Corporate governance for the competitiveness development of the Algerian economic institutions: A proposed framework

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Abstract:

This study aims to propose a descriptive framework for the governance of Algerian economic institutions for the development of their competitiveness at local and international levels. Based on the descriptive and statistical analysis established by the researcher through a questionnaire submitted to a sample of Algerian institutions, the study concluded that the level of governance application in the economic institutions in Algeria is inefficient since all internal determinants of governance did not fully function as required. Therefore, it reflects negatively on their competitiveness. The major recommendation mentioned is that the Algerian government should take into consideration the framework proposed by the researcher which is the overall application of the determinants of internal governance. This governmental approach will contribute undoubtedly to the development of competitiveness. That's why, it should be considered one of the Algerian State's public policies for the modernization of Algeria's economic institutions.

Keywords: Governance; competitiveness; Algerian economic institution.

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1. INTRODUCTION:

As a result of financial crises and institutional collapses these recent years in the world's economy, such as what happened in Southeast Asia, the Enron scandal, ...etc. There is an urgent need for controls and laws that limit the recurrence of these crises and scandals. Hence, the attention to governance has begun as a modern management method that provides a stable and effective basis for the protection and control of institutions. It aims as well to achieve several objectives such as: defending shareholders' and other investors' rights to improve the financial performance and value of institutions, increasing access to finance, and attracting foreign investment which grows competitiveness. Those goals are achieved through many determinants that guarantee the appropriate application of governance principles.

For these previous reasons, governance has an enormous utility to many countries, including Algeria. They relied on this tool to keep pace with the changes and conditions that have taken place in the national economy since the end of the 1980s: starting with granting autonomy to public institutions in 1988, then shifting to the market economy pattern and the privatization of economic enterprises. at that time, a huge number of private enterprises emerged and took several forms and the interest in the foreign direct investment flows increased. The Charter of Good Governance for Small and Medium-sized Enterprises was promulgated in 2009 as a framework and guide for understanding the basic principles of good governance of the Algerian institution. The proper application of the principles of governance in Algeria would help Algerian institutions to achieve better levels of performance; develop their competitiveness by allowing them to remain on the business floor internationally, regionally, and locally; and give the ability to its owners and others stakeholders to maximize their goals. As a result, this study attempts to present a proposed framework for governance in the Algerian economic institutions through the application of its internal determinants, thereby developing its competitiveness. So, based on the above, the most important question in this study, which we will try to answer, is: ***What are the elements of the proposed governance framework for developing the competitiveness of the***

Algerian economic institutions?

we propose the following hypotheses as an answer to the study’s question:

A- A right application of governance in an economic institution has a positive impact on an enterprise's competitiveness;

B- High effective and operational internal control mechanisms in the Algerian economic institutions that go along with the necessities of good governance, increase the quality of their competitiveness.

The importance of this research arises from the desire to increase the level of application of governance in the Algerian economic institutions, by improving the performance of its internal determinants, and then protecting these institutions and helping them to attract investments. It attempts also to increase their competitiveness, reduce the exacerbation of unemployment, and develop the economy in general.

Hence, this study aims to formulate a proposed descriptive framework for governance in the Algerian economic institutions, by addressing its internal mechanisms. This framework has become a requirement due to its capacity to develop competitiveness.

In order to achieve the main objective of the research and answer the central question by verifying the hypotheses addressed, we divided our study into a theoretical and operational framework; the theoretical part includes defining the term "governance", its objectives, characteristics, and mechanisms. Then, we will address the intellectual background of competitiveness, as well as the impact of applying the internal determinants (mechanisms) of governance on competitiveness; in the applied framework, we will discover the truth about governance in the Algerian economic institutions. We will address a clear and real statistical description of the elements of the proposed framework based on a sample of Algerian economic institutions (the opinions of members of the Board, directors, members of the internal audit department, and members of senior management). Finally, we will present the most important conclusions and recommendations.

2. The theoretical part:

2.1 Corporate Governance (concept, objectives, characteristics, mechanisms):

A- The concept of governance in various studies:

There are many definitions of the phenomenon of governance. Each one indicates the point of view adopted by its author. We mention for instance:

(Cadbury Report, 1992) Governance is: "a system whereby institutions are managed and monitored" [1].

It is defined by (Shleifer, Vishny, 1997)) as: "the mechanism that provides a guarantee to the funders that they will get returns from their investments in institution" [2].

(Charreaux, 2002) mentioned that: “The institution examines a set of contracts, and governance ensures the interests of all parties involved in these contracts, in terms of compatibility with their interests and the reduction of their losses” [3].

