

## The Reality of Application of Corporate Governance in Algerian SMEs

### واقع تطبيق الحوكمة المؤسسية في المؤسسات الصغيرة والمتوسطة الجزائرية

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مخبر الاستراتيجيات والسياسات الاقتصادية في الجزائر  
كلية العلوم الاقتصادية والعلوم التجارية وعلوم التسيير  
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تقدم للنشر في: 2017.05.16 & قبل للنشر في: 2017.12.09

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Received: 16.05.2017 & Accepted: 09.12.2017

**Abstract:** The study aimed to determine the adoption's level of corporate governance in the small and medium enterprises in Algeria, as one of the new management systems that have proved effective in many international experiences.

To reach this goal, the study included the explanations for each of the corporate governance and the SME's, and the analysis of the results of 150 questionnaires distributed to a sample of 150 SMEs that operate in various fields and in all regions of Algeria, focusing on the owners and cadres of these enterprises.

The study found that the majority of SMEs in Algeria has clearly accepted to adopt corporate governance, but it requires providing an appropriate environment for it and foremost training and awareness of the importance and benefits of corporate governance.

**Keywords:** Corporate Governance, Small and Medium-sized Enterprises.

**Jel Classification Codes :** R13, O55, L2.

**ملخص :** هدفت الدراسة إلى تحديد مستوى اعتماد الحوكمة المؤسسية في المؤسسات الصغيرة والمتوسطة الجزائرية، باعتبارها واحدة من أنظمة الإدارة الحديثة التي أثبتت فعاليتها في العديد من التجارب الدولية. ولتحقيق هذا الهدف تضمنت الدراسة توضيح مفهوم الحوكمة المؤسسية والمؤسسات الصغيرة والمتوسطة، من خلال تحليل نتائج 150 استبيان موزع على عينة من 150 مؤسسة صغيرة ومتوسطة تعمل في مختلف المجالات وفي جميع مناطق الجزائر، مع التركيز على أصحاب وإدارات هذه المؤسسات. وخلصت الدراسة إلى أن أغلب المؤسسات الصغيرة والمتوسطة في الجزائر قد أبدت بوضوح قابليتها لتبني حوكمة المؤسسات، لكنها تتطلب توفير بيئة مناسبة لها، مع التوعية بأهمية وفوائد الحوكمة المؤسسية.

**الكلمات المفتاح :** حوكمة مؤسسية، مؤسسات صغيرة ومتوسطة.

**تصنيف JEL:** R13، O55، L2.

### I- Introduction :

Small and medium enterprises are of great importance in the economies of developed and developing countries, and play an important role in increasing the welfare of Nations, thanks to its structural characteristics such as smallness and simplicity of structure. This developmental role stems mainly through the contribution of small and medium-sized enterprises in employment, with open space for innovation, in addition to geographical dispersion, which helps to achieve balanced development between regions, and to meet the local demand of products.

The concept of corporate governance knows great importance on the formal and informal level, where we find that it is being discussed and studied by a large number of researchers and experts and even official bodies of many world economies.

This is demonstrated by the positive results of the experiences of many countries that have adopted the corporate governance system in their dealings, which was reflected on the performance of their enterprises and economies, where the application of this system allowed reducing the incidence of errors, stumbling and struggles, and even cases of corruption and embezzlement.

**I-1- Problem of the study:** The problem of management and interaction with different positions is considered as one of the most important reasons for the failure of small and medium-sized enterprises in Algeria, this is due to the lack of the necessary skills and knowledge of the directors, and to the emerging conflicts between parties that have a relationship with these enterprises, such as owners, employees, clients and others, because of the overlapping of powers and functions between them, despite the simplicity of the organization, as well as conflicts of interest between the parties of the conflict, in which each party sought to achieve its own interests regardless to the interests of others. The Corporate Governance was considered among the proposed solution methods to reduce these conflicts, in line with that, an Algerian Charter of good governance for Algerian enterprises was issued on 2009, involves the most important principles that must be applied, which aims to take advantage of successful experiences in governance and bring it down on Algerian enterprises. The main issue of this paper arises to: **What is the reality of adoption of corporate governance principals and values in the Algerian SME's?**

**I-2- Significance of the study:** The significance of this study is shown by the need of Algerian economy for SME's as a support of raising productivity and economic growth, by ensuring a balance in the relations between stakeholders, which limits the possibility of conflicts, and also reduces the possibility of mistakes, failures and manipulations. All of that through the application of corporate governance.

