance

The resources of the firm are, in the resource-based view, the principal determinants of its performance. But the relationship between resources and performance is not mechanical. Three intermediating considerations must be kept in mind.

First, resources must be mobilised. A firm may possess a remarkable set of resources and yet fail to exploit them productively because of poor management, internal conflicts or strategic errors. The capabilities of the firm — its ability to deploy its resources — are at least as important as the resources themselves.

Second, the value of resources depends on the environment. A resource that confers advantage today may become irrelevant tomorrow if the environment changes. The disruption of established firms by digital newcomers — as has happened in retail, music, travel, taxis and many other industries — illustrates how rapidly the value of established resources can decline.

Third, resources are not static. They can be developed, accumulated, transformed, lost. The dynamic capabilities of the firm — its ability to renew its resource base over time — are arguably more important, in a rapidly changing environment, than any particular configuration of resources at a given moment (Teece, Pisano, & Shuen, 1997).

Conclusion

Resources, however, do not work by themselves. A factory does not produce; a brand does not sell; a patent does not innovate. Each must be activated by a coordinated set of human activities organised into recognisable functions. The next chapter therefore turns from the resources of the enterprise to the functions in which those resources are deployed — production, marketing, finance, human resources, research, logistics and the others — and to the value-chain framework that integrates them.

Review Questions

1. Define a resource and distinguish it from a capability.
2. What is human capital? In what respects does it differ from physical capital, and what are the implications of these differences for the management of the firm?
3. Distinguish fixed assets from current assets. Give three examples of each.
4. What is the difference between equity and debt as sources of financing? What advantages and disadvantages does each present for the firm?
5. List five categories of intangible resource and explain why they are particularly important for contemporary enterprises.

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Chapter 05 : The Functions of the Enterprise

Objectives

After studying this chapter, the student will be able to:

1. Identify the principal functions performed within an enterprise.
2. Describe the activities, objectives and tools of each function.
3. Understand the interdependence among the functions and the importance of their coordination.
4. Distinguish operational from support functions.
5. Apply Porter's value chain to analyse the activities of a real enterprise.

Key terms: function, value chain, primary activities, support activities, production, marketing, finance, accounting, human resources, research and development, logistics, information system, general management.

Introduction

Every enterprise, from the smallest workshop to the largest multinational, must perform a recurring set of activities: it must produce, sell, finance, account, hire, train, innovate, transport, inform itself and direct itself. These activities can be grouped into functions, each requiring a distinct competence and contributing to the overall productive purpose of the firm. The way in which these functions are organised and coordinated is one of the great determinants of enterprise performance. This chapter describes the principal functions, explains what each of them does, and integrates them through Michael Porter's classical value-chain framework.

1. The Notion of Enterprise Function

Every enterprise, whatever its size or sector, must perform a certain number of distinct but interrelated activities in order to fulfil its productive mission. These activities -purchasing inputs, producing outputs, selling them, managing the workforce, keeping accounts, financing operations, complying with regulations, innovating -can be grouped into functions. A function is a coherent set of activities directed towards a common objective and requiring a particular kind of competence. In small enterprises, several functions may be carried out by the same person, often the owner; in larger enterprises, each function is typically entrusted to a specialised department headed by a manager.

Henri Fayol (1916) proposed an early classification of enterprise functions into six categories: technical (production), commercial (purchases and sales), financial (search for and management of capital), security (protection of property and persons), accounting (record-keeping) and administrative (planning, organising, commanding, coordinating, controlling). Modern classifications, while preserving the spirit of Fayol's analysis, group functions differently, typically distinguishing between operational functions, which are directly involved in the production and sale of the firm's output, and support

functions, which provide the resources and the framework within which operational functions are exercised.

2. The Production Function

The production function (also called the operations function) comprises all activities involved in transforming inputs (raw materials, components, energy, labour, capital equipment) into outputs (goods or services) ready for sale. It is the technical heart of the enterprise: without production, there is no output to sell, no value added to distribute and, ultimately, no enterprise.

2.1. Activities

The principal activities of the production function include: the design of production processes (process engineering); the planning and scheduling of production (when to produce, in what quantities); the actual operation of the productive equipment; the control of quality at each stage of production; the maintenance of equipment; and the management of inventories of raw materials, work-in-progress and finished goods. In service industries - where there is no physical product to manufacture - the equivalent activities concern the design and delivery of the service: the management of contact with the customer, the organisation of the service-delivery process, the control of service quality.

2.2. Production systems

The literature on operations management distinguishes several types of production system, characterised by the volume produced and the variety of products:

- Project production: a unique product produced once (a bridge, a film, an engineering project).
- Job production: small batches of customised products (artisanal furniture, bespoke tailoring).

- Batch production: medium runs of standardised products (textiles, food processing).
- Mass production: long runs of standardised products on assembly lines (motor vehicles, consumer electronics).
- Continuous production: uninterrupted flow of a standardised product (chemicals, petroleum refining, electricity generation).

Each of these systems requires a different kind of organisation, of equipment and of workforce skills. The choice of production system is closely linked to the firm's competitive strategy: a strategy based on customisation calls for job or batch production, whereas a strategy based on low cost calls for mass or continuous production.

2.3. Quality management

The management of quality has progressively become a function in its own right within the production area. From the statistical quality control methods developed in the United States during the Second World War, through the Total Quality Management (TQM) movement of the 1980s associated with Deming, Juran and Ishikawa, to the contemporary ISO 9001 standard for quality management systems, the field has accumulated a rich body of methods and tools. In Algeria, the Institut Algérien de Normalisation (IANOR) and the Bureau Algérien de Métrologie Légale (ONML) constitute the national infrastructure for quality and standardisation, and a growing number of Algerian enterprises have obtained ISO certification (IANOR, 2022).

3. The Marketing and Sales Function

The commercial function - which modern terminology refers to as marketing and sales - comprises all activities through which the enterprise identifies the needs of its customers, develops products or services to satisfy them, and brings them to market under appropriate conditions of price,

distribution and communication. The American Marketing Association defines marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (American Marketing Association, 2017).

3.1. The Marketing Mix

The traditional analytical framework of marketing is the marketing mix, popularised by Jerome McCarthy (1960) and Philip Kotler (1967), and built around four variables collectively known as the four Ps:

- **Product:** the design, the features, the quality, the brand, the packaging and the after-sales service of the offering.
- **Price:** the level of price, the price differentials among customer segments, the conditions of credit and discount.
- **Place:** the channels of distribution through which the product reaches the customer (direct sale, wholesalers, retailers, e-commerce).
- **Promotion:** the means of communication used to inform customers and to persuade them to buy (advertising, public relations, sales promotion, direct marketing, the sales force).

To these four Ps, contemporary services marketing adds three further variables (People, Process, Physical evidence) particularly relevant to service offerings.

3.2. Market study and segmentation

Before designing its marketing mix, the enterprise must understand its market. Market research — through surveys, focus groups, observation of behaviour, analysis of sales data — provides the information on customer needs, preferences and purchasing behaviour that underpins commercial decisions. A market is rarely homogeneous: different customers have different needs and

respond differently to marketing actions. Segmentation consists in dividing the market into distinct groups of customers with similar characteristics, and targeting consists in choosing those segments on which the enterprise will focus its efforts. Positioning, finally, is the act of giving the offering a distinctive image in the mind of the targeted customers.

4. The Financial Function

The financial function comprises all activities concerned with the acquisition, allocation and management of the financial resources of the enterprise. Its central preoccupation is to ensure that the firm has, at all times, the funds it needs to operate and to invest, at a cost compatible with the rentability of its activities.

4.1. Activities

Three types of decisions structure the financial function:

- Investment decisions: the selection of long-term projects (new plant, expansion, acquisition of equipment, R&D) on the basis of the expected return and the risk of each.
- Financing decisions: the choice of the mix of equity and debt used to finance investments, and the selection of specific instruments (share issues, bank loans, bond issues, leasing).
- Cash management decisions: the management of working capital, of short-term investments and of short-term borrowings to ensure liquidity and to optimise the return on temporarily surplus cash.

Each of these areas has developed its own body of analytical techniques: net present value, internal rate of return and payback period for investment decisions; the cost of capital and the optimal capital structure for financing decisions; cash budgeting and treasury management for short-term cash management. The contemporary student of finance encounters these techniques

in dedicated courses on corporate finance, financial management and investment analysis (Brealey, Myers, & Allen, 2020).

4.2. The financial function in SMEs

In small and medium-sized enterprises, the financial function is often less formalised and is generally exercised by the owner or by a senior accountant. The decisions, however, are no less important — and may indeed be more critical to survival, since SMEs typically have thinner financial reserves and more difficult access to external financing than large firms. The financial management of SMEs is a major theme of research and policy in Algeria, where the difficulty of access to bank credit and the predominance of self-financing are recurrent concerns.

5. The Accounting Function

The accounting function is concerned with the systematic recording, classification, analysis and reporting of the financial transactions of the enterprise. It produces the information that is indispensable both for the internal management of the firm and for its external relations with shareholders, lenders, the tax administration and other stakeholders.

5.1. Financial and management accounting

A standard distinction separates financial accounting (also called general accounting) from management accounting (also called cost accounting or analytical accounting). Financial accounting is governed by national and international standards (in Algeria, the *Système Comptable Financier*, SCF, adopted in 2007 and inspired by the IFRS); it produces standardised statements - balance sheet, income statement, cash-flow statement, notes - intended for external users. Management accounting, by contrast, is internal and discretionary: it produces detailed analyses of costs by product, by customer or by activity, intended to support managerial decisions. Modern variants include

activity-based costing (ABC) and the balanced scorecard (Kaplan & Norton, 1996).

5.2. Auditing

The reliability of accounting information is verified by the auditing function. External audit, performed by independent professionals (in Algeria, the commissaire aux comptes), gives an opinion on the conformity of the financial statements with applicable standards and on the fair presentation of the financial position. Internal audit, performed by employees of the enterprise itself, examines a wider range of risks - operational, regulatory, ethical - and reports to the general management or to the audit committee of the board.

6. The Human-Resources Function

The human-resources (HR) function manages the human capital of the enterprise from recruitment to separation. Its activities have been touched upon in Chapter 4; we recall here their organisation into seven principal areas:

- Workforce planning: forecasting the firm's future personnel needs and identifying the gap between needs and existing resources.
- Recruitment and selection: attracting, identifying and hiring suitable candidates.
- Training and development: developing the competences of personnel through initial training, continuing training and career-development programmes.
- Performance evaluation: assessing the contribution of each employee and identifying needs for improvement.
- Compensation: determining wages, salaries, bonuses and benefits in a way that is fair, motivating and consistent with the firm's resources.

- Industrial relations: managing collective relations with unions and workers' representatives, negotiating collective agreements, preventing and resolving conflicts.
- Health, safety and well-being: ensuring decent working conditions and complying with occupational-health regulation.

The HR function has gained in strategic importance over the past three decades, in parallel with the recognition of human capital as a major source of competitive advantage. The chief human-resources officer is, in many large enterprises, a member of the executive committee, on a par with the chief financial officer and the chief operating officer (Ulrich, 1997).

7. The Research and Development Function

Research and development (R&D) encompasses the systematic activities undertaken by the enterprise to acquire new knowledge and to apply it to the design of new products, services or production processes. R&D is conventionally divided into three categories:

- Basic research: investigation undertaken to acquire new knowledge, without specific commercial application in view.
- Applied research: investigation undertaken with a specific practical objective in mind.
- Experimental development: systematic work, drawing on existing knowledge, directed towards the production of new materials, products, processes, or substantial improvements thereof.

R&D intensity (the share of R&D expenditure in turnover) varies enormously across industries. Pharmaceutical, aerospace, electronics and software industries typically devote 10% or more of turnover to R&D; food, textile and construction industries devote less than 1%. At the national level, R&D expenditure as a share of GDP is one of the most-watched indicators of

innovation capacity. Algeria currently spends less than 1% of GDP on R&D, well below the levels prevailing in developed economies and below the regional benchmarks of Tunisia or Morocco (UNESCO Institute for Statistics, 2022).

8. The Logistics and Supply-Chain Function

The logistics function manages the physical flows of materials, products and information that connect the enterprise with its suppliers and its customers. The contemporary notion of supply-chain management (SCM) extends this perspective beyond the boundaries of the firm to encompass the entire chain - from the supplier's supplier to the customer's customer.

The principal activities of logistics include: procurement (purchasing of raw materials, components and services from suppliers); inbound logistics (transport and storage of incoming inputs); internal logistics (movement of materials and work-in-progress within the firm); outbound logistics (storage and transport of finished products to customers); and reverse logistics (return of defective or end-of-life products). The optimisation of these flows -minimising costs, lead times and stocks while preserving service quality -has become a major lever of competitiveness in many industries. The just-in-time methods developed in Japan, the integrated planning systems of contemporary ERP software, and the rise of e-commerce and last-mile delivery have all transformed the practice of logistics over the past decades (Christopher, 2016).

9. The Information-System Function

The information system (IS) of the enterprise comprises all the technologies, procedures and human resources used to collect, process, store, transmit and present information needed by the firm. Once a peripheral support function, the IS has moved to the heart of contemporary enterprises, to the point of becoming, in many sectors, indistinguishable from the firm itself: a bank, an airline, an e-commerce platform are, in a real sense, their information systems.

The principal components of a modern enterprise IS include: hardware (servers, workstations, networks); operating systems and middleware; transaction-processing applications (accounting, billing, payroll, inventory); enterprise resource planning (ERP) systems that integrate the data flows of all functions; customer-relationship management (CRM) systems; supplier-relationship management (SRM) systems; and decision-support systems (business intelligence, analytics, dashboards). The rise of cloud computing, of big data and of artificial intelligence is currently transforming this landscape in ways that we shall examine in Chapter 11 (Laudon & Laudon, 2020).

10. The General-Management Function

Above and across all specialised functions stands the general-management function -what Fayol called the "administrative" function. It is exercised by the chief executive and his or her closest collaborators, and consists in defining the overall direction of the enterprise and ensuring that the various functions cooperate effectively in pursuit of that direction. Fayol's five components of administration -to plan, to organise, to command, to coordinate, to control-remain valid in their general spirit, though the management literature has refined and renamed them over the years.

Contemporary general management typically encompasses: the formulation of the firm's strategy; the design of its organisational structure (the subject of Chapters 6 and 7); the leadership of its top managers; the monitoring of performance; the management of crises and exceptional situations; and the representation of the firm vis-à-vis its principal external interlocutors (shareholders, public authorities, the media, the local community).

11. Porter's Value Chain

Michael Porter (1985), in *Competitive Advantage*, proposed the now-classic value-chain framework as an integrated tool for analysing the functions of the enterprise. Porter distinguishes two categories of activities.

Primary activities are those directly involved in the creation of the product and its sale to the customer:

- Inbound logistics: receipt, storage and handling of inputs.
- Operations: transformation of inputs into outputs.
- Outbound logistics: storage and distribution of outputs.
- Marketing and sales: identification of customer needs and persuasion of customers to purchase.
- Service: after-sales activities that maintain or enhance the value of the product.

Support activities provide the inputs and the infrastructure that allow primary activities to function:

- Firm infrastructure: general management, planning, finance, accounting, legal affairs.
- Human-resource management: recruitment, training, compensation.
- Technology development: R&D, process improvement.
- Procurement: purchasing of all inputs, not only raw materials.

The value chain serves as both a diagnostic tool -identifying which activities create most value and which are least efficient - and a strategic tool - identifying the activities on which the firm should focus its differentiating efforts. Two enterprises in the same industry may, by configuring their value chains differently, achieve quite different competitive positions: one through cost leadership, the other through differentiation.

Conclusion

Identifying the functions of the enterprise immediately raises a further question: how are they arranged? Who reports to whom? Who decides what? How are conflicts among functions resolved? These are questions of organisational structure — the formal architecture that gives shape to the firm's activity. The next chapter takes up this question, examining the components of structure and the contingency factors that determine which structures suit which enterprises.

