



Role of the Board of Directors in the Growth of Family Institutions, NCA Rouiba Case Study

Dr. Khadra SEDDIKI*

Dr. Fatima Zohra ARAB

Tahri Mohammed Bechar University
Algeria

Tahri Mohammed Bechar University
Algeria

seddikikhadra@yahoo.fr

fatti.arab@yahoo.fr

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Abstract :

Abstract :In view of the role played by small and medium-sized enterprises in the economies of countries, we have considered family enterprises and the role of the board in their growth through the separation of ownership and management, the board of directors is the supreme authority of the family institution, the legal representative of the interests of the owners, the responsibility for caring for the interests of all stakeholders and the benefit of their participation in defining the vision and mission of the institution's mission. This study aims to highlight the role of the board of the continuity of the family institutions as a major decision-making board of the study.

Key Words: Board of Directors, Family Institutions, Internal Audit, External Audit, Governing Council Committees.

JEL Classification : G32.

* Corresponding author: Seddiki Khadra (*seddikikhadra@yahoo.fr*).

Introduction :

Family-owned enterprises face many problems in developing and developed countries alike, and the most prominent problem facing family enterprises is their continuation and transmission from one generation to the next. Through their formative nature, these institutions contain within them (the family, the founder, the institution). These three components are the reasons for their existence, and the board of directors is the mechanism or the regulatory system that allows ensuring the security of deals between the institution and the managers (the family institution), and remains the first and last responsible for leading the family enterprise towards the best levels of performance and taking into account its achievement of complete stability and continuity of growth, through its committees.

Problematic of the study:

According to what have been mentioned above, the problematic of the research paper emerges by asking the following question:

What is the role that board committees can play in achieving the growth of family enterprises, applying to the case of NCA Rouiba?



Study methodology:

In our study, we have relied on the descriptive and analytical method through studying and briefing the various aspects of the topic, and describing its characteristics by collecting data and information related to it, using a set of statistical data.

Study tools:

The questionnaire was used as a study tool, and it was distributed to a sample of NCA staff in Rouiba, Algeria.

Study plan:

This study will be covered through the following axes:

- **The first axis:** the conceptual framework for family enterprises, the board of directors and its committees.
- **The second axis:** the field study.

I. The conceptual framework for family enterprises, the board of directors and its committees.

1. Definition of family institutions:

The definitions related to the family institution are multiple and different, as we can at least distinguish between two types of definitions, namely the one-criterion definitions and the multiple-criteria definitions, and the following table explains that:

Table 01: "Different definitions of family enterprises"

One-standard definitions of content authors	Authors	Content
Ownership standard	Barnesl Bet Herchon SA(1976) Alcorn P.B(1982) Lansberg I,Perrow S,Rogolky S(1988)	An corporation is owned by an individual or family members.
Administration Standard	Barry B(1975), Bekhard R, Dyer W(1983), Keppner E(1983), Handler WC(1989)	The institution is run by a somewhat extended family. The board of directors is the place to which management is granted
Multiple standard definitions		
Ownership and management	Davis J A,Taguiri R(1982) Anderson R M et Johuson(1985)	An institution is either owned by an individual, family, or more than one family, and its management by a family can be extended or extended.



Ownership, Transfer and Management	Cherchill N et Hatten K J(1987), Ward J L(1987)	Successful corporate transfer to another generation, the new generation will retain management.
Ownership and dominance of the family, founder name	Christensen R(1953)	The dominance of the family is demonstrated and achieved by giving its name, influencing it by its traditions, and having a portion of the shares.
Generation of Contractors and Interactivity	Donnelly(1964)	There are at least two generations of family members present in the corporation and there is a mutual influence of the family / institution.
Existence of a dependent (subordinate) system	Bekhard R et Deyer W G	is a system consisting of dependent systems (institution, family, founder).

Source: Amann, J. A., (2000), The Family Business: A State of the Art. The Finance Review, Strategy Control, p31- 33.