**I-3- Purpose of the study:** This study aims to identify the reality of application and adoption of the various principals of corporate governance in a group of Algerian SME's, to determine the extent of adoption of these enterprises to this concept.

**I-4- Limits of the study:** The study will be limited to a sample of Algerian SMEs randomly selected of total active enterprises in Algeria, the study period lasted about 04 months from September 2015 to January 2016.

### **I-5- Theoretical Framework of the Study:**

#### **1. Defining of SMEs in Algeria:<sup>1</sup>**

SMEs in Algeria went through several phases since independence (in 1962) to the present day where they were not of great importance to the Algerian economy in the beginning, therefore there has been no official definition of these enterprises before 2001 when Algeria signed a partnership with the European union. So, a new law guideline on SMEs emerged and led to the adoption of the European definition of SMEs which was decided by the European Union in 1996. Under this definition, SMEs, regardless of their legal form, are defined as "any business producing goods and services and employing 1 to 250 persons, with annual turnover not exceeding DZD 02 billion or total balance sheet not exceeding DZD 500 million".

This definition, which clearly distinguishes between micro, small, and medium enterprises, uses four criteria: number of employees, total turnover, total balance sheet and independance.

The independance criterion means that no more than 25% of the capital or the voting rights in the SME can be held by another organization not conjointly held with several organizations, while the articles n° 05, 06, 07 of the same guideline law classified each type of these enterprises as shown in the table (1).

#### **2. Corporate governance in Algeria:**

The term "Hawkamat" in Arabic is originally derived from the English term "governance". The Arabic term was created by the Academy of Arabic Language in an attempt to arabize the word which has other meanings such as good governance. Thus, the term "corporate governance" is translated into Arabic by the term "Hawkamat el Charikat".<sup>2</sup>

## 2.1. Defining Corporate governance:

There is not one united definition between the States and the different Economics, or the international bodies, or also between researchers in world about the concept of "corporate governance", so it can adopt the definition given by OECD that the Corporate governance is one key element in improving economic efficiency and growth as well as enhancing investor confidence. Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring. The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy. As a result, the cost of capital is lower and firms are encouraged to use resources more efficiently, thereby underpinning growth.<sup>3</sup>

While the corporate governance in SMEs is defined as: "The sum of procedures and structures used for the administration and management of the internal affairs in the enterprise, in order to increase their value in the long term, benefiting investors and ensure financial integrity"<sup>4</sup>.

Thus, there are no conflicts of interest, but it is seeking to make decisions that raise the enterprise's performance, some researchers have said that the role of governance in small and medium enterprises does not reduce the autonomy to managers through their control and monitoring of their decisions, but rather the contrary, in order to increase the independence so that they can act perfectly.

## 2.2. Parties of corporate governance:

For success of application of the corporate governance in the enterprises, four essential and important parties must exist and interact with each other. These parties are the same that the enterprise must satisfy and must preserve their rights within the adoption of corporate governance system. These parties, also called "stakeholders", are:

**2.2.1. Shareholders:** A shareholder or stockholder is an individual or an institution (including a corporation) that legally owns one or more shares of stock in a public or private corporation. They are considered by some to be a subset of stakeholders, which may include anyone who has a direct or indirect interest in the business entity, and this is because they contribute value and/or are impacted by the enterprise.