Questions for discussion :

1. Define the notion of enterprise function. Why is it useful to distinguish among functions when analysing a firm?
2. Compare Fayol's classification of enterprise functions with Porter's value chain. What are the similarities and the differences?
3. Describe the principal activities of the production function. How does production differ in a manufacturing enterprise and in a service enterprise?
4. Explain the four Ps of the marketing mix. Apply them to a product of your choice.
5. Distinguish the three types of decision that structure the financial function. Give an example of each.
6. What is the difference between financial accounting and management accounting? Why does the firm need both?
7. List the seven principal areas of activity of the human-resources function. Which of these has gained most in importance in recent years, and why?
8. What is the difference between basic research, applied research and experimental development? Where would you place each type of activity in Porter's value chain?

9. Choose an Algerian enterprise and analyse it using Porter's value chain. Which of its activities seem most likely to confer a competitive advantage?

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Chapter 06 : Organisation and Organisational Structure

Objectives

After studying this chapter, the student will be able to:

1. Define organisation as a process and as a state.
2. Distinguish the principal types of organisation.
3. Define organisational structure and explain its components.
4. Identify the determinants of organisational structure.
5. Read and interpret a basic organisation chart.

Key terms: organisation, division of labour, coordination, hierarchy, organisational structure, organisation chart, formalisation, centralisation, specialisation, span of control, contingency, configuration.

Introduction

Once an enterprise grows beyond the founder and a handful of associates, an inescapable question arises: how is the work to be divided, and how are the divided activities to be coordinated? The answer takes the form of an organisational structure - the system of formal relationships, levels of authority and patterns of communication that turns a collection of individuals into a coherent productive entity. Structure is not a peripheral administrative matter: it shapes how decisions are made, how information flows, how careers develop and ultimately how the firm performs. This chapter introduces the concept of organisation and surveys the principal dimensions of structure.

1. Defining Organisation

The term organisation is used in management literature in two related but distinct senses. As a process, organisation designates the activity by which the resources of the enterprise — human, material, financial, informational — are arranged in such a way as to allow the firm to achieve its objectives. As a state, organisation designates the result of this activity: the durable configuration of relationships and responsibilities that defines the enterprise as a coherent productive entity. Henri Fayol (1916) understood organisation primarily as a process and listed "to organise" among the five components of management. Max Weber (1922), and the institutional sociologists who followed him, used the term chiefly in the state sense, to describe enterprises and bureaucracies as social formations of a particular type.

Both senses are useful and complementary. The contemporary student of the firm encounters them in such pairings as "the organisation of the firm" (the state) and "the reorganisation of the firm" (the process).

1.1. Why organise?

The fundamental reason to organise is that productive activities of any complexity exceed the capacity of a single individual and must be divided among several persons. Once divided, however, these activities must also be coordinated, lest the contribution of each fail to combine into a coherent whole. Organisation, in its most general sense, is therefore the joint resolution of the problems of division of labour and coordination.

Adam Smith and Charles Babbage (1832) showed how the division of labour raises productivity by allowing specialisation. But specialisation simultaneously creates interdependence: each specialised worker now depends on the others for the completion of the productive process. The coordination of these interdependent activities is what organisation, in the process sense, accomplishes. Henry Mintzberg (1979) identified five basic coordination mechanisms:

- Mutual adjustment, in which coordination is achieved through informal communication among workers — the dominant mechanism in very small groups and in highly skilled work where outcomes cannot be predicted in advance.
- Direct supervision, in which one person assumes responsibility for the work of others by giving instructions and monitoring their actions — the basic principle of hierarchy.
- Standardisation of work processes, in which the content of the work is specified in advance through procedures, instructions or programmes.
- Standardisation of outputs, in which the results to be achieved are specified, leaving discretion over the means.
- Standardisation of skills, in which workers are trained, before they enter the organisation, to handle predictable situations through established

responses -the dominant mechanism in professional organisations such as hospitals or universities.

Real enterprises combine these mechanisms in proportions that depend on the size of the firm, the nature of its activities and the qualifications of its personnel. As the firm grows, mutual adjustment becomes insufficient; direct supervision is added; with further growth, standardisation of various kinds becomes necessary; and at the largest scale, all five mechanisms typically coexist.

1.2. Types of organisation

The notion of "organisation" extends well beyond the enterprise. It encompasses any group of persons working together towards common objectives in a stable way. Organisations may be classified by their principal purpose:

- Economic organisations, of which the enterprise is the central case, produce goods or services for the market.
- Public organisations, such as ministries, agencies and local authorities, fulfil functions of general interest financed chiefly by taxation.
- Voluntary or non-profit organisations (associations, foundations, NGOs) pursue collective causes - humanitarian, religious, cultural, sporting - without distributing profits to members.
- Cooperatives and mutual societies are hybrid forms that combine economic activity with democratic governance by their members.

Although these categories differ in their objectives and their constraints, they share many organisational problems and have inspired one another in their solutions. Some of the most influential analytical tools in management - strategic planning, performance measurement, total quality management - were

originally developed in private enterprises but have been adapted to public and non-profit settings, and vice versa.

2. Organisational Structure

The organisational structure of an enterprise is the system of formal relationships among its members, defined chiefly by the division of work into jobs and departments and by the patterns of authority and coordination among them. The structure is what one would describe to a newcomer who asked "how is the firm organised?"

2.1. Components of structure

Organisation theorists describe structure along several dimensions. Following Mintzberg (1979) and Robbins and Judge (2017), the most important are:

- Specialisation (or division of labour): the degree to which the work of the enterprise is divided into separate jobs and tasks.
- Departmentalisation: the basis on which jobs are grouped into larger organisational units (by function, by product, by geographical area, by customer segment, etc.).
- Chain of command: the line of authority that extends from the top of the enterprise to its lowest level, identifying for each position the superior to whom it reports.
- Span of control: the number of subordinates that one manager directly supervises. Narrow spans of control produce tall hierarchies with many levels; wide spans produce flat hierarchies with few levels.
- Centralisation versus decentralisation: the degree to which authority over decisions is concentrated at the top of the hierarchy or distributed to lower levels.

- Formalisation: the extent to which work is governed by written rules, procedures and job descriptions rather than by individual judgement and oral agreement.

These six dimensions do not vary independently of one another. Empirical studies show that they tend to cluster into a small number of recurrent configurations, of which the next chapter will examine the principal ones.

2.2. The organisation chart

The most visible expression of the organisational structure is the organisation chart (organigramme): a diagram showing the principal positions or units of the enterprise, the lines of authority that link them, and sometimes the names of the persons who currently occupy them. Organisation charts are useful tools of communication and reflection but they have important limits: they show only the formal relationships, not the informal networks and personal alliances that often shape real behaviour; they freeze in time a structure that may be evolving rapidly; and they cannot capture the rich texture of authority, influence and persuasion that operates within any real enterprise. A serious student of organisations always reads charts critically, recalling Henry Mintzberg's warning that they are at best the skeleton, not the flesh, of the firm.

3.The Determinants of Structure

Why do different enterprises adopt different structures? The contingency theory of organisations, which dominated organisational research from the 1960s to the 1980s, answered: because they face different conditions. There is no single "best" structure; the most appropriate structure depends on ("is contingent upon") a set of variables that characterise the enterprise and its environment. The principal contingency variables identified by the literature are size, technology, environment, strategy and age.

3.1. Size

As enterprises grow, their structures typically become more elaborate. The Aston studies of the 1960s (Pugh & Hickson, 1976) found systematic relations between size and structure: larger firms exhibit higher specialisation, more formalisation, more standardisation and more decentralisation than smaller firms. A small enterprise can rely on the direct supervision of the owner-manager and on mutual adjustment among a few employees; a large enterprise requires explicit rules, formal procedures and delegation of authority simply to function.

3.2. Technology

Joan Woodward (1965), in pioneering British research, showed that the type of technology employed by a firm influences its structure. Unit and small-batch production (custom work, prototypes) calls for organic structures with few hierarchical levels and substantial autonomy at the operational level. Mass production (assembly lines for standardised products) calls for tall hierarchies with high formalisation and centralisation. Continuous-process production (oil refining, chemicals) calls again for flatter structures with high technical skill at the operational level.

3.3. Environment

Tom Burns and George Stalker (1961), in another influential British study, contrasted two ideal-typical structures suited to two ideal-typical environments. Mechanistic structures - characterised by sharp specialisation, strong hierarchy, formal rules and centralised decisions - are well suited to stable environments in which the products, the technologies and the competitors change slowly. Organic structures - characterised by flexible roles, lateral communication, decentralisation and reliance on professional judgement - are better suited to dynamic environments in which change is rapid and uncertainty is high. The

dramatic acceleration of environmental change over the past three decades has shifted the balance towards more organic structures across many industries.

3.4 . Strategy

Alfred Chandler (1962), studying the history of the largest American corporations, formulated the famous proposition that structure follows strategy. As firms diversified beyond their original product, they had to adapt their structures: the unitary functional structure (the U-form) gave way to the multidivisional structure (the M-form), in which each division managed a relatively autonomous business and the corporate centre concentrated on capital allocation, strategy and the supervision of divisional performance. The link between strategy and structure has subsequently been refined - structure also influences strategy, in a relationship of mutual conditioning - but the fundamental insight remains valid.

3.5. Age and culture

Older enterprises, all else equal, tend to be more bureaucratic and more formalised than younger ones, both because they have had more time to accumulate procedures and because their workforce includes people who have grown up with established ways of doing things. National culture also influences structure: comparative studies have documented systematic differences between, for example, Anglo-American firms (more decentralised, more formalised) and Latin or Asian firms (more centralised, more relational). These cultural effects must be considered when interpreting structures across national contexts.

4.The Five Parts of the Organisation

Henry Mintzberg (1979) proposed a stylised representation of the organisation as composed of five parts, each playing a distinctive role:

- The strategic apex: the top of the hierarchy, where overall direction is set - the chief executive and the senior leadership.
- The middle line: the chain of middle managers that links the strategic apex to the operating core.
- The operating core: the workers who actually produce the goods or deliver the services.
- The technostructure: the analysts who design and maintain the systems of standardisation - methods engineers, planners, financial analysts, quality controllers.
- The support staff: the units that provide indirect services to the rest of the organisation -legal counsel, public relations, IT, food services.

To these five parts, later writings added an ideology (the system of beliefs that distinguishes the organisation from others and binds its members together). The relative weights of these parts vary across configurations: the operating core dominates in a professional organisation, the technostructure in a machine bureaucracy, the strategic apex in an entrepreneurial firm, the middle line in a divisional firm, the support staff in an adhocracy. The next chapter examines these configurations in detail.

5. Recurring Tensions in Structure

Designing an organisational structure inevitably confronts a number of trade-offs, none of which admits of a universally correct resolution.

- Specialisation versus integration : Greater specialisation raises productivity within each role but makes coordination more difficult. The right balance depends on the volume and the homogeneity of the work, on the available technology and on the qualifications of the workforce.
- Centralisation versus decentralisation : Centralisation ensures consistency and exploits the expertise of senior managers; decentralisation accelerates

decisions, motivates middle managers and adapts better to local circumstances. The traditional formula "centralise the strategy, decentralise the operations" captures, in shorthand, a recurrent practical compromise.

- **Differentiation versus integration :** As enterprises grow, they create specialised units adapted to different parts of the environment (Lawrence & Lorsch, 1967); but these differentiated units must be brought back together through integrative mechanisms (coordinating committees, liaison roles, integrators, matrix structures). The more differentiated the units, the more integrative effort is required.
- **Stability versus change :** A structure must be stable enough to allow learning, accumulation of experience and operational efficiency; but it must also be flexible enough to respond to changes in the environment. The art of structural design consists in finding a balance that depends on the prevailing rhythm of environmental change.

Conclusion

Understanding the components and the determinants of structure equips us to recognise the recurrent configurations into which they combine in practice. A small entrepreneurial firm, a mass-production factory, a hospital and a research consultancy each exhibit distinctive structural patterns that the next chapter will examine in turn.

Review Questions

1. List and briefly describe Mintzberg's five basic coordination mechanisms. Give an example of an enterprise in which each is likely to dominate.
2. Define organisational structure. Identify and explain the six dimensions along which it is conventionally described.
3. What is an organisation chart? What does it show ?

4. Explain how each of the following influences the structure of the enterprise: size, technology, environment, strategy, age.
5. Describe Mintzberg's five parts of the organisation. Which part is most prominent in (a) a university, (b) an automobile assembly plant, (c) a small consultancy?
6. Discuss the trade-offs between centralisation and decentralisation. Under what conditions is each likely to be preferable?

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Chapter 07 : Classifications of Organisational Structure

Objectives

After studying this chapter, the student will be able to:

1. Identify the principal types of organisational structure used by contemporary enterprises.
2. Describe the characteristics, advantages and disadvantages of each type.
3. Recognise Mintzberg's five organisational configurations.
4. Choose an appropriate structure for a given enterprise on the basis of its size, activities and environment.
5. Diagnose common structural problems and suggest corrective measures.

Key terms: functional structure, divisional structure, matrix structure, project structure, network structure, simple structure, machine bureaucracy, professional bureaucracy, adhocracy, holding structure.

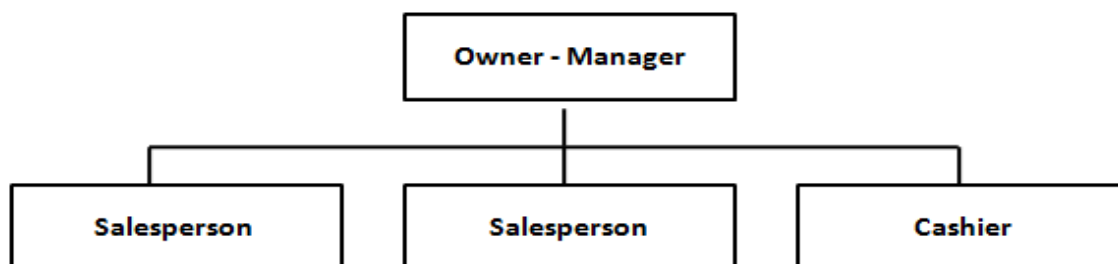
Introduction

The dimensions of structure presented in Chapter 6 - specialisation, departmentalisation, span of control, centralisation, formalisation - do not vary independently of one another. They tend to cluster into a small number of recurrent configurations, each adapted to a particular kind of activity, size and environment. Recognising these configurations and understanding the trade-offs each entails is one of the most useful analytical skills the student of the enterprise can acquire. This chapter surveys the principal structural types - simple, functional, divisional, matrix, project, network, holding - and presents Henry Mintzberg's influential synthesis.

1. The Simple Structure

The simple structure - also known as the entrepreneurial structure - is the form typically adopted by small, young enterprises and by family businesses. Authority is concentrated in the hands of the owner-manager, who exercises direct supervision over all employees. There are few hierarchical levels, little formalisation, little technostructure and little support staff. Coordination is achieved chiefly by direct supervision and by mutual adjustment among a small workforce that often shares informal relationships outside work.

Figure 1. The simple structure



1.1. Characteristics

- Few hierarchical levels — typically two or three, sometimes only one.
- Concentration of decisions in the hands of the founder or owner.
- Limited specialisation: each employee performs a range of tasks.
- Few written procedures.
- Reliance on personal trust and informal communication.

1.2. Advantages

- Speed of decision: with all authority concentrated, the firm can react quickly.
- Flexibility: simple structures adapt readily to changing circumstances.
- Low overhead: little is spent on the support functions and the technostructure.
- Direct knowledge of the firm by the leader, who is in daily contact with operations.

1.3. Disadvantages

- Dependence on a single individual: the firm is vulnerable to the illness, departure or limits of the founder.
- Limited scalability: as the firm grows, the founder can no longer supervise everything personally.
- Risk of arbitrariness: decisions depend on the moods and biases of the leader.
- Difficulty of attracting senior talent, since there is little career path beyond the founder.

