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Resilience strategies of Algerian SMEs: A processual analysis of dynamic capabilities in an institutional voids context

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Abstract---This research examines how Algerian SMEs develop strategic capabilities in a context characterized by institutional voids and structural volatility. The research used a qualitative multiple-case study design to examine six SMEs through 22 semi-structured interviews and document analysis of 94 items and non-participant observation. The research study reveals three fresh strategic patterns, which show how informal dynamic capabilities function at a microscopic level. The research presents a method which unites effectuation with dynamic capabilities and non-market strategies for an under investigated field. The study investigates three core research areas, which include Algerian SMEs and their dynamic capabilities and institutional voids and effectuation and resilience strategy.

Keywords---Algerian SMEs, dynamic capabilities, institutional voids, effectuation, resilience strategy.
JEL codes: L26, O55, O17, L25

Introduction

Meyer and Peng (2016) explain that businesses face new strategic problems because of the institutional characteristics found in emerging economies. The Algerian economic situation delivers essential knowledge about strategic resilience systems because it depends on hydrocarbons for stability during its transition to new economic structures and protection of its distinct institutional framework (Boubakri & Hamza, 2021). The Algerian situation enables researchers to study strategic resilience mechanisms because it operates through institutional weaknesses which Khanna & Palepu (1997) first described.

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Research on multinational corporations operating in emerging markets has advanced significantly (Cuervo-Cazurra & Genc, 2008) yet theoretical studies of local SME'[s] adaptive capabilities continue to be scarce (Bruton, Ahlstrom, & Obloj, 2008). The economy depends on these businesses because they represent the majority of economic activity and drive development initiatives (Liedholm, 2002). Organizations face a major theoretical and practical obstacle when they try to create resilience plans in settings that do not have enough institutional support.

This article aims to illuminate this problematic by examining how Algerian SME's reconfigure their resources and competencies to confront exogenous shocks, thereby articulating deliberate strategy and dynamic capabilities within an integrative theoretical framework. Our research is anchored in three complementary theoretical currents: dynamic capabilities theory (Teece, Pisano, & Shuen, 1997), effectuation (Sarasvathy, 2001), and literature on non-market strategies in emerging economies (Mellahi, Frynas, Sun, & Siegel, 2016).

2. Theoretical Framework

2.1. Institutional Voids as a Determining Contextual Condition

The market facilitation role of institutions breaks down according to the institutional voids concept, which Khanna & Palepu (1997) developed. In the Algerian context, these institutional voids manifest through several critical dimensions. The country faces multiple development challenges because its financial system lacks proper development which restricts credit access (Aït-Ali, 2022) and its bureaucratic system faces unpredictable regulatory changes (Boubakri & Hamza, 2021) and its factor markets operate poorly and its education system fails to meet labour market requirements. The unique combination of these characteristics forms a demanding strategic environment, which requires organizations to build particular adaptive capabilities that match their specific context (Mair & Marti, 2009).

2.2. Theoretical Articulation

The proposed conceptual framework integrates three theoretical streams into a new framework, which provides a complete analysis of SME resilience.
The first requirement demands an examination of Contextualized Dynamic Capabilities. The dynamic capabilities theory (Teece, 2007) (explains that organizations achieve sustainable competitive advantage through their capacity to adapt their resources for environmental change. However, the manifestation of these capabilities in contexts of institutional voids remains insufficiently explored (Wu, 2007). The proposed solution requires creating « micro-dynamic capabilities » which serve as adapted solutions for SMEs operating in emerging economies with their specific constraints.

We implement Effectuation as an Adaptive Strategic Logic in our second approach. The entrepreneurial rationality of Effectuation theory (Sarasvathy, 2008) operates through control instead of prediction, which makes it suitable for environments with high uncertainty. Our framework shows that effectuation functions as a strategic logic, which maintains its operation from start-up inception through all stages of institutionally fragile environments.