The concept of governance as it mentioned in the book. (Ali and Shehata, 2007): “It is a set of mechanisms, procedures, laws, systems, and decisions that guarantee discipline, transparency, and fairness. They aim also to achieve quality and excellence in performance by activating the actions of the economic management unit concerning the exploitation of economic resources, for the benefits of all stakeholders and society as a whole." [4]

According to other studies, governance has also been defined as: “The means whereby the direction of activity or a range of activities is controlled, in a way that a set of results is achieved according to some established standards.

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(1) Hakim Mohsen Al-Rubaie, Hamad Abdul-Hussein Radi. ‘’ **Bank governance and its impact on performance and risk**”, 1st edition. Jordan: Dar Al-Yazuri Scientific for Publishing and Distribution, 2011. P 22.

(2) Shleifer Andrei, Vishny Robert. **"A Survey of Corporate Governance"**. Journal of Finance. 1997, vol. 52, USA: American Finance Association, p p 737-783.

(3) Charreaux Gérard."**Variation On The Theme: In Search Of New Foundations For Finance And Corporate Governance**". Revue Finance Controle Stratégy, 2002, Vol 5, n° 3. France : Editions Economica, pp 25_31.

(4) Alaa Ghaleb Abu Sir. ‘’ **Determining Factors of Audit Fees in Light of Corporate Governance - A Field Study on Companies Listed on the Amman Stock Exchange**", Master's Thesis in Accounting. Jordan: Yarmouk University, Faculty of Economics and Administrative Sciences, 2010, p 26.

It reflects the coherence and continuous coordination between many actor with different objectives.” [1]

Based on the previous definitions, governance could be defined as: “***a system consisting of a set of mechanisms whereby the institution is directed and controlled. It ensures that the institution is represented by its own manager and administrative staff, working in the interests of all parties associated with it. Their objective is to enhance its performance and competitiveness and ensure its continuity in the business world*** “.

B- Governance objectives:

Given the foregoing, the most important objectives of governance can be summarized as follows:[2]

-Separation of management and ownership, as well as an effective oversight of performance;

-Assess senior management performance, enhance accountability, and increase confidence. So, governance, through its procedures and rules, helps increase investors' confidence in management and aids in assessing its performance and accountability;

-The supervising responsibility is granted to both parties, namely the board of directors and the shareholders;

-Not confusing the tasks and responsibilities of executive managers with those of the board of directors and the responsibilities of its members;

-Shareholders, employees, and creditors play the role of observers of enterprises' performance;

-Correcting the performance of the institution, increasing its competitive relations, attracting new investments, and improving the situation of the economy in general;

-Improving the financial performance of institutions, and reducing the chances of financial hardship and bankruptcy or their takeover by other institutions;

-Protecting the rights and interests of stakeholders, especially investors, continuously and on a long-term basis, in such a way they could achieve the

(1) Madiha Bakhush. “**The Role of Citizenship in Supporting Global Environmental Governance - A Presentation of Some Global Models**.” Journal of Studies in Economics and Business Administration. Algeria: University of Tebessa, December 2018, p38.

(2) Daoud Kheira. " **Determinants of the activation of corporate governance in the Algerian economic institutions and its reflection on its performance _ Case study of an economic institution in Algeria _**". Ph.D. thesis in management sciences. Business Management Branch. Algeria: University of Blida 2, Faculty of Economics and Management Sciences, 2017, p24.

best economic benefits possible.

C- Characteristics of Governance:

The term governance indicates that there are a range of characteristics that must be essentially found in the behaviors of different groups related to institutions, in order to achieve the purpose behind the application of this concept. these characteristics are represented in the following: [1]

-Discipline: it is any proper and correct ethical behavior.

-Transparency: it is achieved by providing true pieces of information about everything that is happening.

-Autonomy: it means avoiding unnecessary influences as a result of outside interference.

-Accountability: It is the possibility of evaluating the work of the Board of Directors and the Executive Management.

-Responsibility in front of all interested parties in the facility.

-Justice: it signifies the rights of the various stakeholder groups must be respected.

-Social responsibility: it is looking at the company as a good citizen.

D- Internal Governance Mechanisms:

They are addressed as follows:

-The Board of Directors: it is the supreme authority in the institution. The shareholders granted him a mandate which is the authorization to take necessary decisions and actions to achieve their interests.The Board of Directors is one of the most important governance tools, as it represents the summit of the governance framework. The Board's primary function is to reduce the costs arising from the separation between ownership and decision-making power[2]. In addition to these responsibilities: [3]

A. Defining the strategic objectives of the institution;

B. Define powers and responsibilities;

C. Evaluating the performance and the effectiveness of decisions;

D. Supervising compensations and rewards, and verifying their consistency with the internal laws and regulations of the institution;

(1) Tariq Abdel-Al Hammad. "**Corporate Governance**". Alexandria: Dar El Jamiaa, 2005, p 23.