The simple structure is the appropriate point of departure for new enterprises. Most successful firms, however, must eventually evolve towards

more elaborate structures as they grow - a transition that is often painful, since it requires the founder to relinquish a degree of personal control.

2. The Functional Structure

The functional structure - sometimes called the U-form (unitary) - is the classical structure of the medium-sized enterprise. It is characterised by departmentalisation along the principal functions of the enterprise: production, marketing, finance, human resources, R&D, and so on (Chapter 5). Each function is headed by a senior manager who reports to the chief executive. Specialised competences are concentrated within each function, and coordination among functions is achieved chiefly by the chief executive and by various horizontal mechanisms (committees, project teams, liaison roles).

Figure 2 : The Functional Structure



2.2. Characteristics

- Departments correspond to functions.
- Clear lines of authority within each function.

- Concentration of specialised expertise.
- Coordination across functions handled at the top of the hierarchy.
- Typically tall hierarchy with several levels.

2.2. Advantages

- Efficient use of specialised resources: experts work together and share their expertise.
- Economies of scale within each function.
- Clear professional career paths within each function.
- Standardisation of practices within each function.

2.3. Disadvantages

- Slow lateral coordination: communication between functions must often pass through the chief executive.
- Each function tends to develop its own perspective and its own objectives, which may not align with those of the firm as a whole — the so-called "silo" phenomenon.
- Difficult to manage multiple products or markets with widely different characteristics.
- Top-management overload, as all coordination flows up to the chief executive.

The functional structure works well for enterprises with a relatively narrow range of products and markets, but it becomes unwieldy as the firm diversifies.

3. The Divisional Structure

The divisional structure - the M-form, for multidivisional - was developed in the 1920s by Alfred Sloan at General Motors and by Pierre Du Pont at

DuPont, and was popularised in the management literature by Alfred Chandler (1962). It is the dominant structure of the large diversified enterprise. The firm is divided into relatively autonomous divisions, each responsible for a particular product range, geographical area or customer segment. Each division has its own functional structure (production, marketing, finance, etc.) and is treated as a quasi-independent profit centre. The corporate centre — composed of a small staff, the chief executive and a strategic-planning unit — sets overall direction, allocates capital among divisions, sets performance targets and monitors results, but leaves operational decisions to the division heads.

Figure 3 : The Divisional Structure



3.1. Types of divisionalisation

Divisions may be defined along several axes:

- By product: each division is responsible for a product range (passenger cars, commercial vehicles, motorcycles).

- By geographical area: each division is responsible for a region (Africa, Europe, Asia-Pacific, Americas).
- By customer segment: each division is responsible for a class of customers (individuals, SMEs, large corporates, public sector).

The choice depends on which axis carries the greatest strategic and operational differentiation. A firm whose products require very different technologies and very different customer relationships is naturally organised by product; a firm that sells essentially the same products in markets with very different regulations and consumer preferences is naturally organised by geographical area.

3.2. Advantages

- Adaptation to the diversity of products, markets or regions.
- Accountability: each division's performance is clearly identifiable.
- Development of general-management competences at the head of each division.
- Focus of the corporate centre on strategy and capital allocation.

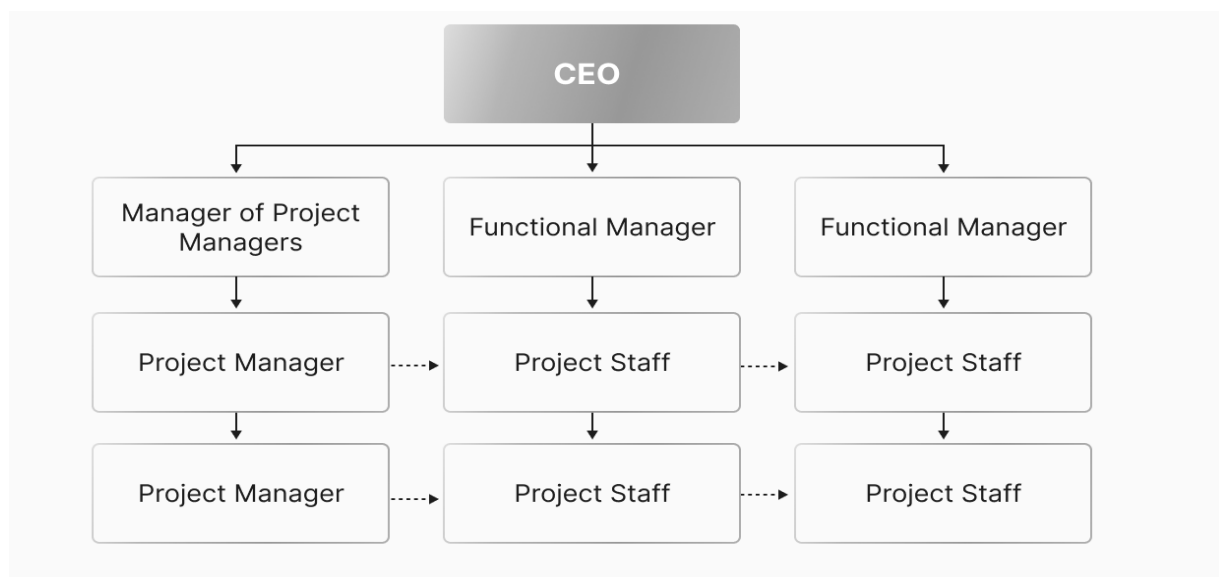
3.3. Disadvantages

- Duplication of functions: each division has its own marketing, finance, HR, etc.
- Difficult to share competences and best practices across divisions.
- Possible competition among divisions for corporate resources.
- Short-term horizon, if divisional performance is measured chiefly by quarterly or annual profit.

4. The Matrix Structure

The matrix structure superimposes two (or sometimes more) bases of departmentalisation upon one another. The most common variant superimposes functional departments (production, R&D, marketing, etc.) and project or product teams. An engineer, for example, may simultaneously belong to the engineering department (where she is evaluated on her technical competence, where she receives professional training and where her career develops) and to one or several project teams (in which her daily work is organised and her short-term contribution is assessed). She thus has two superiors - her department head and her project leader - between whom she must arbitrate her time and attention.

Figure 4 : The Matrix Structure



4.1. Origins

Matrix structures were first widely used in the American aerospace industry of the 1960s, where the management of complex projects (the Apollo programme, the development of new aircraft) required tight coordination across functional specialists. They have since spread to many other industries - construction, consulting, pharmaceuticals- and to many multinational

enterprises, where they help manage the simultaneous tensions of product, region and function.

4.2. Advantages

- Efficient deployment of specialised personnel across multiple projects or products.
- Tight coordination on each project.
- Preservation of functional expertise and professional development.
- Flexibility in responding to changing portfolios of projects or products.

4.3. Disadvantages

- Tension between functional and project authority, which must be carefully managed.
- Risk of conflict, ambiguity and demotivation for personnel who report to two superiors.
- Heavy reliance on horizontal coordination meetings, which can multiply and slow decisions.
- Costly: matrix structures typically require more middle management than functional or divisional structures.

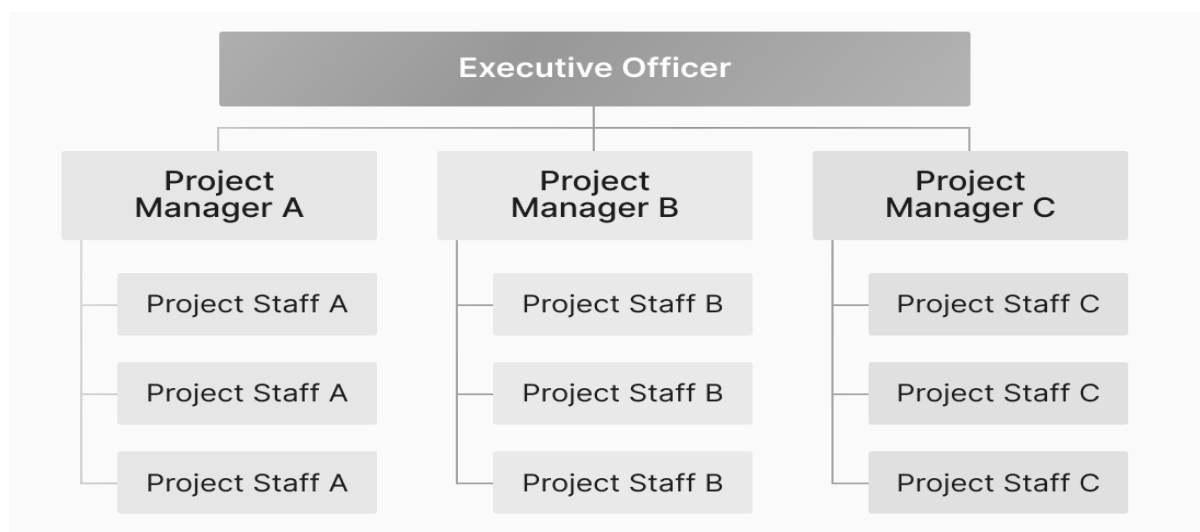
Matrix structures place high demands on the maturity of managers and on the quality of horizontal communication. They are not appropriate to all enterprises; many firms that have attempted to adopt them have eventually returned to simpler structures.

5. Project and Network Structures

5.1. The project structure

In some industries - construction, civil engineering, IT services, consulting, film production - the principal output of the enterprise consists of projects: unique, time-limited assignments that mobilise a dedicated team and end with the delivery of a defined result. The project structure organises the entire firm around such projects, with a project director leading each project and the functional resources of the firm allocated as needed. Project-based structures combine some features of matrix structures with a stronger orientation towards the delivery of discrete, completed outputs (Project Management Institute, 2021).

Figure 5 : The project structure

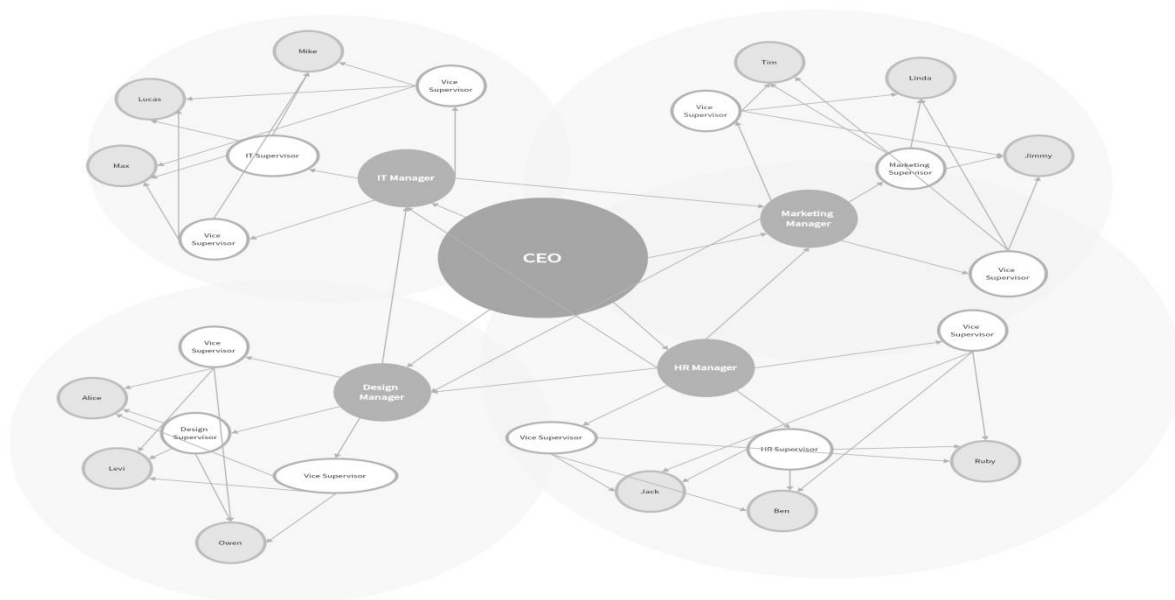


5.2. The network structure

Network structures -also called virtual or modular structures — extend the logic of outsourcing to its limit. The firm retains in-house only the activities that constitute its core competence, and outsources to specialised partners all other activities (production, logistics, IT, customer service). A network firm

coordinates a constellation of partners through contracts, information systems and personal relationships rather than through hierarchical authority. Many contemporary clothing and consumer-electronics brands operate on this model, designing and marketing products that are actually manufactured by contract suppliers, often in different countries. The network structure offers great flexibility but requires sophisticated capabilities in partner selection, contract design and performance monitoring.

Figure 6 : The network structure



6. The Holding Structure

The holding structure consists of a parent company (the holding) that owns controlling stakes in a portfolio of legally independent subsidiary companies. Unlike the divisional structure — where divisions are operational units of a single legal entity — the holding structure preserves the legal autonomy of each subsidiary. The holding company performs essentially financial functions: ownership, capital allocation, appointment of senior officers, financial control. Operational decisions are taken at subsidiary level.

Holding structures are well suited to highly diversified groups (where the synergies among activities are weak) and to international groups (where local legal personality is useful for regulatory or tax reasons). They are common in Algeria among large public groups (the Sociétés de Gestion des Participations and their successors) and among the largest private groups.

Conclusion

Real enterprises rarely correspond exactly to a single pure type; they combine features and they evolve over time. This evolution, however, is not arbitrary: it is shaped above all by the environment within which the firm operates. To understand why a given firm has adopted a given structure — and what structural changes its situation may call for — we must turn to the environment of the enterprise. The next two chapters undertake this analysis.

Questions for discussion :

1. Describe the simple structure. Why is it dominant in small enterprises? What are its principal limits?
2. Distinguish the functional structure from the divisional structure. Identify two advantages and two disadvantages of each.
3. What is a matrix structure? Why is it considered difficult to manage? In what circumstances might it nonetheless be appropriate?
4. Define network structure and give two contemporary examples. What capabilities must the focal firm possess to manage such a structure successfully?
5. What is a holding structure? In what circumstances is it likely to be preferred to a divisional structure?
6. Choose an Algerian enterprise and identify its current structure. To which of the configurations of this chapter does it most closely correspond? What changes would you recommend, if any, and why?

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Objectives

After studying this chapter, the student will be able to:

1. Define the environment of the enterprise and identify its principal characteristics.
2. Distinguish the internal from the external environment.
3. Distinguish the micro-environment from the macro-environment.
4. Identify the principal components of each level of the environment.
5. Understand the importance of the environment as a determinant of enterprise performance.

Key terms: environment, internal environment, external environment, micro-environment, macro-environment, stakeholder, PESTEL, complexity, dynamism, hostility, munificence.

Introduction

No enterprise exists in isolation. Customers, suppliers, competitors, public authorities, financial institutions, civil society and the natural environment all impinge on the firm's activity, sometimes as opportunities, sometimes as threats, always as conditions that the firm must somehow take into account. The contemporary view of the enterprise as an open system places these external interactions at the heart of analysis. This first of two chapters on the environment introduces the concept itself, distinguishes its principal levels - internal, micro and macro - and presents the analytical frameworks (Porter's five forces, PESTEL, the stakeholder approach) used to map them.

1. The Notion of Environment

The environment of an enterprise comprises all the elements — persons, institutions, conditions — outside its formal boundaries that influence, or may influence, its activities. The notion has been at the heart of management thought since the 1960s, when systems theory introduced the idea of the enterprise as an open system in constant exchange with its surroundings (Katz & Kahn, 1966). Earlier classical management — Fayol, Taylor — had treated the firm chiefly as a closed system whose performance depended on its internal organisation. The opening of this perspective to the environment was one of the major intellectual events of twentieth-century management thought.

To say that the enterprise is an open system means several things at once. The firm draws from its environment the resources it needs to operate: workers, capital, raw materials, technology, information, demand. It sends back into its environment the outputs of its activity: products, services, wages, taxes, dividends, emissions. It is shaped by its environment, but it also acts upon its environment, modifying the conditions under which other actors must operate. And the environment is itself changing, sometimes slowly and sometimes very rapidly, in ways that the firm must perceive, interpret and respond to.