2. The Function of the board of directors

2.1. Definition of the Board of Directors:

They are those who represent the shareholders as well as other parties such as stakeholders. The Board of Directors selects the executive directors and those to whom the authority is entrusted with the day-to-day management of the Corporation's business, in addition to monitoring their performance. (Herrewijn, September 2003, p. 731). The board of directors will, in a specific capacity, on behalf of investors, hold the managers accountable and hold them accountable for their performance to achieve the goals of the corporation and achieve the interests of investors (الخطيب, 2008, p. 141), and this is the reason why a sufficient degree of independence should be given to the board of directors to enable it to legalize its ability to monitor managers and dismiss them if they do not achieve the required performance.)Amokrane(2004 ‘

2.2.Board committees: Due to the amount and large volume of work that the board discusses and analyzes, boards of directors are busy and their tasks are complicated, and as a result, these boards create many committees (أكتوبر, نعيم, 2005, p. 38), and the main advantage of these committees is that they do not replace the functions of the board of directors, as these committees submit a detailed report The council, and the council is the owner of the final say, and the council bears full



(حماد، 2009، responsibility for any action or action recommended by the committee، صفحة 215) These committees are as follows:

a. Audit Committee: This committee assists the Board in ensuring that the financial statements are correct. This includes making contact with external and internal auditors, with the authority to conduct investigations when necessary. (سليمان، 2006، صفحة 116)

a.1. Internal audit: Some call it internal auditing, which is a work performed by specialized employees working in the organization, and it does not differ from external audit except in the entity that carries it, both of which aim to verify the authenticity of the data in the records of the institution and to indicate whether the records are organized in such a way. Reflects fully and correctly the results of the work carried out and whether the controls are applicable to them. (عباس، 2008، صفحة 91)

a.2. External audit: it is called external audit, and public and private accounting auditing offices and institutions are considered audit bodies whose primary goal is to ensure the accuracy of the data and information recorded in the institution's financial records and whether they actually represent its actual financial position. In terms of applying known accounting and legal procedures and systems, and in order for it to prepare a summary of the financial position of the institution, it must examine all financial operations to ensure their accuracy and correctness, and the external audit stage is what makes many trust that external audit forces or encourages employees to be honest and perform well. (عباس، 2008، الصفحات 92-93)

b. Remuneration or Remuneration Committee: This committee assists the board and directs advice on appropriate levels of remuneration to executives in light of the level of performance, motivation, market conditions, and internal and external relative factors.

c. Nomination Committee: Approves job specifications for vacant positions in the Board of Directors and that candidates for these positions are able to perform them objectively. (سليمان، 2006، صفحة 116)

II. Field study:

1. Methodological framework for the study:

1.1. Study Population and Sample:

The study population consists of the employees working in NCA Rouiba, where the employees of the Board Committees, represented by the Strategic Committee, the Audit Committee, the Nomination Committee, the Compensation Committee and the Ethics, Environment and Sustainable Development Committee (www.rouiba.com.dz), were selected, and 70 questionnaires were distributed in When 52 valid questionnaires were retrieved for the study, representing 74.29%.

1.2. Building the study tool:

The questionnaire was divided into two parts, the first section is for data and the identifying characteristics represented in (gender, age, level, experience) and the second section includes three axes, the first axis is the contribution of the review committee in the growth of family enterprises, the second axis is the impact of the



compensation committee on the continuity of family enterprises, the third axis the role of the appointments committee in achieving the growth of family enterprises. Opinions obtained were measured using a five-point Likart scale (Strongly disagree 1, disagree 2, Neutral 3, Agree 4, Strongly agree 5). (جودة، 2008، صفحة 300)

1.3. Study tool test:

a. Consistency and validity of the internal consistency of the questionnaire

Table 02: shows the Cronbach alpha coefficient to measure the stability of the questionnaire axes

Questionnaire axes	Number of statements	Alpha Cronbach coefficient
Audit Committee	5	0.729
Compensation Committee	5	0.820
Appointments Committee	5	0.768
The Growth of Family Enterprises	10	0.679
All axes of the questionnaire	25	0.749