(2) Amal Awad. "**Measuring the impact of the governance role on the earnings management behavior of companies registered in the Egyptian stock market**." Journal of Financial and Business Studies. Egypt, 2003, p 25.

(3) Hamadi Nabil. ''**The effect of adopting the governance charter by small and medium enterprises in Algeria on the quality of financial information - field study –** ''. Journal of Economic and Administrative Research, 2012, p 85.

E. Developing systems, instructions, and regulations for the administrative and financial structure, to make information available to all parties related to the institution;

F. Surveilling risk management in the institution;

G. Surveilling the profit distribution policy.

It should be noted that the board's structure, its relationship with the executive directors, and size, are the main conditions that influence the effectiveness of the board's oversight functions. Through several points, we will briefly discuss some of the cases:[1]

Initially, many studies, such as (Coleman, Biekpe, 2006), indicate that increasing the number of non-executive members (external members) on the board improves its independence. It affects positively the board's oversight performance, increases vitality, and reduces the possibility of draining the owners' wealth by the management.

Secondly, according to (Fama, Jensen, 1983), agency costs can be reduced by separating the organization's management functions from the oversight process: granting the CEO the two functions increases the possibility that he could take decisions to achieve his own interests on behalf of achieving those of the shareholders, which leads to reducing the efficiency of the board's oversight functions of executive management. The most common trend is to separate the two positions.

Finally, the study (Jensen, 1993) indicated that the board of directors, which includes a large number of members, has less effective oversight of the executive manager. Besides the fact that it retains no authority over the executive manager, the coordination between them is difficult which interferes with dealing with the difficulties that the institution faces.

- Internal Audit: It has experienced a remarkable development in its concept. After its domain was initially limited to accounting examination and evaluation to ensure the correctness of recording financial transactions and recording errors, it has expanded at present and has been used as a tool for comprehensive examination and evaluation of activities. The institution, in addition to auditing the management of risks associated with the Corporation

(1) Daoud Kheira. "**Measuring the application level of governance in a sample of Algerian institutions.**" Journal of sustainable local development. Algeria: Medea University, 2016, p136.

and aspects related to governance in an affirmative, objective, and independent manner, provide advisory services.

(Hussein Dahdouh, 2007) indicates that the efforts made by the internal audit are considered a fundamental pillar for everyone involved in the institution's supervisory performance, including the audit and management committee. it is clear that the role played by the Internal Audit, which operationalizes governance, is centered on:[1]

A. Identifying, assessing, and analyzing financial and operational risks;

B. Examine the internal oversight procedures and ensure their effectiveness, quality, and suitability;

C. Providing advisory services in the financial, administrative, and operational aspects to improve the effectiveness and efficiency of the institution's operations;

D. Identifying the strengths and weaknesses in the internal oversight system in the institution and providing solutions, suggestions for weaknesses, and attention to strengths to benefit from them;

E. Contributing to managing the institution to achieve the best use of economic resources;

F. Helping to raise the efficiency and effectiveness of activities and programs;

G. Helping the employees to perform their duties with accuracy and care.

- Disclosure: One of the most important rules on which governance focuses are the aspects related to sufficient and timely disclosure of all financial information related to the institution, which includes financial position, performance, and ownership. When the information is available to all investors, the investment evaluation processes become effective, efficient, and contribute accurately to determining the fair market value of the institutions' shares. Therefore, investment operations based on those rules and principles are accurate and real because they are kept away from speculation and unreal investment operations.[2]

The disclosure must also include the following information: [3]

A. Financial and operational results of the institution;

(1)Hussein Ahmed Dahdouh. "**The role of internal auditing in corporate governance in Syria - a field study-.**" Irbid Journal for Research and Studies. Jordan, 2007, p 274.

(2)Daoud Kheira. "**Measuring the level of application of governance in a sample of Algerian institutions**", reference previously mentioned, p 137.

(3)The same previous reference, pp 137-138.

B. The objectives of the institution;

C. Ownership of majority shares and voting rights;

D. Remuneration of board members and executive managers, information on their qualifications and how they are selected, their relationship with other managers, and proofs of their independence;

E. Transactions of relevant parties;

F. Predicted risk factors;

G. Issues related to workers and other stakeholders;

H. Corporate governance structures and policies, especially the content of the Corporate Governance Law and its application method.