A Working Definition

The environment of an enterprise is the set of factors, actors, conditions and forces external to its formal boundaries that affect its functioning, its objectives, its strategies and its performance, and on which the enterprise may, in turn, exert an influence of greater or lesser intensity.

2. Characteristics of the Environment

The environment within which an enterprise operates can be characterised along four principal dimensions identified by the contingency literature (Mintzberg, 1979; Duncan, 1972).

2.1. Complexity

Complexity refers to the number and diversity of factors that the firm must take into account. A bakery selling bread in a single neighbourhood faces a simple environment: a limited number of customers, suppliers and competitors, all of which it knows personally. A pharmaceutical multinational, by contrast, faces an enormously complex environment: thousands of competitors, hundreds of regulatory authorities, dozens of distinct scientific disciplines, millions of customers in scores of countries. As complexity rises, the cognitive demands placed on management increase, and the firm must invest in specialised analytical capabilities (market research, regulatory affairs, strategic intelligence) simply to make sense of its situation.

2.2. Dynamism

Dynamism refers to the rate of change of environmental conditions. A stable environment is one in which the principal factors evolve slowly and predictably; a dynamic environment is one in which they change rapidly and often in unanticipated directions. Dynamism has clearly increased in recent decades for most industries, under the combined influence of technological change, globalisation, deregulation, and shifts in consumer preferences. The

Covid-19 pandemic provided a particularly striking illustration of environmental dynamism, with abrupt and unforeseen changes in demand, supply, regulation and operating conditions across virtually all sectors. Dynamic environments call for flexible, organic structures and for substantial managerial attention to environmental scanning and strategic planning.

2.3. Hostility (or munificence)

Hostility - or its inverse, munificence - refers to the difficulty of obtaining the resources that the enterprise needs to operate, and to the intensity of the threats it faces. A munificent environment provides abundant resources and few threats: growing demand, easy access to financing, weak competition, supportive public policy. A hostile environment is marked by scarce resources, intense competition, restrictive regulation and economic uncertainty. The strategies appropriate to munificent and hostile environments differ markedly: the former rewards expansion and investment, the latter rewards conservation, defensive positioning and operational efficiency.

2.4. Diversity (or homogeneity)

An environment is diverse when the elements it contains differ markedly from one another, and homogeneous when they resemble each other closely. A firm operating in several countries with very different cultures, regulations and consumer preferences faces a diverse environment; a firm operating in a single national market with a homogeneous customer base faces a homogeneous one. Diversity calls for more decentralised structures and for higher tolerance of internal variation; homogeneity allows for tighter standardisation.

3. The Internal Environment

Although the term "environment" is most often used in the sense of external environment, some authors find it useful to speak also of an internal environment, comprising the elements of the enterprise itself - its resources, its

capabilities, its structure, its culture, its history. The diagnostic of the internal environment is the natural complement to the diagnostic of the external environment in any serious strategic analysis. The SWOT framework (Strengths, Weaknesses, Opportunities, Threats), popularised by Andrews and Christensen at Harvard Business School in the 1960s, is built precisely on this distinction: strengths and weaknesses characterise the internal environment, opportunities and threats characterise the external environment.

3.1. Components of the internal environment

The principal components of the internal environment are the ones we have already encountered in earlier chapters: the resources of the firm (Chapter 4), its functional capabilities (Chapter 5), its organisational structure (Chapters 6 and 7), its culture and its leadership. The internal diagnostic seeks to identify the firm's strengths (resources and capabilities that confer competitive advantage) and its weaknesses (resources and capabilities that handicap it relative to its competitors). The VRIN criteria of section 4.6 provide the analytical apparatus for this diagnostic.

4. The External Environment: Two Levels

The external environment is conventionally analysed at two levels: the micro-environment (or task environment) and the macro-environment (or general environment).

The micro-environment comprises the actors with whom the enterprise interacts directly in the course of its activity: customers, suppliers, competitors, distributors, financial partners, public authorities of its sector, civil-society organisations specific to its activity. These actors are sometimes designated by the collective term stakeholders, popularised by Edward Freeman (1984): persons or groups who can affect, or be affected by, the achievement of the firm's objectives.

The macro-environment comprises the broader factors that affect all enterprises operating in a given economy or society, regardless of their specific activity: the political and legal context, the macroeconomic environment, social and demographic conditions, technological developments, environmental and climatic conditions. The macro-environment is sometimes called the "PESTEL" environment, an acronym formed from the initials of its six conventional dimensions: Political, Economic, Social, Technological, Environmental, Legal.

5. The Micro-Environment: Stakeholders and Markets

5.1. Customers

Customers are arguably the most important component of the micro-environment, since the firm depends on them for the revenue that finances its existence. The analysis of customers covers their identification (who buys, who decides, who uses, who pays — these may be different persons), their needs and motivations, their purchasing behaviour, their loyalty and their sensitivity to price, quality, brand and other variables. The market-research methods of the marketing function (Chapter 5) provide the techniques for this analysis.

Customers may be classified as final consumers (households), enterprises (B2B markets), public administrations, or distributors. Each category has its own logic of purchase and its own implications for the firm's commercial strategy.

5.2. Suppliers

Suppliers provide the inputs - raw materials, components, energy, services - that the firm needs to operate. The analysis of suppliers covers their identification, their number and geographical distribution, their reliability, their cost structure and their bargaining power. A firm that depends on a small number of suppliers, or on suppliers whose alternative outlets are limited, exposes itself to risks of disruption, of price escalation and of opportunistic

behaviour. Strategies of multi-sourcing, of long-term partnership and of backward integration are common responses to this dependence.

5.3.Competitors

Competitors are the other firms that vie for the same customers, the same resources or the same market position. The systematic analysis of competition is one of the foundational activities of strategic management. Michael Porter (1980), in *Competitive Strategy*, proposed the famous "five-forces" framework, in which the intensity of competition in a given industry is determined by five interrelated forces:

- Rivalry among existing competitors.
- Threat of new entrants.
- Threat of substitute products or services.
- Bargaining power of customers.
- Bargaining power of suppliers.

The five-forces framework remains, four decades after its publication, one of the most widely used tools of strategic analysis. It provides a systematic checklist for identifying the structural determinants of profitability in an industry and a basis for choosing the firm's competitive positioning.

5.4. Financial partners

Banks, investors, financial markets, micro-finance institutions, business angels, venture capitalists — the financial partners of the enterprise supply the capital it needs and impose, in exchange, requirements of reporting, transparency and performance. The relations with financial partners have grown in importance in many countries with the rise of capital markets and the consolidation of corporate-governance frameworks. In Algeria, where bank credit and self-financing remain the dominant sources of enterprise finance, the

relations with financial partners are typically less elaborate but no less critical, especially for SMEs.

5.5. Distributors

Distributors - wholesalers, retailers, intermediaries - bring the firm's products to the final customer. They are simultaneously partners (they collaborate in the marketing of the products) and competitors for value (they capture a margin between the price paid to the manufacturer and the price paid by the consumer). The relations with distributors have been transformed in recent decades by the rise of large modern distribution (supermarkets, hypermarkets, shopping centres), by direct-to-consumer strategies, and by e-commerce. Each of these developments has changed the balance of power among manufacturers, distributors and consumers.

5.6. Sectoral public authorities

Many sectors are governed by specialised public authorities that regulate entry, set technical standards, control prices or supervise competition: in Algeria, the Autorité de Régulation de la Poste et des Communications Électroniques (ARPCE) for telecommunications, the Commission de Régulation de l'Électricité et du Gaz (CREG) for energy, the Commission d'Organisation et de Surveillance des Opérations de Bourse (COSOB) for financial markets, and so on. The decisions of these authorities - concessions, licences, tariffs, technical norms - are major determinants of the conditions under which enterprises operate in regulated sectors.

6. The Macro-Environment: The PESTEL Framework

The macro-environment encompasses the broad forces that shape the conditions under which all enterprises operate. The PESTEL framework — Political, Economic, Social, Technological, Environmental, Legal — provides a convenient checklist for organising the analysis.

6.1. Political environment

The political environment comprises the structure of political institutions, the orientation of government policy, the stability of the political regime, the relations between the State and the private sector, and the role of the country in international politics. In Algeria, the political environment is shaped by a presidential system, by the constitutional and legislative frameworks defined in successive revisions of the Constitution, by the policy orientations of successive governments, and by the country's positioning within the African Union, the Arab League and the Mediterranean partnerships of the European Union.

6.2. Economic environment

The economic environment comprises the principal macroeconomic variables - GDP and its growth, inflation, unemployment, interest rates, exchange rates, the balance of payments, the level and structure of public expenditure and taxation - and the structural characteristics of the economy: its sectoral composition, its degree of openness, its level of development, the depth of its financial system, the quality of its infrastructure. The economic environment defines the demand that the firm can hope to capture, the cost of the resources it must mobilise, and the level of risk associated with macroeconomic uncertainty.

6.3. Social and demographic environment

The social environment encompasses the demographic structure of the population (size, age distribution, urbanisation, migration), levels of education, cultural values, religious and ethnic composition, social stratification, the role of women, family structures and lifestyles. Algeria, with its large young population, its rapid urbanisation, its rising levels of education and the strong growth of female labour-force participation in recent decades, illustrates how dynamically the social environment can evolve and how profoundly these

changes affect the conditions under which enterprises operate (Ministère de l'Industrie, 2023).

6.4. Technological environment

The technological environment comprises the state of scientific knowledge, the technologies available for productive use, the rate of technological change, the level of national investment in research and development, the diffusion of digital technologies, and the supply of qualified scientific and technical personnel. The technological environment is, for many industries, the most dynamic component of the macro-environment, and the systematic monitoring of technological developments - "technology intelligence" or "horizon scanning" - has become a major function in technology-intensive firms.

6.5. Environmental and ecological environment

The natural environment - the climate, the air and water quality, the availability of natural resources, the state of biodiversity, the level of pollution - has become, over the past three decades, a major component of the macro-environment of all enterprises. Climate change, the depletion of fossil fuels, the scarcity of fresh water and the deterioration of the soil are no longer distant concerns but immediate operational realities for many firms. The rise of environmental regulation, the growing weight of "green" criteria in public procurement and in the choices of investors, and the emergence of ecological consumer preferences have made the natural environment an inescapable strategic concern.

6.6. Legal environment

The legal environment comprises the body of laws and regulations that apply to the enterprise: commercial law, labour law, tax law, environmental regulation, intellectual property, competition law, consumer protection, sectoral regulation. The complexity of the legal environment has grown markedly in all

economies over the past half-century, and the legal function of the enterprise — once a peripheral support service — has taken on strategic importance. In Algeria, the legal environment of enterprises has been substantially recast over the past decade, with major revisions of the Investment Code, of the Commercial Code, of the SME Law, and of various sectoral laws (Journal Officiel de la République Algérienne, 2022).

7. The Stakeholder View

An alternative way of organising the analysis of the environment is the stakeholder approach proposed by Edward Freeman (1984). According to this approach, the enterprise is at the centre of a network of stakeholders — individuals and groups who can affect, or be affected by, its activity — and its strategy must take account of their interests and influence. The principal categories of stakeholders include: shareholders, employees, customers, suppliers, lenders, public authorities, local communities, civil-society organisations, the media, future generations and, increasingly, the natural environment itself.

The stakeholder view is more than a checklist. It rests on a philosophical premise - that the firm has obligations not only to its shareholders but to a wider set of constituencies - that has been the subject of intense debate over the past four decades. Milton Friedman's famous 1970 doctrine that "the social responsibility of business is to increase its profits" stands at one end of this debate; the doctrine of stakeholder capitalism articulated by the World Economic Forum in 2020 stands at the other. Chapter 12 returns to these issues.

Conclusion

Mapping the environment is a necessary first step, but it is not yet a strategy. Once the firm has identified its opportunities, its threats, its strengths and its weaknesses, it must decide how to respond: by adapting, by influencing, by cooperating, by avoiding. The next chapter therefore moves from environmental analysis to enterprise behaviour, examining the SWOT synthesis, Porter's generic competitive strategies and the principal postures available to the firm vis-à-vis its environment.

Review Questions

1. Define the environment of the enterprise. Why is it useful to think of the firm as an open system?
2. Identify and explain the four principal dimensions along which the environment may be characterised.
3. What is the difference between the micro-environment and the macro-environment?
4. List six categories of stakeholder that constitute the micro-environment. Give an example for each from an Algerian context.
5. Describe Porter's five-forces framework. Apply it to an industry of your choice in Algeria (banking, telecommunications, agro-food, automotive, etc.).
6. What does the acronym PESTEL stand for? Identify the six components of the macro-environment and give one example for each.
7. Explain Freeman's stakeholder approach. How does it differ from the traditional shareholder view of the firm?
8. Discuss how the Algerian macro-environment of 2025 differs from that of 1990. What are the principal implications of these changes for the conduct of business?

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Chapter 09 : The Enterprise and its Environment (II): Analysis and Behaviour

Objectives

After studying this chapter, the student will be able to:

1. Conduct a systematic analysis of the internal and external environment of an enterprise.
2. Apply the SWOT framework and complementary tools of strategic diagnosis.
3. Describe the principal strategic postures available to the firm vis-à-vis its environment.
4. Identify the principal strategies of adaptation, transformation and avoidance of environmental constraints.
5. Understand the iterative relationship between the firm and its environment.

Key terms: SWOT analysis, strategic diagnosis, scenario planning, generic strategies, cost leadership, differentiation, focus, strategic posture, lobbying, alliance, isomorphism, legitimacy.

Introduction

Having mapped the environment in the preceding chapter, we now turn to the firm's response. Analysis without action is sterile; the diagnostic of the environment must translate into strategic decisions about how the firm will compete, with whom it will cooperate, and on what its long-term prosperity will depend. This chapter examines the principal tools of strategic diagnosis — the SWOT framework, internal and external analyses, scenario planning — and the typology of generic competitive strategies and postures through which the firm shapes its place in the environment.

1. Analysing the External Environment

The systematic analysis of the external environment - which the literature on strategic management commonly calls external strategic diagnosis - proceeds in four steps that may be repeated iteratively as the analysis deepens.

First, the analyst identifies the factors and actors that compose the relevant environment, distinguishing those of immediate operational importance from those of more distant but potentially decisive influence.

Second, the analyst characterises each factor or actor along the relevant dimensions: in the case of an actor (a customer, a competitor, a supplier), one asks who they are, what their strategy is, what their bargaining power is, what trends are observable in their behaviour; in the case of a factor (an economic variable, a piece of legislation, a technological development), one asks how it is currently evolving and what plausible scenarios of future evolution one can envisage.

Third, the analyst assesses the impact of each factor on the firm - whether it represents an opportunity or a threat, and how important it is. Fourth, the analyst synthesises the analysis into a structured representation that supports strategic decision-making.

1.1. Sources of information

The systematic analysis of the environment requires reliable information. The principal sources include:

- Public statistical sources: in Algeria, the Office National des Statistiques (ONS), the Banque d'Algérie, the Ministries of Industry, of Finance and of Commerce; internationally, the World Bank, the International Monetary Fund, the United Nations, the OECD.
- Sectoral and professional publications: trade press, sectoral studies by consulting firms, annual reports of trade associations.
- Corporate publications: annual reports and financial filings of listed competitors, press releases, websites, social-media accounts.
- Specialised commercial intelligence services.
- Field information: customer feedback, supplier conversations, salesforce reports, trade fairs and exhibitions.
- Academic research: scientific journals, theses, conference proceedings - especially for technological and methodological developments.

The challenge of contemporary environmental analysis is not so much the scarcity of information as its abundance. The capacity to filter, validate, structure and interpret information - what some authors call strategic intelligence - has become a major dimension of managerial competence.

