

CORPORATE GOVERNANCE APPLIED TO THE PUBLIC
SECTOR IN ALGERIA:
THE EXPERIENCE OF LISTED COMPANIES

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Résumé

Le champ d'analyse de la gouvernance d'entreprise a dépassé les économies libérales pour atteindre les économies en développement et plus particulièrement les entreprises publiques où la performance a été reléguée au second plan au détriment d'autres objectifs tels que le plein emploi, l'équilibre régional de développement, etc. Aujourd'hui, ces entreprises doivent atteindre les objectifs de performance, notamment la performance financière qui lui permet d'assurer sa pérennité. Ceci nous mène à l'étude de la gouvernance et des modes de désignation des dirigeants, d'où la notion de « management du management ». Notre problématique s'articule autour de la question principale suivante : comment peut-on associer la gouvernance d'entreprise et la performance dans le cadre des entreprises cotées en bourse (secteur public et privé en Algérie).

Dans ce contexte, le mode de désignation des dirigeants constitue pour ces entreprises l'élément fondamental et déterminant de la performance globale (financière, environnementale et sociale) de l'entreprise. C'est ainsi que l'apport de « la théorie de l'agence » pour discipliner les dirigeants est aujourd'hui encore considérable. Dans le cas de l'entreprise publique, l'Etat est

le seul actionnaire et les dirigeants sont nommés. La performance reste un objectif principal. L'entreprise à capitaux privés, malgré les modalités de gestion modernes, présente des résultats mitigés, voire même déficitaire dans certains cas.

En termes méthodologique, la méthode d'approche s'intéresse dans un premier lieu à présenter les modèles théoriques de la gouvernance d'entreprise, notamment la théorie de l'agence, puis les adapter au contexte économique et social de l'Algérie. Nous avons procédé, par la suite, à la collecte d'informations comptables et financières et calculer certains ratios : return on equity (RN/CP) et Return on assets (RN/CP+Dettes d'investissements).

En conclusion, le résultat pour le cas algérien présente certaines particularités et le mode de désignation des dirigeants n'est pas déterminant dans la performance globale de l'entreprise.

Mots clefs : Gouvernance, performance, dirigeants et actionnaires, propriété et pouvoir

Abstract

The corporate governance analysis field exceeded liberal economics to reach less developed countries especially public companies where the performance was overshadowed at the expense of other goals such as full employment, regional balance development... Today, these companies must reach performance goals, including financial performance that allows it to ensure its sustainability. This leads us to the study of governance and leader ship appointment methods, hence the term "management of management."

Our problem is based on the following main question: how can we associate corporate governance and performance in the context of listed companies (public and private sector in Algeria).

In this context, the contribution of "agency theory" to discipline the managers is still considerable.

In this context, the mode of appointment of officers for these companies is fundamental and decisive factor in the overall performance (financial, environmental and social) of the company. Thus the contribution of "agency theory" to discipline the leaders is still considerable. In the case of the public company, the state is the sole shareholder and officers are appointed by it. The performance remains a primary goal. The privately held company, despite modern management methods, presents mixed results, and even a deficit in some cases.

In methodological terms, the approach method is interested in the first place to present the theoretical models of corporate governance, including the agency theory, and then adapt them to the economic and social situation of Algeria. We proceed, subsequently, to the collection of financial and accounting information and calculate some ratios: return on equity (RN/CP) and Return on assets (RN/ CP+debt investments).

In conclusion, the results for the Algerian case has certain peculiarities and leaders of designation mode is not decisive in the overall performance of the company

Key words : Governance, performance, business leaders, shareholders, property and power

Introduction

The analysis of corporate governance focused initially on privately held companies with dispersed ownership. The main objective is to increase the shareholder value. While corporate governance is the subject of much debate today, the public company in Algeria is at the heart of this debate to the extent that the search for performance is one of its primary objectives.