2.2 The theoretical relationship between Governance and Competitiveness:

A- Competitiveness (concept - dimensions): We choose to address this point of the research as follows:

- The concept of competitiveness: competitiveness has occupied a significant place in both strategic management and business economics. It represents the important strategic element that helps seize opportunities and pushes institutions continuously to achieve profitability compared to their competitors. Competitiveness is the source that enhances the institution's position through the economic profits achieved and through its excellence over its competitors in various fields.[1]

Competitiveness is defined as: “the ability of the institution to formulate and implement strategies that could place it in a better competitive position compared to similar institutions operating in the same activity, by providing basic elements in the institution’s resources. The most valuable of these elements is the appropriate distribution and allocation for all stakeholders. Among these elements also, it should be mentioned the institution’s resources and the adoption of international standards that allow them to move into global competitive markets”.[2]

(The Canadian Agricultural Research Group, 1991) defined competitiveness as: “the ability of the industry to achieve profits continuously,

(1)Jamal Obaid Muhammad Al-Azmi. “The **role of corporate governance in raising the competitiveness of Kuwaiti companies** “. Master's thesis In Accounting. Jordan: Middle East University, College of Business, 2012, p 23.

(2) **Ibid**. p10.

and to acquire an appropriate market share with the capacity to maintain it in the domestic or foreign markets, or both." [1]

Competitiveness also means: "quality, procedures, innovations, merged with all administrative, marketing, production, innovation, and development activities practiced by institutions, in order to obtain a larger share and a more extensive area in the markets."[2]

Based on the foregoing, competitiveness can be defined as: "***The means through which the organization can win and outperform its competitors in the local or foreign market, or both. The institution seeks to achieve a greater market share, through the availability of a range of elements in the organization among which we recall: distribution and appropriate allocation for all stakeholders based on specific rules and principles*** ".

- Dimensions of competitiveness:[3]

A- Efficiency and effectiveness of the institution's operations: This is done by owning the best technology, the cheapest primary resources, better exploitation of production capacities, efficient marketing operations, powerful production systems, maintenance systems, dynamic transportation, and storage operations. All the previous elements must be combined with an application of vigorous strategies, as well as oversight and control procedures, to ensure the achievement of the institution's goals.

B- The quality of operations and outputs: Institutions, whether industrial or service, all over the world have a raising interest in quality in the modern era. These institutions noticed its importance and the extent of its contribution to the progress and development of performance. Thus, they look at quality as a weapon that they should use to face internal and external challenges and a key factor for their success to achieve a competitive position in the market.

C- The advantage of speed (timing): Speed is represented by the institution's ability to meet the needs of stakeholders such as investors, provide information, and disclose it in full transparency at the scheduled time.

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(1) Loay Sadeq Al-Hadj Mustafa. " **The competitiveness of the Palestinian food industries and prospects for their development**". Master's thesis in economic policy management. Palestine: Al-Najah National University, College of Graduate Studies, 2005, p08.

(2) Farid al-Najar. "**Applied competition and its promotion**". Alexandria, 2000, p11.

(3) Jamal Obaid Muhammad Al-Azmi, **reference previously mentioned**, pp 29-33.

D- The advantage of creativity, renewal, and innovation: It is reshaping or reworking new ideas to solve a problem or coming up with a new idea, related to technology for instance, that affects positively institutions. Creativity is the institution's ability to add fast more value, as well as to provide products better than the competitors' ones in the market.

-The role of governance in developing the competitiveness of the economic enterprise:

The researcher (Zainab Shehab, 2010) indicated that institutions should recognize that stakeholders' contributions constitute a precious resource for building institutions' competitiveness and strengthening their profitability. Therefore, it is in the long-term interest of enterprises to build cooperation among different stakeholders to build wealth. The corporate governance framework must include an admission of the fact that the enterprise's interest is achieved through recognition of the interests and contributions of the different parties to the enterprise's success. The researcher also noted that taking responsibility, accepting accountability, and transparency towards shareholders and investors is not limited to improving the reputation of the institution and attracting investments only, but rather gives it a competitive ability. For these reasons, good relationships with stakeholders must be established to achieve the enterprise's objectives and make them part of its long-term strategy. Caring for stakeholders and achieving profit go along with productivity growth. In other words, interest and profit go hand in hand with the judicious use of capital.[1]

The (Center for International Private Enterprise CIPE, 2011) mentioned that governance has a major role in enhancing the economy's competitiveness: it attracts investments and supports economic performance and competitiveness in the long term through several ways and methods, the most important of which are: *discloser and emphasizing transparency in the organization's transactions, accounting, and financial auditing procedures. *Governance stands against the corruption that depletes the institution's resources,

(1) Zainab Ismail Ismail Shehab. ‘’**A proposed framework for the impact of applying corporate governance strategy for achieving excellence in competitive performance - an applied study on the pharmaceutical companies in Egypt –** ‘’. Ph.D. thesis in Business Administration Philosophy. Egypt: Ain Shams University, Faculty of Commerce, 2010, p 60.