1.2. Scenario planning

Where uncertainty about the future is high - as it is in industries undergoing rapid technological, regulatory or geopolitical change - formal forecasting techniques quickly reach their limits. The technique of scenario planning, developed at Royal Dutch Shell in the 1970s and now widely used (Schoemaker, 1995), addresses this difficulty by constructing several internally consistent narratives of how the future might unfold, each based on different assumptions about the key uncertainties. The firm then tests its strategy against each scenario: a strategy that performs adequately under all scenarios is robust; one

that performs well only under a single favourable scenario is fragile. Scenario planning does not seek to predict the future but to prepare for several plausible futures. Its rise in popularity over the past decades attests to the increasing recognition that the future is, in many fields, genuinely uncertain rather than merely risky.

2. Analysing the Internal Environment

The internal diagnostic of the firm - what some authors call internal strategic diagnosis - examines the firm's resources, capabilities, structure and culture (Chapters 4, 5, 6 and 7) with a view to identifying its strengths and its weaknesses. Three principal analytical perspectives are commonly combined.

2.1. Functional analysis

The functional analysis examines each of the firm's principal functions (production, marketing, finance, human resources, R&D, logistics, information systems) and assesses its performance relative to industry benchmarks and to the firm's own past. A function is a strength if it performs as well as or better than its peers; it is a weakness if it lags behind. The benchmarking exercise calls for comparable, measurable indicators: cost per unit produced, market share, return on equity, productivity per employee, time-to-market for new products, and so on.

2.2. Value-chain analysis

Porter's value chain (Chapter 5) provides a third analytical perspective. The firm's activities are decomposed into the primary and support categories of the value chain; for each activity, the cost is compared with the value created and with the corresponding activity in competing firms. Activities in which the firm enjoys an advantage are candidates for further development; activities in which it lags are candidates for improvement, outsourcing or abandonment.

3. The SWOT Synthesis

The classical synthesis of internal and external diagnostics is the SWOT matrix: Strengths, Weaknesses, Opportunities, Threats. Strengths and

weaknesses summarise the internal diagnostic; opportunities and threats summarise the external one.

	Helpful to objectives	Harmful to objectives
Internal origin	Strengths (S)	Weaknesses (W)
External origin	Opportunities (O)	Threats (T)

The SWOT framework is more than a four-cell table. Used rigorously, it identifies four strategic configurations:

- SO strategies (strengths $\times$ opportunities): use strengths to seize opportunities. These are typically offensive growth strategies.
- WO strategies (weaknesses $\times$ opportunities): overcome weaknesses to seize opportunities. These often call for catch-up investment in deficient capabilities or for alliances with partners possessing the missing competence.
- ST strategies (strengths $\times$ threats): use strengths to neutralise threats. These are typically defensive or counter-attack strategies.
- WT strategies (weaknesses $\times$ threats): minimise weaknesses and avoid threats. These are typically retreat strategies: divestment from threatened activities, restructuring, downsizing.

A serious SWOT analysis does not stop at listing items in each quadrant; it specifies the strategic actions implied by each configuration and assesses their feasibility and their expected impact.

4. Generic Competitive Strategies

On the basis of the diagnostic, the firm chooses a competitive strategy: the broad orientation of its action vis-à-vis the environment. Michael Porter (1980) proposed a typology of three generic strategies that has become standard reference in the literature.

4.1. Cost leadership

The cost-leadership strategy seeks to become the lowest-cost producer in the industry. The firm achieves cost advantage through economies of scale, learning effects, tight control of overheads, efficient procurement, optimisation

of processes, and access to inexpensive factor markets. It then either passes on the cost advantage to customers in the form of lower prices (gaining market share) or retains it as higher margins. Cost leadership has been the strategy of many of the great industrial successes of the twentieth century — Ford in the automobile industry of the early twentieth century, Wal-Mart in retailing, Toyota in mid-twentieth-century manufacturing, more recently Ryanair in air transport. It is a demanding strategy that calls for sustained operational discipline and substantial investment in productive capacity.

4.2. Differentiation

The differentiation strategy seeks to offer a product or service that customers perceive as distinctively superior in some respect: design, quality, brand image, after-sales service, technological sophistication. The firm captures the value of this differentiation through prices higher than those charged by its less differentiated competitors. Apple, Mercedes-Benz, Rolex, Louis Vuitton illustrate successful differentiation strategies in mass-consumer markets; many B2B specialists pursue analogous strategies in their respective fields. Differentiation requires sustained investment in the dimensions of differentiation (design, R&D, marketing, customer relations) and the protection of the resulting position against imitation.

4.3. Focus

The focus strategy concentrates the firm's effort on a narrow segment of the market - a particular customer group, a particular geographical area, a particular product variety - and seeks to serve it better than firms that address the entire market. The focus strategy may itself be combined with cost leadership (cost focus) or with differentiation (differentiation focus). It is particularly suited to small and medium-sized enterprises, whose limited resources do not allow them to compete head-on across the entire market. Many successful Algerian SMEs in agro-food, packaging, construction materials and specialised services have

implicitly pursued focus strategies, building strong positions in well-defined niches.

4.4. Stuck in the middle

Porter argued, controversially, that a firm that fails to commit clearly to one of the three generic strategies is likely to be stuck in the middle: neither low-cost enough to compete with cost leaders, nor differentiated enough to justify a price premium. Subsequent research has somewhat qualified this proposition - hybrid strategies combining elements of cost and differentiation are now widely regarded as possible - but the underlying caution remains valid: a firm that attempts everything simultaneously typically achieves nothing in particular.

5. The Behaviour of the Enterprise towards its Environment

Beyond the choice of a competitive strategy, the firm must determine the postures and behaviours it adopts vis-à-vis the various components of its environment. Four broad categories of behaviour may be distinguished.

5.1. Adaptation

The most elementary form of behaviour is adaptation: the firm modifies itself to fit the conditions imposed by the environment. It adjusts its products to changing customer preferences, its processes to new technological possibilities, its structures to new regulatory requirements, its strategies to new competitive realities. Adaptation is the dominant posture of small and medium-sized firms with limited bargaining power, and of firms operating in highly competitive industries. It is the posture that the literature on contingency theory implicitly assumes (Chapter 6).

5.2. Influence

A more proactive form of behaviour consists in seeking to influence the environment rather than passively adapting to it. Firms with sufficient resources can attempt to shape the conditions under which they operate through:

- Lobbying of public authorities: representations to government, ministries and regulatory agencies, presence in advisory committees, contributions

to public consultations, financial support to political activities (subject to legal limits).

- Public communication and corporate image: advertising, public relations, sponsorships, content marketing, social-media presence designed to shape public opinion and consumer attitudes.
- Lobbying through trade associations and industry coalitions, which give individual firms collective weight that they could not achieve alone.
- Investment in the development of standards (technical, environmental, ethical) that favour the firm's position.

The legitimacy of influence behaviour is a matter of ongoing debate. Legal lobbying within transparent processes is generally accepted; the influence of large enterprises over weakly regulated political systems is a recurrent source of concern in economies developed and developing alike.

5.3. Cooperation

Cooperation with other actors of the environment - competitors, suppliers, customers, public authorities, research institutions - is a third major posture. It takes the forms of joint ventures, strategic alliances, technology licensing, supplier partnerships, customer co-development, industrial consortia, public-private partnerships and participation in clusters and innovation ecosystems. Cooperation allows the firm to mobilise resources beyond its own boundaries, to share risks of major investments, to access complementary competencies and to influence the evolution of its industry. The frontier between competition and cooperation has become blurred in many industries - a phenomenon that Brandenburger and Nalebuff (1996) baptised "coopetition".

5.4. Avoidance

Finally, when faced with unfavourable environments, the firm may choose to avoid them: by withdrawing from problematic markets, by relocating to more favourable jurisdictions, by reorienting its activities away from threatened segments. Strategies of avoidance are often discreet but they are practised on a

substantial scale, especially by multinational corporations that arbitrate among the regulatory and fiscal regimes of the various countries in which they operate. The literature on tax havens, on jurisdictional shopping and on the geographical mobility of activities has documented these phenomena in detail.

Conclusion

The strategic postures examined in this chapter are not exercised once and for all: they evolve as the firm itself evolves, growing from a small start-up into a maturing enterprise and sometimes declining and renewing itself. The dynamic dimension of the enterprise — its life cycle and its patterns of growth — is the subject of the next chapter, which completes our analysis of the firm in time as well as in space.

Questions for discussion :

1. Describe the four steps of an external strategic diagnosis. What information sources are typically used?
2. What is scenario planning? Why is it particularly useful in environments of high uncertainty?
3. Construct a SWOT analysis for an Algerian enterprise of your choice. Be sure to use the analysis to derive concrete strategic recommendations.
4. Distinguish the three generic strategies proposed by Porter. Give an example, drawn from any industry, of a firm that has clearly chosen each strategy.
5. What does Porter mean by stuck in the middle? Is this concept still valid today?
6. Distinguish the four postures available to the firm vis-à-vis its environment (adaptation, influence, cooperation, avoidance). Give an example of each from Algerian or international practice.

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Chapter 10 : Life Cycle and Patterns of Growth of the Enterprise

Objectives

After studying this chapter, the student will be able to:

1. Define the notion of the life cycle of an enterprise.
2. Describe the principal phases of the life cycle and the challenges typical of each.
3. Define the notion of enterprise growth and identify the determinants and obstacles to growth.
4. Distinguish the principal modes of growth: organic, external, contractual.
5. Understand the strategic and organisational implications of growth.

Key terms: life cycle, birth, growth, maturity, decline, renewal, organic growth, external growth, merger, acquisition, alliance, franchise, internationalisation, organisational crisis.

Introduction

An enterprise is not a static object. It is born, it grows, it matures, sometimes it declines, and it may either be renewed or disappear altogether. Each of these phases presents distinctive challenges and calls for distinctive managerial responses. Growth itself — the central preoccupation of most enterprises and most economists — can take several forms: organic expansion from within, external growth through merger and acquisition, contractual growth through alliances and partnerships, and internationalisation across borders. This chapter examines the temporal dimension of the firm: its life cycle, the determinants and modes of its growth, and the organisational crises that punctuate its trajectory.

1. The Notion of the Life Cycle of the Enterprise

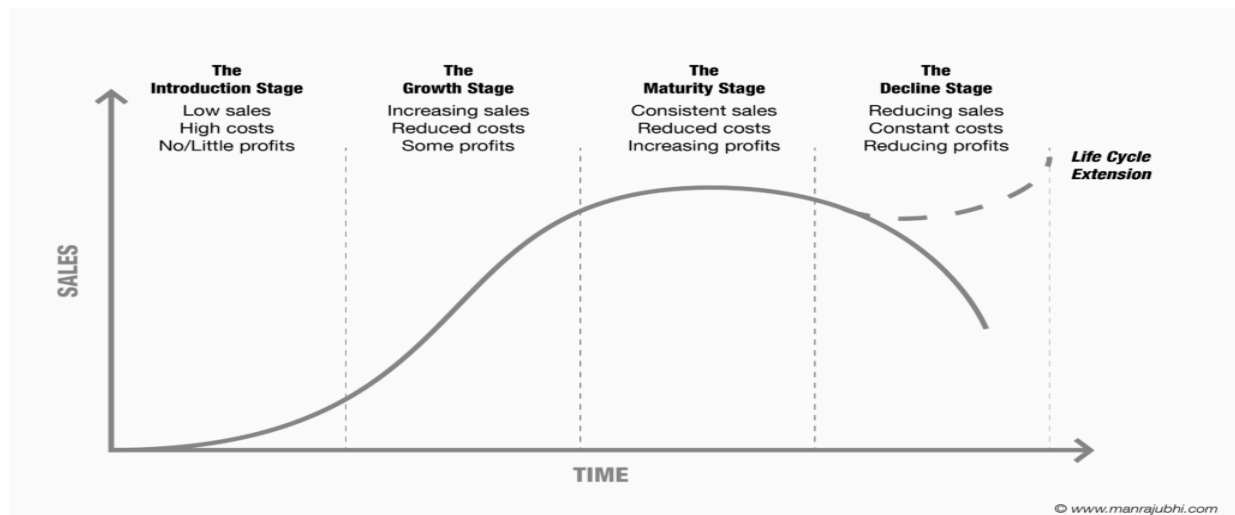
Like biological organisms, enterprises are born, grow, reach maturity, sometimes decline, and may either be renewed or disappear. The metaphor of the life cycle, drawn from biology, has been used in management literature since the 1960s to describe these typical phases. Larry Greiner (1972) proposed an influential model in which growth proceeds through successive phases of relative evolution punctuated by crises requiring fundamental reorganisation. Ichak Adizes (1988) developed a more elaborate model identifying ten stages from "courtship" to "death". Although the empirical fit of any particular model is imperfect — real enterprises do not follow a deterministic trajectory — the life-cycle metaphor remains useful as an organising frame.

Two cautions are in order. First, not all enterprises pass through all phases : many die in infancy, some skip stages, others remain in one stage for decades. Second, the analogy with biology is imperfect : unlike biological organisms, an enterprise can be reborn, recombined, divided, restructured, in ways that have no biological counterpart. The life cycle is best understood as a typical trajectory rather than a deterministic destiny.

2. The Five Phases of the Life Cycle

Most life-cycle models distinguish five principal phases, each characterised by specific structural, strategic and managerial challenges.

Figure 7 : The Five Phases of the Life Cycle



2.1. Birth (or creation)

The birth phase begins with the act of creating the enterprise: identifying an opportunity, mobilising the founding capital, registering the firm with the competent authorities, recruiting the first employees, beginning operations. This phase is dominated by the founder, by personal energy and by trial and error. The structural form is the simple structure (Chapter 7). The principal challenges are survival, the validation of the business model, the construction of an initial customer base, and the management of cash flow in conditions where revenues are still uncertain and investments are heavy. Mortality is highest in this phase: international studies suggest that approximately one third of new enterprises do not survive their third anniversary, and approximately half do not survive their fifth (OECD, 2022).

2.2. Growth

If the firm survives the birth phase, it enters a growth phase characterised by rapid expansion of revenue, employment and operational scope. The founder can no longer supervise everything personally; the firm recruits its first specialised managers; a functional structure begins to take shape (Chapter 7). The principal challenges of this phase are the management of growth itself — the financing of expansion, the recruitment and integration of new personnel, the formalisation of procedures that were previously improvised — and the management of the relinquishment of personal control by the founder. Many young enterprises fail to negotiate this transition successfully: either the founder refuses to delegate and the firm chokes under his or her span of control, or the founder delegates poorly and the firm loses its coherence.

2.3. Maturity

Maturity is the phase in which the firm has reached a stable position in its market, growth rates moderate, structures become consolidated, procedures are formalised. The structural form is typically the functional structure or, in larger firms, the divisional structure (Chapter 7). The principal challenges of this phase are the maintenance of profitability in the face of competitive pressure, the renewal of products and processes, the avoidance of bureaucratic ossification, and the preservation of the entrepreneurial spirit. Maturity can be a comfortable phase, but its comfort can be deceptive: it is precisely in the maturity phase that firms accumulate the conservative habits that may render them vulnerable to disruption from new entrants.

2.4. Decline

Decline manifests itself as falling revenues, loss of market share, deteriorating profitability and, eventually, financial distress. The causes are various: structural changes in demand, technological disruption, intensifying

competition, internal mismanagement. The challenges of this phase are the diagnosis of the causes of decline, the rapid implementation of corrective measures (restructuring, divestments, refocusing on profitable activities), the maintenance of stakeholder confidence and the preservation of liquidity. Many firms attempt to delay the recognition of decline; this denial generally aggravates the eventual reckoning.

