

The Contribution of Employee Financial Participation to the Governance of the SME in Algeria

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Abstract. *Corporate governance aims to control management decisions and determine their general lines. Thus, the application of the governance system must take into account the nature of the company itself, the conditions in which it operates, its organizational structure and the administrative culture of its actors. While good governance remains the result of good practices. The objective of this article is to demonstrate the contribution of employee financial participation in governance, through the governance regime, the rights to decide and control, the characteristics of employee shareholders in Algeria and thus on performance financial of companies with employee shareholding, based on mechanisms applicable to SME contexts. We will address in a synthetic manner the reality of this contribution of the financial participation of PFS employees through a discussion of the empirical results drawn from a questionnaire survey carried out among employee shareholders working in Algerian SMEs. The results show a low percentage of share capital held by employees with low female participation, an absence of association for employee shareholders, employee shareholding was a financial means to safeguard the activity of public sector companies with critical financial situations. Employee ownership is essential for businesses, promoting employee trust and participation. However, this role is only fully understood by a few companies. It serves as both a collective incentive and a control mechanism. Benefits include better management, financial benefits, business sustainability and job preservation. Despite this, 56.8% of employee shareholders prefer to sell their shares, raising questions about their motivations. A lack of voting rights in the shareholders' council, which requires a review of the regulations to promote employee shareholding in Algeria, in particular for SMEs.*

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Introduction

Corporate governance encompasses a set of mechanisms and subsystems implemented by owners to ensure effective decision-making and the application of management rules and principles within companies. Its goal is to achieve organizational objectives and better meet the expectations of internal stakeholders compared to

external stakeholders, by aligning the interests of all participants involved in the company's operations. The current research topic focuses on analyzing the contribution of employee participation in corporate governance, focusing specifically on internal mechanisms. According to the traditional approach, employee ownership encompasses all of the control and guidance systems put in place to ensure that business managers make decisions that serve the interests and concerns of owners (Shleifer R., 1997). This work aims to explore the mode of governance of certain types of companies in Algeria, which are characterized by ownership of capital by their employees, the particularity of employee shareholding in Algeria that it does not have a healthy and regulatory framework. developed, which represents the starting point of our theme relating to the contribution of the establishment of mechanisms allowing employee shareholders to constitute a financial and managerial pool, which allows them to contribute to the financing of the company through holding shares while retaining influence over the decision-making process. This follows from Ministerial Decree No. 13 of December 24, 1998, which follows the fundamental law established on March 17, 1998 under number 98/471. In accordance with this legislation, the capital of privatized companies (the first opportunity to establish the employee shareholding system in Algeria) was divided between shareholders and other owners who are able to exercise effective control over the company. 'business.

In addition, Ordinance 01-04, adopted on August 20, 2001, concerns the management, organization and privatization of public economic enterprises, and its objective is to improve their situation.

It is obvious that the future of the privatization of companies in favor of employees depends entirely on the desire of public authorities to contribute to the recovery and development of these companies, which are often on the verge of bankruptcy. These companies are of crucial economic importance for the country because of the expertise of their managers, the creation of added value that they generate and their contribution to the national economy, as highlighted by (Mohamed Bounezza, 2004). Participation of employees to the company's capital structure can serve as a source of financing, a control mechanism and can promote the emergence of a new governance model. This model aims to emphasize collective commitment to the destiny of the company, highlighting individual responsibilities. In this sense, the company must become a point of convergence for specific investments, as suggested by (Thierry poulain-rehm, 2008).

In order to frame the study, we devoted part to examining the governance regime of small and medium-sized enterprises (SMEs) to understand the structural and organizational determinants of these companies. Additionally, we will review their governance practices in accordance with international standards. codes such as OECD and Bussy, presenting both internal and external mechanisms applicable to SMEs. We will then focus on the unique aspect of financing by workers, who are also shareholders of Algerian SMEs. The main question we seek to answer is the following: **what is the contribution of employees to financial participation in the governance of Algerian SMEs?**

The objective of our study is to elucidate the specific characteristics of SME governance and study the role of employee participation in SME governance through capital ownership. We therefore aim to identify the specific measures and particularities linked to the organizational structure, management and managerial communication within these SMEs with the financial participation of employees.

For data collection, we adopted a quantitative method based on different surveys developed and administered through a questionnaire to a sample consisting of 37 employee shareholders from five SMEs operating in different sectors. Data analysis allowed us to use an analytical method, through a descriptive analysis of the system and documentary analysis and that of the questionnaire.

Problem: After having understood the concept of financial participation of employees in Algeria and the governance of SMEs, we will analyze the contribution of this unique form of participation to the governance of Algerian SMEs.