Source: Prepared by the researcher based on the results of the SPSS program

We notice from the above table that the Alpha Cronbach coefficient for each axis of the questionnaire exceeded 0.65, as well as for the statements of the axes group, the coefficient reached (0.749), which indicates the coincidence and stability of the axes' statements and the validity of the questionnaire in general. It makes us fully confident of the validity of the questionnaire and its validity to analyze and interpret the results of the study and test its hypotheses, and from it we conclude that the study tool that we have prepared to address the problem at hand is honest and stable in all its paragraphs and is ready to be applied to the original study sample consisting of 52 employees.

1.4 Hypotheses of the study:

The main hypothesis was formulated as follows:

Board committees influence the growth of family businesses. NCA Rouiba. Subject of study, level of significance 0.05%

1.5 Study Model:

The study model consists of two variables, an independent variable for board committees and a dependent variable for the growth of family enterprises, where the study model can be represented by the following equation: $(x) f = (y)$ where: a dependent variable (y): the growth of family institutions; Independent variable (x): Board committees.

2. Hypothesis testing:

2.1. Test of the first sub-hypothesis: the contribution of the audit committee to the growth of family enterprises.

H0: The Audit Committee does not contribute to the growth of family enterprises.

H1: The Audit Committee contributes to the growth of family enterprises.

In order to test the validity of this hypothesis or not, we used the simple linear correlation test, and the results obtained from the SPSS program are shown in the following tables:



Table 03: Determination of the correlation coefficient and the coefficient of determination for the first sub-hypothesis

Model	R	R-squared	R-squared estimate	Standard error of the adjusted	Modify statistics				
					Variation of R-two	Variation of F	df1	df2	Sig Variation of F
1	,267 ^a	,071	,053	,56786					
					,071	3,837	1	50	,056

a. predictors: (Constant), the review committee

Source: SPSS program results

The above table shows that the value of the correlation coefficient R between the audit committee and the growth of family enterprises is approximately 0.267 or 26.7%, meaning there is a weak correlation between the audit committee and the growth of family enterprises, and the determination coefficient R² is 0.071, meaning that 7.1% of the changes that occur in the growth of institutions Family revert to the change in the review committee.

Table 04: ANOVA test results for the Audit Committee and Family Business Growth

ANOVA ^a					
Sig.	F	Average of squares	df	Sum of squares	Model
,056 ^b	3,837	1,237	1	1,237	Regression
		,322	50	16,123	Residual
			51	17,361	Total

a. Dependent variable: the growth of family enterprises

b. predictors: (Constant), the review committee

Source: SPSS program results

Through the results shown in the above table, we find that the significance level (sig) is estimated at 0.056, which is greater than 0.05. We reject the alternative hypothesis and accept the null hypothesis that says: The review committee does not contribute to the growth of family enterprises.

Table 05: Simple Regression Test Results of the Review Committee and Family Enterprise Growth

Coefficients^a

Model		Unstandardized coefficients		Standardize d coefficients	T	Sig.
		B	Standard error	Beta		
1	(Constant)	1,334	,268		4,977	,000
	Audit Committee	,233	,119	,267	1,959	,056

a. Dependent variable: the growth of family enterprises

Source: SPSS program results



From the above table, the linear regression equation between the audit committee and the growth of family enterprises can be extracted as follows:

$$Y = 0.233X1 + 1.334$$

2.2 The second sub-hypothesis test: the effect of the compensation committee on the growth of family enterprises.

H0: The Compensation Committee is not affected by the growth of the family business.