2.5. Renewal or disappearance

Decline does not necessarily lead to disappearance. A firm that succeeds in identifying the deep causes of its difficulties and in implementing a credible turnaround strategy can be renewed: it may enter new businesses, adopt new technologies, transform its structure and culture, recover its capacity for growth. The literature on corporate turnaround documents many successful cases (IBM in the 1990s, Apple in the late 1990s, Nokia after its mobile-phone crisis). If renewal fails, the firm enters a terminal phase: voluntary dissolution, judicial reorganisation, bankruptcy, absorption by a competitor. The disappearance of the firm need not be a tragedy: the resources it had mobilised - capital, talent, technology - are freed for redeployment elsewhere in the economy.

Phase	Structure	Principal Challenges	Typical Strategy
Birth	Simple	Survival, validation	Niche, opportunistic
Growth	Functional	Financing, recruitment, delegation	Market expansion
Maturity	Functional or divisional	Profitability, renewal	Defence of position
Decline	Often inadequate	Diagnosis, restructuring	Refocusing, divestment
Renewal	Reorganised	Reinvention	New businesses, transformation

3. The Concept of Growth of the Enterprise

Growth is one of the central themes of the theory of the firm. Edith Penrose (1959), in *The Theory of the Growth of the Firm*, proposed an analysis that remains the foundation of contemporary research. The firm, for Penrose, is a coherent set of productive resources whose growth is driven by an internal

dynamic: as resources are deployed, the firm accumulates experience and develops new capabilities that, in turn, open opportunities for further deployment. Growth is thus limited not so much by the external opportunities of the market as by the rate at which the firm can absorb new resources and integrate them coherently with the existing organisation.

3.1. Why do firms seek growth?

Several reasons drive firms to seek growth:

- Economic: growth allows the realisation of economies of scale, the dilution of fixed costs, the strengthening of bargaining power vis-à-vis suppliers and customers, the financing of investments in technology and brand.
- Defensive: in many industries, growth is a condition of survival, as competitors who fail to keep up are progressively marginalised.
- Strategic: growth opens new markets, allows diversification of risks, supports the firm's bargaining power vis-à-vis public authorities.
- Managerial: growth offers career opportunities to senior managers and motivates the workforce. Some authors, following Marris (1964), have argued that managerial preference for growth, even at the expense of profitability, is a major driver of corporate strategy.

3.2. Indicators of growth

Growth may be measured along several dimensions: turnover, value added, employment, market share, geographical coverage, total assets, market capitalisation. These indicators may evolve at different rates and even in different directions. A firm that grows in turnover but loses employees (through automation), or that grows in market share but loses profitability (through aggressive pricing), illustrates the importance of distinguishing the various

dimensions of growth. The choice of indicators reflects the firm's priorities and is itself a strategic decision.

3.3. Determinants and obstacles

The determinants of growth include the dynamism of the firm's market, the quality of its products and management, the availability of financing, the capacity for innovation, and the regulatory environment. The obstacles include limited access to finance, scarcity of qualified personnel, weak managerial capabilities, administrative burdens and adverse macroeconomic conditions. In Algeria, the literature on SME development has identified several recurrent obstacles to enterprise growth: difficulty of access to bank credit, complexity of administrative procedures, fluctuations of the regulatory framework, shortage of skilled managers and difficulty of accessing export markets (Ministère de l'Industrie, 2023).

4. Modes of Growth

Once the decision to grow has been taken, the firm must choose the mode of growth: how it will achieve the desired expansion. Three principal modes are commonly distinguished, and most growing firms combine them.

4.1. Organic (internal) growth

Organic growth - also called internal growth - proceeds from the firm's own resources: it builds new factories, opens new sales outlets, develops new products, recruits new personnel, enters new markets through its own efforts. Organic growth has the advantage of preserving the integrity of the firm's culture and structure, of building on the firm's existing competencies and of avoiding the cultural and operational complexities of integration. Its limitations are that it tends to be slow, and that some growth opportunities (acquisition of new technologies, entry into new geographical markets, achievement of critical mass) cannot easily be achieved organically within reasonable timeframes.

4.2. External growth

External growth proceeds through the acquisition, the merger or the takeover of other enterprises. It allows the firm to add to its existing resources the resources of the acquired firm - typically faster than would be possible through organic growth. The principal forms of external growth include:

- Mergers, in which two firms combine into a single new entity, with shareholders of both legacy firms becoming shareholders of the new one.
- Acquisitions, in which one firm purchases another and integrates it as a subsidiary or a division.
- Takeovers, in which the acquisition is unilateral and possibly hostile to the management of the target firm.

External growth offers the prospect of rapid expansion, of access to new technologies and markets, of economies of scope, and of strategic positioning. It also presents significant risks: many mergers and acquisitions fail to deliver the anticipated synergies, owing to cultural incompatibility, integration difficulties, overpayment of the acquisition price, or the diversion of management attention from the operating business. A substantial literature attempts to identify the factors of success and failure of M&A operations (Haspeslagh & Jemison, 1991).

4.3. Contractual (alliance-based) growth

Contractual growth - also called alliance-based growth or hybrid growth - proceeds through long-term contractual arrangements with other firms, without crossing the threshold of merger or acquisition. The principal forms include:

- Strategic alliances: durable cooperative agreements between firms that pool resources for a specific purpose while remaining legally independent.
- Joint ventures: new firms jointly owned and managed by two or more parents.

- Licensing: agreements by which a firm grants another the right to use its intellectual property in exchange for a fee.
- Franchising: agreements by which a franchisor allows franchisees to operate under its brand and according to its operating model, in exchange for fees and royalties.
- Subcontracting and long-term supplier partnerships.

Contractual growth offers a flexible compromise between the slow pace of organic growth and the risks of external growth. It is particularly developed in industries characterised by rapid technological change, by global value chains and by the need to access complementary competencies.

5. Internationalisation as a Specific Form of Growth

Among the various paths of growth, internationalisation - the extension of the firm's activities beyond its national borders - deserves a specific treatment. The classical Uppsala model (Johanson & Vahlne, 1977) describes internationalisation as an incremental process in which the firm extends progressively from psychically close markets to more distant ones, and from less to more committed modes of presence (occasional exports, regular exports, agents, sales subsidiaries, production subsidiaries). The contemporary literature has identified alternatives to this gradualist model: born-global firms that operate internationally from inception, network-based internationalisation that follows the relations established by partners, and global value-chain integration.

For Algerian enterprises, internationalisation remains a relatively limited phenomenon, with the major exception of Sonatrach (one of the largest African enterprises with operations in some thirty countries). Algerian non-hydrocarbon exports remain modest, but several private groups — Cevital in agro-food, Condor in electronics, Iris in distribution — have begun export and investment activities in Africa, the Middle East and Europe. The development of a more

internationalised private sector is a major objective of the country's diversification strategy (Ministère du Commerce extérieur, 2023).

6. Greiner's Model of Crises and Phases

Larry Greiner's (1972) classical model of organisational growth identifies five phases of growth, each ending in a crisis whose resolution opens the next phase:

- Growth through creativity, ending in a crisis of leadership.
- Growth through direction, ending in a crisis of autonomy.
- Growth through delegation, ending in a crisis of control.
- Growth through coordination, ending in a crisis of bureaucracy (red tape).
- Growth through collaboration, ending in a less clearly defined crisis (psychological saturation, exhaustion of growth opportunities).

Greiner's model has the merit of emphasising that growth is not a smooth and continuous process: each successful response to one challenge creates the conditions for the next, and a structure adapted to one phase may be a handicap in the following. The art of managing growth consists, in large part, in anticipating these transitions and in implementing the structural and managerial changes they require.

Conclusion

The life-cycle and growth perspective developed in this chapter brings us to the threshold of the contemporary enterprise. The challenges that confront firms today - digitalisation, the rise of start-ups, artificial intelligence, climate change, social expectations - represent both new growth opportunities and new sources of crisis. The next two chapters take up these modern trends, examining first start-ups and AI (Chapter 11) and then corporate social responsibility and sustainable development (Chapter 12).

Questions for discussion :

1. Describe the five phases of the life cycle of the enterprise. What are the principal challenges of each phase?
2. Why is mortality especially high in the birth phase? What can the founder do to improve the chances of survival?
3. Distinguish growth as a phase of the life cycle from growth as an objective. How are the two related?
4. List four reasons why a firm might seek to grow. Are these reasons always mutually consistent?
5. Distinguish organic, external and contractual growth. Give one example of each.
6. Describe the Uppsala model of internationalisation. To what extent does it apply to the experience of contemporary Algerian exporters?
7. Summarise Greiner's model of crises and phases. Identify, in an enterprise of your acquaintance, a recent or current organisational crisis and analyse it through the lens of this model.

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Objectives

After studying this chapter, the student will be able to:

1. Define a start-up and distinguish it from a traditional small enterprise.
2. Identify the principal actors of a start-up ecosystem and their respective roles.
3. Describe the Algerian start-up ecosystem and the public policies that support it.
4. Define artificial intelligence and identify its principal applications in the enterprise.
5. Discuss the opportunities, risks and ethical issues raised by the diffusion of AI.

Key terms: start-up, scalability, business model, lean start-up, minimum viable product, incubator, accelerator, business angel, venture capital, artificial intelligence, machine learning, deep learning, generative AI, Industry 4.0, algorithmic bias.

Introduction

The enterprise of 2025 is in many respects unrecognisable from that of 1990, and is being further transformed at a pace that few in earlier generations would have anticipated. Two developments stand out as particularly consequential: the rise of the start-up as a distinctive form of new enterprise oriented towards the search for innovative and scalable business models, and the diffusion of artificial intelligence as a general-purpose technology with implications for virtually every function of the firm. This chapter examines both phenomena, with particular attention to the Algerian start-up ecosystem and to the responsible deployment of AI.

1. The Start-up: A New Type of Enterprise

The term start-up entered widespread use in the management vocabulary during the rise of the American technology industry in the 1990s, and has since become familiar in economies the world over. A start-up is not simply a new enterprise - every enterprise is, in a sense, new at the moment of its creation. The distinctive characteristics of the start-up have been described by several authors, of whom Steve Blank and Eric Ries are the most influential.

1.1. Definition

Steve Blank (2013) defines a start-up as "a temporary organisation in search of a scalable, repeatable and profitable business model". Eric Ries (2011), in *The Lean Startup*, defines it as "a human institution designed to create a new product or service under conditions of extreme uncertainty". Both definitions emphasise the same essential features: (i) the start-up operates under high uncertainty about its product, its market and its business model; (ii) its purpose is to discover, and not merely to execute, a viable business model; (iii) it aspires to scalability - the capacity to grow rapidly without a proportional increase in costs, generally on the basis of digital technologies; and (iv) it is a transitional state: a successful start-up eventually becomes a mature firm, while an unsuccessful one disappears.

Start-up vs. Traditional Small Enterprise

A traditional small enterprise executes a known business model on a limited scale: a corner grocery, a workshop, a local consulting firm. Its growth is generally modest and proportional to the investment of its owner.

A start-up, by contrast, searches for a business model. It typically operates in a domain of innovation - digital products, advanced services, biotechnology - and seeks growth that can be very rapid if the business model proves valid. The mortality of start-ups is high, but so is the potential return for the rare successful cases.

1.2. The lean-start-up methodology

Eric Ries's lean-start-up methodology has become the dominant management approach in the start-up community. It is built on three central ideas. First, the start-up should test its hypotheses about the product and the market as early as possible by launching a minimum viable product (MVP) - a stripped-down version of the product designed to elicit feedback from real users. Second, the start-up should proceed through cycles of build-measure-learn, in which each version of the product is tested, the results are analysed, and the next version is improved or, if necessary, the strategy is fundamentally re-oriented through what Ries calls a pivot. Third, the start-up should adopt validated learning as its central metric: the progress of the firm is measured not by the volume of activity but by the quality of the lessons it draws from the market about its business model.

1.3. The business model

The notion of business model - popularised by Alexander Osterwalder (2010) through his Business Model Canvas - has become central to the conception of contemporary start-ups. A business model describes how the firm creates, delivers and captures value. The Canvas distinguishes nine components: value proposition, customer segments, customer relationships, channels, revenue streams, key resources, key activities, key partnerships and cost structure. Used

as a single-page representation of the entire business logic of the firm, the Canvas facilitates the rapid testing and revision of strategic hypotheses, which is at the heart of the lean methodology.

2. The Start-up Ecosystem

Start-ups rarely succeed in isolation. They depend on a rich ecosystem of supporting actors that provide capital, expertise, networks and infrastructure. The principal categories of actor in a start-up ecosystem include the following.

2.1.1 Incubators and accelerators

Incubators are organisations that host and support start-ups in their very early phase, typically providing office space, basic services, mentoring and access to networks. Their objective is to help fragile young firms cross the most dangerous valley of the early years. Accelerators offer more intensive and time-limited programmes - generally three to six months - built around an explicit curriculum (workshops, mentoring sessions, demonstration days) and culminating in a presentation to a panel of potential investors. The Y Combinator and Techstars accelerators, born in the United States, have inspired analogous initiatives in most countries of the world.

2.2. Business angels

Business angels are individuals - typically successful entrepreneurs or senior executives - who invest a part of their personal wealth in young enterprises. Their contribution is not only financial: they bring their experience, their network of contacts and their advice. Business angels generally invest at the earliest stage, when the firm is too young or too risky to attract institutional investors.

2.3. Venture capital

Venture capital (VC) funds are professional investors specialising in equity financing of high-growth start-ups. They raise capital from institutional investors (pension funds, insurance companies, sovereign-wealth funds, family offices) and deploy it into portfolios of start-ups, accepting a high risk of

individual failure in the expectation that the spectacular success of a small number of firms will more than compensate. Venture capital intervenes in successive rounds - generally designated Series A, B, C, etc. - that mark the stages of the start-up's development. Venture capital remains a relatively new and limited industry in Algeria but is the subject of growing public-policy attention.

2.4. Universities and research centres

Universities and research centres play a major role in the ecosystem, both as producers of technological knowledge that start-ups can commercialise and as suppliers of qualified personnel. Many of the most successful start-up ecosystems in the world - Silicon Valley around Stanford and Berkeley, Boston around MIT and Harvard, Cambridge in the United Kingdom - have grown around major research universities. Algerian universities have begun to develop technology-transfer offices and to support the creation of start-ups by students and researchers, although the path remains long compared with international benchmarks.

2.5. Public authorities

Public authorities are major actors of start-up ecosystems. They define the legal and fiscal framework within which start-ups operate, provide direct financial support (subsidies, public investment, public-private partnerships), develop physical infrastructure (technology parks, innovation centres) and reform educational systems to better prepare students for entrepreneurial careers. In Algeria, the creation in 2020 of the Ministry of Knowledge Economy and Start-ups, along with public initiatives such as the Algerian Startup label, Algeria Venture and the National Algerian Startup Fund (ASF), reflects a vigorous public commitment to the development of an indigenous start-up ecosystem.

3. Artificial Intelligence: An Introduction

Artificial intelligence (AI) designates the development of computer systems capable of performing tasks that, when performed by humans, would normally be regarded as requiring intelligence: perception, reasoning, learning, decision-making, natural-language understanding. The field has a long intellectual history dating to the work of Alan Turing in the 1940s and 1950s and to the 1956 Dartmouth conference at which the term "artificial intelligence" was coined. After several alternating cycles of enthusiasm ("AI summers") and disillusionment ("AI winters"), the field has experienced since approximately 2012 a sustained and rapid acceleration driven by three converging developments: the availability of vast quantities of digital data, the dramatic increase in computing power (especially through specialised processors), and important advances in the algorithms of machine learning.

3.1. Machine learning

Machine learning (ML) is the dominant approach of contemporary AI. Rather than programming a computer with explicit rules for performing a task, the ML approach trains the computer on large numbers of examples from which it derives statistical regularities that it then applies to new cases. The three principal families of machine learning are supervised learning (in which the algorithm is trained on data labelled with the correct answers), unsupervised learning (in which the algorithm discovers structure in unlabelled data), and reinforcement learning (in which the algorithm learns by trial and error from rewards and penalties received in an environment).