Third, we incorporate the lens of Non-Market Institutional Navigation Strategies. The literature on non-market strategies (Mellahi, Frynas, Sun, & Siegel, 2016) illuminates how firms interact with and influence their institutional environment. The research extends its analysis to small and medium enterprises (SMEs) to study how these businesses create advanced yet unstructured capabilities for navigating intricate political and regulatory systems.

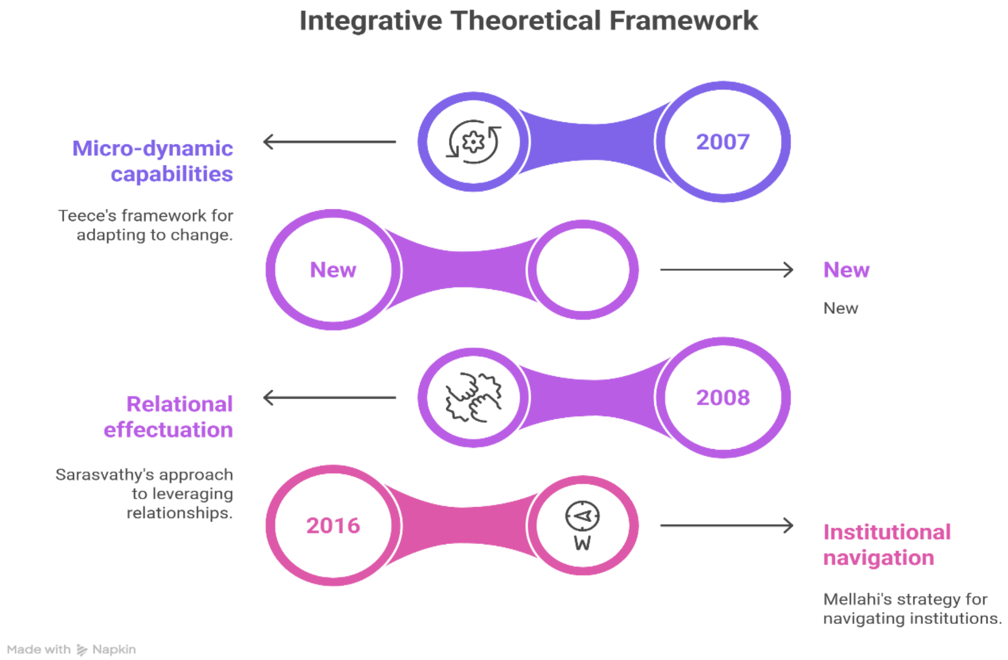

Figure 1 : Integrative Theoretical Framework
Source: (Sarasvathy, 2008)

3. Methodology

3.1. Epistemological Positioning

The research design adopts a constructivist-interpretivist method (Guba & Lincoln, 1994) because it recognizes that researchers and participants work together to develop strategic realities. Unlike positivist approaches that postulate an objective reality, our approach assumes the subjective and contextual dimension of the studied strategic phenomena.

We used a research journal to document our evolving thoughts and changing understanding and our personal stance throughout the study. The practice conducted ongoing observation for interpretation bias assessment because it needed to work within the cultural framework, which we knew while maintaining analytical objectivity.

3.2. Theoretical Sampling and Field Access

The research design used theoretical sampling logic (Fletcher & Plakoyiannaki, 2021)to achieve both literal and theoretical replication goals instead of statistical representation. The selection of six SMEs for study followed specific criteria, which aimed to examine various aspects of strategic resilience. To understand long-term resilience and accumulated learning, we selected cases Alpha and Epsilon, which had survived multiple shocks. The study focused on Beta and Delta companies because they showed fast growth after the crisis period. Finally, to study institutional interface competencies, we turned to Gamma and Zeta, which operated in highly regulated sectors.