Traditionally, the theme of "corporate governance" is assigned to the two authors, Berle and Means (1932)¹, in their discussion of the divergence in

¹ R. Perez, La gouvernance de l'entreprise, édition la découverte, P 9, Paris 2003.

interest resulting from the separation of powers among managers and share holders in the firm which causes managers to make decisions that are costly to shareholders. However, it has expanded to stock companies whose equity is owned by the state. This is the case of the Algerian companies whose capital is held by the State and whose managerial rules are those that meet the performance principles and market economy. How can we associate the governance and performance of listed companies (public and private sector in Algeria)? This is the selected issue in our analysis leads us to favor approaches in terms of management applied to developing economies through the Algerian experience of listed companies.

I. Governance in liberal economies

The issue of corporate governance was originally asked in liberal economies. Today it is placed in the newly industrialized countries and developing countries². The corporate governance is the subject of much debate in professional and political circles. The precursors that have contributed to the development of this line of research are A. Berle and G. Means in 1932. For G. Charreaux³, "the corporate government covers all the mechanisms that have the effect of delimiting the powers and influence leadership decisions, i.e., which "govern" their conduct and define their discretionary space". Evoking the company already assumed its definition. It is characterized by the existence of full-time employees as well as managers who occupy the higher than mid-level positions. These officers are working under the control of the board of directors composed of majority shareholders. Now, the company is administered by independent managers⁴.

Our current analysis focuses on the study of the styles of governance of the Algerian public companies; that means their capital is owned by the state. The

² Kumudini Heenetigala, corporate governance practices and firm performance of listed companies in Sri Lanka, thesis of DBA, Victoria University Melbourne, April 2011.

³ G Charreaux, Vers une théorie du gouvernement des entreprises, 1996

⁴ P. Andre, E Schiell, les systèmes de gouvernance, in Revue Finance-Contrôle et stratégie, Vol 7 N° 2 Juin 2004, PP165-193

common thread that connects all of these entities is relative to the strategic directions which are defined by the state. Thus, it has been pointed out initially and because of the financial scandals that marked the life business in the early twentieth century, Berle and Mean shave dealt with the eternal question of the conflict of interest between share holders and managers (officers). This is mainly the asymmetry of information, the management entrenchment, recommended procedures for discipline, etc The attention these authors originated in systems failures "corporate governance". These failures often lead to destruction of wealth (value) or to the distribution at the expense of a class of agents.

Etymologically, the word governance has a Greek origin, is "kubernân". He then moved to the Latin "gubernare". It was used in French to mean "the art of better government". According to the definition given by the OECD,⁵ "Corporate governance specifies the distribution of rights and responsibilities through the different participants in the corporation, such as staff, managers, stakeholders and others take holders».

In this connection, we return to the definition of "corporate governance", presented by G. Charreaux (1996) to clarify the nature of the discussions related to this theme. At first glance, this definition applies to companies, in form of increasingly wide spread stock company. The capital comes from the majority or scattered shareholders and that this form of business has an important new feature, at least for the time; the separation of ownership and control. This is reflected on the managerial level or the company is managed by other persons, called the staff, but not shareholders.

In the accounting and financial frame work, this type of property is reflected in the division of capital into two categories: active form (balance sheet assets) and passive form (liabilities). Included in the balance sheet, assets represent the values belonging to the company. Liabilities, bycons, represent all the debts and all the contributions of the shareholders. This often leads to a situation

⁵ OECD, Principles of corporate governance

where officers sometimes operate absolute control over the assets of the corporation. Thus, Berle and Means lead to the thesis that there is emergence of a new type of "property without control". This new type of property had been burst into two categories: assets and liabilities presented in the balance sheet.

In this case⁶, "governance is affected by the same unobservable features of managerial behavior or ability that are linked to ownership and performance." Since then, economists have emphasized the costs of monitoring and control of officers (managers) and corporate activity. While in the case of Algeria, it is primarily owned enterprises. The Algerian state has set up the administrative and fiscal controls. Some institutions, especially the tax administration and the court of auditors are responsible for the control action.

II- The purpose of governance or the "management of management"

The purpose of governance is simultaneously exposed to the role assigned to officers⁷ (agents) and the control activity exercised on them by shareholders (principal). In such companies, managers (agents) are appointed by the principal (board of directors) to speak and act on behalf of the organization. Therefore, they can sign contracts, buy and sell, do financial operations, etc.... In their business, the company makes available materials, humans and financial resources.