diminishes its competitiveness, and banishes investors. *Its procedures improve the institution's management, help attract investments with good deal terms, and increase the efficiency of the enterprise's performance. *Transparency in dealing with investors and lenders can help avoid banking crises. *Applying corporate governance strengthens public confidence in the privatization process. *It helps ensure that the state achieves the best return on its investments, which enhances its competitiveness as well.[1]

(Mikhail, 2005) also noted that the importance of governance in the development of competitiveness is summarized as follows: * Work to fight financial and administrative corruption in institutions and not allow its existence. * Achieving a high degree of guarantee, integrity, transparency, impartiality, and independence for all employees in the institution, from the Chairman of the Board of Directors and executive managers up to the lowest level of its employees * Avoiding intentional errors or any deviations, preventing their persistence, and minimize them by using sophisticated control systems. * Maximizing the use of internal accounting and control systems and achieving effective spending related with spending to production. * Achieving a sufficient level of disclosure and transparency in financial statements and reports. * Ensuring the highest efficiency and effectiveness of external auditors, and ensuring that they are highly independent and objective and not subject to any pressure from the Board of Directors or executives.[2]

From the foregoing, it can be concluded that the economic institution must commit to the application of the corporate governance system, which is based on a variety of determinants, including internal determinants, that ensure the achievement of its objectives. The most important goal is to develop its competitiveness, whether at the local or international level, or both. These determinants are:

* The Board of Directors practices supervision and oversight on managers and align their interests with those of the owners, as well as the presence of a board of directors characterized by the presence of a significant proportion of its non-executive members, along with its small size, and the separation between the positions of the Chairmanship of the board and General Manager,

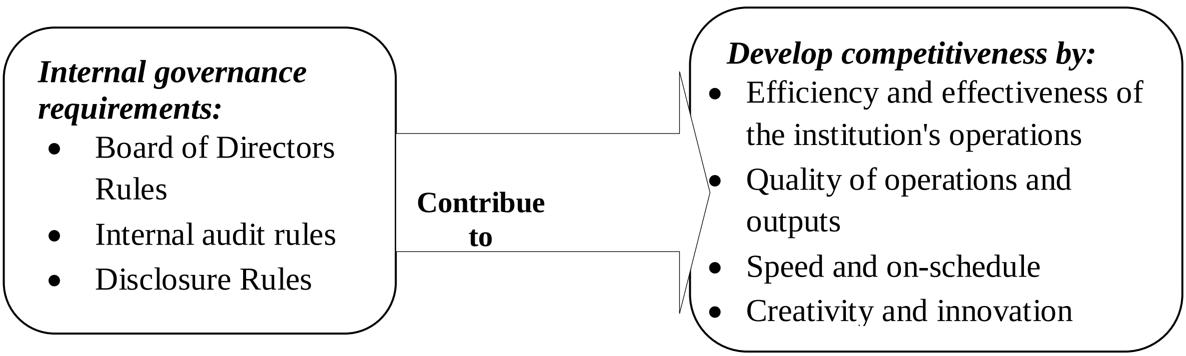
(1)Al-Jawzi Djamila. " **The Role of Governance in Enhancing Competitiveness** " [Online]. Available on: <www.kantakji.com>, (viewed: 12/17/2017).

(2) Jamal Obaid Muhammad Al-Azmi, **reference previously mentioned**, p40.

to ensure that the available information is not controlled and decision-making is unique and exclusive. Therefore, the presence of all previous elements would develop the competitiveness of the economic institution and improve its financial performance. *The internal audit function contributes also to the development of the economic institution's competitiveness by evaluating the internal control system, participating in risk assessment and management, supporting governance, reducing cases of manipulation and fraud, improving the efficiency and effectiveness of the work, and providing management with information and suggestions to help it make important and appropriate decisions. However, the internal audit needs the availability of a set of elements to perform effectively and contribute to improving the level of competitiveness. Among these elements, we mention: the independence and objectivity of the internal auditor, continuous professional training...etc. *Furthermore, disclosure has a crucial role in the development of competitiveness: it applicate an oversight on the enterprise by disclosing various information to parties inside and outside the enterprise, which these parties need, in their turn, to censor the enterprise from within and outside. The disclosure must have a range of necessary characteristics to play a role in the development of competitiveness such as adequacy, time... etc.

From the above, internal governance requirements leading to competitiveness development can be deduced in the following figure:

Figure 01: Requirements for competitiveness development in the framework of corporate governance



Source: accomplished by the researcher based on the above

3. The applied part (applied study methodology):

Through this applied part, the reality of the internal mechanisms of governance will be described based on a sample of Algerian economic institutions, which leads us to judge their competitiveness. However, it is worth mentioning previously the study methodology regarding its sample, its community, and its tools.