We chose six SMEs for study based on particular criteria to evaluate different elements of strategic resilience:

Table 1 : Theoretical Sampling Logic

Selection Criterion	Theoretical Objective	Corresponding Cases	Justification
Survival to multiple shocks	Understand long-term resilience	Alpha, Epsilon	Enables studying accumulated learning
Rapid post-crisis growth	Analyze dynamic capabilities	Beta, Delta	Illuminates transformation mechanisms
Highly regulated sectors	Study institutional navigation	Gamma, Zeta	Reveals institutional interface competencies

Source: compiled by us

We gained access to 78% of their first contact businesses through their established institutional connections and their systematic trust-building strategy. The two main reasons behind the refusal to participate were time limitations and privacy issues.

3.3. Data Collection: Systematic Triangulation

The research team performed data collection through multiple methods from January to June 2025 to achieve the strong triangulation which Jick (1979) suggested.
The research included 22 executives and managers who participated in 82 minutes semi-structured interviews. The interview protocol underwent multiple changes to include new themes, which emerged during fieldwork, and all sessions received complete audio recording and verbatim transcription.

We analysed 94 organizational documents through a documentary analysis method, which included strategic plans and internal reports and official correspondence. We focused on detecting discrepancies between official document content and real-world practices, which they documented in different sections.

Furthermore, 12 days of non-participant observation were carried out across three different company sites. We documented these observations through a specific journal, which tracked practices, and routines that interviews and documents failed to show.

Table 2 : Detailed Data Collection Profile

Case	Interviews	Documents	Observation Days	Secondary Data
Alpha	4 (CEO, CFO,	18	3	Sector studies

Case	Interviews	Documents	Observation Days	Secondary Data
	Production, Quality)			
Beta	3 (CEO, CTO, Sales)	16	2	Market reports
Gamma	3 (CEO, Site Manager, Admin)	14	2	Regulations
Delta	3 (CEO, Customer Service, Projects)	15	2	Competitive data
Epsilon	4 (CEO, Plant, R&D, Control)	19	3	Sector balances
Zeta	3 (CEO, Logistics, Marketing)	12	2	Consumption studies

Source : compiled by us

3.4. Data Analysis: A Rigorous and Transparent Process

We employed thematic coding methods from Saldana (2021) which they combined with NVivo 14 software to analyse data through systematic validation procedures. The process consists of three distinct stages. Two independent coders performed descriptive coding in **Cycle 1** which resulted in an 84% agreement rate (Kappa = 0.79). we used pattern coding during **Cycle 2** to discover and organize new themes, which appeared throughout the data. **Cycle 3** focused on axial coding and processual modelling to establish relationships between categories and build the theoretical model.

The research used multiple validation approaches to establish the dependability of the obtained results. The research used systematic method-source triangulation together with member validation sessions involving five key participants and expert peer review of interpretations and negative case and counterexample analysis.

The research journal from March 15, 2025 shows this process through its observation of Gamma management meetings, which proved that informal networks matter most, but formal interviews always ignore this aspect. The CEO dedicates « 40% of his work hours to casual meetings because he thinks this approach helps him detect future regulatory shifts».

4. Findings: Emerging Configurations and Mechanisms

4.1. A Typology of Strategic Configurations

Our analysis reveals three distinct strategic archetypes, each representing a unique adaptive response to institutional voids. The first type, the "Institutional Navigators" (Alpha, Zeta), employs a dominant strategy of relational effectuation coupled with institutional agility. Their key mechanism for success is leveraging strategic social capital and an acute ability to read weak signals from their environment. The

CEO of Alpha, who stated, «Our family networks allow us to anticipate regulatory changes three to six months before their officialization», powerfully illustrates this.

The second type, the « Structural Adaptives » (Beta, Delta), exhibits a strategy based on semi-formalized dynamic capabilities supported by institutionalized learning processes. Their key mechanism is the progressive and deliberate capitalization of critical learning from past experiences. As the CFO of Beta explained, « Each crisis leads us to create new processes... but we now systematically document them».