**2.2.2. Board of Directors:** No longer Boards of Directors play the role of rooms for registration only, but their role evolved to the effective control of the workflow within the company, either by monitoring the work of the department or through the ratification of the information needed by managers, such as reports on corporate governance which include private information for composition of the Board of Directors, the formation of administrators, the number of meetings, and the ensuing decisions, incentive systems and other.<sup>5</sup>

The Board of Directors is considered as one of the most important parties of corporate governance, as it is an essential tool in the oversight process. It also represents the intersection between managers and shareholders.<sup>6</sup>

The Board of Directors within the framework of corporate governance, works on the accountability of managers, on behalf of the shareholders, for their performance to achieve the goals of the enterprise, and this is the main reason which pays to give a sufficient degree of independence to the Board of Directors to be able to legalize its ability to control managers and dismiss them if they do not achieve the required performance.

In SMEs, it rarely encounter the presence of the Board of Directors due to the small size of the enterprise, and it exists only in some medium enterprises.

**2.2.3. Managers:** The role of management is to conduct the day-to-day operations in the company in a way that is consistent with the strategic plan, business plans and budgets approved by the Board of Directors.

As well as, the role of management is to take into account the different interests of the parties that have a relationship with the enterprise, and to work in collaboration with the Board of Directors to formulate an appropriate strategy trying to bring these interests and fulfilled to the maximum possible extent.<sup>7</sup>

**2.2.4. Other stakeholders:** Stakeholders in the enterprises are the individuals and constituencies that contribute, voluntarily or involuntarily, in the activities and capacities that enable them to create wealth, and thus they are potential beneficiaries and / or risk bearers. In the sense that any party which can be affected by the activity of the enterprise. And it belongs to the stakeholders all of the employees, suppliers, consumers, banks and lenders, the government, the various pressure groups as associations of environmental protection and consumer protection.<sup>8</sup>

### **2.3. Pillars of corporate governance:**

There are four central pillars of corporate governance, namely; accountability, responsibility, fairness and transparency, which are needed to ensure effective corporate governance. Each one of them is as follows:<sup>9</sup>

**2.3.1. Accountability:** It means that those individuals or groups in a company who make decisions and take actions on specific issues are accountable for their decisions and actions. Mechanisms must be in place to ensure accountability. This provides investors with the means to question and evaluate the actions of the Board and its committees.

**2.3.2. Responsibility:** It relates to the behaviour that allows corrective action to be taken and penalising mismanagement and misconduct. Responsible management would, when required, put in place what it would take to set the organisation on the right path. While the Board is answerable to the company, it must act responsively to and with responsibility towards all shareholders.

The difference between accountability and responsibility is that, one is liable to provide an account when one is accountable and one is liable to be called to account when one is responsible. In corporate governance terms, one is accountable by law to the organisation if one is a director and one is responsible to the shareholders identified as relevant to the organization. Therefore, the pillars of accountability and responsibility are utilised to ensure that the Board of Directors is both accountable and responsible for their actions.

**2.3.3. Fairness:** It must be in practice to ensure balance in the organisation. The rights of various groups have to be recognised and valued. For example, minority shareholder interests must receive equal consideration to those of the dominant shareholders.

**2.3.4. Transparency:** It is the ease with which an outsider is able to make significant assessment of a company's actions, its economic fundamentals and the non-financial aspects relevant to that business. This is a measure of how good management is at making necessary information available in an open, precise and timely manner – not only the audit data but also general reports and press releases. These four pillars of corporate governance must be put into practice by those responsible for the well-being of an organisation.

### **2.4. The Algerian Charter of good governance:**

This Charter is a reference document and a source of inspiration available to enterprises, the purpose of this Charter is to make it available to Algerian enterprises, partly or wholly private, a simplified didactic instrument enabling them to grasp the fundamental principles of corporate governance and to initiate a process with a view to integrating these principles within them.