3.2. Deep learning

Deep learning is a sub-field of machine learning based on artificial neural networks with many layers (whence the term "deep"). It has achieved spectacular performance gains on tasks of perception (image and speech recognition), natural-language processing and complex pattern recognition. The breakthroughs of the AlexNet image-recognition system in 2012, of the

AlphaGo system that defeated the world champion of Go in 2016, of the BERT language model in 2018 and of the GPT family of large language models from 2018 onwards mark the principal stages of this development.

3.3. Generative AI

Generative AI - perhaps the most visible recent development - designates AI systems capable of producing new content (text, images, audio, video, code) on the basis of natural-language instructions. The release of ChatGPT in late 2022 brought generative AI to mass public awareness; analogous systems exist for image generation (DALL-E, Midjourney, Stable Diffusion), for video, for music and for software code. The economic implications of generative AI are still being assessed, but it is already clear that the technology has the potential to transform a wide range of professional activities, from writing and design to programming, legal analysis, customer service and education.

4. Applications of AI in the Enterprise

Artificial intelligence is being deployed in virtually every function of the contemporary enterprise. A non-exhaustive inventory yields the following major categories of application.

4.1. Operations and production

AI is used for predictive maintenance (anticipating equipment failures before they occur), for quality control through image analysis, for optimisation of production planning and scheduling, for management of energy consumption, and for the operation of autonomous robots in factories and warehouses. These applications are at the heart of the Industry 4.0 paradigm, which combines AI, the Internet of Things, advanced robotics and additive manufacturing to create smart factories capable of adapting in real time to changing conditions.

4.2. Marketing and sales

AI supports customer segmentation, personalised recommendations, dynamic pricing, churn prediction, sentiment analysis on social media, content generation for marketing, automated chatbots for customer service, and lead

scoring for the sales force. Algorithmic recommendation has profoundly transformed e-commerce, streaming media, online advertising and many other consumer-facing industries.

4.3. Finance and risk management

AI is used for credit scoring, for the detection of fraudulent transactions, for algorithmic trading, for cash-flow forecasting, for portfolio optimisation, for actuarial modelling in insurance, and for the automation of routine accounting and audit tasks. The financial industry has been among the earliest and most intensive adopters of AI, and continues to be at the technological frontier.

4.4. Human resources

AI applications in HR include the screening of CVs, the matching of candidates with vacancies, the analysis of employee engagement, the design of personalised training paths, the prediction of attrition, and the optimisation of workforce planning. The use of AI in HR raises particularly sensitive ethical questions, to which we return below.

4.5. Research and development

AI is transforming R&D in many fields. In drug discovery, machine-learning systems can screen millions of candidate molecules and predict their pharmacological properties. In materials science, AI accelerates the search for new alloys, polymers and composites. In engineering, AI supports generative design - the algorithmic exploration of vast spaces of possible designs subject to specified constraints. In agronomy, AI helps to optimise crop yields and the management of water and inputs.

Conclusion

The transformations examined in this chapter - digital, technological, entrepreneurial - open extraordinary opportunities but also raise profound questions about the place of the enterprise in society. Some of these questions concern employment, fairness, privacy and the distribution of power; others concern the relationship between economic activity and the natural environment. The next chapter takes up the second great contemporary trend reshaping the enterprise: the rise of corporate social responsibility and sustainable development.

Review Questions

1. Define a start-up and distinguish it from a traditional small enterprise.
2. Describe the lean-start-up methodology. What is a minimum viable product, and why is it important?
3. Identify five categories of actor in a start-up ecosystem and explain the role of each.
4. What is the Algerian Startup label, and what advantages does it confer? Name three Algerian start-ups and describe their activity.
5. Define artificial intelligence, machine learning, deep learning and generative AI. How do these notions relate to one another?
6. Identify five domains of application of AI within the enterprise. For each, give an example of the type of task that AI can perform.

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Chapter 12 : Modern Trends II: Corporate Social Responsibility and Sustainable Development

Objectives

After studying this chapter, the student will be able to:

1. Define corporate social responsibility (CSR) and trace its historical development.
2. Compare the shareholder and stakeholder visions of the firm.
3. Define sustainable development and the triple bottom line.
4. Identify the principal international frameworks of CSR and sustainability reporting.
5. Discuss the implementation of CSR in the Algerian context and its main critiques.

Key terms: corporate social responsibility, Carroll pyramid, stakeholder, shareholder, sustainable development, triple bottom line, ESG, sustainable development goals, ISO 26000, circular economy, greenwashing, corporate governance

Introduction

Trade blocs are formal agreements between countries to reduce or eliminate trade barriers among themselves, while often maintaining barriers against non-member countries. These blocs are a significant feature of the global economic landscape, influencing trade flows, economic policies, and international relations.

1.Origins and Definition of Corporate Social Responsibility

The notion that enterprises have responsibilities towards society beyond the production of profitable goods and services is not new. Reflections on the moral and social obligations of business can be traced to the religious and philosophical traditions that have shaped commerce throughout history. In its modern academic form, however, the concept of corporate social responsibility (CSR) is generally dated to the publication of Howard Bowen's Social Responsibilities of the Businessman in 1953. Bowen defined CSR as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953).

1.1. The Carroll pyramid

Archie Carroll (1979, 1991) proposed an influential synthesis of the dimensions of CSR in the form of a pyramid composed of four levels of responsibility, hierarchically ordered:

- Economic responsibility -at the base of the pyramid. The firm must be profitable, since profitability is the condition of its survival and of its contribution to the economy.
- Legal responsibility - the firm must respect the laws and regulations that apply to its activities.

- Ethical responsibility - the firm must behave in a manner consistent with the moral norms of its society, even where the law does not strictly require it.
- Philanthropic responsibility - at the top of the pyramid. The firm contributes voluntarily to the well-being of its community through donations, sponsorships and other discretionary actions.

Figure 8 : The Carroll pyramid



The Carroll pyramid has the merit of clarifying the diverse and sometimes confused content of the notion of CSR. Some commentators have criticised its hierarchical structure for suggesting that economic and legal responsibilities should be "satisfied" before ethical and philanthropic ones — when in fact ethical considerations should pervade all decisions of the firm. The four levels are better understood as complementary dimensions than as a strict sequence.

1.2. An evolving definition

Contemporary definitions of CSR are typically broader than Bowen's. The European Commission (2011) defines CSR as "the responsibility of enterprises for their impacts on society". The international standard ISO 26000 (2010) defines it as "the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including the health and welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation and practised in its relationships". These contemporary definitions emphasise three features: the integration of CSR into the core activities of the firm (rather than peripheral philanthropy); the central place of stakeholders in the conception of the firm's responsibilities; and the explicit link between CSR and the broader objective of sustainable development.

2. Shareholders versus Stakeholders: A Foundational Debate

Behind the notion of CSR lies a foundational debate about the nature and purpose of the enterprise. This debate has been structured for more than half a century by two opposing visions, traditionally associated with the names of Milton Friedman and R. Edward Freeman.

2.1. The shareholder vision

Milton Friedman, in a famous 1970 article in *The New York Times Magazine*, advanced what has come to be called the shareholder vision of the firm. According to Friedman, the social responsibility of business is to use its resources and engage in activities designed to increase its profits, so long as it remains within the rules of the game, that is, engages in open and free competition without deception or fraud. Friedman's argument is grounded in two

propositions: that the managers of a firm are agents of its shareholders, who entrust them with capital for the purpose of generating returns, and that managers have no legitimacy to use the firm's resources for any other purpose, including ostensibly social ones, since this would amount to expropriating the shareholders. Social responsibility, in this view, belongs to individuals - including shareholders - in their personal capacity, not to corporations. The shareholder vision underlies much of the practice of corporate finance and corporate governance in the Anglo-American tradition.

2.2. The stakeholder vision

R. Edward Freeman, in *Strategic Management: A Stakeholder Approach* (1984), articulated the alternative stakeholder vision. According to this approach, the firm is at the centre of a network of relationships with multiple stakeholders - shareholders, employees, customers, suppliers, lenders, public authorities, local communities, civil society, future generations, the natural environment - each of which has legitimate interests in the conduct of the firm. The mission of management is not to maximise the returns of any single group but to balance the legitimate claims of all stakeholders in a way that ensures the durable prosperity of the firm and contributes to the common good. The stakeholder vision underlies the European tradition of co-determination, the doctrine of social-market economies, and much of the contemporary discourse on stakeholder capitalism.

2.3. An evolving balance

The relative ascendancy of the two visions has shifted over time. The shareholder vision dominated the international management discourse from the 1980s to the 2000s, supported by the rise of capital markets, the spread of management compensation indexed to share price, and the institutional influence of investor associations and credit-rating agencies. Since approximately 2010 - and especially since the global financial crisis of 2008 and the climate

emergency of the 2020s - the stakeholder vision has been gaining ground. The famous 2019 statement of the American Business Roundtable, in which the chief executives of nearly two hundred large American corporations explicitly endorsed a multi-stakeholder conception of the firm's purpose, marked a notable evolution of the international corporate discourse.

3. Sustainable Development and the Triple Bottom Line

The concept of sustainable development emerged in the 1980s in response to growing concerns about the long-term ecological and social consequences of economic growth. The Brundtland Report (World Commission on Environment and Development, 1987) gave the concept its now-classic definition: sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Sustainable development is built on three pillars: economic prosperity, social equity and environmental protection. The integration of these three dimensions into the operation of the enterprise is one of the principal ambitions of contemporary CSR.

3.1. The triple bottom line

John Elkington (1997) coined the expression triple bottom line to describe an enterprise performance framework that goes beyond the traditional financial bottom line (net profit) to encompass two further dimensions: the social bottom line (the impact of the firm on its employees, customers and communities) and the environmental bottom line (the impact of the firm on the natural environment). The triple bottom line is sometimes summarised by the three Ps: People, Planet, Profit. It has provided the conceptual basis for much of the development of non-financial reporting over the past quarter-century.

3.2. The Sustainable Development Goals

In 2015, the United Nations adopted the 2030 Agenda for Sustainable Development, organised around seventeen Sustainable Development Goals (SDGs) covering the principal dimensions of human development and environmental sustainability:

SDG	Title
1	No poverty
2	Zero hunger
3	Good health and well-being
4	Quality education
5	Gender equality
6	Clean water and sanitation
7	Affordable and clean energy
8	Decent work and economic growth
9	Industry, innovation and infrastructure
10	Reduced inequalities
11	Sustainable cities and communities
12	Responsible consumption and production
13	Climate action
14	Life below water
15	Life on land
16	Peace, justice and strong institutions
17	Partnerships for the goals

The SDGs constitute the most comprehensive international framework currently available for thinking about the contribution of enterprises to sustainable development. Many large enterprises now formally align their CSR strategies with the SDGs and report on their contributions to specific goals.

3.3. The ESG framework

In the world of finance and investment, the contemporary expression of these ideas is the ESG framework: Environmental, Social, Governance. ESG criteria are used by investors to assess the non-financial performance of enterprises and to integrate it into their investment decisions. The rise of "sustainable" or "responsible" investing - which represents, by various estimates, several tens of trillions of dollars of assets globally - has made ESG performance a major preoccupation of listed firms. ESG ratings, produced by

specialised agencies (MSCI, Sustainalytics, ISS), now play a role somewhat analogous to that of traditional financial credit ratings.

4. Frameworks and Standards

Several international frameworks and standards now structure the practice of CSR and sustainability reporting.

4.1. ISO 26000

The international standard ISO 26000, published in 2010, provides guidance on the social responsibility of organisations. Unlike most ISO standards, it is not a certification standard but a guidance document. It identifies seven core subjects of social responsibility - organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development - and proposes principles, methods and practices for addressing them. ISO 26000 has been an important reference for the diffusion of CSR practices internationally.

4.2. The Global Reporting Initiative

The Global Reporting Initiative (GRI) is the most widely used framework for non-financial reporting. The GRI Standards provide a comprehensive framework for organisations to report on their economic, environmental and social impacts. Thousands of enterprises worldwide publish annual sustainability reports based on the GRI Standards.

4.3. Other frameworks

Other significant frameworks include the United Nations Global Compact (a voluntary commitment to ten principles in the areas of human rights, labour, environment and anti-corruption); the Sustainability Accounting Standards Board (SASB) standards, which focus on financially material sustainability information for investors; the Task Force on Climate-related Financial

Disclosures (TCFD) recommendations for the disclosure of climate-related financial risks; and, more recently, the International Sustainability Standards Board (ISSB), established in 2021 under the IFRS Foundation, which aims to develop a global baseline of sustainability disclosure standards for financial markets.

5. Specific Themes of Contemporary CSR

5.1. The climate emergency and carbon footprint

Climate change has become the most prominent environmental theme of contemporary CSR. Enterprises are increasingly expected to measure their greenhouse-gas emissions - distinguishing direct emissions (Scope 1), emissions from purchased energy (Scope 2) and indirect emissions along the value chain (Scope 3) - to set reduction targets aligned with the trajectories of the Paris Agreement of 2015, and to report transparently on their progress. The notion of carbon neutrality - also called net zero - has emerged as a focal point of corporate climate strategies, with thousands of large enterprises having announced net-zero commitments by various target dates.

5.2. The circular economy

The circular economy is a model of economic activity that seeks to minimise waste and to maintain the value of products and materials in use for as long as possible. It contrasts with the linear "take-make-dispose" model of the traditional industrial economy. Circular practices include the design of products for durability and reparability, the recovery and remanufacturing of end-of-life products, the development of secondary materials markets, and the rise of business models based on the use rather than the ownership of products ("product as a service"). The Ellen MacArthur Foundation has been a leading promoter of circular-economy thinking internationally.

5.3. Diversity, equity and inclusion

Among the social themes of contemporary CSR, the question of diversity, equity and inclusion (DEI) within the workforce and the senior management of the firm has gained great prominence. The issue covers the representation of women, of ethnic and religious minorities, of people with disabilities, of various sexual orientations and identities, and of various socio-economic backgrounds. Enterprises increasingly publish indicators of diversity at various levels of the hierarchy and adopt explicit policies to promote inclusion.

5.4. Human rights along the value chain

Globalisation has extended the value chains of major enterprises across countries with very different legal regimes and standards of human-rights protection. The doctrine of corporate responsibility for human rights along the value chain - articulated in particular by the United Nations Guiding Principles on Business and Human Rights (2011) - requires that enterprises identify, prevent and mitigate adverse human-rights impacts not only of their own activities but of those of their suppliers, contractors and business partners. Several jurisdictions - France (loi sur le devoir de vigilance, 2017), Germany, the Netherlands, the European Union - have adopted mandatory human-rights due-diligence legislation in recent years.

5.5. Corporate governance

Corporate governance - the system by which enterprises are directed and controlled - has become an integral component of contemporary CSR. The recommendations of national and international codes of corporate governance address such questions as the composition and independence of boards of directors, the separation of the functions of chairman and chief executive, the remuneration of senior executives, the protection of minority shareholders and the rights of various stakeholders. In Algeria, the Code Algérien de

Gouvernance d'Entreprise, published in 2009 under the auspices of professional and entrepreneurial organisations, provides a national reference adapted to the local context (Hawkamah & GOAL, 2009).

6. Critiques and Limits of CSR

CSR has been the object of substantial critical reflection from various perspectives, of which three deserve particular attention.

6.1. Greenwashing

The first major critique is that of greenwashing - the practice of giving misleading impressions of environmental or social commitment that are not borne out by the firm's actual practices. The proliferation of CSR reports, of sustainability awards, of green certifications and of public commitments creates ample opportunity for the appearance of responsibility to outpace its substance. The detection and the discouragement of greenwashing is a central concern of regulators, of investors and of civil-society watchdogs, and it has motivated the development of increasingly rigorous reporting standards and verification practices.

6.2. The critique of the business case

A second critique addresses the prevalent justification of CSR by reference to the business case - the argument that CSR is in the long-term interest of the firm itself. This justification, while strategically useful, is theoretically uncomfortable: it makes responsibility instrumental to profit, leaving open the question of what the firm should do when profit and responsibility conflict. Some authors argue that this is precisely the situation in which CSR is most morally consequential, and that the business case implicitly evacuates the genuine ethical content of the notion.