H1: The Compensation Commission is affected by the growth of family businesses. In order to test the validity of this hypothesis or not, we used the simple linear correlation test, and the results obtained from the SPSS program are shown in the following tables:

Table 06: Determination of the correlation coefficient and the coefficient of determination for the second sub-hypothesis

Model	R	R-squared	R-squared estimate	Standard error of the adjusted	Modify statistics				
					Variation of R- two	Variation of F	df1	df2	Sig Variation of F
1	,196 ^a	,038	,019	,57787	,038	1,988	1	50	,165

a. predictors: (Constant), Compensation Committee

Source: SPSS program results

The above table shows that the value of the correlation coefficient R between the compensation committee and the growth of family enterprises is estimated at 0.196, i.e. by 19.6%, meaning there is a weak correlation between the compensation committee and the growth of family enterprises, and the determination coefficient R² reached 0.038, meaning that 3.8% of the changes that occur in the growth of institutions The family returns to the change in the compensation committee.

Table 07: ANOVA test results for the Compensation Committee and Family Business Growth

ANOVA ^a					
Sig.	F	Average of squares	df	Sum of squares	Model
,165 ^b	1,988	,664	1	,664	Regression
		,334	50	16,697	Residual
			51	17,361	Total

a. Dependent variable: the growth of family enterprises

b.predictors: (Constant), Compensation Committee

Source: SPSS program results

Through the results shown in the above table, we find that the significance level (sig) is estimated at 0.165, which is greater than 0.05. We reject the alternative



hypothesis and accept the null hypothesis that says: The compensation committee is not affected by the growth of family enterprises.

Table 08: Simple Regression Test Results for the Compensation Commission and Family Enterprise Growth

Model		Unstandardized coefficients		coefficients Standardized	T	Sig.
		B	Standard error	Beta		
1	(Constant)	1,531	,231		6,615	,000
	Compensation Committee	,138	,098	,196	1,410	,165

Coefficients^a

a. Dependent variable: the growth of family enterprises

Source: SPSS program results

From the above table, the linear regression equation between the compensation committee and the growth of family enterprises can be extracted as follows:

$$Y = 0.138X_2 + 1.531$$

2.3. The third sub-hypothesis test: The influence of the Appointments Committee on the growth of family enterprises.

H0: The Nominations Committee is not affected by the growth of family businesses.

H1: The Nominations Committee is affected by the growth of family businesses.

In order to test the validity of this hypothesis or not, we used the simple linear correlation test, and the results obtained from the SPSS program are shown in the following tables:

Table 09: Determination of the correlation coefficient and the determination coefficient of the third sub-hypothesis

Summary of models

Model	R	R-squared	R-squared estimate	Standard error of the adjusted	Modify statistics				
					Variation of R- two	Variation of F	df1	df2	Sig Variation of F
1	,199 ^a	,039	,020	,57750	,039	2,055	1	50	,158

a. .predictors: (Constant), Appointments' Committee

Source: SPSS program results

The above table shows that the value of the correlation coefficient R between the appointments committee and the growth of family enterprises is estimated at 0.199, i.e. by 19.9%, meaning there is a weak correlation between the appointments



committee and the growth of family enterprises, and the determination coefficient R^2 was 0.039, meaning that 3.9% of the changes that occur in the growth of institutions Family revert to the change in the appointments committee.

Table 10: ANOVA results for the Nomination and Family Enterprise Growth Committee

ANOVA ^a						
Sig.	F	Average of squares	df	Sum of squares	Model	
,158 ^b	2,055	,685	1	,685	Regression	1
		,334	50	16,675	Residual	
			51	17,361	Total	

a. Dependent variable: the growth of family enterprises

b. predictors: (Constant), Appointments Committee

Source: SPSS program results

Through the results shown in the above table, we find that the significance level (sig) is estimated at 0.158, which is greater than 0.05. We reject the alternative hypothesis and accept the null hypothesis that says: The appointments committee is not affected by the growth of family enterprises.

Table 11: Simple Regression Test Results for Recruitment Committee and Family Enterprise Growth

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Standard error	Beta		
1	(Constant)	1,494	,252		5,925	,000
	Appointments Committee	,149	,104	,199	1,434	,158

a. Dependent variable: the growth of family enterprises

Source: SPSS program results

From the above table, the linear regression equation between the appointments committee and the growth of family enterprises can be extracted as follows:

$$Y = 0.149X_3 + 1.494$$

2.4. Test the main hypothesis: the influence of the board of directors on the growth of family enterprises:

H0: The Board of Directors does not affect the growth of the family business.