The desired end of the implementation of the principles of this charter is not to make the enterprise close itself voluntarily, or constrained by strict constraints to the point of blocking its activity. On the contrary, the Charter offers the tools that will help it to release its functioning by providing maximum security. The proposed Charter falls within the laws and regulations, is not legally binding and does not contain any binding provisions. It primarily targets private SMEs and leaves other types of enterprises free to use it or use other sources.<sup>10</sup>

## **II- Methods :**

The study targeted enterprises that fall within the classification of micro, small and medium-sized enterprises according to the requirements contained in Algerian law, where was chosen a random sample of all destinations of the country in various sectors to answer the questionnaire, and that through direct distribution and the using of phone and social media (facebook, linkedin, viadeo) in the distribution for farther provinces.

162 questionnaires were distributed, 150 of them have been restored and adopted which represent 150 micros and smalls and medium-sized enterprises, and the questionnaires were directed to managers, employees, and owners of these enterprises. Sample size is appropriate according to the theory of central tendency.

A Set of questions (20 questions) in the form of questionnaires, were distributed to the administrative staff, the owners and managers in the enterprises under study, these questionnaires were supported by interviews to clarify questions and further explanation to avoid confusion and misunderstanding. These questions have focused mainly on corporate governance and their most important principles and rules, and the parties that have an interest or a relationship with the enterprise, so as to detect the extent of adoption of SME's in Algeria, to these rules and principles. SPSS software was used to analyze the answers and the results obtained.

The questionnaire included two parts, where the first part was devoted to the descriptive characteristics of the enterprises under study, as well as individual respondents to the questionnaire. While the second part was devoted to questions concerning the application of corporate governance in enterprises surveyed.

And Two hypotheses can be proposed as follow:

**Hypothesis 1:** The Algerian SME's adopt the corporate governance system with its various principles and rules.

**Hypothesis 2:** The Algerian SME's do not pay much attention to their stakeholders except their owners and their shareholders.

## **III-Results and Discussion :**

Results shown in the table (2) reveal that more than half of the respondents to the questionnaire belong to the micro-enterprises (1 to 9 workers) increased by 50.7%, followed by employees in small enterprises (29.3%) then medium-sized enterprises increased 20.0%. The majority of these enterprises are active in the services sector by nearly half, followed by the sector of industry, while the SME's in the agriculture sector did not reach the limits 05%. The table also shows that the majority of the surveyed enterprises belong to private sector with more than 97.3%, while the number of public SME's is 1, and 3 SME's are mixed between public and private sector.

These results reflect the situation of SME's in Algeria, where the various official statistics show that the micro-businesses represent the majority of enterprises that are created by entrepreneurs, this is due to the capital, which is in this kind of company, acceptable for young people who do not have the financial means to engage in a massive project, as the trend among these young people is their desire to achieve a quick profit as soon as possible, which explains that the majority of Algerian SME's operate in the services sector. While SME's operating in the industrial sector do not reflect a real addition, where a large group of these SME's intervene in the work of subcontracting with large enterprises

that execute the various projects planned in the State, after the end of these projects, many subcontractors cannot continue in activity or enter into new agreements with other institutions overseeing other projects and therefore, a large number of them suffer from a variety of problems may lead to the stoppage of work. However, the agricultural sector as product sector, remains unattractive for this type of enterprises because of the great effort and the results that do not appear sooner, which it is avoided by most of the young entrepreneurs. And the majority of SME's belong to the private sector because the public sector often runs the large enterprises, which is active in the sensitive sectors and need huge potential like hydrocarbon sector.

This table, also, shows that the majority of respondents are males by 90.0%, and that most of them have 30-50 years by 55.3%, followed by the category of less than 30 years old by 33.3%, and the proportion of individuals more than 50 years do not exceed 11.3%. In line with this, 53.3% of respondents have experience between 05 and 20 years, and 36.7% of them have less than 05 years of experience, while individuals who have experience of more than 20 years are 15 respondents (10% from the sample).

The responses were obtained according to Likert Scale where answers ranging between "strongly disagree" (its value 1) and "strongly agree" (its value 5). Also Means and Standard Deviations have been calculated to judge the extent of the approval of each statement. That is according to the scale shown in the table (3).