The third type, the « Strategic Hybrids » (Gamma, Epsilon), demonstrates a strategy of structured deliberate-emergent ambidexterity. Their key mechanism is the dual management of exploitation (refining existing operations) and exploration (pursuing new opportunities). The CEO of Epsilon described this approach: « We have a formal three-year strategy, but we maintain a dedicated team for unforeseen opportunities with an autonomous budget».

4.2. Micro-Foundational Mechanisms of Dynamic Capabilities

The evaluation of organizational practices at a detailed level shows three essential systems, which support dynamic capabilities in this specific environment.
Organizations can detect risks through their relationships with others according to **the first mechanism.** The studied SMEs operate successful informal environmental monitoring systems, which strongly link to their professional and social connections. The systems function through trust-based relationships and fast informal information sharing instead of using standardized strategic monitoring systems. **The second mechanism** is Structured Improvisation. The organizations demonstrate superior ability to handle unexpected events through their implementation of creative yet methodical operational systems. The Epsilon plant manager defined this concept by saying « Our organization follows established core principles but allows teams to choose their own methods for implementation ». **The third mechanism** is Contextual Learning. The learning approaches of these organizations differ from standard methods because they incorporate distinct elements, which stem from their particular local institutional environment. The organizations develop learning patterns which match the distinct characteristics of their individual operational environments.

Table 3 : Strategic Sequences Facing Institutional Shocks

Phase	Typical Actions	Mobilized Capabilities	Illustration
Anticipation	Relational monitoring, weak signal reading	Contextualized sensing capability	"Our Chinese supplier warned us about logistical disruptions before official announcements" (Delta)
Improvisation	Strategic bricolage, rapid reallocation	Structural flexibility, operational agility	"We transformed our production line in 72 hours to respond to new regulations" (Alpha)
Capitalization	Selective documentation, partial institutionalization	Organizational learning, strategic memory	"Now we have a protocol for this type of crisis, but it remains intentionally incomplete" (Epsilon)

Source: compiled by us

4.3. Processual Analysis: The Revealing Case of Alpha

The Alpha case shows strategic development patterns through its analysis of the period from 2020 to 2025. The organization applied Effectuation principles to direct its operational choices during 2020 and 2021. The organization used its personal networks together with strategic bricolage to sustain its essential business operations during the pandemic crisis. The organization started Progressive Formalization as a program, which ran from 2022 through 2023. The organization applied its acquired knowledge to create vital environmental monitoring systems and adaptable response management protocols. Alpha conducted Strategic Hybridization between 2024 and 2025 through purposeful planning which enabled the company to maintain its freedom to choose strategic paths.

The main sample excluded a textile SME that failed because it kept a fixed deliberate strategy, which proved that strategic agility becomes essential for this specific situation.

5. Discussion: Theoretical and Empirical Contributions

5.1. Refining the Dynamic Capabilities Framework

The research results confirm Teece's (2007) framework yet show that dynamic capabilities functioning in institutional voids need informal social networks to function. The capabilities of Algerian SMEs differ from traditional corporate capabilities because they develop "micro-dynamic capabilities" which operate successfully without formal structures.

The research builds upon previous micro-foundations work by Felin, Foss and Ployhart (2015) to study complex institutional environments. Organizations achieve their best results through dynamic capabilities, which let them adjust to institutional frameworks instead of using standardized structures.

5.2. Reinterpretation of Effectuation as a Sustainable Strategic Capability

The research demonstrates effectuation (Sarasvathy, 2001) serves as an organizational strategic framework for new businesses that start without institutional support. The research develops a new entrepreneurship framework through the application of effectuation logic to future time periods.
The research shows how effectuation works with dynamic capabilities to enhance their combined performance in difficult business settings through particular case studies (Cai, Guo, & Fei, 2017).