Their appointment as corporate officers at the head of the organization makes their legitimate exercise, given their role and control conditions of their mandate. This makes the governance of organizations a key point of management systems of these organizations. However, it is important not to fall into the opposite error, which consists of the expansion of the corporate governance field at the point of including all management systems. Rather

⁶ S.Bhagat and B. Bolton, corporate governance and firm performance in journal of corporate finance 14 (2008),PP 257-273

⁷ It's basically the company's directors appointed by shareholders (the state in public sector) in order to act and make decisions on their behalf.

finalization of systems, organization and animation companies that should in no action being confused with all management systems to prevent the declination in previous subsystems.

In its wide distribution, the question of corporate governance may put the corporate governance itself in doubt if there is assimilation of governance in management. Therefore, it would over shadow the focus on leader ship and certainly would cause the allocation of financial results of the company. The results will be generated much more by the corporate governance mode, than by decisions taken by the managers themselves. Corporate governance can be designed according to the name of Edgar Morinas "the management of management."

II.1 The components of the governance system

The effectiveness of a governance system puts in report the existence of a series of components whose interactions define the governance system and their operating and control modes. We can cite three elements: the structures(S), procedures (P) and behavior (b).The structures are diced elements essential to the proper functioning of the governance enterprise systems. Some are internal to the organization as the General Meeting, the Board of Directors, ad hoc committees,...Others are external origins and practice on the basis of contractual assignments(accounting auditors, auditors, notation's agencies).

Procedures (P) are also essential components for corporate governance. Very diverse, these components are explained in the different codes and reports that are imposed on different actors of the firm. These include especially the accounting plan, Commercial Code, customs house, etc. ...There ports on governance⁸ make technical recommendations on the modalities of collection and dissemination of financial information, executive compensation systems, etc..... The couple structure-process (SP) is the institutional system of corporate

⁸ Reports Cudbury, Viennot, and act Sarbannes Oxley, principles of governance of OECD

governance. The third element is behavior (b) complete the first two. The study of social behavior refers to officers or agents. Thus, the best practices of managers, their ethics or their deviations can mostly determine the efficiency of governance systems.

II.2 The dissociation Property-Power and the construction of a Managerial theory of the firm

Increasingly, companies are taking a modern organizational form. A new type of property appears with bursting of the "atom" which was the traditional property into two distinct elements but inseparable among them: the values in the assets of the balance sheet are owned by the company and the liabilities which are the lawful property of the share holders or possibly long-term/ short-term debts.

Overall, social events: growth of cities with a massive exodus, increasing purchasing power and population growth have been the source of big business development in nineteenth and twentieth century. This necessarily involves saving. The majority shareholders sometimes leave some capital to minority shareholders (diffuse share ownership and others) where the financialisation of the economy manifested gradually by the major role of financial markets in financing the economy.

This new orientation of the economy towards managerial firms led to a separation increasingly marked between owner ship and power in these large companies especially with the existence of dispersed ownership. It is through this fact was conceptualized as a real managerial theory of the firm. Given the success of managerial approaches of the firm, the agency theory (Jensen and Meckling1976) appears today as the dominant theoretical explanation of phenomena governance. Their proposals are based on several currents of research, especially with E. Fama, H. Demsetz. Now, a new paradigm is built, the organizational finance.

During this period and the one that followed, the authors explained the mechanisms of "good governance" by the "agency theory". This definition is

closely linked to the paradigm to which they referred: the optimization of the utility function for executives (managers) and share holders. This has led to consider the company as a "contract of nodes", not as "black box" as it developed in the marginalist current of thought⁹.

All stakeholders (stakeholders, capital providers, employees, managers, customers, suppliers,.....) are linked in a "node of contracts" with the law governing these trade relations. This has enabled the creation of corporations in the form of companies. This type of governance was designed to compel officers to serve the best interests of agents (shareholders).

