



CORPORATE GOVERNANCE AMONG SMALL AND MEDIUM SIZE ENTERPRISES IN ALGERIA: “IMPEDIMENTS TO THE PRACTICE OF CORPORATE GOVERNANCE SYSTEM”



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ABSTRACT

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This study aims to shed light on the fact of corporate governance in the Algerian small and medium size enterprises where the intention is to identify and make the point over the fact of corporate governance in Algerian joint-stock enterprises, so as to state the major and essential obstacles that stand against the good practice of corporate governance. The study took place in 4 joint-stock enterprises in the region of CHLEF, the empirical study was about a questionnaire in which we tried to recognize the fact of corporate governance of these stated companies and to pull out the different problems that impedes the enterprises path toward the good development. However, our reached results were that the corporate governance concept is not enabled as it should be and the Algerian small and medium enterprise suffers from lot of problems in which initially the family nature and successions problems, also the relation between the main actor's elements is not good and the legal and organizational environment is not encouraging.

Contribution/ Originality: This study is one of very few studies have investigated on the corporate governance in the Algerian small and medium scale enterprises, it contributes in the existing literature by bringing to the horizon aspects and perspectives over the obstacles that hamper the practice of corporate governance system in Algeria.

1. INTRODUCTION

The concept of corporate governance has become now a day's among the fundamental requests and essential pillar in achieving economic development and growth, thus many countries whether developed or in developing are seeking toward the practise of good practices for this new and effective management system in order to face the growing economic challenges which has been forced by the global economic changes leading to the liberation of international trade, stock exchange and give permission to the capital to be transferred around the countries from different places. In fact, this new concept has proved its effectiveness on the ground through standing against the managerial and organizational troubles that has been for long time the crucial dilemma to the enterprises. Corporate

governance has taken place mainly to the great failure and scandals that stroke the big and huge enterprises around the world because of the misleading of their financial statements.

Corporate governance system is related basically to the big enterprises because it has shown initially in this kind of firms, but today this kind of firms is no longer the main sector in the equation of development. Actually, Small and medium size enterprises is leading the process of development throughout the different economies of countries, hence it is become the first and main sector that is pushing the wheels of development in which the matter of corporate governance has being become a mandatory demand to enhance and improve the management on this kind of firms.

In Algeria, small and medium size enterprises sector is formed the notable tissue on the national economy. In fact, it is estimated that 95% of Algerian firms are made of SME's, whereas they produce 80% of the national GDP outside the hydrocarbon sector, this index reflects the importance of this sector in our economy and due to that the Algerian government has lined an objective of rehabilitating and steps it forward through a lot of development programs. In 2009, it was released the code of corporate governance in Algeria called (GOAL) which means the code of good governance in Algeria, this code was made by a different of economic actors and firms chiefs in Algeria with the purpose of giving access to the Algerian enterprises a good guide for the development of their own businesses.

1.1. Problematic

Despite the considerable efforts undertaken by the Algerian government to provide a good climate for the enterprises to promote their business level throughout the practice of the governance principles set by OCED and the national code of corporate governance, there are still obstacles that hamper and restrain this remarkable tendency, so our research problematic is set to be:

What are the obstacles that stand against the practice of corporate governance in the Algerian small and medium size enterprises?

To facilitate our research and to get the answer for our thesis we may ask this affiliate question:

1. What does it mean by corporate governance?
2. What is the fact of small and medium size enterprises in Algeria economy?

1.2. Hypothesis

To answer the main problematic question we put the following hypothesis:

- There is a correlation between the relationship of the actors in the organization with each other and the practice of the system of governance.
- -there is a positive relationship between the family nature and problems of succession and the practice of governance system.

2. LITERATURE REVIEW

We have taken in account some previous studies related to this thesis for the object to illustrate the important results reached up to date so as to make the study relevant and have a value, we set bellow studies that helped us to take part in the looking of our main issue.

2.1. The Study of Ali Abdessamed, "The Framework of Corporate in Algeria a Comparative Study between Algeria and Egypt", Published Article, 2013

The researcher aimed in this document to shed light on the negative and positive points of Algerian and Egypt corporate governance frameworks (Algerian corporate governance code, guide of rules and criteria for the Egypt corporate governance system) by having comparison with OCED principles. The writer comes to a result that the reformulation of Algerian corporate governance framework is unavoidable and make it obligatory according to the principles of OCED, providing more efforts on spreading the corporate governance culture in the Algerian business

environment, creating agencies for companies' arrangement and evaluation providing on the same time the legal and institutional framework suitable for that dispositions.