And depending on the table (3) and the table (4), the results were be as the following:

1. More than half of respondents confirms that they have sufficient informations on the topic of corporate governance, where the Mean value of 3.64 and Standard Deviation value 0.96, show this result, where 50.7% of respondents agreed on that. It should be noted that the majority of respondents do not have a clear picture on the issue of corporate governance and they assured to hear information about this concept without deepens, what summoned to simplify and explain this concept to them in the interviews that support the questionnaire.

2. The same percentage indicates that they encounter the corporate governance or one of its principles in work, where the proportion of respondents who agree on that reached 50.7%, while 26.7% of them are neutral. This neutrality often due to their ignorance of the corporate governance principles or they do not appear clearly in the enterprise where they work.

3. The opinions of 32.0% of the sample are neutral about integrality of the Charter of good governance in Algeria, and the majority of the respondents declare their ignorance of the existence of this Charter, therefore they cannot judge on whether integrated or not. While 28.0% of the sample consider that the Charter is integrated and 24.0% of them consider that this is not so. Which is proved by the mean value (3.01).

4. Shareholders are themselves managers in 60.0% of the enterprises surveyed, which appears through 32.0% of enterprises that replied by "agree" and 28.0% of them by "strongly agree", and this is also proved by the Mean value estimated at 3.56 and the Standard Deviation value at 1.28. That is considered normal given to the special characteristics of the SMEs.

5. The Mean value of statement n°05 reached to 4.21 with Standard Deviation estimated at 0.82, which affirmed the frequencies obtained which indicate that 130 SME from the total of the enterprises (what accounted 86.7%) develops their products according to the wishes of their clients, with no answer completely rejects the idea of the enterprise's efforts in taking into consideration the clients' wishes which is considered by all of the enterprises as a very important and effective element to their continuation and their success.

6. Respondents in 112 SMEs, who participated in the questionnaire, expressed that these enterprises provide an appropriate environment for their employees to do their jobs, which is estimated at 74.7% of the total where 26.7% of them "strongly agreed" with that, where they are relying on the principles of justice and equality in the recruitment and the promotion, in addition to the material and moral incentives and the necessary means for

doing their works. All of this aims to motivate the employees to give their best in exchange for preserving their rights.

7. 116 enterprises surveyed have good relationships with their lenders (67 enterprises, which is 44.7%, have "agreed", and 49 enterprises have "strongly agreed", which is proved by the Mean value estimated at 4.03 and the Standard Deviation value at 0.90). Those lenders often represent commercial banks that deal with owners of these enterprises in the framework of payment of debts related to the establishment and the launch of their businesses especially in the context of NAYES\* formats.

8. 33.3% of the total of enterprises "agreed" that they repay their debts in proper time and 23.3% "strongly agreed" with that. While 27.3% of them maintained neutrality, where many of respondents declared that they have problems in the repayment of debts and often the bank is reviewed to reschedule debts. But despite some bottlenecks in the process of debt repayment, the respondent institutions confirmed to maintain good relations with their lenders as an important party for its activity (which was apparent in the previous statement).

9. 60.0% of the enterprises have problems in the supply of raw materials needed for work. According to the respondents, these problems are often represented in a lack of raw materials and sometimes their rarity, as well as their high prices especially when they are imported. While the Mean value (3.39) shows that the majority of answers are approaching to neutrality, and the Standard Deviation value estimated at 1.20 shows a considerable dispersion of the answers from the Mean value.

10. Majority of the enterprises surveyed fulfills their obligations towards their suppliers, which have been proved by the Mean value estimated at 4.04 and the Standard Deviation value at 0.89, also by the percentages which indicated that 55.3% of enterprises "agree" to fulfill their obligations, and 29.3% "strongly agree" with that. According to the answers of this statement and the previous statement, it is shown that many SMEs find problems in the process of supplying, and despite of this, these enterprises seek to repay their obligations in proper time, at least, to maintain professional relationships with their suppliers.