From the observations made concerning the divergence of interests among shareholders and managers and the assumption of information asymmetry in favor of managers, the agency theory provided in this sense a timely theoretical justification. Governance codes developed since the seventies were based on this approach by providing organizational mechanisms more and more sophisticated including "rating agencies".

II.3 divergence of interest between managers and shareholders

This consensual vision of corporate governance through the agency theory, two categories of stake holders have a special position in the company: shareholders and managers. As a corollary, the managers are the agents designed by shareholders (principal) within the organization. Their role is to manage the business in line of the interests of shareholders. However, each one of the officers and shareholders have different utility function¹⁰. In this case, each group has to maximize its own utility.

Meanwhile, the shareholders may exercise their property rights as a last resort. Thus, lenders, suppliers and employees are treated as privileged debts. This creates shareholder a specific financial risk. This risk also justifies the exclusive appropriation of profit for the year and the remaining net assets in

⁹ B.EKOKA, Structuration du modèle financier du contrôle de gestion à travers les disciplines à source, in cahier de la recherche N° 2003-160

¹⁰ G. Charreaux, op cite, page 5

the event of termination of activities. The managers, because of their strategic position in the management of the firm have inside information. They tend to take ownership of part of the company's resources in the form of various privileges for their own consumption (discretionary spending). While the shareholders and managers have different interests and develop different utility functions, but each category needs the other in the achievement of its objectives.

Thus, future developments that have occurred after the appearance of this theory have highlighted the expressed purpose of the managers to strengthen their position in the company's head. This is explained by the fact that they prefer the growth of revenue, employ more workers, etc ...The main goal is to first serve the corporate interest of the company prior to satisfy the interests of shareholders through dividends or revaluation of securities. The optimization of the utility function is expressed by maximizing his compensation with the least effort.

This divergence of interest is accentuated by the difference in risks by both of them. The share holder may lose its contributions. The manager runs the risk of losing his job and its value on the labor market (E.Fama1980)¹¹. Thus, for A Berle and G.Means. "separation of ownership (property) and decision-making power leads to a situation while interests of shareholders and managers are often divergent and where many safeguards allowing to limit abuses of power willd is appear"¹².

Thus, in their management activity, the efforts of the managers are certainly beneficial to share holders, but have in them some disutility. Knowing that the investment manager is much more human capital than financial capital, they then become much more sensitive to the variability of the results of the company than are shareholders. These can, moreover, easily diversify their portfolios. This puts the managers in a higher risk situation that incurred by

¹¹ The decisional process and it's control with E. Fama and Jensen, in P. Wirtz, les meilleures pratiques de gouvernance d'entreprise, edition la découverte, p 43.

¹² P. Wirtz, op cite, p 52

shareholders while their decisions to undertake become less risky and more short-term profitable investments. In the same time, often, managers may be tempted to take the opportunity to grant special benefits. The firm can be conducted in a favorable direction for them and do not necessarily for shareholders.

II.4 asymmetry in the distribution of information, the opportunism problem

Agency problems appear from the time where there is asymmetry in the distribution of information associated with a divergence of interests between managers (agent) and shareholders (principal). According to the authors of the agency theory, if there is no difference in the preferences of actors and more exactly in utilitarianism of both, information asymmetry does not cause problems in the company since the agent decides the actions to be taken in agreement with the principal.

In the absence of information asymmetry, differences of interest are easily overcome in that the main detect opportunistic behavior on the part of the agent. However, the agency relationship exists only because the shareholder (main) estimates the best position to manage agent that he's good. The capabilities of the manager and his knowledge are recognized de facto by the principal. The information asymmetry is at the origin of the contractual relationship.

So there is an agency relationship when the principal empowers the agent to manage the business and to take initiatives in decisions. However, the agency problems are related to both the uncertainty in the relationship itself, in the imperfect observability of the agent's efforts and costs of establishing and enforcing contracts. Meanwhile, they speak of establishing contracts; whether implicit or explicit, both parties (principal and agent) are engaged in a cooperative effort. That is why they designate the firm as a "contract of nodes". The costs of the Agency appear as soon as a contracting party, usually the agent who is an officer, has privileged information and the other is unable to

accurately observe its behavior. This can create otherwise malfunctions within the company¹³.