2.2. The Study of S.M. Yazide, B,Abd Ouahab, “ The Reality of Corporate Governance in Algeria; An Empirical Study on Joint-Stock Exchange Companies”, Published Article

In this study the writer tried to identify the fact of corporate governance in Algeria for the joint-exchange companies in order to know the degree of concordance between the practice of corporate governance in this enterprises and the principles of OECD and the principles of Algerian corporate governance code, the researcher used a questionnaire to make his study in which he delivered 50 copies on the internal auditors and the board council members. The result was that the companies in which the study was done apply the principles of corporate governance released by OCED and apply also the principles of the Algerian corporate governance code.

2.3. The Study of Kherraf Houria, “The Governance of Familial Corporate: Study the Algerian Case.”, Magister’s Memory, 2014

The researcher tried to tackle the issue of corporate governance on the familial firms in Algeria, he started from the point that the familial firms have a specific nature because it is owned and managed by members of the family, so he tried to clarify the mode of governance of this kinds of firms in Algeria knowing that the majority of Algerian firms are family ones. He made an empirical investigation in the NCA company so as to find the mode of governance of this family company, the result was that there are many changes and adjustments in the system of governance for the family companies and the problem of succession has a huge impact for the strategy of development undertaken by the company, also the management system inside the company is different and has a tough relation with family nature, the relationship between the stakeholders is determined in a tight space not giving the total freedom for them to share their opinions and suggestions.

2.3.1. What Makes This Study Different from the Previous Ones?

This paper distinguish from the previous ones because it focus on the governance in the Algerian small and medium size enterprises emphasizing on the obstacles that restrain the practice of corporate governance system.

3. THEORETICAL PART

3.1. Corporate Governance

3.1.1. Definition of Corporate Governance

Corporate governance has evolved out of the need to protect those who provide external Finance to the corporation from those who have control over the firm. This clash of interest Between the mangers of the firm and the owners is usually referred to as the agency problem. The attempt to mitigate the effect of this clash has been the driving force behind the evolution of corporate governance.

The term “Corporate governance” does not easily lend itself to one universal definition. Different writers have defined it differently from different perspectives.

It was defined as: “a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby, mitigating agency risks which may stem from the misdeeds of corporate officers”¹.

Gerrard Chareaux one of the pioneers in the field of corporate governance has defined it as: “The mechanisms which intend to determine the authorities and have an impact on the directors decisions, in other word govern their

¹ Sifuna (2012).

leadership toward the corporate and set the scope of their authorities”². Others writers have given definitions to the corporate governance as follows:

The process carried out by the board of directors, and its related committees, On behalf of and for the benefit of the company's Shareholders and the other Stakeholders, to provide direction, authority, and oversight to management,

“It means how to make the balance between the board members and their benefits and the benefits of the shareholders and the other stakeholders”³.

It is clear from afore mentioned definitions that corporate governance is concerned with The processes, systems, practices, procedures, rules and regulations that govern

Institutions, the manner in which these rules and regulations are applied and followed, the Relationships that these rules and regulations determine or create, the nature and the Effects of those Relationship.

3.1.2. Why Corporate Governance is Important?

Corporate governance occupies a big importance in the view of the modern enterprises that is because it tackles a lot of tough troubles have a relation with management and ownership; it has also a huge correlation in determining the developing strategy of the firm. It is also considered by investors as a criterion to base upon it in the firms that do good governance. However, it was noticed that the firms that practise corporate governance has high shares more than those who do not practise corporate governance.

In addition to what we have cited, corporate governance has too importance in defining the following issues⁴ :

- Fighting against the managerial and financial corruption inside the enterprises and do not let its existence and its return again;
- Ensuring the integrity, neutrality and uprightness for all the workers in the enterprises, starting from the board of directors arriving at the lowest level of the corporate workers;
- Determining the maximum benefit from the internal methods of control;
- Providing the enough level of disclosure and transparency;
- Guarantee a big level of efficiency for the external auditors, also make sure that they are on high degree of independency and they are not under any kind of pressure from the board of directors or from the executive directors.