H1: The board of directors influences the growth of the family business.



In order to test the validity of this hypothesis or not, we used the simple linear correlation test, and the results obtained from the SPSS program are shown in the following tables:

Table 12: Determination of the correlation coefficient and the coefficient of determination of the main hypothesis

Model	R	R-squared	R-squared estimate	Standard error of the adjusted	Modify statistics				
					Variation of R- two	Variation of F	df1	df2	Sig Variation of F
1	,291 ^a	,085	,066	,56376	,085	4,623	1	50	,036

a. predictors: (Constant),the board of directors

Source: SPSS program results

The above table shows that the value of the correlation coefficient R between the board of directors and the growth of family enterprises is estimated at 0.291, i.e. by 29.1%, meaning there is a weak correlation between the board of directors and the growth of family enterprises, and the determination coefficient R² reached 0.085, meaning that 8.5% of the changes that occur in the growth of institutions The family refers to the change in the board of directors.

Table 13: the results of the ANOVA test of the board and the growth of the family business

ANOVA ^a					
Sig.	F	Average of squares	df	Sum of squares	Model
,036 ^b	4,623	1,469	1	1,469	Regression
		,318	50	15,891	Residual
			51	17,361	Total

a. Dependent variable:the growth of family enterprises

b.predictors: (Constant),the board of directors

Source: SPSS program results

Through the results shown in the above table, we find that the significance level (sig) is estimated at 0.036, which is less than 0.05. We accept the alternative hypothesis and reject the null hypothesis that says: The board of directors affects the growth of family enterprises.



Table 14: Simple Board Regression Test Results and Family Enterprise Growth

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Standard error	Beta		
1	(Constant)	1,434	,203		7,060	,000
	the board of directors	,279	,130	,291	2,150	,036

a. Dependent, the growth of family enterprises

Source: SPSS program results

From the above table, the linear regression equation between the appointment committee and the growth of family enterprises can be extracted as follows:

$$Y = 0.279X + 1.434$$

Conclusion:

In recent years, around the world, the number of family-owned business establishments has decreased, as well as business establishments controlled by one family, and in order to maintain and grow the number of these institutions requires activating the role of the Board of Directors that ensures that the capital of the family enterprise is used by the managers of the institution in a rational way. It is used to improve the economic performance of the family business, through the supervisory mission of the Board through its committees, which in turn increases the value of the family enterprise.

Through this study, the following results and recommendations were reached:

Results:

- The audit committee does not contribute to the growth of family enterprises.
- The compensation committee has no effect on the growth of family businesses.
- The hiring committee has no effect on the growth of family businesses.
- The board of directors in the NCA organization under study has a major role in the growth of family businesses.

Study Recommendations: Through what is mentioned above, the board of directors can contribute effectively to the stability and growth of family enterprises as follows:

- Active participation in the preparation and approval of general policies and strategic plans for the family enterprise, provided that this includes the general foundations and rules for matters of ownership and succession in the management of the institution.
- The importance of following up the position of the relationship between the shares of family members in the family enterprise, and the performance, behavior, and competence of these individuals, and discussing this with each of the institution's board of directors and its committees.



- Follow up on the behavior of the leaderships of family members, especially in their relations with external parties related to the activities of the institution, and to act wisely regarding them, guided by the opinion of the board of directors.
- Discussing issues of ownership transfer between family members and approving them in light of what the board of directors recommends based on the partners' shares and their role in managing the institution.
- Establishing controls and procedures for the entry and exit of family members from the institution, based on the proposals of the appointment committee and the recommendation of the family institution's board of directors.
- Adopting the principles and rules that regulate the practice of family members in external activities outside the scope of the activities of the family institution, and following up the application of these principles and rules in light of the reports of the audit committee and the opinion of the board of directors.

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