3.1 Community Study: To achieve the research objective, which is determining the impact of the internal mechanisms of governance on the competitiveness of the Algerian economic institutions, the study tended to deal with a community consisting of a group of institutions (stock companies)to collect data on the extent to which collects data on the application of internal governance mechanisms in these institutions, and is represented in: (Board of Directors, internal audit, and disclosure).

3.2 Study sample: A random sample was taken from the original study community. 80 copies of the questionnaire were distributed. 50 copies were recovered, 10 were excluded for non-completion, and 40 copies of the questionnaire were analyzed.

3.3 Study tools: The study relied on a questionnaire as an essential tool for information on internal governance mechanisms. It was conceived based on the principles of the Organization for Economic Cooperation and Development (OECD) in 2004 and the Charter of the Governing Algerian Institutions. After that, the questionnaire was examined by a group of academic specialists from the university to be accurate as possible. Thereafter making the appropriate adjustments, it was distributed to the study sample. The questionnaire included two main parts: the first contains interviewees' personal data, while the second section included three axes to measure the level of application of internal governance mechanisms. The questions had specific answers with "yes", "no" or "neutral". its form conforms to the triple Likert scale to measure the level of implementation of governance by measuring its internal determinants.

3.4 Analyzing the Questionnaire:

-Presenting the characteristics of the sample: Reviewing the results of the individual respondents' specifications, it is accurate that they can be classified as follows:

A_ Gender(male-female): as it is shown in Table No. (01):

Table 1: Distribution of the study sample according to the gender variable

Gender	Repetition	Proportion %
Male	12	30 %
Female	28	70%
Total	40	100 %

Source : SPSS Program Output

The previous table shows that the majority of participants in the questionnaire are females (70%), while the proportion of males is (30%).

B_ Age groups: distributed among researchers as shown in Table No. (02):

Table 2: Distribution of study sample by age variable

Age groups	Repetition	Proportion %
(20 _ 30) years old	22	% 55
(31-40) years old	07	17.5%
More than 40 years old	11	% 27.5
Total	40	% 100

Source: SPSS Program Outputs

We notice from the previous table that the lowest percentage (17.5%) of the total number of sample individuals are aged between 31 and 40 years, while the age group between 20_30 years accounted for the highest percentage of the total number of respondents (55%), followed by the category (over 40 years) by 27.5%.

C_ Job title: It was distributed among the respondents as it is shown in Table No. (03):

Table 3: Distribution of the study sample by job title

Job title	Repetition	Proportion %
Member of the Board of Directors	20	50 %
Member of the internal audit department	5	12.5 %
Senior management member	15	37.5 %
Total	40	100 %

Source: SPSS Program Output

From the previous table, it is clear that the highest percentage of the distribution of sample members according to the job title variable is for the board member (50%), followed by the job title (member of senior management) (37.5%), while the lowest percentage was (12.5%) for the job title (member of the internal audit department).

-Descriptive statistical analysis of the internal mechanisms of governance:

A- Description of the Board of Directors mechanism: Table No. (04) summarizes the results of the description of this mechanism:

Statements	Yes		No		Neutral		The Arithmetic Mean	Standard Deviation	Answer Direction according to triple Likert scale
	Frequency	Proportion %	Frequency	Proportion %	Frequency	Proportion %			
1. There is a clear separation between the functions of the Chairman of the Board of Directors and those of the general Manager;	_	_	32	80	8	20	1.8	0.41	No
2. The majority of the Board's members are independent of the Administration;	-	-	37	92.5	3	7.50	1.93	0.27	No
3. One of the Board's functions is to develop strategic guidelines for corporate guidance, risk management policies, objectives and policy, and selection of executive management members;	38	95	_	_	2	05	2.90	0.44	Yes
4. The Board of Directors oversees the executive management's performance;	04	10	23	57.5	13	32.5	1.78	0.62	No
5. The Board of Directors forms committees that ensure the conduct of the institution's business, such as the Audit Committee.	_	_	35	87.5	05	12.5	1.88	0.34	No