However, the main to reduce the information asymmetry creates the establishment of monitoring mechanisms. He then outlines a dishonest agent or neglect to sanctions. However, it is often difficult or impossible to specify precisely the subject of very complex managerial work. This can expose the shareholder to opportunism of the manager. With an uncertain environment, information asymmetry and the difficulty of measuring individual effort of the agent, shareholders are exposed to greater risks.

In addition, the interests of the shareholder may incur a risk of damaging negligence because it does not always have the necessary skills to whether a transaction is in its own interests or those of the managers. These can adopt opportunistic behavior by manipulating the information they manage. The principal must establish a system of incentives and controls to limit losses caused by conflicts of interest among him and the agent. Thus, to ensure the smooth running of contracts, the establishment of this system will generate agency costs.

III Public companies and Governance: a new dimension?

The governance of the public or private company is now recognized as an important aspect of the business. It's the corporate governance which is able to ensure the sustainability and financial health. However, worries on governance have arisen in recent years. They are due to the various financial scandals in several large international companies (Enron in the US, Credit Lyonnais in France, etc ...).

At the root of this growing interest, the opportunism of managers and asymmetric information, inefficiency of boards, doubts about the integrity of audits, etc.... However, the governance of Algerian public companies is still looking. The relationship between the shareholder and the State-designated

¹³ G. Charreaux, Théorie de l'agence, lecture et relecture 1998.

directions are ambivalent. The concept of public under taking has no real meaning in law. Commercial law speaks only about "society" and not business. However, the 1980EEC¹⁴ Directive considers the public business as "any undertaking over which the public authorities may exercise a dominant influence due to the financial participation or the rules which govern it."

We can remember, in this regard, that the concept of public under taking covers a multitude of organizations. This is obviously productive enterprise and other categories of companies that are driven by the realities and different mobile. The only really visible element comes from membership, at least a majority of the company to the state and specific reports it has with the government. In the Algerian context, public companies covered a wide variety of legal forms. Today the predominant form is the joint stock company (JSC). These companies do have legal personality and financial autonomy and management. It's legal existence separate from the state and the authority to which it belongs.

That the company belongs to the competitive sector or not, the Algerian public company held by profit targets for the "shareholder" State as well as the objectives of the national developments strategy. The public company is primarily a business where his motivation by profit to ensure its sustainability. However, the complexity of the many objectives set by the state, goals related to policy development of society, can make it difficult to achieve profit targets.

We have two possibilities : the company belongs to the competitive sector or not. However, the Algerian public company held by profit targets for the share holder State as well as the objectives of the national development strategy. The public company is primarily a business where his motivation by profit to ensure its sustainability. However, the complexity of the many objectives set by the "state policy", goals related to policy development of society, can make it difficult to achieve profit targets.

¹⁴ M. Poyet, le contrôle de l'entreprise publique: essai sur le cas français, these de Doctorat en Droit, Université Saint Etienne 2001.

The public company should give room to the needs and often divergent interests. Apart from the fact that the public company is subject to control systems on compliance fiscal and budgetary rules as the appropriateness of decisions. The public company is for the state a regional balance development instrument. The management of the public company is therefore a real challenge because it escapes to models designed for private enterprise while inspiring them. New Public Management is contingent not only by the imperatives of efficiency, competitiveness and profitability of capital but also by the imperatives of national structural and economic policies.

IV. State-owned enterprises and guidance "Market Economy"

The major event of the Algerian economy is a mixed economy. The regulation is done by the market, so that companies act within the framework of the market economy in which the influence of globalization, as capital of the largest "national companies" are mostly publicly owned. As soon as we actively talking about public companies, it refers to the new public management but expresses coming from the liberal thinking. There is therefore a kind of adaptation of management techniques as "PPBS", or "BCR"¹⁵. Over the past twenty years we have seen the emergence of new public management adapting to the public sector traditionally reserved to the private sector methods. The Algerian case is highly revealing the extent or even the financial crisis in this country and the various attempts to privatize or establishment of the autonomy of the company in 1988, these companies are still publicly owned entities. The management is practiced corollary "New Public Management".