3.1.3. What are the Determinants of Corporate Governance?

The determinants of corporate governance are classified in two sections: internal and external ones, the following shape define and distinguish them.

²Mimouni (2012).

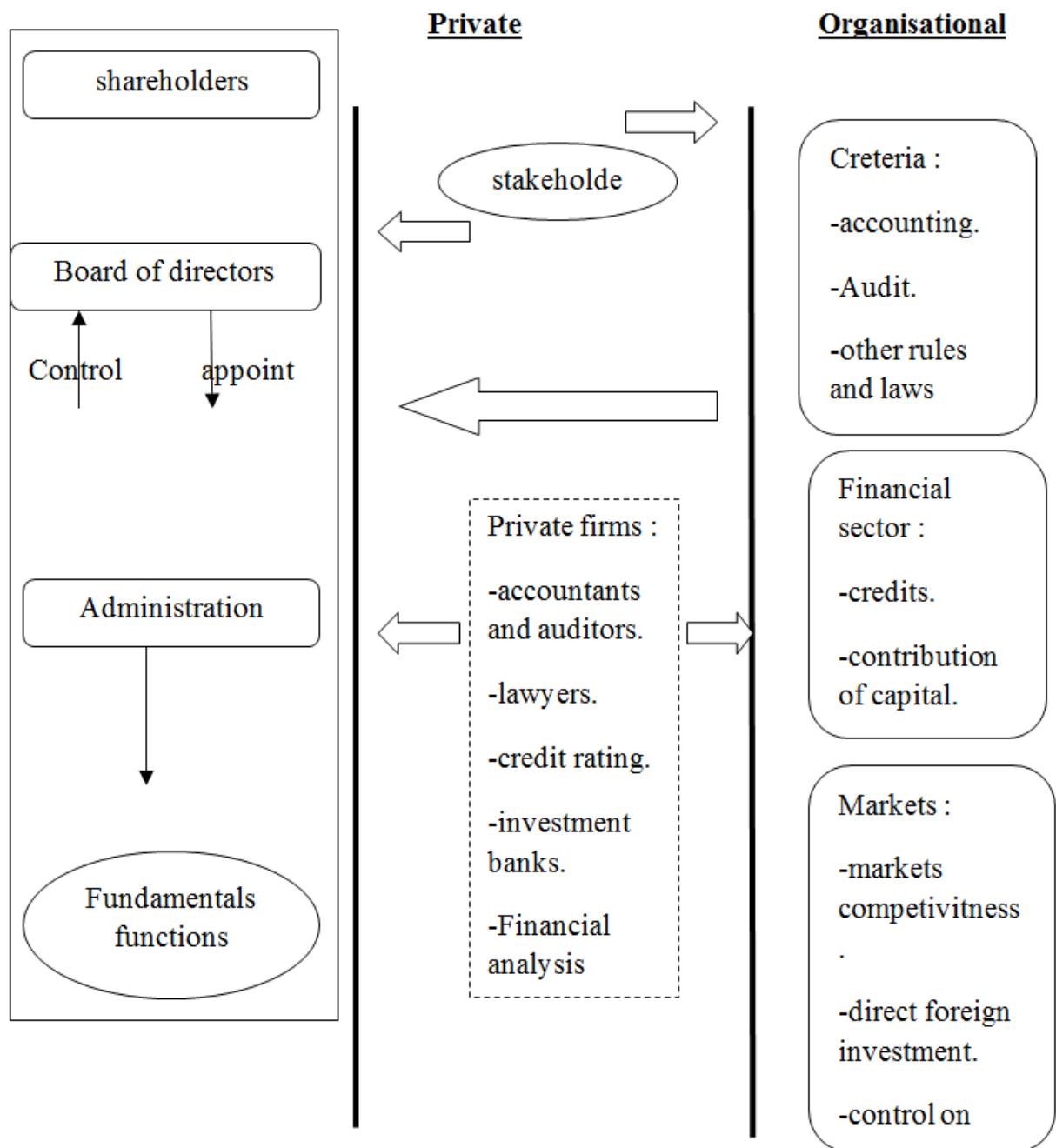
³Tarek (2007).

⁴Hamadi (2012).

Shape 01: Determinants of corporate governance.

Internal determinatns

External determinats



Source: Mohamed (2007).