Source: accomplished by the researcher based on the SPSS program outputs

According to the Table No. (04), The answers show that there is no separation between the function of Chairman of the Board and Executive Management: The answer was “no” by (80%) of the research sample, with an arithmetic mean of (1.80) towards the “No” answer, and standard deviation of (0.40). Through the results of the second statement "02", it is clear that the majority of the members who constitute the Board of Directors are not independent of the Executive Management: the “no” answers came with a rate of (92.5%), with an arithmetic mean of (1.93) towards the “no” answer, and standard deviation of (0.27). In what concerns the third "03" statement, it was found that the responders agree to some extent, (95%) of the research sample, with an arithmetic mean of (2.90) tending to answer “yes”, with a standard deviation of (0.44). When it comes to the Board of Director's role in overseeing the executive management's performance to achieve the goals of the institution, in addition to assigning him responsibilities in the institution (statement 04), most of the answers were “no” at a rate of (57.5%), with an arithmetic mean of (1.78) towards the answer with “no”, and with a standard deviation of (0.62). The answers confirmed also in the fourth statement that the Board of Directors does not form committees that ensure the functioning of the institution's business. As a consequence of their unavailability, the Board performs the functions of these committees that are supposed to be subsidiary to it. The responses are consistent and trend at (87.5%) of the research sample, with an arithmetic mean of (1.88) toward the answer with “no”, and with a standard deviation of (0.34).

B_ Description of the internal audit mechanism: Table No. (05) summarizes the results of the description of this mechanism:

Statements	Yes		No		Neutral		The Arithmetic Mean	Standard Deviation	Answer Direction according to triple Likert scale
	Frequency	Proportion %	Frequency	Proportion %	Frequency	Proportion %			

1. The Internal Audit Department is organizationally affiliated to the Chairman of the Board of Directors.	15	37.5	17	42.5	8	20	2.17	0.75	No
2. Internal audit work is done by staff members with a level of financial and accounting education;	-	-	37	92.5	3	7.50	1.93	0.27	No
3. Internal audit plays an effective role in evaluating the organization's risk management work and providing improvements to develop its procedures.	08	20	20	50	12	30	1.90	0.71	No
4. The Internal Audit Department imposes periodic evaluations of the internal control system and works to identify problems.	26	65	09	22.5	05	12.5	2.53	0.72	Yes
5. The Internal Audit Department provides advisory services to the institution.	23	57.5	10	25	07	17.5	2.40	0.78	Yes

Source: accomplished by the researcher based on the SPSS program outputs

From the previous table, It is clear from the answers that the internal audit department of the research sample organizations does not follow the Chairman of the Board of Directors organizationally (1st statement): the answer is “no” at a rate of (42.5%), with an arithmetic mean of (2.17) towards the answer with “no” and a standard deviation of (0.75). Based on the answers to the 2nd statement, Internal audit work is done by staff members who do not possess an academic qualification in finance and accounting:(92.5%) of the research sample answered “no”, with an arithmetic mean of (1.93), and a standard deviation of (0.27). It is also evident that the internal audit function does not accomplish its most important role from the perspective of corporate governance, which is evaluating the work of risk management and providing improvements to develop its procedures. In this context, the answers were “no” by (50%) of the research sample, with an arithmetic mean of (1.90), and a standard deviation of (0.71). The internal audit, in light of corporate governance, evaluates the internal control system periodically to identify the problems that may appear: the “yes” answers are by (65%)of the research sample affirming the previous statement, with an arithmetic mean of (2.53), and a standard deviation of (0.72). The answers also unanimously agreed by (57.5%) that the Internal Audit Department provides advisory services to the organization, with an arithmetic mean of (2.40), and a standard deviation of (0.78).

C_ Description of the disclosure mechanism: Table No. (06) summarizes the results of the description of this mechanism:

Statements	Yes		No		Neutral		The Arithmetic Mean	Standard Deviation	Answer Direction according to triple Likert scale
	Frequency	Proportion %	Frequency	Proportion %	Frequency	Proportion %			
1. The institution presents the same financial and non-financial information to all its users simultaneously;	38	95	-	-	02	05	2.90	0.44	Yes
2. The institution has an electronic page, constantly updated, in Arabic and French, on which content is published regularly;	27	67.5	-	-	13	32.5	2.35	0.95	Yes
3. The remuneration of the board of directors and executive managers is disclosed;	04	10	22	55	14	35	1.75	0.63	No
4. The extent of the institution's commitment to the work ethics is disclosed;	03	7.5	34	85	03	7.5	2.00	0.39	No
5. The financial risks to which the institution is exposed are disclosed.	-	-	37	92.5	03	7.5	1.93	0.27	No

Source: accomplished by the researcher based on the SPSS program outputs

The figures in Table No (06) refer to the following: It appears that the majority of the respondents answered “yes” to the first statement at a rate of (95%) concerning the institution presenting the same content of financial and non-financial information to all its users simultaneously, with an arithmetic mean of (2.90), and a standard deviation of (0.44). We note also in the second statement that (67.5%) of the research sample affirms that the institution has an electronic page, constantly updated, in Arabic and French, on which new contents are published regularly; the arithmetic mean was (2.35), with a standard deviation of 0.95. The research sample agreed by (55%) in the third statement that the disclosure process does not include determining the remuneration of the Board members, as the arithmetic mean content within the second category of the three Likert categories was (1.75) ending towards the answer with “no”, and the standard deviation was estimated at (0.63). Likewise, in the fourth statement, the extent of the institution's commitment to work ethics is disclosed; the answers were "no" by (85%) of the research sample, with an arithmetic mean content of (2.00), and a standard deviation of (0.39). Finally, the financial risks to which the institution is exposed are not disclosed; the respondents agree with this statement by (92.5%), with an arithmetic mean of (1.93) tending towards the answer with “no”, and with a standard deviation estimated at (0.27).