IV.1 optional and organizational choices

Today, the introduction of market principles in the public sector is still relevant in the debate opponents the various stake holders and social partners. Indeed, the public company has specific characteristics peculiar to the economy and

¹⁵ Planning, programming and budgeting system, rationalization of budgetary choices

Algerian society. It is here that the utility since all practices and actions (decisions, investment, regulation, choice of partners and managers....), emanate from a single center of decisions: government. At first, the public nature of capital is essential. So, in our case, the concept of public under taking has reconsidered the notion of property which is characterized by two aspects:

The first aspect related to the allocation of decision rights covers all the decisions taken, mainly those related to the use of company assets. These decisions are not explicitly controlled by law and even less attributed to other agents. This is unlike a private company where the undertaker, the alone owner, takes the residual decisions and under goes all its decisions.

The public company is characterized by the decisive role of the state or public authorities in the appointment of managers able to manage and give them the relatively high decision latitude on strategic options. Regarding executive pay and the possibility of obtaining personal advantages, various types of public enterprises express only minor variations in the discretionary latitude granted to executives.

Thus, the remuneration of the CEO of the public company, falls within the regulatory field on one hand and negotiation as regards the term of office of the president on the other. For the Algerian case, public enterprises carry out very varied and very diverse activities. They touch all sectors of economic activity. Some are from the nationalization (hydrocarbons) and others are created during the various development plans. Historically, the reasons that prompted the government to begin this wave of industrial processes are ideological, political but also macroeconomic.

In its broad form of vertical and horizontal integration, the public sector policy, commonly called "publicizing" akin to a particular organizational choice. This is what G. Charreaux called "organizational hybrid" of public bureaucracy materializing by a non-object and whose funding relies on government revenues and the control of these entities exclusively to government on the one hand, and the public company under private law, belonging to the competitive

sector and financed privately and control is mainly through market mechanisms¹⁶.

Overall, the public company is distinguished private enterprise share the right of control, the appointment and remuneration exercised by the state and the right of control exercised by the state in setting strategy overall, the state retains a decisive power over the composition of capital and the appointment of officers.

IV.2 The Institutional and organizational arrangements of the Corporate Governance

In Algeria, apart from the commercial code adapted rather to the centralized economy and rehabilitated in the new version to market economy rules due to the openness of the economy, there is only one Algerian governance code business. Published in 2009 by an independent working group, "the task force goal 08' is much more open to private SMEs as the public sector. The Time to identify the scope of the managerial concept of corporate governance has come because today these codes interested in the harmonization of these institutional arrangements which take an international dimension.

Thus, in the current economic context, corporate governance goes beyond the interest of the share holders to individual performance of their businesses. This is an awareness of the contribution that a good corporate governance system can make to the stability of capital markets, the dynamics of investment and economic growth in general. Alternatively, all financial institutions (banks and insurance, etc), investors, mutual funds have become aware of the role they can play for the good governance practices of company.

The harmonization of institutional arrangements is exercised within a framework that can make it compatible these devices. These are the following:

¹⁶M. Poyet, op cite

- a) The internal organs and procedures constituting the own device to the enterprise;
- b) The organs and external procedures constituting the support device;
- c) The organs of guardianship and appeal and arbitration procedures constituting the regulating device;
- d) The operation al instruments used by the various bodies in the procedures relating to corporate governance.

In the internal features of corporate governance issues within the Fund's governance problems are acute. At first glance, what is the degree of sovereignty of the general meeting of shareholders? What is the main role of the board? Is it the administration of the company or control of the administration?

a) The sovereignty of the general meeting of shareholders

Generally, sovereignty nominally belongs to the shareholders on the basis of the basic rule: "one share, one vote". This is not without indifference in the Algerian case since all capital (assets) held by the state through the State Involvement Committees (CPE) and holding companies. Once the majority, if not all, belongs to the state, internal devices now become de facto devices falling bodies and supervisory procedures.

- The right to vote

The voting rights gives the shareholder the right to decide on the management of affairs of the company, to make the appointment of the management bodies, approve the financial statements of the company, to spread the benefits and authorize a change of capital. Shareholding naturally gives right to the receipt of dividends when the company makes profits.