3.2. Small and Medium Size Enterprise

3.2.1. Definition of Small and Medium Sized Enterprises

Small and medium-size enterprises (SMEs) are acknowledged globally for their unique contribution to economic development and creating employment opportunities. Both developed and developing countries realize that SMEs have become one of the key instruments to use to face economic and social problems and to achieve development objectives. Therefore, unsurprisingly, political strategists have frequently viewed SMEs as the “seeds” of economic revival.

Just like Corporate Governance, the term SMEs does not lend itself to one universally acceptable formal definition. SMEs have been identified differently by various individuals and organizations, such that an enterprise

that is considered small and medium in one country is viewed differently in another country. Even within a country, the definition changes over time. Some common indicators employed in the various definitions include total assets, size of the labour force employed, and annual turnover and capital investments. In addition, no single definition of SMEs exists among officials of multilateral development institutions because each thinks within the context of the official definition of his own institution⁵.

According to the Algerian ministry of commerce, Small and Medium Enterprises is defined regardless of its legal status in term of providing either good or service or even both, by setting some characteristics which are:

- Not more than 250 employees;
- Annual turnover does not exceed 02 billion dinars or whose annual balance sheet total does not exceed 500 million dinars;
- It should match with the criteria of independence.

3.2.2. The Characteristics and Features of Small and Medium Enterprises

Among the characteristics of small and medium enterprises that have made them able to play an important contribution toward the economic and social development as well as contribute to reduce the rate of unemployment, the following characteristics are presented⁶:

- Enhancing the initiative spirit of individual and group by initiating economic activities for goods or service that didn't exist before, as well as the revival of economic activities have been abandoned such as the traditional industries.
- Reintegration of demobilized employees from their positions due to the bankruptcy of some public institutions or the employment reduction in some organizations as a result of restructuring and privatization, which supports the possibility of compensation some of the lost activities.
- Generating new jobs' offers both directly via enterprises establishers and indirectly through recruiting of other jobless individual within enterprises, which can lead to a rapid response to social demands in the employment field, as these enterprises seek to provide work positions intended for individuals who do not meet the needs of large organizations, These enterprises pay less wages than the large organizations do, as the average qualifications inferior to those obtained by employees working for large organizations. Small and medium enterprises can establish an effective tool for activities resettlement in remote areas, leading them to be an effective tool for a significant enhancement of local wealth and a mean of domestic regions merging and integration.

3.2.3. Corporate Governance of the Small and Medium Size Enterprises in Algeria

In the purpose of increasing the economic integration with the international society Algeria has provided intensive efforts towards the building of an institutional framework of corporate governance, thereby in the term of achieving that Algeria worked hard on enhancing its business environmental and has opened its economy for the foreign investment.

3.2.3.1. The Framework of Corporate Governance in Algeria

On July 2009, a work team made of CARE club (circle of action and reflection on the company) and FCE (forum of enterprises chiefs) with the collaboration of public authorities in the name of ministry of small and medium size enterprises and crafts, they agreed to release a code of corporate governance for the Algeria companies mainly the small and medium size ones. This code is the first edition for such kind of initiatives targeting to improve and master

⁵ Asma (2015).

⁶ Youcef (2014).

the managerial system for the Algerian companies. However, this code is like the others ones in different countries of the world but has the characteristic of the Algerian companies from different sides and perspectives.

It is considered as a basic document for the Algerian companies, public and private ones, who want to improve their performance and competitiveness on the local and foreign market, explained its founders, led by the forum of enterprises chiefs. The code is based on the achieving of the following principles⁷:

- **Transparency:** it means that the rights and obligations also the prerogative and resulting responsibilities must be clear for all.
- **Equity:** it means that the distribution of rights and obligations between the stakeholders also the privileges and engagements related with it have to be done fairly.
- **Responsibility:** it means that everybody responsibility is determined by a clear objectives and not with divided objectives.
- **Accountability:** that means every actor person in the company is responsible toward the other person in term of practicing through the given responsibilities.