Governance of SMEs: According to Julien and Marchesnay (Julien & Marchesnay, 1989), SMEs are legally independent companies operating in the primary, manufacturing or service sectors. These companies generally have one or a few people responsible for their operations, often owners of the capital (Julien & Marchesnay, 1989). Churchill and Lewis define SMEs as entities that serve as springboards to become larger businesses. (Borderie,1998) proposes a broader definition, affirming that small and medium-sized enterprises are characterized by entrepreneurs who personally and directly assume financial, technical and social responsibilities, regardless of the legal form of the enterprise (Borderie,1998).

In the Algerian context, the official definition of SME is given by law n°01-18 of December 12, 2001 (SGG, 2001) known as “Orientation law for the promotion of SMEs”. It defines an SME as an economic entity (production of goods and services) which employs less than 250 people, achieves an annual turnover not exceeding two billion dinars, or whose annual balance sheet total does not exceed 500 million dinars, while also meeting the independence criterion. Since 2000, SMEs have gained importance in Algeria, representing more than 80% of all businesses thanks to the adoption of the SME orientation law in 2001. The density of businesses almost quadrupled between 2001 and 2010.

The average size of companies in Algeria is around 3 employees per company, which results in a predominance of very small companies. In comparison, other European countries have varying averages, ranging from 2 employees in Greece to 4 in Italy, and reaching 11 or 12 employees in the United Kingdom and the Netherlands. The European average is around 7 employees per company (Abbas, 2008). This change reflects the significant growth of SMEs in the Algerian economy. Very small enterprises (VSEs) undoubtedly dominate the structure of SMEs in Algeria, reflecting the fact that most of these companies are not focused on growth. According to data from the Ministry of SMEs and Crafts in 2019, 97% of companies employ fewer than 10 employees, compared to 90% between 1995 and 2000 (ONS, 2019). This prevalence of VSEs is not unique to Algeria, as many countries such as Austria, Belgium, France, Greece, Italy and Spain display similar statistics regarding the preponderance of micro- businesses in their economy. (FARID, 2022) (

More generally, we can note that VSEs represented 92% of all SMEs within the European Union in 2005 (Abbas, 2008), and they accounted for between 70% and 90% of all businesses in all OECD countries in 2000. These data highlight the enduring importance of very small businesses in the composition of the economic landscape of many countries. (FARID, 2022) Furthermore, qualitative classifications of SMEs have been proposed to facilitate specific analyzes based on organizational and managerial characteristics. These classifications take into account the different objectives, management processes and control systems that determine the organizational structure, hierarchical levels and information systems within each type of SME. Additionally, an environmental approach emphasizes the need for SMEs to adapt their policies, production models, marketing strategies and other processes according to their specific environment.

I.1. Specificity of SME Governance: SMEs are often excluded from corporate governance discussions based on the assumption made by agency theory that there are no conflicts of interest between shareholders and managers. As a result, potential issues such as informational asymmetry (Sassia, 2017) and project risk management, which are related to the relationship between shareholders and officers, are disregarded.

The governance of SMEs is better understood through explanatory theories such as stakeholder theory and stewardship theory. Stewardship theory, in particular, emphasizes a less adversarial relationship between agency relationship participants and is based on assumptions about human behavior. According to stewardship theory, agents are considered trustworthy individuals who prioritize the collective interest (Davis & Schoorman, 1997). Consequently, conflicts between officers and shareholders are minimal. This perspective views executives and shareholders as partners, with the governance system aiming not only to align interests but also to enhance organizational performance. In contrast to agency theory, which portrays executives as opportunistic or individualistic, stewardship theory suggests that leaders can effectively manage an organization's resources through responsible stewardship (Benaziz Salma, 1997).

Governance issues in SMEs vary depending on the regulatory mechanisms governing different types of SMEs and the specific context of analysis and study. Charreaux argues that in SMEs, the shareholder-manager relationship does not typically give rise to conflicts of interest because there is no strict separation between the two roles. However, this can vary depending on the legal status of the SME, such as family-owned SMEs or listed SMEs (Charreaux, 1997). Charreaux identifies three key relationships that structure the governance system of SMEs:

Minimal or no control by the financial market: In this scenario, shareholders evaluate the company's performance based on available reports and documents, typically reviewed during general meetings.

The executive market has a limited role since most executive careers are closely linked to internal capital

associations.

Symbolic role of the board of directors: In SMEs, the board of directors primarily serves as a disciplinary mechanism for managers.