- The Right to information

Besides this, it is appropriate to note that the benefits of exercise, there may be deductions prior losses and a 5% levy constituting the legal reserve until the funds reach one tenth of the capital social. The balance, plus any retained earnings, constitutes the distributable profit. It is attributed to shareholders. In all this, each share holder may at any time to information published by the

company through the periodic reports of activity and management. These reports allow the shareholder to analyze the evolution of the risk of its investment operations.

This canonical form of the "republic of shareholders" as cited by Gomez PY in 2001, was gradually changed because of some abuses recognized and reported the authors. Outside the crumbling of shareholders and the excessive use of "white power" systematically endorsed by banks that collected for the benefit of incumbent leaders (Case of sub primes), it is appropriate to note in our case, the private shareholding represents only 20% of the capital of the company SAIDAL ¹⁷ with, however, a high degree of fragmentation due to its diversity. The private investor is not protected by either its shares or by institutional arrangements in place. Measures to increase the fluidity of the shareholding limit shareholders' rights by limiting the capital released.

The information system implemented recommends certainly better information for shareholders. Now, the focus is especially shareholders who can do the trading costs conducted by the major shareholders of SAIDAL (holding Chemistry-Pharmacy). So, all these provisions make it difficult or impossible a company takeover. A corporate governance system only makes sense if the institutional framework is animated by actors.

b) The ambivalent role of the Board

In any business, the members of the Board of Directors (BD) play a pivotal role in its future development. They also play an ambivalent role between the general meeting of shareholders and the general management of the company works daily. The appointment of members of the Board is by election, unless special provisions for staff representatives, to the general meeting of shareholders.

Their task is, therefore, adapted to the administration of the company and monitor it's business. The council expressed explicitly and agrees on a number

¹⁷ SAIDAL is a Algerian public company specialized in generic pharmaceuticals

of decisions such as the review of annual plans, organizing groups, partnership issues, the adoption of management reports, etc The institutional and legal arrangements for appointing members of the board can be different in different countries. However, the emphasis is always on the mission of the Board and its members.

In developed countries, we can cite the example of Germany, which took a different device. In fact, there is distinction between supervisory board (Kontrollrat) and Executive Board (Aufsichtsrat). The first is appointed by the general meeting of shareholders with, however, involving the employees. Employee participation is not due to the participation in the capital of the company but in accordance with the co-management principles. The supervisory board does not exercise executive functions. These are assigned to the Governing Board which is made up of company managers.

Other countries, like France where the law of commercial companies was inspired by this provision by offering them the possibility of recourse to the board of directors. This distinction highlights the principles promulgated in favor of corporate governance which take in our opinion the importance of the mission of the board in the control of officers.

We take, however, the idea of the glory period of managerial enterprise idea that managers had resolved the ambivalence of the board in the direction that favored them. They act in the appointment of members of the Board, in addition to major shareholders, representatives of groups "parents and allies" with whom they have friendly relations on the one hand, and senior corporate hierarchy members on the other hand. After giving an overview of the components of the board of directors of the Algerian company that consists of three categories:

-A first class of members are external members whose guardianship and Holding. They are appointed either by the Holding or by the guardian ship order to control the leader ship in the pursuit of the state's objectives.

-A second category, no less important, consists of the senior hierarchy of the company and its executives. They can in some cases be members of the Management Board.

-A final category consists of two auditors responsible for certifying the company accounts.

As a corollary to this, a striking and important fact must be reported. It's about the status and function of the CEO who is also Chairman of the Board of Directors. This function gives him a monarchy status to the company's head. In principle, the president of the Board shall be the principal officer of the company. If that is the case then there is a risk of compromise of mission control exercised by the board of directors on the governing board (officers). For French, for which Algerian companies have been inspired, uniqueness at the top is the rule and the CEO is also Chairman of the Board. The uniqueness at the top is a monarchical principle which applied in Algeria.

