**Title** : THE EFFECT OF THE ROOTING LEADERS ON THE PERFORMANCE OF ALGERIAN LISTED COMPANIES

**Problem**: "What is the effect of rooting leaders on the performance of Algerian companies?"

**The choice of variables**: Our choice of variables was based on empirical studies, which presented a set of hypotheses to be tested on the performance of the company. By following this methodology, we obtained a list of potential variables, the impact of which varies from one theory to another.

Algerian companies do not have their own data, so we made assumptions to address the lack of information.

The variables used in our work can be divided into variables specific to the characteristics of the manager, the control variables, and the variables relating to the performance of the firm.

The variables relating to the functioning of the manager's characteristics are dependent or explanatory variables. The variables of the performance of the firm are explained by the variations in the characteristics of the board and the manager. Control variables capable of explaining the dependent variables should be included in the econometric model.

a) The dependent variable:

The concept of performance occupies a central place in control mechanisms. Performance is the achievement of organizational objectives.

Our objective is to study the effects of explanatory variables on performance. Three types of performance measurement were taken into account in our study, namely: stock market performance measured by the Market-To-Book, financial performance measured by Return On Assets and economic performance measured by Return On Equity. Studying these three types of performance is very important as this differentiation allows to take into account the different characteristics of the company.

Studying the three types of performance (economic, financial and stock market) is very important, this differentiation makes it possible to take into account the different characteristics of the company. Stock market performance is a measure of the company's value in the market, financial performance is a measure of a company's ability to generate profits from its equity, while economic performance is a measure of competitiveness and management efficiency.

For this work we mainly use financial, economic and stock market performance measures (ROE, ROA and MTB) because these are measures frequently used in the literature analyzing the impact of corporate governance on the economic performance of companies.

- The Return on Equity ratio: the ROE is the ratio most commonly used to measure the return on equity and is the relation of profit to equity or the total investment of shareholders.This ratio expresses the capacity of the capital invested by the shareholders to release a level of profit.

ROE measures the return on equity and makes it possible to establish the relationship between profit before tax and equity invested by shareholders. This ratio measures a company's ability to generate profits from its equity, and neglects other sources of finance such as debt. This indicator is of more interest to shareholders.

*ROE = Profit before tax / Equity*

- The Return On Assets ROA ratio: the return on assets ratio is considered one of the most popular ratios used to measure financial performance in companies, this ratio shows the ability of management to invest in profitable investments .

This ratio is an indicator of the likelihood of a business in relation to its total assets.

*ROA = Profit before tax / Total assets*

- The Market To Book MTB ratio: there are several indicators measuring stock market performance such as the Tobin Q ratio, market value Added, Market To Book. Our stock market performance is apprehended through the Market To Book ratio, also called the Marris ratio. This coefficient measures the ratio between the market value of equity (market capitalization) and their book value. Market capitalization is an indicator of the value of the company's present and future potential. On the other hand, the book value of shareholders' equity gives an estimate of the cumulative amount of resources invested in the past by shareholders.

*MTB = Market value of equity (market capitalization) / Book value of equity*

When the MTB ratio is greater than 1, ie when the book value of equity is less than the market capitalization, then the market is confident in the capacity of the firm to create value for its shareholders. The higher this ratio, the more the firm is supposed to create shareholder value.

b) The independent variables:

• The variables of the manager's characteristics:

1- The seniority of the manager (Encien): this variable measures the number of years of seniority of the manager in the company.

2- The age of the leader (AGE): this variable is measured by the natural logarithm of the age of the leader.

• Control variables:

To better determine the influence of dependent variables in our model, our database includes two control variables. The inclusion of control variables improves the extreme degree of validity of the results, and better controls the variables that can influence the performance of the firm (Kolsi and Ghorbel 2011; Louizi 2011).

These variables are variables likely to have a significant effect on performance, we retain:

1- The size of the firm (SIZE): This is a control variable, it can have an impact on performance. In fact, a large firm has the possibility of diversifying risk, while a small firm is more creative, innovative and creates value. In addition, a large firm is correlated with a dilution of capital, a lack of control which can decrease performance.