Relationship between the enterprise and its employees: This relationship entails potential risks arising from dependencies on key competencies and employee know-how. Internal labor market risks for employees also exist. To manage these risks, formal and informal legal mechanisms are implemented, and the relationship between the governance system and SME performance is influenced by various factors. The SME Governance Matrix is a comprehensive model that aims to manage risks at each stage of a business's development. It summarizes mitigation measures in five key governance areas:

- Culture and commitment to good governance;
- Decision-making and strategic control;
- Risk governance and internal controls;
- Disclosure and transparency;
- Shareholding.

These five areas covered by the SME Matrix are based on the IFC Corporate Governance Framework, which refers to the OECD Principles of Corporate Governance. This approach allows SMEs to evolve towards more complex governance as they grow. (IFC, 2019)

In summary, SMEs differ from larger businesses in three main aspects (Pigé, 2002). Charreaux (Charreaux, 1997) highlights the following distinguishing factors:

A. Ownership structure: SMEs have limited or virtually no control over the capital market. Shareholders evaluate company performance based on their expertise and have the option to sell their shares if dissatisfied.

B. Method of executive appointment: The appointment of executives in SMEs is influenced by various factors such as connections to shareholders' or managers' family environments, relational networks, internal legitimacy of the manager, external expertise, acquisition of external control, and business creation.

C. The human capital of the manager: The initial training and professional experience of the manager play a crucial role in the governance structure of the company for two reasons:

- It influences the manager's motivation for recruitment, incentives, and the nature of tasks, providing them with freedom while ensuring no attachment to their company. Conversely, the absence of these factors prevents the manager from consolidating power outside the company.
- The growth of the company relies on the initial training and experience of the managers, which are key factors in the development of the company and its ability to adapt its organizational structure to changes.

The governance structure of SMEs is aligned with shareholders' objectives, which do not necessarily revolve around maximizing the company's value. According to studies by Pigé Benoît (Pigé, 2002), the objectives of SMEs can be summarized as follows:

- General human capital: The increase in the creation of enterprises is strongly related to individuals who possess a high level of human capital and have options in the labor market.
- The development of SMEs relies on their ability to attract capital and access venture capital.
- The international development of SMEs requires strengthening equity capital through diversification of shareholdings to mitigate risks.

I.2 Relational specificities of SME governance: In the case of SMEs, the relationship between shareholders and managers is not a source of conflict. (Charreaux, 1997) identifies three relationships that structure an SME's governance system.

I.2.1 The owner-manager relationship: This relationship can be further subdivided into two:

- The executive-shareholder relationship: In this scenario, minority shareholders are involved, and the executives are associated with shareholders who are not part of their immediate family. This can lead to conflicts of interest, necessitating the implementation of disciplinary control mechanisms.
- The management-family relationship: In family-owned SMEs, the decisions of the manager are influenced by family members. The size of the shareholder family affects the occurrence of conflicts of interest. The manager's role here is to collaborate with the family for the family's interests. This requires the establishment of disciplinary governance mechanisms to effectively monitor the leader's actions, reduce agency costs, and address opportunistic behavior.

I.2.2 The business-bank relationship: According to the 2001 Law (SGG, 2001), the independence criterion defines an SME as an enterprise whose capital is not held by 25% or more by other enterprises. This necessitates SMEs to rely on banks and financial institutions for survival, leading to banks' involvement in the governance system of SMEs. Banks adopt specific strategies for SMEs due to their higher risks.

I.2.3 The company-stakeholder relationship: As an economic entity, SMEs interact with various stakeholders, both internal and external. These stakeholders create specific relationships within the SME's governance system due to the nature of the capital involved and the nature of the relationship with the SME. For example, employees with their human capital, skills, and qualifications may be difficult to recruit from other companies, and losing such key capital and employee know-how can pose a risk to the SME. Therefore, SMEs establish contractual, legal, formal, or informal mechanisms to effectively manage these situations. The nature and operation of these mechanisms impact managerial flexibility and the company's overall performance.

The concept of SME governance is applied through a partnership approach, where the leader is also the owner. Governance serves to develop relationships in a dynamic partnership form with all stakeholders. (Benaziz, S., 2016). The governance of SMEs has recently gained importance in the economy, moving beyond protecting the interests of shareholders to integrating the contracts of stakeholders into the management system.