In Germany and the US, it is rather the principle diarchic leading, de facto, separation between two functions. We find the function of Chairman as the head of the board and CEO (chief executive officer) at the head of the direction. These are recommendations for governance that are favorable to shareholders.

c) Organizational arrangements

Since the analysis of agency theory, issue of contractual theories, the dominant theoretical approach to corporate governance is that which is to protect shareholders opportunistic behavior of officers. However, this corpus of organizational economy which designs both companies' contracts nodes "tended toward the short term begins gradually to absorb other dimensions including other stakeholders.

Two traditional approaches conflicting mark corporate governance: the shareholder approach and the partnership approach taking account of all stakeholders. The later is the preferred approach in our analysis insofar public Algerian economy was based on "the shareholder State" emphasis, alongside

the interests of all stakeholders. This approach aims to redefine the concept of property which fits through two logics related to "residual decision rights" and that relating to the ownership "residual earnings".

Despite its membership in the managerial model of capitalist enterprise, this model can be transposed to the new public management. It also extends the statute of ownership to all stakeholders (employees, suppliers, contractors, customers, etc ...) where we can deal, in this case, with the phenomenon of social responsibility of the company. In the part of the board of directors of SAIDAL for example, we retain the representatives of employee members of the board, taking care of their professional activities and taking responsibility jointly control officers. We find this principle in the German models of co-management.

IV.3 What is the model of governance of the Algerian company?

Traditionally, there are two corporate governance systems. In the first, the focus is on the dominant role of financial markets as a means of regulation and control. The second is a system oriented "banks". According Berglöff, he bases its analysis on incomplete contracts to study the allocation of resources and residual decision rights and possibly the right of appropriation of residual earnings.

The authors mentioned in their analysis the existence of two control models, Anglo-Saxon or German Japanese. The first is based on the financial market, while the second is based primarily on network-oriented systems where banks play a key role in financing. The features of this system are found in the Algerian economy funding model with a sizeable debt ratio in general.

This of course refers to the other feature that cites the concentration of shareholders since it is a single shareholder, the state in this case. Banks' equity participations in companies is still valid, because they, despite very stable funding relationships, have not proceeded with the acquisition of shares on the capital market. Banks are confined to traditional forms of financing.

Conclusion : A governance model to the Algerian economy

Governance has always been oriented towards performance and increasing the value and dividends that accrue to shareholders. The Algerian experience, seen through the listed companies, showed that governance (leadership selection, governance mechanisms, executive compensation) may be associated with the performance concept. The following two tables are the results to party balance sheets of these companies. The first gives the ratio "return on equity" represents the ratio of net income to equity (RN / CP) while the second "return on assets" represents the ratio of net income on non-current assets, which is to D. Brown the "return on investment".

Table N° 1 : the ratio return on equity

Enterprise	2010	2011	2012
EGH EI- AURASSI	2,86%	-17,73%	13,97%
SAIDAL	9,35%	14,93%	13,33%
SONELGAZ	2,05%	1,9%	1,16%
SPA DAHLI	3,10%	7,64%	6,53%
NCA Rouiba	10,63%	13,04%	15,69%

Source : our calculations based on balance sheets of these companies.

For NCA, the informations are from the years 2012, 2013, 2014

Table N° 2 : the ratio return on assets

Entreprise	2010	2011	2012
EGH EI- AURASSI	1,63%	-6,19%	5,15%
SAIDAL	5,40%	10,55%	9,31%
SONELGAZ	0,81%	0,64%	0,46%
SPA DAHLI	- 0,23%	0,602%	0,74%
NCA Rouiba	6,91%	7,17%	6,82%

Source : our calculations based on balance sheets of these companies

For NCA, the informations are from the years 2012, 2013, 2014

Performance is linked to the effectiveness and efficiency concept. It is measured by a set of financial and non-financial indicators describing the optimal possibilities of a system and is embodied in the goals and resource utilization. It is more related to good governance and the nature of the sector. Profitability is different. It presents for the "EGH EL Aurassi" financial returns of 1.63% in 2010, even negative (-6.19%) in 2011. The results are also very low for the SPA DAHLI (private company), while SAIDAL (public sector) has relatively satisfactory results.

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