11. 36.0% of respondents were neutrals about preserving the rights of all shareholders without discrimination, while 32.0% of them "agreed" that the enterprise preserves these rights without discrimination and 21.0% "strongly agreed" with that. And according to the Mean value 3.71 and the Standard Deviation value at 0.95, bulk of enterprises preserve the rights of all their shareholders, without discrimination. This explains that the shareholders (when they exist) in the majority of these enterprises, are from family and they are close to the work, and therefore they know the conduct of the work and the distribution of profits and thus keep their rights.

12. Results show that majority of enterprises respect the laws and legislations in their dealings where the rate reaches 85.4% including 36.7% "strongly agreed" on the respect of the laws and legislations, which have been proved by the Mean value (4.16) and the Standard Deviation value (0.84). While the proportion of enterprises that do not respect laws are still small, not more than 04.6%.

13. Bulk of enterprises take into consideration the values of the community when doing their work, 75.3% from the sample confirmed this, and which is also proved by the Mean value estimated to 3.93 and the Standard Deviation value estimated to 0.95.

14. 63 enterprises (42.0% of the total) are working to contribute to the service and development of the community where they operate, and 50 enterprises (33.3% of the total) are working intensively and continuously on that and it is considered among their priorities.

15. The protection of the environment has become an important topic of enterprises when executing their businesses, what is proved by 36.0% of the sample which "strongly agreed" that their enterprises protect the environment when exercising their activities, and 32.7% "agreed" with that. This reveals the importance attached by the Algerian SMEs for parties that did not pay large attention to them before, like the community, the environment and the laws, which became among their priorities when doing their works.

16. The results related to the statement concerning the enterprise publishing of the important information about its activities so anyone can view them, were convergent. These results were as the following: 26.7% "agreed" that their enterprises publish those information, 23.3% were neutral, 20.0% have "disagreed" with that, 17.3% "strongly agreed" and 12.7% "strongly disagreed" with this topic where they see that their enterprises do not give any information about their activity to the public and only individuals who have a legal relationship with it can see these information. The Mean value (3.16) show that answers approached to the neutrality with Standard Deviation estimated at 1.28 showing a considerable dispersion from the Mean value.

These results reveal the difference between the various enterprises about the topic of publishing the information, there are those who have the opinion that this falls within the framework of transparency, others see that it is revealing professional secrets related to the institution and therefore the dissemination of information which is not in the interests of the enterprise. This still remains a major obstacle in front of many of the efforts to devote and to entrench the principle of transparency in all transactions and dealings.

17. Family considerations are taken in the accounting process in 40 enterprises surveyed (26.7% of the total), while are not taken into consideration in 37 enterprises (24.7% of the respondents). And the Mean value approaches to the neutrality by 2.94 and the Standard Deviation value 1.28.

18. Concerning the rights of shareholders and board of Directors in the accountability of managers about capital management and results obtained, the Mean value estimated at 3.59 and the Standard Deviation estimated at 0.98, reflecting the percentages which indicated that in 29.3% of the enterprises shareholders and board of Directors have this right, and in 20.7% of them have inevitably this right to accountability. The proportion of the respondents who chose neutrality is still high, estimated to 40.7%, where they note that in many enterprises, the shareholders and the board of Directors (if exist) do not accountable the manager about its performance as long as they get their profits, they do not care about the method of management. In other enterprises, there is not accountability process only in failure cases when the manager is asked to avoid it as soon as possible without searching the reasons.

19. Periodic and regular review process to avoid errors or manipulations is executed by the majority of enterprises participating in the questionnaire, where its percentage is 74.0% between "agree" and "strongly agree" with this topic, with Mean value estimated at 3.85 and Standard Deviation to 1.01.

20. In continuation of the previous statement, 71.3% of the enterprises adopt an effective control system for monitoring the progress of work which allows controlling the different aspects of the enterprise activity and results.

#### **IV- Conclusion:**

The corporate governance has become one of the most important mechanisms of management in enterprises of different sizes and different sectors of activity; whether it is directly or implicitly, with different objectives that each company seeks to achieve them.