It appears that the definition of governance for large enterprises is not suitable for SMEs. Therefore, different authors have proposed definitions based on the characteristics and specificities of SMEs. In 2009, Middelnext defined governance as "a set of legal, regulatory, or practical provisions that delineate the scope of power and responsibility of those who are responsible for sustainably guiding the company. Guiding the company means taking and controlling decisions that have a decisive effect on its sustainability and therefore its sustainable performance" (Middelnext, 2009)

This definition lacks the notion of conflict of interest among stakeholders. The primary objective of governance is to ensure the overall performance of the company on all levels. This absence is justified by the fact that legal ownership and control of SMEs are often held by the same person (FOG. Fet DI VITO, 2008) (Chua, 2006) Family management, to a large extent, reduces agency costs between individuals with special connections and enables control over these costs (Julien. & Marchesnay, 1988)

The 2021 version of the Code (Middelnext, Corporate Governance Code, 2021) strengthens existing recommendations, particularly with regard to the formalization of procedures for declaring conflicts of interest, ethical rules, analysis of minority shareholder votes, and criteria for establishing the remuneration of executive corporate officers. Three new recommendations are also introduced, relating to the creation of a CSR committee, the obligation of regular training for members of boards of directors, and the promotion of equity and gender balance at all levels. of the company.

Issues of information asymmetry and risk aversion are less frequent since the interests of managers and shareholders are aligned in SMEs. The governance of SMEs, therefore, aims to increase the autonomy of managers, allowing them to act optimally on behalf of the company by making strategic decisions necessary for its development and survival. This, in turn, enhances the value and ensures the financial and non-financial performance of the SME, guaranteeing its sustainable performance (EL

MIZANI Manal, 2018)

I.3 Characteristics of SME governance: SME governance is characterized by a combination of two functions. According to Carney, SME governance has three major characteristics (Abdellah, 2016) :

- **Parsimony:** The leader is more cautious as strategic decisions involve their own financial resources and/or their family. In this situation, the leader is less inclined to engage in opportunistic behavior.
- **Personification:** The organizational authority of the enterprise is personified by the owner-manager, who possesses both managerial and capital property, often in a family context. This combination allows the owner-manager to free themselves from internal and external constraints faced by leaders of larger companies.
- ✓ **Particularism:** Due to the personification of the owner-manager, the company is influenced by the manager's personality. It differs from a company managed by a manager who does not own or is external to the family. This differentiation arises from the manager's specific choices, the structuring of contractual relationships, and the exercise of their authority.

I.4 Principles of SME governance: The Buysse Code of Governance provides principles of good governance applicable to all forms of SMEs and recommendations for unlisted companies (Buysse, 2005).

I.4.1 Define the vision and mission of the company: It is recommended to clearly define the company's vision, mission, and necessary values as an internal reference framework for decision-making and strategic processes.

I.4.2 Appropriate use of external advisors: The SME director is advised to judiciously use external advisors, such as an advisory board, which functions as a sounding board for the company's leadership. In more advanced situations, external management may be employed.

I.4.3 Establishment of an active board of directors: The Board of Directors, typically found in public limited companies, should be established with similar roles, responsibilities, and operating conditions as the board of directors of a large company. The code recommends a minimum of four meetings per year. The appointment of board members is entrusted to the general meeting, and the remuneration of directors should be sufficient to attract and motivate them. External directors are prohibited from receiving remuneration other than a fixed sum linked to their presence on the board.

It is strongly recommended to separate the roles of Chair of the Board of Directors and Managing Director. Additionally, the code suggests the establishment of Nominating, Compensation, and Audit Committees to support the decision-making process.

I.4.4 Effective “senior management”: Senior management, including executive members of the board of directors, management committee members, and top management, plays a crucial role. The code emphasizes the importance of the managing director in unlisted companies, considering the company's size and management composition.

I.4.5 Participation of committed shareholders: To achieve long-term strategy, the company should rely on qualified shareholders who actively engage in strategy development and control. This involvement is based on procedures, rules, values, and defined objectives. The Board of Directors is responsible for identifying the role of each shareholder and ensuring timely information dissemination, even to minority shareholders.

I.4.6 External control: Collaboration and integration between the board of directors and the external auditor are of great importance. The code encourages the certification of the company's annual accounts by the Board of Directors within the set timeline.

I.4.7 Shareholder Agreement: The code recommends the establishment of an agreement between shareholders to define their rights, obligations, and provisions for possible separations. The agreement may also include provisions related to the composition of the board.

I.4.8 Disclosure of corporate governance rules: Each type of company must define the roles of its CA,

its management, and their shareholders in a declaration in the form of a code/ or charter. It can also define the terms of communication used, including major changes in management, especially in corporate governance. All this information must be published in its entirety on the company's annual report.