This variable is likely to reinforce the managerial discretion of leaders and information power (Finet. A, labelle R (2004)).

Company size is considered to be a determining variable in the explanation of performance, used by several authors (Bahagat and Black 2001)

Bourk (1989) asserts that there is no relationship between firm size and profitability. Other studies have concluded that the size of the company has a negative effect on its profitability (Shepherd, 1972, Dunlop, 1992).

Godard and al (2004), studied the performance of European banks in six countries. They find a relatively weak relationship between company size and profitability, measured by ROA.

This variable is measured by the logarithm of total assets. Several authors have used the following measure:

*Size of the firm = log total of assets*

2- Debt (ENDET):

The debt of the firm is the ratio of the book value of the debt to the total assets. This measure has been used by most authors who include corporate debt as a variable in their model. the level of the firm's indebtedness expresses the debt load borne by the company and

which can have an effect on the discipline of the leaders (Young and Shapiro2005, Azofra and Lopez, 2005, Kolsi and Ghorbel, 2011).

Modigliani and Miller (1958), assert that economic profitability is determined by taking into account the financial structure of the company and the cost of debt, according to its authors that there is no close relationship between leverage debt and economic profitability.

Ross (1977) and Jensen (1986) argue that debt is a means of pressure on managers and can have a positive effect on a company's profitability and value. On the other hand, Atlam (1984) and Myers (1977), show that debt generates bankruptcy.

This variable measures the level of corporate debt obtained by dividing the book value of debt over total net assets.

*DEBT = book value of debt / total assets*

**The choice of the OLS method***:*

In order to avoid the phenomenon of false deviation, time series independence tests are the most important step to study any phenomenon. We use the Augmented Dickey Fuller Test.

H0: The series contains the root of the unit (the series is unstable).

H1: The series does not contain the root of the unit (the series is stable).

The following table shows the results:

Table (1) : Augmented Dickey Fuller Test (ADF)

| Variables | Level | | | I(d) |
|---|---|---|---|---|
| | Intercept | Trend and intercept | None | |
| ROE | 0,02 | 0,00 | 0,00 | I(0) |
| ROA | 0,00 | 0,00 | 0,00 | I(0) |
| MTB | 0,00 | 0,00 | 0,00 | I(0) |
| Ancien | 0,00 | 0,01 | 0,00 | I(0) |
| Age | 0,00 | 0,01 | 0,00 | I(0) |
| Size | 0,01 | 0,00 | 0,03 | I(0) |
| Endet | 0,01 | 0,00 | 0,01 | I(0) |

The source: Preparation of researchers based on the EVIEWS 10 program

Is clear from the table that time series are stable in the level since the probability value is lower than 5%. Therefore, we use the OLS method to estimate the relationship between firm’s performance and rooting leaders.

**Conclusion**:

The conclusions drawn from the Algerian case contradict the empirical literature, because the Algerian stock market is characterized by a high concentration of ownership since the ownership structure is predominantly family or state, and Algerian companies have a monist management structure, which tends to towards a concentration of power in the hands of one person, namely the CEO.

The conclusions drawn from this study should encourage further research, by integrating variables not taken into account in our research, such as executive compensation, the functioning of audit committees, and executive rotation.

Finally, we insist on the difficulty of the subject due in large part to the non-publication of data, this situation led us to make investigations on the four companies taken for the Algerian case seem to be not representative. We respond to this gap by saying that the Algiers stock exchange only counts these companies and despite the quality of the econometric results, certain limits should be specified:

- The mobility of the control blocks and the dynamism of the Algerian financial market favor the instability of the ownership structure. This would have enriched the results obtained.
- The model ignores the cyclical effects on the performance of listed companies. Indeed, other variables such as the reforms implemented to ensure better liquidity, transparency, efficiency and security of the Tunisian financial market can affect performance.