4. Analysis of the results: The testing process of study hypotheses, which were considered as a preliminary answer to the research problem, enabled us to reach results through their validation

4.1 The first hypothesis:

"A right application of governance in an economic institution has a positive impact on an enterprise's competitiveness"

We have come to prove the validity of the above hypothesis: most studies show that institutions, in which a board of directors, an internal audit, and disclosure are characterized by specific requirements imposed by governance, have a high level of competitiveness, which would develop their finances.

4.2 The second hypothesis:

"High effective and operational internal control mechanisms in the Algerian economic institutions that go along with the necessities of good governance, increase the quality of their competitiveness"

This hypothesis was rejected based on the following conclusions: the internal mechanisms of governance in the economic institutions under study operate according to what is required by governance, but in an incompetent way, which leads to their inability to raise the level of quality of their competitiveness. The main reason that we discovered through the questionnaire is that the board of directors in the institutions of the research sample is involved at the heart of its work, for example: setting work strategies. However, we observe a deficiency in the separation of functions of the chairman of the board and executive managers and a lack of overseeing the performance of the various entities in the institution. It is important also to form board committees, as they are unavailable. It became clear as well that the internal audit function is attached to the manager, and independent of the rest of the other jobs, it is accomplished usually by an employee with no scientific qualifications in the financial and accounting field. It has specific functions, such as evaluating the internal oversight system, but it does not evaluate the work of risk management. We also noticed that the institutions of the study sample do not disclose important information required by governance (the method of determining the remuneration of the Board members, the extent of the institution's commitment to adopt the work ethics).

5. CONCLUSION:

The aim of the research was to formulate a proposed framework for governance in the Algerian economic institutions, thereby developing its competitiveness. For this purpose, the research was divided into several sections. From the researcher's statistical analysis, the following results have been deducted: *the Board of Directors and the internal audit members, as well as the disclosure are not inconvenient to the requirement of governance, which opposes the development of competitiveness. **In light of the previous results, the researcher recommends the following:**

- There must be a framework for governance in the Algerian economic institutions, in a way that leads to the development of its competitiveness. The researcher proposed a framework considered appropriate for this purpose which elements are represented in the following: **A- Board of Directors rules:** The board of directors must adhere to specifications required by governance, such as: *The independence of the majority of its members from the executive management, *The need to prevent one individual from holding the positions of general manager and Chairman of the Board of Directors, * The inclusion of important governance functions in the framework of its work, such as the task of overseeing performance, assigning responsibilities...etc. **B- Internal audit rules:** As for the internal audit department in the Algerian economic institution, it must adhere too to specifications required by governance, which leads to the development of its competitiveness, such as: *The independence and objectivity of the internal audit department in performing the tasks assigned to it should be reinforced , through the affiliation with the Board of Directors. * Assign to the audit department the fulfillment of other functions related to the application of governance, such as the task of evaluating the work of risk management in the institution. **C- Disclosure rules:** As for disclosure in the Algerian economic institutions, it is essential for the institution, to activate its rules, to provide necessary disclosures required by the proper governance, such as: * disclosure of the institution's remuneration details of board members and executives in its annual reports.

- It is necessary for the Algerian State to consider this governance framework as an institutional policy among the policies that it adopts in order to modernize financial sector enterprise, through the development of competitiveness, and innovation. Hence, in order to implement the proposed framework, the Algerian state must perform a number of tasks, the most important are: * The Algerian Government should adopt the concept of governance when formulating internal laws and the constitution of the audit profession in the context of the international changes brought by the phenomenon of globalization.* The compulsory application of the Corporate Governance Charter in economic institutions.

* In addition to the aforementioned, there are other recommendations, which can also be used in order to improve the reality of governance in the Algerian enterprises, and then develop its competitiveness, including: * Holding scientific conferences, * Spreading the culture of governance, through the establishment of specialized institutes in governance, working on preparing programs to educate managers of institutions and their boards of directors about the importance of its determinants in these institutions, in order to improve their competitiveness.

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