The new guide (Beaucage, 2018) explores the principles of good governance, the application of which within SMEs can establish a healthy and effective governance system, thus helping to improve productivity, even in companies with limited resources. Adherence to these governance principles promotes transparency, integrity and respect for the interests of all stakeholders, thus committing the company to the path of ethics and responsibility, through the strong strengthening of board of directors, leadership, corporate culture, risks, remuneration, reports, general meeting, shareholders, social responsibility, environmental responsibility.

1.5 Internal governance mechanisms applied to SMEs :

Governance mechanisms applicable to the context of SMEs are implemented to control and oversee the actions taken by managers when ownership is separated from management. (FOG. Fet DI VITO, 2008) distinguish governance mechanisms based on the types of SMEs:

- **Family SMEs:** Control in these SMEs is exercised by multiple family members, and mutual trust and family ties are central to the application of governance mechanisms.
- **Concentrated SMEs:** Ownership structure in these SMEs is concentrated and consists of one or a small number of shareholders who hold a large number of shares. This type of SME is the most common.
- **Disseminated SMEs:** These are companies owned by a large number of shareholders, where the owners do not participate in management, leading to agency conflicts (Abdellah, 2016).

Internal governance mechanisms in the context of SMEs present the internal factors of good governance practices, "The purpose of these mechanisms is not only to secure the contribution of shareholders, but also to secure all transactions between the company and the various stakeholders" (CHARREAUX, 1997).

The internal mechanism is a mechanism to prevent other stakeholders from being plundered by the manager who may be looking for his or her own personal interest. (Wirtz, 2011):

1.5.1 The Board of Directors (CA): (Fama, 1983) emphasize the central role of the Board of Directors in the management control process and the resolution of agency conflicts. The board has both an incentive and disciplinary power (Chokri MAMOGHLI, 2017). In SMEs, the role of the board of directors is the same as in all types of companies.

According to agency theory, the board is responsible for controlling and approving decisions initiated and implemented by shareholders, as well as overseeing the remuneration and dismissal of directors. This model suggests a separation of functions: the board controls decisions while managers are responsible for management (Gilles, 2016).

However, this perspective overlooks the contribution of the board in initiating and formulating strategic decisions.

The involvement of the board of directors in the decision-making process is facilitated through formal and informal participation of directors in their service, support, and strategic control responsibilities (H, 2013). Other studies (Demb, 1992) distinguish three types of board involvement: guardian (control and evaluation), consensual (strengthening company activities), and directive (participation in strategic orientations).

A. Roles of the board of directors in SMEs: According to (FOG. Fet DI VITO, 2008), the board of directors supervises the activities of the executive, determines their remuneration, and develops the organizational strategies of the company. In SMEs where the shareholder is also the executive of the company, the board plays a role in assessing the decisions made (Abdellah, 2016). The board in SMEs can have several roles based on different theoretical approaches to governance:

- **Control role (monitoring):** This role is advocated by agency theory, where the board serves as a

disciplinary mechanism. It involves selecting the management team and monitoring their actions to ensure that their interests align with those of the company (Rejeb, 2015)

- **Strategist role:** The board of directors intervenes in defining the company's mission and vision, choosing and implementing the company's strategy, and participating in strategic decision-making (Rejeb, 2015)
- **Advisory role (service):** This role is recommended by the theory of resource dependence. The board goes beyond control and strategy tasks and provides advice to facilitate the acquisition of critical resources and reduce external dependence (Rejeb, 2015).

B. Structure of the board of directors in SMEs: The structure of the board includes studying its composition, size, presence of specialized committees, and duality of its presidency (KULA, 2005).

C. Size of the board of directors: The size of the board is an important variable that impacts its functioning. Some studies show a negative relationship between board size and company value, while others find no significant effect (SchiehllE, 2004). In Algeria, the Board of Directors is composed of a minimum of three (03) members and a maximum of twelve (12) members, with a total of up to twenty-four (24) members in the case of a merger (Commercial Code, 2017.)

D. Composition of the board of directors in SMEs: According to agency theory, internal directors may not have sufficient power to challenge the manager's decisions due to their hierarchical dependence and personal relationships. The theory of resource dependence suggests that external directors with knowledge, skills, experiences, reputation, and social networks can contribute to the efficiency of the board and improve the company's image (Coffey B. S., 1998). The presence of external directors in SMEs is crucial as it supplements resources and knowledge that may be lacking.

- **Combined leadership and chairmanship of the board:** Combining these two functions can be risky as it gives the leader influence over board decisions. While it allows the manager to defend their initiatives easily, it hinders the proper functioning of the board and may not contribute to value creation.
- **Specialized committees:** The establishment of specialized committees on the board of directors is recommended to reduce conflicts of interest and improve its effectiveness.