3.2.3.2. Problems of Corporate Governance in Algeria

The Algerian are suffering from many troubles related to different sides, whether is internal or external problems. In fact the main problems are known and clear, we can cite them as bellow:

Global problems: the following table show the essential troubles that face the Algerian companies mainly the small and medium size enterprises:

Table-1. The global problems of corporate governance for the Algerian SMEs

	SMEs plagued with difficulties of survival	SMEs in line with the challenges of growth
Relations between stakeholders	Enterprise owners are the managers too, the two positions are always confused and have an opacity result extends to the relations with the others.	The differentiation between owner and manager is relatively defined better, even though the two functions are cumulated, the quality of relations between the other stakeholders carries on.
The veracity of enterprises results.	The weak of management rules do not allow establishing with certainty the exactitude of enterprises results.	The existence of management rules that help of identifying the company results, but the problem of veracity can be posed.
The situations of transmission and succession	The problems of transmission and succession are generally not anticipated, and when they appear the company find itself sticky in inextricable situations that may lead it to danger.	The transmission and succession problems are better anticipated but their treatment does disrupt the company performance.
The strategy-interests articulation of the enterprises	The company is not able to project in the future, its interest is about to ensure survive day per day.	The company are able to build a strategy, but the tight articulation with their interests deserves to be consolidated and refined.

Source: see the Algerian corporate governance code, edition 2009.p:23.

Beside to the mention problems, the Algerian companies may have other troubles inside or outside the enterprises; we may set some of them as bellow:

⁷ Algerian Ministry of Small and Medium Enterprises and Traditional Handicrafts (2009).

- The formation of board of directors and there is segregation between board of directors function and executive administration function and enterprises management function, the level of control too and the number of council meetings.
- **Board of director's members:** Lack of appropriate number of independent non-executive members of director's board to be able to present autonomous opinions and efforts stemming from their sense of responsibility.
- **Board of director's committees:** The most important is audit committee, nominations and remunerations committee and to what scope is their efficiency and independency, the available or not of independent non-executive members on both committees.

Also, the general environment of investment in Algeria is not appropriate hence has non-existence of laws and instructions that organize the economic activity. Furthermore, there is no law that guarantee the good practice of corporate governance in companies and give it the commitment nature in condition not to be confused with the current laws.

3.2.3.3. Procedures of Enhancing Corporate Governance in Algerian SMEs

In order to establish a good practice of corporate governance, the enterprise must be depend on a package of measures so as to promote and improve its performance, we distinguish between short term and long term measures.

a. Short Term Measures

The enterprise have to fellow a written policy addicted to corporate governance, this policy have to be disclosed and released by the company. On the other hand, the manner of how to form the board of director, the role of its members and their special skills must be clear, the company is recommended too to for a consultant board of director. In addition, the relation and communication between minor shareholders need to be evident; it is the same for the disclosure and accounting systems. On the other side, the enterprise is obliged to appoint independent auditors and announce a timetable about everything to happen inside it⁸.

- The policy of corporate governance states to provide an advisory board of director formed of three or four members, the purpose from this is to bring help in term of taking decision by enlightening the administration and board of director with independent objective opinions, otherwise providing to the shareholders potential nominees to work as independent members of director's board.
- The company appoint a managing member of director's board between the existence experts in the market.
- The company fellows an environmental social policy towards the citizen and must disclose and release about this policy.
- The policy of the company must ensure the equitable treatment for the minor shareholders.

b. Long Term Measures

The policy of corporate governance works on appointing an consultant board of directors within one year, and this consultant board held four sessions in the year, the company must have a timetable and documents for the fundamental meetings and must be given to the consultant board of director before the meetings appointments, in which of policy of corporate governance states the followings issues:

- An independent and non-executive member from the board of director must be appointed within two years, and he might be a member in the consultant board of director.
- The company must disclose about their engagement of corporate rules in their annual report.

⁸ Center for International Private Enterprise (2009).

3.2.3.4. The Challenges of SMEs in Term of Corporate Governance

The Algerian SMEs face in term of corporate governance practices a lot of challenges, we might point out at some of the in the following statements:

A. How to Ameliorate the Relation with Bank

The company is in front of a big challenge to enhance their relation with financial administration, the banks do not trust in financial statement for the Algerian companies that is why they do not give funds to them, otherwise the enterprise need to break these barriers by practicing corporate governance principles and establish a relation of trust with the bank so as to get the sources of funding.

B. How to Bring External Investment to the Initial Core for the Familial Enterprise

Almost the Algerian companies are familial which stands against bringing external investors to the company, so they need to open the door for the foreign investors so as to bring other sources of capital and to spread the activity of the company, and do not enact instructions that restrain investors to take opportunity of investment.