According to this study, the hypotheses were tested as follows:

➤ **Test of hypothesis 1:** The results obtained reveal that the hypothesis n°01 is right, where a large number of enterprises' owners and executives have sufficient information about the topic of corporate governance, but often these information remain insufficient and require further research, especially about The Charter of good governance in Algeria, about which the majority of SMEs officials confirmed their ignorance of its presence.

Also individuals, who have information about corporate governance, often encounter while working in their enterprises, even if it is implied. while individuals who are ignorant of the corporate governance, and after giving them the most explanations about its principles and rules, they contend that they encountered in their works, particularly justice, equality and responsibility, with reservations on the principle of transparency. Therefore, it

can be said that the majority of Algerian SME's adopt the corporate governance system or they have receptivity of that.

➤ **Test of hypothesis 2:** The results obtained reveal that the hypothesis n°02 is wrong, where bulk of SME's explained that they pay much attention to the interests of their owners and their shareholders, and in the same time, they care about the other parties who have relation with them. Where they preserve the rights of their employees and motivate them and ensure them an appropriate environment to do their jobs, they try also as much as possible to satisfy their clients by offering their products without neglecting their desires, they also pay their debts and build good relations with their lenders based on mutual trust, and the same thing with their suppliers, they also do not neglect the environmental aspect in their works; and in the same context, the preservation and the service of the community's values where they operate. Therefore, it can be said that the majority of Algerian SMEs care about the interests of all parties which have relation or interest with them.

Based on the results obtained, a set of recommendations can be provided as follows:

- The owners and executives of the enterprises surveyed, and all of the enterprises in general, must have the spirit of research, where there must be a continuous access to the latest management methods and adaptation to the characteristics of the institution to benefit from the positives, and not to be afraid of change.
- Increase awareness among the owners and executives of the enterprises about the importance of the field studies which are done by the researchers, and thus build trust among them, what allows access to more honest and realistic results.
- The owners and executives of the enterprises must be convinced that the transparency never contradicts with the interests of the company and do not constitute a danger to it.

#### - Appendices :

**Table (1) : Classification of the SMEs in Algeria according to the 2001 law**

Business size	Number of employees	Total turnover (DZD)	Total balance sheet (DZD)
Micro	1-9	≤ 20 million	≤ 10 million
Small	10-49	≤ 200 million	≤ 100 million
Mdium	50-250	100 million – 2 billion	100 – 500 million

**Source:** Made by the researchers aforementioned based on: Law n°18/01 dated Ramadan 27, 1422 corresponding to December 12, 2001, containing guideline law for the promotion of small and medium enterprises, *Official Journal* of People's Democratic Republic of *Algeria n°77, 2001 (in french)*.

**Table (2) : Descriptive characteristics of the sample surveyed**

Specification	Detail	Frequency	Rate
<b>Specification of the company surveyed</b>			
<b>Categorie of the enterprise</b>	Micro (less than 9 workers)	76	50.7
	Small (from 10 to 49 workers)	44	29.3
	Medium (from 50 to 249 workerrs)	30	20.0
<b>Sector of activity</b>	Industry	49	32.7
	Trade	17	11.3
	Agriculture	07	4.7
	Services	62	41.3
	others	15	10.0
<b>Type of the enterprise</b>	Public	03	02
	Private	146	97.3
	Mixed (public & private)	01	0.7
<b>Specification of the respondent</b>			
<b>Gender</b>	Male	135	90.0
	Female	15	10.0
<b>Age</b>	Less than 30 years	50	33.3
	Between 30-50 years	83	55.3
	More than 50 years	17	11.3

<b>Experience</b>	Less than 05 years	55	36.7
	Between 05-20 years	80	53.3
	More than 20 years	15	10.0

Source: Made by the researchers aforementioned based on the questionnaire and SPSS data.

**Table (3) : Likert Scale adopted in answers questionnaire analysis**

<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
1-1.80	1.81-2.60	2.61-3.40	3.41-4.20	4.21-5.00

Source: Made by the researchers aforementioned based on statistical analysis.