E. Functioning of the board in SMEs: The functioning of the board is crucial as it significantly influences the company's performance. Factors such as the number of board meetings, their duration, director attendance rate, and directors' information level before meetings affect the board's effectiveness. Lack of information can hinder the board's functioning, but this variable may not be significant in the case of SMEs due to their specific structure and the influence of the state and political pressures in public or parapublic enterprises (Désirée, 2017).

I.5.2 The Advisory Board: The Advisory Board serves as a supervisory body when the Board of Directors is not present. Its role is to advise managers on strategies and provide guidance on SME management (Abdellah, 2016). In addition, SMEs can rely on external networks, business associations, and support services for advisory purposes (Sabine patricia MOUNGOU MBENDA, 2015).

I.5.3 The Family Council: The Family Council is formed in large and significant family businesses. It consists of family members who hold meetings according to a charter that defines each member's prerogatives.

I.5.4 Compensation Package: The compensation package, as demonstrated by Jensen and Meckling, shows that executives with more shares strive to maximize performance and contribute to higher corporate performance. Long-term incentive pay is often associated with performance (SchiehllE, 2004).

I.5.5 Belief system, values, and human capital of the SME: This mechanism encompasses various variables, including the level of trust between the SME manager and stakeholders, organizational culture and ethics, and the overall philosophy of business management.

I.5.6 Management systems: Management systems vary based on the legal structure and size of the SME. They aim to improve company management, adhere to management procedures, and comply with international standards.

I.5.7 Ownership structure: The ownership structure is a key determinant of the effectiveness of the governance system. It defines the rights and roles of different stakeholders, such as minority.

shareholders and employees (Denis D, 2003) The concentration of capital, managerial ownership, and institutional ownership are three aspects of ownership structure.

Concentration of capital: When a shareholder holds a significant amount of capital, they possess considerable control and decision-making power. Studies have shown a positive relationship between the concentration of ownership and effective management control (SHLEIFER R, 1997)(Agrawal G.N, 1992):

➤ **Managerial ownership:** The larger the share of capital held by managers, the more aligned their interests are with those of shareholders. Managerial ownership serves as a control mechanism, but different theories present varying perspectives on its relationship with organizational performance (Jensen and Meckling, 1976; Charreaux, 1991).

➤ **Institutional ownership:** Institutional or financial investors play an active role in governance by influencing control and management decisions to maximize performance. Their presence is believed to be more effective in preventing opportunistic behavior by managers (Agrawal G.N, 1992)

I.6 Employee financial participation in Algeria:

Employee financial participation in Algeria has evolved as part of the privatization policy for public enterprises. Since 2003, approximately 73 employee-owned companies have been created through profit-sharing methods.

However, the practice of employee financial participation is not actively encouraged by the government due to the lack of a legal framework that regulates and protects the rights of employee shareholders in their companies.

Employee financial participation can occur through the disposal of assets to private buyers or through employee takeovers.

The latter was proposed through two methods:

➤ Liquidation of assets from dissolved companies for employees' benefit, as dictated by Ordinance 97/12 of March 19, 1997.

➤ Employee takeover, according to Ordinance 01/04 of August 20, 2001.

Primarily, small and medium-sized enterprises (SMEs) have been subject to these recovery or asset disposal processes. The focus of this research is to discern the governance style within these unique businesses and to understand the genuine engagement of these employee shareholders in the governance's internal workings, including their contribution and participation in internal governance mechanisms.

Based on our findings, we hypothesize that financial participation by employees aids in the sustenance and enhancement of the SMEs' governance system.

II. Hypothesis Tests:

To either confirm or debunk this hypothesis, we adopted the following research methodology:

II.1 Research Methodology: We chose a quantitative approach (utilizing a questionnaire) to test our hypothesis. This involved surveying employee shareholders from SMEs where employees have a financial stake in the share capital.

Sample: Our empirical research sample consisted of employees working at five Algerian SMEs who also held shares in their respective companies. The percentage of capital held by these employees varied across companies. We managed to survey 37 employee shareholders, selected through convenience sampling, from February to May 2019.

II.1 Sample Characteristics: We found that 86.5% of employee shareholders interviewed are male, and

that 13.5% of them are female, 54.1% of employee shareholders interviewed worked in industry, 29.7% in services and 16.2% in construction, public and hydraulic works (BTPH). Most (75.7%) had more than 10 years of experience as shareholders, 13.5% had more than 20 years, and the remaining 10.8% had less than 5 years. Our results clearly show the training levels of employees, 43.2% of respondents have the primary level to which is added the second secondary level with a percentage of 21.6%, 13.5% of respondents have the Superior Technician level TS, 5.4% of employee shareholders have a bachelor's degree and 13.5% of them have a master's degree in different fields, the post-university level represents 2.7%.