C. How to Establish a Relation of Trust with Fiscal Administration

The relation between the enterprises and the fiscal administration has to be trustful so as to give freelance and liberation for the company and boost their transparency and disclosure.

D. How to Clarify the Relation between Shareholders

A lot of companies suffer from internal conflicts between the shareholders in term of different issues related to the strategy undertaken by the company which is obliged to figure out solutions to these internal conflicts between shareholders.

E. How to Clarify the Responsibilities between the Executive Team

A huge number of enterprises may face the dilution of the responsibilities, sometime there are exceed in responsibilities between the executive team, these may cause and lead to internal conflicts between the responsibilities of the executive team and the shareholders, so the practice of corporate governance will identify the responsibilities and functions of everyone on the company hence will fight against this kind of conflicts inside the company.

F. How to Adjust the Succession Problem

This may be the most crucial for the companies in Algeria due to the familial nature of the most companies; a lot of firms can't manage the situation after the death of the founder, that because of the absence of laws inside the firms that organise such kind of issue related to the succession matter, so firms are against challenges to put in clear and determined rules and instructions to organize this process.

4. EMPIRICAL PART

After being discussed the theoretical sides about corporate governance and small and medium size enterprises, we come to accomplish our study by empirical investigation so as to identify the obstacles that hamper the good practice of corporate governance in Algerian SMEs enterprises. In this part we will test the reliability of hypothesis.

4.1. Research Methodology

4.1.1. The Approach Taken In the Study

This study is about a survey on some joint-stock companies in the region of CHLEF, we decided to follow this approach after long field investigations hence we arrived to a result that this kind of companies is the most suitable for our study due to the characteristics that distinguish this enterprises which will help us to reach our main objective from this study.

4.1.2. The Study Population

The population of our study is made of all the joint-stock companies in the region of CHLEF, we have 30 joint-stock companies in CHLEF are situated in different place of the region.

4.1.3. The Study Sample

The sample of our study is made of 4 joint-stock companies; we have targeted the most actor members in these companies especially the shareholders, stakeholders, the members of executive team, the owners. We have delivered 68 questionnaires but we have recovered only 55 ones, 6 questionnaires were ousted because the answers were not suitable for the treatment, the other 7 were lost.

4.1.4. Tools of Collection Data

There are many tools to help gathering data so as to be treated statistically and transform it from the qualitative form to the quantitative form; in our study we used the questionnaire because it is the suitable tools for such kind of studies.

4.1.5. Questionnaire

The questionnaire is formed of three main sections, was divided along the study request and hypothesis:

4.1.6. First Section

This part is dedicated to the personnel information of the interviewees; it is about the demographic data.

4.1.7. Second Section

This part is about the nature of corporate governance in these companies, it is formed of 24 questions.

4.1.8. Third Section

Is made of 17 questions, this part is dedicated to identify the obstacles inside and outside the company in term of different sides and level.

The questions were easy and clear so as to facilitate the answer.

To check the stability and trust of the questionnaire, "Cronbach Alpha" is used, so its value was found 0.65. It means that the coefficient of stability is good. In order to check he trust, the square racing on "Cronbach Alpha" coefficient is entered and it is value was found 0.8. The following table clarifies this.

Table-2. Stability coefficient (Cronbach Alpha)

Questions number	Cronbach Alpha
44	0.65

Source: prepared by student from SPSS22.

4.2. The Sample Features Analysis

The features of the sample were analysed in order to define the demographic variables and how people of the sample are divided according to each variable, the result indicates that:

- Among 55 interviewees, 055% have academic qualifications, 40% have licence diploma, 12 have engineering diploma, and 3% have high level.
- Among 55 interviewees, 52.6% have enough experience, 32.2% between 5 to 15 years of experience, and 20.4% more than 15 years of experience.
- Among 55 interviewees, 85.4% are administrative workers, 53.3% are board of director's members, and 32.1% are executive team members.

4.2.1. Analysis the Data of the Study

In this section we will analyse each part of the questionnaire leaning on the arithmetic median and the standard deviation, the median between (1 to 2.5) means the level of answer is low, between (2.5 to 3.5) means the level of answer is intermediate, between (3.5 to 5) means the level of answer is high.

Section 1: corporate governance.