**Table (4) : Descriptive analysis of respondents' answers on questionnaire**

N	statment	strongly disagree		disagree		neutral		agree		strongly agree		Mean	St. deviation
		f	%	f	%	f	%	f	%	f	%		
01	I have sufficient informations on the topic of corporate governance	03	2.0	20	13.3	28	18.7	76	50.7	23	15.3	3.64	0.96
02	I encounter corporate governance or one of its principles in my work	05	3.3	14	9.3	40	26.7	76	50.7	15	10.0	3.55	0.92
03	Charter of good governance is an integrated document of corporate governance in Algeria	13	8.7	36	24.0	48	32.0	42	28.0	11	7.3	3.01	1.08
04	Shareholders are themselves managers in your enterprise	13	8.7	22	14.7	25	16.7	48	32.0	42	28.0	3.56	1.28
05	The enterprise develops its products according to clients' wishes	00	00	09	6.0	11	7.3	69	46.0	61	40.7	4.21	0.82
06	The enterprise provides an appropriate environment for the employees to do their jobs	05	3.3	12	8.0	21	14.0	72	48.0	40	26.7	3.87	1.01
07	The enterprise have good relationships with its lenders	03	2.0	05	3.3	26	17.3	67	44.7	49	32.7	4.03	0.90
08	Debts are repaid in proper time	03	2.0	21	14.0	41	27.3	50	33.3	35	23.3	3.62	1.05
09	There are problems in the supply of raw materials needed for the work	16	10.7	21	14.0	23	15.3	69	46.0	21	14.0	3.39	1.20
10	The enterprise fulfills its obligations towards its suppliers	03	2.0	09	6.0	11	7.3	83	55.3	44	29.3	4.04	0.89
11	The enterprise preserves the rights of all shareholders without discrimination	02	1.3	10	6.7	54	36.0	48	32.0	36	24.0	3.71	0.95
12	The enterprise respects the laws and legislations in its dealings	02	1.3	05	3.3	15	10.0	73	48.7	55	36.7	4.16	0.84
13	The enterprise takes into consideration the values of the community when doing its work	02	1.3	13	8.7	22	14.7	69	46.0	44	29.3	3.93	0.95

14	The enterprise contributes to the service and development of the community in which it operates	01	0.7	12	8.0	24	16.0	63	42.0	50	33.3	3.99	0.94
15	The enterprise seeks to protect its environment	07	4.7	12	8.0	28	18.7	49	32.7	54	36.0	3.87	1.13
16	The enterprise publishes important information concerning its activities so anyone can view them	19	12.7	30	20.0	35	23.3	40	26.7	26	17.3	3.16	1.28
17	Family considerations are taken in the accounting	24	16.0	37	24.7	31	20.7	40	26.7	18	12.0	2.94	1.28
18	Shareholders and the Board of Directors have the right to accountability managers about capital management and results obtained	04	2.7	10	6.7	61	40.7	44	29.3	31	20.7	3.59	0.98
19	The enterprise executes a periodic and regular review process to avoid errors or manipulations	06	4.0	10	6.7	23	15.3	72	48.0	39	26.0	3.85	1.01
20	The enterprise depends on control system for monitoring the progress of work	05	3.3	12	8.0	26	17.3	69	46.0	38	25.3	3.82	1.01

f = frequency

**Source:** Made by the researchers aforementioned based on the questionnaire and SPSS data.

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  - <sup>10</sup> Ministry of Small and Medium Enterprises and Handicrafts & GOAL 2008 (2009). **The Algerian Corporate Governance Code** (in french), Algeria, 16, 17.
- \*. NAYES (National Agency for Youth Employment Support)= ANSEJ (Agence National de Soutien à l'Emploi de Jeunes (in french): it is public body established in 1996, charged to encouraging and supporting and accompanying the creation of enterprises. This device is intended for unemployed youth and who have ideas for projects to enable them to create their businesses.