In terms of autonomy, 91.9% had autonomy at work. The largest group of respondents was managers (45.9%), followed by performance workers (27%) and supervisory workers (21.6%). A small percentage (5.4%) were classified as “other”, including two business leaders. 70.3% of employee shareholders held between 1% and 3% of the capital, 18.9% held between 3% and 6% and 10.8% contributed between 6% and 10%.

II.2 Results of the Empirical Study: The results of our research proceed to a description of the governance regime in these five SMEs, then specify the perception of employee share ownership among employee shareholders, Then, based on a financial analysis of the financial statements over the last 5 years, we were able to analyze the financial situation and performance of each separate company. And at the end of the study, we were able to conclude the observation of employee share ownership in the SME in Algeria:

II.4. 1.Governance Regime:

The data indicates that the majority of employee shareholders, 64.87%, have an understanding of the principles of good corporate governance, while 35.13% are less familiar with these concepts. Only 40.54% of companies have adopted a governance charter or code, leaving 59.46% without such practices. Regarding knowledge of Algerian legislative texts related to corporate governance, 45.95% of respondents are informed on this subject. The vast majority of employee shareholders (94.59%) consider growth to be the central objective of their company's governance. Regarding the governance system phase, 48.65% of companies are in the process of implementing the system, 13.51% are still in the implementation phase, and 37.84% are in the process. finalization phase of management modernization. Knowledge of OECD governance principles is limited, with more than 75% of respondents unfamiliar with key principles. When it comes to transparency and dissemination of information, most companies still have room for improvement, as only a few disseminate essential information, mainly related to their human resources. In summary, it is clear that there is a need for improvement in terms of transparency and dissemination of information within the companies studied.

II.4.2-In terms of employee share ownership perception:

The results of the employee shareholding (ES) survey reveal a diversity of opinions among employee shareholders. Participation in representation bodies is perceived positively by only 16.2% of respondents, while decision-making is confirmed by 94.5%. Regarding the establishment of a trust regime, only 37.8% of participants recognize it. The majority (83%) consider AS a collective incentive mechanism, although 43.2% also see it as a control mechanism. The idea that the AS is an instrument of power sharing finds only 8.1% approval, while entrenchment is strongly rejected by 97.3%. Perceived benefits of SA include motivation (89.2%), increased job satisfaction (64.9%), and greater organizational involvement (56.8%). However, a minority considers that their experience of more than ten years with AS has not been beneficial (29.7%), mainly with regard to financial aspects, management, job retention and sustainability. of the company. Finally, the majority (56.8%) prefer to sell their shares rather than continue to be shareholders (43.2%). These results highlight the complexity of the perceptions of employee shareholders regarding the role and impact of SA in their company.

II.4.3. In terms of the characteristics of employee shareholders.

The characteristics of employee shareholders reveal a series of significant observations. First of all, we note a low participation of women in employee shareholding, which highlights a gender imbalance in this area. The majority of employees participate by holding a percentage of capital ranging from 1% to 3%, which indicates a relatively moderate level of financial commitment on the part of the employees.

It is also important to note that almost all employee shareholders have the autonomy necessary to carry out their missions within the company, suggesting a high degree of confidence in their ability to manage their responsibilities.

An interesting trend is the granting of titles to new employees, including those with less than 5 years of experience as shareholders, indicating an openness to expanding employee participation, even among recent recruits. It is relevant to note that a large proportion of employee shareholders occupy management positions within their company and are in the age group of 46 to 55 years, highlighting a strong commitment from executives and experienced professionals in the shareholding process.

II.4.4. In terms of performance:

The companies examined find themselves facing various financial challenges. First of all, they have difficulty financing their activities, largely because obtaining bank loans is hampered. This problem is exacerbated by their current structure and organization. Of the five companies studied, only two SMEs maintain solid financial health, while the other three record loss-making results over the period analyzed. SMEs rely heavily on debt to operate, which raises concerns. While this deficit situation of Algerian public companies which has been the subject of a process of shared management and salary ownership, therefore we ask the following question: why, after more than two decades, are privatized companies suffering? financial problem? .Although there has been a slight improvement in production tools, it remains insufficient, which affects productivity and economic profitability. Furthermore, the equity of SMEs fails to cover bank debt in most cases, jeopardizing financial profitability. Finally, marketing products turns out to be a major challenge for these SMEs. These results highlight the need for prudent financial management and sound development strategies to overcome these obstacles.