Table-3. The results of the first section questions' opinion: responsibilities of director's board

Axes	Median	Deviation Standard	Opinions
Responsibilities of director's board	3.66	0.779	high
The role of stakeholders.	3.19	0.936	intermediate
The equitable treatment of shareholders	1.18	0.959	low
The protection of shareholders' rights in the company status.	1.57	0.923	low
Disclosure and transparency	1.45	0.855	low
Total	2.21	0.890	low

Source: prepared by the student from the SPSS 22 outputs.

Analysis: we notice from the table 3 that the scope of the corporate governance is at an arithmetic median equal to (2.21) with a deviation standard equal to (0.799), that means that the corporate governance level in enterprises being studied is low, the interviewees agree that enterprises do not practice corporate governance, the responsibilities of director's board are done as it should to be, the same for the role of stakeholders but less enough, the others principles do not exist certainly in term of disclosure and equal treatment of shareholders.

Section 2: problems inside the small and medium size enterprise.

Table-4. The results of the second section questions' opinion.

Axes	Median	Standard Deviation	Opinion
The familial nature and succession problems.	3.08	0.965	intermediate
The relation between the actor elements in the enterprise.	3.01	0.985	intermediate
The relation between the banks and the tax administration.	2.02	0.929	low
The legal and organizational environment.	2.45	0.897	low
Total	2.53	0.944	intermediate

Source: prepared by the student from the SPSS 22 outputs.

Analysis: The data shown in the table 4 indicate that the arithmetic median of the section two question is equal to (2.53) with standard deviation equal to (0.944), that refers that the level of the problems inside the small and medium size enterprise studied is intermediate, the interviewees agree that there are problems especially those ones related to

the familial nature and succession problems and the relation between the actor elements in the enterprise, so there are different problems which may hamper the activity of the enterprise and hamper their development strategies.

4.2.2. Hypothesis Test

To test the hypothesis we used the Pearson's coefficient in an indication level equal to ($\alpha=0.05$), the size of sample equal to ($N=54$).

The first hypothesis: There is a correlation between the relationship of the actors in the organization with each other and the practice of the system of governance.

Table-5. First hypothesis test result.

Data	Governance system application	
The relationship of the actors in the organization with each other.	Correlation coefficient	3.36
	α	0.012
	N	54

Source: prepared by the student from the SPSS 22 outputs.

From the table 5 the level of indication equal to ($\alpha=0.012$) and that is under (0.05), the correlation coefficient equal to ($R= 3.36$), so there is a positive correlation relation statistically significant at a level of indication equal to ($\alpha=0.05$), this leads us to the result that the relationship of the actors in the organization with each other is a real obstacle for practicing the corporate governance in the joint-stock enterprises.

The second hypothesis: there is a positive relationship between the family nature and problems of succession and the practice of governance system.

Table-6. Second hypothesis test result.

Data	Governance system application	
The family nature and problems of succession.	Correlation coefficient	4.23
	α	0.000
	N	54

Source: prepared by the student from the SPSS 22 outputs.

From the table 6 the level of indication equal to ($\alpha=0.000$) and that is under (0.05), the correlation coefficient equal to ($R= 4.23$), so there is a strong and positive correlation relation statistically significant at a level of indication equal to ($\alpha=0.05$), this leads us to the result that the family nature and problems of successions are also a serious obstacles stand against Practicing corporate governance in the Algerian small and medium size enterprises.

5. CONCLUSION AND RECOMMENDATIONS

Corporate governance as a new managerial system has come recently to treat the different problems in term of management. In fact, corporate governance is a new born concept and practice but is not a new born idea, this concept differs from one country to another as the economic environment and development is not equal, the same is for corporate governance in small and medium size enterprises which differs also from the one in big enterprises.

Through this study in both the theoretical and empirical sides we did put light on the fact of corporate governance in the Algerian small and medium size enterprises by identifying the major obstacles that hamper the good practice of corporate governance, this last one in fact seems to be a new concept for the Algerian enterprises, effectively there is no indication that may help to practice corporate governance especially in term of inside relations between the main actors of the enterprises.

According to this illustration we found that there many imperfections to let against the practice of corporate governance in the Algerian small and medium enterprises, the family nature and problems of succession it is crucial barriers that needs to be solved and managed well, the legal and organisational environment also ought to be organised and to be encouraging for the good process toward the enterprise activities, in general the concept of corporate governance is enabled in our small and medium size enterprises as it must to be and lot efforts need to be provided so as to pave the way for the corporate governance principles.

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