6.3. The limits of the corporate response

A third critique observes that the contemporary CSR agenda places upon enterprises responsibilities that, in some respects, properly belong to public authorities. The protection of the environment, the regulation of working conditions, the redistribution of income, the maintenance of public health and education - these are core functions of the State, exercised through law, taxation and public services. The reliance on voluntary corporate commitments to address them may, paradoxically, weaken the legitimacy and the capacity of public action. The most effective approach, on this view, combines a strong public regulatory framework with corporate practices that complement rather than substitute for it.

Conclusion

Corporate social responsibility and sustainable development complete our survey of the contemporary enterprise. The remaining task is to bring all the concepts of the course together in a single integrated analysis of a real firm — the kind of exercise that, beyond examinations, will serve students throughout their professional lives. The next chapter offers such an integrated case study, applying the frameworks of Chapters 1 to 12 to a composite Algerian agro-food enterprise.

Question for discussion

1. Define corporate social responsibility. Describe Carroll's pyramid of CSR and discuss its merits and limits.
2. Compare the shareholder and stakeholder visions of the firm. With which do you most agree, and why?
3. Define sustainable development as proposed by the Brundtland Report. What are its three pillars?
4. Explain the notion of the triple bottom line and the corresponding three Ps.
5. Identify five of the seventeen Sustainable Development Goals. For each, suggest one concrete action that an enterprise could take to contribute to it.
6. What does the acronym ESG stand for? Why has it become so important in contemporary financial markets?
7. Describe ISO 26000 and the Global Reporting Initiative. How do they differ?
8. What is greenwashing? Discuss two real or hypothetical examples and the means by which it can be detected.
9. Discuss the state of CSR practice in Algeria. What measures could accelerate its consolidation?

Objectives

After studying this chapter, the student will be able to:

1. Apply the concepts and frameworks of the course to a composite Algerian enterprise.
2. Conduct an integrated diagnosis of an enterprise covering its definition, history, classification, resources, functions, structure, environment, strategy, life-cycle position and CSR profile.
3. Identify the strategic challenges of a real-world enterprise and propose substantiated recommendations.
4. Synthesise course content in the form of a structured analytical report.

Introduction

The conceptual frameworks introduced in the preceding twelve chapters acquire their full value only when they are applied to a concrete enterprise. Knowing the definition of value added or the five forces of Porter is one thing; using them to diagnose a real firm and to formulate substantiated recommendations is another. This chapter undertakes the second exercise. A composite Algerian agro-food enterprise - SAHARI Agro-Industries - is presented in some detail and analysed systematically through the lens of every major framework of the course: definition, classification, resources, functions, structure, environment, strategy, life-cycle position and CSR profile.

1. Presentation of the Enterprise

SAHARI Agro-Industries SPA is a private Algerian enterprise operating in the agro-food sector, specialised in the production and distribution of dates, date-based products (paste, syrup, sweets) and dried fruits. Its head office is located in Biskra, in the heart of one of Algeria's principal date-producing regions. The enterprise was founded in 1998 by Mr. Khaled Ben Saïd, an agronomist from the region, who had identified the gap between the abundance of the local raw material and the modest level of industrial transformation available. Starting as a small family workshop with four employees, the firm has grown over twenty-five years to become a medium-sized industrial enterprise with 230 permanent employees, three production sites, and an annual turnover of approximately 4.2 billion DZD, of which 25% comes from exports towards France, Canada, the Gulf countries and several West African countries.

Key Figures (Hypothetical, Reporting Year)

Year of creation: 1998

Permanent employees: 230 (plus seasonal workers during the harvest)

Annual turnover: 4.2 billion DZD

Share of exports in turnover: 25%

Production sites: 3 (Biskra, Tolga, El Oued)

Principal markets: Algeria, France, Canada, Gulf countries, West Africa

Principal product lines: pitted and unpitted dates, date paste, date syrup, dried apricots and figs

2. Definition and Characteristics of the Enterprise

Following the working definition proposed in Chapter 1, SAHARI Agro-Industries is an organised, autonomous and legally constituted economic unit that combines human, material, financial and intangible resources to produce goods (transformed date products) intended for the market, with the aim of generating value added and durably satisfying the needs of its stakeholders. Each of the six characteristics of section 1.2 can be observed in the firm:

Economic unit: the firm produces goods intended for sale on national and international markets and must, over the long term, cover its costs and remunerate its capital.

- Combination of factors: it combines local labour, industrial capital (production lines, cooling chambers, packaging machines), the natural resource (date harvest), entrepreneurial competence and technological knowledge.
- Producer of value added: with an estimated value added of about 1.3 billion DZD, the firm distributes this amount among wages, taxes, interest and retained profit.
- Legally constituted: a société par actions (SPA) registered with the CNRC.
- Social organisation: 230 employees distributed across departments and hierarchical levels, with an organisational culture shaped by the founder.

- Open system: in constant interaction with date producers, equipment suppliers, customers, banks, public authorities and exporters.

3. Classification of the Enterprise

Applying the classifications of Chapter 3:

- Legal form: SPA (joint-stock company).
- Sector: secondary sector (agro-food industrial transformation).
- Size: medium-sized enterprise according to Algerian Law 17-02 of 2017 (between 50 and 250 employees, turnover between 400 million and 4 billion DZD; the firm is at the upper boundary of the medium category, about to enter the large-enterprise threshold).
- Ownership: private domestic (with a minority foreign shareholding of about 15% acquired in 2019 by a French private-equity fund specialised in the agro-food sector).
- Geographical scope: international, with operations in Algeria and exports to several countries.
- Technological intensity: medium-low (according to the OECD classification of agro-food industries).
- Legal regime: formal, with full registration and reporting.

4. Resources of the Enterprise

Applying the framework of Chapter 4:

4.1. Human resources

230 permanent employees, distributed approximately as follows: 12 senior managers, 28 middle managers and supervisors, 50 specialised technical employees (engineers, technicians, accountants, sales staff), 130 production operators and 10 support staff. To these are added 150 to 200 seasonal workers during the autumn harvest. The level of qualification is generally good for senior

and technical positions but more uneven for production operators. The founder, now aged 62, remains chief executive; his elder daughter, a graduate of a French business school, was recently appointed deputy chief executive in preparation for succession.

4.2. Material resources

Three production sites totalling approximately 18 000 m² of buildings, equipped with sorting lines, washing lines, drying chambers, packaging machines, cold-storage chambers, a date-paste production line and a syrup production line. The transport fleet includes 12 refrigerated trucks. The total value of fixed assets, after depreciation, is approximately 1.8 billion DZD.

4.3. Financial resources

Equity of approximately 1.4 billion DZD, including the founder's family stake (60%), the foreign private-equity fund (15%) and various Algerian institutional and individual shareholders (25%). Bank debt of approximately 900 million DZD, mostly long-term investment credit from three Algerian public banks.

4.4. Intangible resources

The principal intangible resources include the SAHARI brand, registered with INAPI, recognised on the national market and increasingly visible on export markets; certifications ISO 9001 (quality), ISO 22000 (food safety) and HACCP; a halal certification (essential for Gulf markets) and organic certifications (USDA Organic and EU Bio); long-term agricultural-supply contracts with about 350 date producers in the Biskra and El Oued regions; and an organisational know-how accumulated over twenty-five years in the conservation and transformation of dates.

5. Functions and Structure

The firm is organised in a classical functional structure (Chapter 7), with five departments reporting to the deputy chief executive, who reports to the chief executive (the founder):

- Production department (110 employees, plus seasonal workers): three production sites, each headed by a site manager; quality-control and maintenance units.
- Commercial department (45 employees): split between the domestic-sales unit, the export unit, the marketing unit and the customer-service unit.
- Procurement and agricultural-relations department (20 employees): manages the relationships with the 350 supplying producers, the wholesale-market purchases during peak periods, and the procurement of packaging and other industrial inputs.
- Finance, accounting and administration department (25 employees): general accounting, management accounting, treasury, IT, legal affairs.
- Human-resources department (12 employees): recruitment, training, payroll, industrial relations, occupational safety.
- R&D is not formally organised but is integrated within the production department, which has developed several new products over the past five years (organic date paste for the European market, low-sugar date snacks for diabetic consumers). The information system is based on a commercial ERP customised for the agro-food sector.

6. Diagnosis of the Environment

6.1. Macro-environment (PESTEL)

- Political: Algerian agricultural policy actively supports the date sector (export subsidies, certifications, technical assistance through the Ministry

of Agriculture); the international environment is favourable to organic and traditional products; geopolitical tensions affect certain export markets.

- Economic: the Algerian dinar has experienced significant depreciation over recent years, which raises imported-input costs but improves the competitiveness of exports; inflation affects domestic demand.
- Social: rising international demand for healthy and natural foods favours dates; in Algeria, the rise of modern retail (supermarkets, hypermarkets) is transforming distribution; growing concern with origin and authenticity benefits firms with strong regional anchoring.
- Technological: new conservation and packaging technologies offer opportunities for differentiation; e-commerce opens new sales channels; data analysis can optimise procurement and logistics.
- Environmental: climate change threatens the water resources of the Saharan oases on which date cultivation depends; demand for organic products grows; carbon-footprint considerations begin to affect international buyers.
- Legal: the Algerian regulations on agro-food traceability have been strengthened; international standards on organic certification, halal certification and food safety have become increasingly demanding.

6.2. Micro-environment: Porter's five forces

- Rivalry among existing competitors: moderate, with about ten significant national producers and many small artisanal producers; competition based on quality, brand and access to export markets.
- Threat of new entrants: moderate; the requirements of certification, distribution networks and brand recognition raise entry barriers but the basic activity is not capital-intensive.
- Threat of substitutes: low for traditional consumer uses of dates, higher for industrial applications (sugar, sweeteners).

- Bargaining power of customers: rising, with the concentration of modern retail and the consolidation of international importers; SAHARI's investment in its own brand reduces dependence.
- Bargaining power of suppliers: limited, given the multiplicity of supplying date producers; partially mitigated by the long-term contracts that SAHARI has established with the principal regional producers.

7. SWOT and Strategic Recommendations

	Helpful	Harmful
Internal	Strengths: strong brand, certifications, supplier network, founder's experience, recent foreign investment	Weaknesses: dependence on a single raw material, undiversified product range, gaps in digital capabilities, succession risk
External	Opportunities: rising international demand for healthy products, e-commerce, growth of modern retail, government export support	Threats: climate risks on water resources, currency volatility, intensifying international competition, increasingly demanding standards

On the basis of this analysis, the principal strategic recommendations are the following.

7.1. Generic strategy

Continue and reinforce a differentiation strategy combined with a focus on the segment of premium, traceable, certified date products. Avoid head-on competition on price with low-cost competitors of the Gulf region. Position the SAHARI brand as a symbol of Algerian agricultural authenticity and quality.

7.2. Diversification

Progressively diversify the product range to reduce dependence on dates: integration of complementary regional products (figs, apricots, almonds); development of date-based ingredients for industrial customers (bakers, confectioners); exploration of innovative formats (date-based energy bars,

healthy snacks). The level of diversification should remain compatible with the firm's core competence and resources.

7.3. International growth

Reinforce presence on existing export markets (France, Canada, Gulf) and explore new ones (Germany, United Kingdom, sub-Saharan Africa). Examine the establishment of a dedicated commercial subsidiary in Europe (probably in France, given linguistic and historical proximity) to strengthen marketing and reduce dependence on intermediary importers.

7.4. Digital transformation

Invest in digital capabilities: a more developed e-commerce platform, the use of data analytics to optimise procurement and inventory, the integration of traceability technologies (QR codes, possibly blockchain) to reinforce the differentiation positioning. Recruit a chief digital officer at executive-committee level.

7.5. Sustainability

Develop an explicit sustainable-development strategy: water-efficiency measures with supplying producers, contribution to the preservation of the oases ecosystem, reduction of plastic packaging, transparent reporting aligned with the principal international standards. Sustainability is not only an ethical imperative but, in the agro-food sector, a competitive necessity on increasingly demanding international markets.

7.6. Governance and succession

Anticipate the founder's succession by progressively reinforcing the role of the deputy chief executive, by professionalising the board of directors (introduction of independent members), by formalising decision-making

processes. The recent entry of the foreign private-equity fund is a useful occasion to upgrade governance practices.

8. Position in the Life Cycle

SAHARI Agro-Industries is at the end of the growth phase or the beginning of the maturity phase of its life cycle (Chapter 10). The principal challenges of this transition include the formalisation of management processes (still strongly informal and centred on the founder), the development of organisational capabilities beyond those of the founder, the prevention of bureaucratic ossification, and the management of succession. Greiner's model suggests that the firm may currently be approaching a crisis of delegation: the founder's centralisation of decisions, well adapted to the firm's earlier growth, has become a constraint as the firm grows and diversifies. The solution will require effective delegation of authority to a strengthened second tier of senior managers.

9. CSR Profile

The CSR practice of SAHARI is currently limited and informal, but presents real foundations: a strong territorial anchoring in the Biskra region, sustained relationships with hundreds of small date producers, employment generation in a region of high youth unemployment, support to local civil-society causes (school programmes, cultural events), already substantial environmental certifications. The structuring of these existing practices into an explicit CSR strategy - aligned with the Sustainable Development Goals, particularly SDG 2 (zero hunger), SDG 8 (decent work and economic growth), SDG 12 (responsible production), SDG 13 (climate action) and SDG 15 (life on land) - would simultaneously deepen the firm's social contribution, strengthen its competitive positioning on international markets (where CSR criteria are increasingly important) and prepare it for stricter regulatory requirements that are emerging in its principal export markets.

Conclusion

The integrated diagnosis presented in this chapter is intended as a model that the student can replicate, with appropriate adjustments, on any enterprise of his or her choice. The serious analyst of the firm proceeds in this way: not by applying a single framework in isolation, but by deploying several in a coordinated manner to construct an actionable understanding of a real situation. The final chapter of the course pack synthesises the entire intellectual journey and offers guidance for the examination and for further study.

Review Questions

1. Summarise the principal strengths and weaknesses of SAHARI Agro-Industries identified in this case study.
2. What competitive strategy does the firm pursue? Is it consistent with its resources and its environment?
3. Why is the question of governance and succession particularly important at this stage of the firm's development?
4. Identify the three principal external threats facing the firm. What measures can it adopt to mitigate them?
5. How might a more structured CSR strategy contribute to the long-term performance of the firm?
6. Choose another Algerian enterprise of your acquaintance and undertake a similar integrated analysis, following the structure of this chapter.

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Conclusion

The course on Economics of the Enterprise has provided a comprehensive and integrated understanding of the firm as the central institution of modern economic life. Across fourteen chapters, the enterprise was examined from every essential angle: its definition and historical evolution, its legal and sectoral classifications, its internal resources and functions, its organisational structures, its relationship with the competitive and macro environment, its growth dynamics, and the contemporary challenges of digitalization, artificial intelligence, and corporate social responsibility.

What emerges from this journey is a fundamental truth: the enterprise is not a simple profit-generating mechanism, but a complex social and economic institution that combines human, material, financial, and intangible resources in order to create value — for its owners, its employees, its customers, and society at large. Understanding it requires not a single framework, but the coordinated use of multiple analytical tools: the value chain, SWOT, PESTEL, Porter's five forces, the life cycle model, and others.

The Algerian context, illustrated through the integrated case study of SAHARI Agro-Industries, reminded us that these universal frameworks must always be applied with sensitivity to the local institutional, historical, and economic environment. Algeria's productive landscape presents both significant constraints and real opportunities, and the future manager must be equipped to navigate both.

Ultimately, the concepts and methods acquired in this course are not confined to the classroom. They form the foundation of a professional practice -the capacity to observe, diagnose, and act within real organisations -that will serve the student throughout his or her career.

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