II.4.5-In terms of the EFP:

In the context of employee financial participation, several important findings emerge. The average capital held by employee shareholders amounts to 2.58% on average, which demonstrates a significant participation of the workforce in the capital of companies. Furthermore, we observe that, on average, 63.86% of employees are shareholders in their own company, thus demonstrating considerable employee engagement in the shareholding process. The average duration of the PSF within companies is 19 years, highlighting the sustainability of this initiative. However, it should be noted that not all companies financially involving their employees have an employee shareholder association, which could represent an area for improvement to encourage employee participation and commitment. In addition, the ownership of shares by employee shareholders is done directly, with 100% direct ownership. Finally, the PSF grants employees the right to vote and representation within the board of directors, thus strengthening their influence and their involvement in the company's strategic decisions.

Conclusion

The performance of an SME depends on various factors linked to its capital structure, its context and the governance implemented. The latter is particularly essential in shaping its success. Governance systems present a far-reaching process because they involve adapting the unique characteristics of an SME to its distinct practices, based on its organizational and relational capabilities, as well as its potential. This is particularly important when considering employee shareholding.

Our study aimed to determine the role of employee financial participation in the governance of SMEs, by testing the associated hypothesis. Thus, we were able to deduce that the financial participation of employees in the capital of their company contributes significantly to the corporate governance system. This inference is supported by previous findings. However, in the Algerian context, this practice remains underdeveloped.

The results of our study reveal significant gaps in corporate governance within the companies examined. In particular, it is clear that improvement is needed in terms of transparency and dissemination of information. Less than half of companies have adopted a governance charter or code, and knowledge of Algerian legislative texts related to governance is limited. Additionally, familiarity with OECD governance principles is low, highlighting a need for education and awareness of these international standards.

The perceptions of employee shareholders vary, showing a complexity in the way shareholding is perceived within these companies. While decision-making is widely approved, participation in representation bodies is perceived positively by a relatively small percentage of employees. This may indicate a need for improvement in the way employee shareholders are involved in governance. From a financial performance perspective, companies face significant challenges, particularly in terms of financing, economic profitability and product marketing. The reliance on debt for the operation of SMEs raises concerns about their long-term viability, and sound financial management strategies are needed to address this situation. Regarding the Employee Share Ownership Plan, the results show a significant participation of employees in the capital of companies, with a high average duration of participation. However, there are opportunities for improvement, including encouraging the creation of employee shareholder associations to further strengthen employee engagement in the ownership process.

Overall, these elements highlight the complexity of corporate governance practices, the perceptions of employee shareholders and the financial challenges faced by the companies studied. Continuous efforts are necessary to improve governance, strengthen managerial practices through real involvement of employee shareholders in decision-making and control processes, clarify the perceptions of employee shareholders and strengthen the economic performance of these companies.

To promote and promote the practice of employee shareholding in Algeria, we propose, on the basis of our survey:

The current regulations that apply to SMEs should be reviewed, with a view to modernizing the laws aimed at encouraging employee shareholding in Algeria.

All company management must promote a culture of communication and harmony, with employee shareholders tending to act in a spirit of solidarity. This requires the promotion of employee shareholding as a best management practice.

Given the large number of employees, possibilities for creating a stock savings plan, a common investment fund or an association could be proposed, allowing employee shareholders to contribute significantly to the governance.

Employee shareholding must be at the heart of the company structure, which implies that only the shareholder managers (or at the very least holding the majority of the capital) are in charge.

It is crucial to maintain a positive relationship between employee shareholders, requiring open communication, active participation in decision-making, transparency and fairness to prevent possible disputes.

Employee shareholders must receive training on management tools, partnerships, governance and its principles.

SMEs with a Financial Participation Scheme (PFS) should benefit from preferential access to credit and operational benefits to strengthen their short-term financial capacity.

Like all research, our study has certain limitations that must be acknowledged. The collection of quantitative data on employee shareholding proved complex, which made it difficult to adequately represent the impact of the PSF on the different indicators and factors measuring social and financial aspects. The volume of data collected was limited due to the lack of statistics on PFS in the relevant areas, which limited our research to questionnaires.

Author Contributions

Conceptualisation: Bekhouche, F.; **data curation:** Boukhedimi, F.; **formal analysis:** Boukhedimi, F.; **investigation:** Bekhouche, F.; **methodology:** Bekhouche, F.; **project administration:** Boukhedimi, F.; **supervision:** Bekhouche, F.; **validation:** Bekhouche, F.; **visualisation:** Bekhouche, F.; **writing – original draft:** Boukhedimi, F.; **writing – review & editing:** Bekhouche, F.

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