5.3. Illumination of Informal Non-Market Strategies

The research demonstrates that small and medium enterprises (SMEs) develop sophisticated institutional navigation competencies, which surpass traditional non-market strategy limitations (Mellahi, Frynas, Sun, & Siegel, 2016). The competencies consist of three fundamental abilities, which enable understanding of institutional environments and leveraging institutional obstacles to gain strategic benefits and adapting to unanticipated institutional changes.

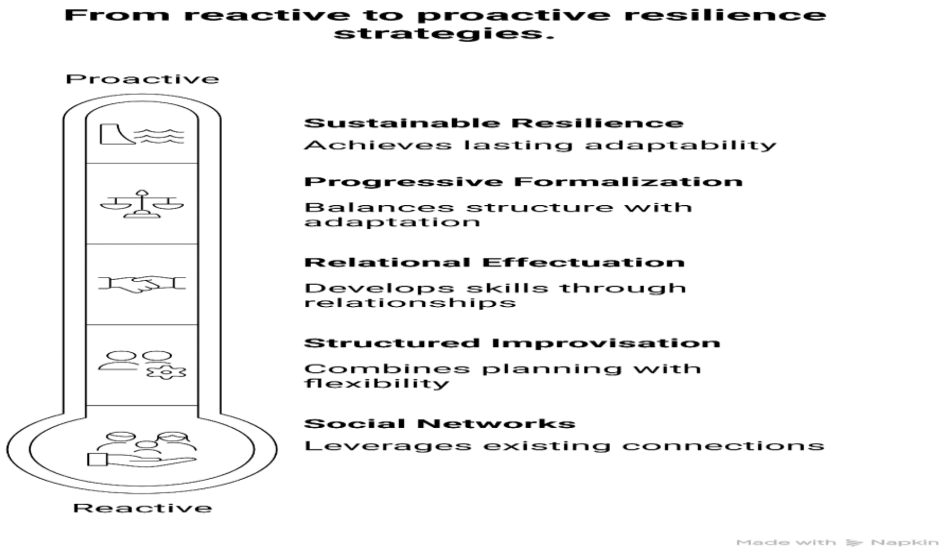

Figure 2: Contextualized Processual Model of Strategic Resilience
Source: Teece, Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance., 2007

5.4. Implications for Institutional Theory

The research shows that Algerian SMEs create special adaptive isomorphic structures (DiMaggio & Powell, 1983) which help them uphold operational legitimacy and strategic flexibility. The study reveals how social embeddedness works at a small scale according to Granovetter (1985) when operating within environments with unstable institutions.

6. Conclusion

The research provides complete information about how small and medium enterprises (SMEs) develop strategic resilience when they function in spaces without formal institutional systems. It reveals the critical importance of informal dynamic capabilities and relational effectuation as adaptive responses to institutional deficiencies.

6.1. Managerial Implications

The research shows that managers working under equal circumstances need to create specific systems, which help their organizations achieve institutional agility. The research shows organizations need to build social capital by actively working on relationship development. The solution needs to operate effectively in various situations but should prevent rigid documentation systems, which restrict organizational flexibility.

6.2. Limitations and Future Research

The research contains multiple restrictions which need to be addressed. The sample is restricted to six SMEs, although theoretical saturation was achieved. The future research needs to study Algeria as a specific nation because it will help scientists identify the general patterns that work across all countries and the factors that are unique to Algeria. The period of the temporal perspective extends only to five years while following a processual approach.

These limitations open several promising research avenues. Future work could include quantitative studies to test the generalizability of the identified strategic configurations, comparative research with other emerging economies, fine-grained longitudinal analyses of strategic trajectories over longer periods, and dedicated studies of strategic failures to better understand the capabilities that were missing.

Ultimately, this research contributes to a finer and more contextualized understanding of resilience strategies in emerging economies, showing how SMEs can transform institutional constraints into potential sources of competitive advantage through the development of hybrid, adaptive, and contextually attuned strategic capabilities.

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