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Requirements for the Transition towards Corporate Governance: Theoretical Foundations, Conceptual Frameworks, and Institutional Preconditions

Ahmed ben Ahmed	Dr. University of Blida 1 Algeria E-mail: Chikhahmed100@gmail.com
Alla Mourad	Prof. University of Djelfa Algeria E-mail: mourad.alla@univ-djelfa.dz

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Abstract

Since the late 1980s and early 1990s, the concept of governance has emerged as a central analytical and normative framework within the discourse of international financial institutions, development agencies, and academic research. Initially promoted by organisations such as the World Bank, the International Monetary Fund, and the United Nations Development Programme, governance—and more specifically corporate governance—has become a key reference point in debates surrounding economic reform, institutional efficiency, accountability, and sustainable development. Despite its widespread adoption, the concept remains theoretically contested and contextually diverse, raising persistent questions regarding its definitional clarity, universality, and practical applicability across different political, economic, and cultural systems. This article seeks to provide a comprehensive theoretical and conceptual foundation for understanding the requirements necessary for a successful transition towards corporate governance. It examines the evolution of the governance concept within international institutional discourse and academic literature, highlighting the multiplicity of definitions and analytical approaches that have shaped its contemporary usage. By synthesising contributions from international organisations, political economy theorists, and governance scholars, the study clarifies the core principles underpinning corporate governance, including transparency, accountability, participation, rule of law, and institutional integrity. Furthermore, the paper analyses the institutional, legal, and organisational preconditions required for the effective implementation of corporate governance systems, particularly in developing and transitional economies. It argues that corporate governance should not be viewed merely as a technical or regulatory mechanism but rather as a comprehensive reform-oriented framework that restructures power relations within firms, enhances oversight and control mechanisms, and aligns corporate objectives with broader societal interests. Through this theoretical exploration, the study contributes to ongoing debates by offering a coherent conceptual lens through which corporate governance can be understood, adapted, and operationalised in diverse national contexts.

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Introduction

Corporate governance is considered one of the most important subjects for both local and international companies in the present era, as the financial crises that have afflicted the global economy have elevated the concept to a top priority. Governance systems and laws worldwide focus on limiting the misuse of managerial authority to the detriment of shareholders' interests. They also work to enhance board performance in those companies, strengthen internal controls, monitor the implementation of strategies, and define the roles and powers of shareholders, the board of directors, executive management, and stakeholders. Furthermore, they emphasise the importance of transparency and disclosure. The concept of corporate governance constitutes a reform-oriented approach and a new operational mechanism intended to entrench the integrity of financial dealings by establishing parameters that serve the public interest and private rights of shareholders.

Section One: On the Definition of Governance and Its Standards

First: Definition of Governance

The term *hawkamah* is the abbreviated Arabic rendering that has become widely used for the expression of *corporate governance*. The scientific translation of this term, upon which an agreement has been reached, is "the manner of exercising the powers of sound management." Numerous definitions have been offered for this concept, each reflecting the author's perspective.

1. Definition of the term "governance" in international institutions

The World Bank is regarded as one of the most significant international donor institutions. In its first introduction of this term in 1989, in a study on the economic crisis in sub-Saharan Africa, it provided a general definition of governance as "the exercise of political authority in the management of a country's affairs." At the beginning of the 1990s, experts from Bank sought to refine the term and offer more precise definitions. In a 1992 study, they stated that governance is "the manner in which power is exercised in the management of a country's economic and social resources for development." The bank also employed the expression of *bad governance* to refer to specific characteristics associated with this form of rule, such as the personalisation of power, the lack of respect for fundamental human rights, the spread of corruption, the presence of an unelected and nonaccountable government, and the absence of citizen participation through their representatives in shaping public policies that concern both the individual and society.

By implication, *good governance* requires the establishment of an institutional character in the decision-making process, transparency, the strengthening of the principles of accountability and participation, the rule of law, and respect for fundamental human rights.

This concept, along with the related discourse, aligns with the definition put forward by the Organisation for Economic Co-operation and Development (OECD) in 1995, which considers the mode of governance to be "the use of political authority and the exercise of control over society in the management of its resources in order to achieve economic and social development." With respect to the concept of governance according to the Development Assistance Committee (DAC)[*] of the Organisation, it holds that "governance is the use of political authority and the exercise of regulation and oversight within society with regard to the management of its resources to achieve social and economic development." (Abdellatif, 2003)

The Asian Development Bank defines governance as "the institutional framework through which citizens interact with one another on the one hand, and with government bodies on the other. The United Nations Development Programme, however, offers a more comprehensive definition, describing governance as "the exercise of economic, political, and administrative authority to manage a country's affairs at all levels. It also encompasses the mechanisms, processes, and institutions through which individuals and groups articulate their interests, exercise their legal rights, and meet their obligations."

Accordingly, the concept of governance, as defined by the aforementioned programme, rests on three fundamental pillars:

*-**The economic pillar:** comprising decision-making processes that affect the state's economic activities.

*-**The political pillar:** comprising decision-making processes related to the formulation and shaping of public policy.

*-**The administrative pillar:** comprising the system through which these policies are implemented.

The same programme also offered another definition of governance: "a system based on participation, transparency, accountability, and the support of the rule of law." The Global Governance Commission defines governance as "the sum of the ways individuals and institutions, both public and private, manage their common affairs." The British National Institute explains that the term *governance* is broader than *government*, encompassing the interaction between official institutions and civil society organisations. Thus, governance refers to "the processes through which societal actors employ power, authority, and influence, and through which they establish policies and decisions that concern public life and social development."

2. Governance in Academic Definitions

Academic studies have developed their own concepts and definitions, aiming to determine the reasons for the emergence of this new term introduced by the World Bank. These studies focused on specific dimensions raised in the definitions proposed by international organisations, highlighting, in some instances, the element of interaction between government and civil society institutions as an essential component in defining this concept.

Morten Boos defines governance as concerned with the systems that constitute a set of fundamental principles for regulating public life, encompassing both formal governmental institutions and informal institutions operating in the public sphere. Within the same framework lies the definition offered by Hermut Elsen Hans, who defined governance as the art of managing interactions among the state, the private sector, and civil society. These definitions emphasise that the concept of governance extends beyond the government or formal governmental bodies.

Other contributions focus on the analytical significance of the concept, foremost including Goran Hyden's writings. His conception of governance is linked to the notion of *régime*, understood as the rules of the political game, thereby identifying a set of fundamental rules that regulate the political sphere. Thus, the concept differs from those of the state and the government. From his perspective, the concept resolves the problematic, arbitrary separation between the state and society by formulating and managing a set of rules within which the state and civil society institutions operate together. These rules are later translated into constitutions, laws, and administrative regulations.

Other approaches attempt to establish a comprehensive definition of the concept by delineating several levels. Adrian Leftwich identified three levels of governance:

*-**The first level:** a structural level referring to the general rules that determine the distribution of political and economic power within society. At this level, it resembles Goran Hyden's conception of *régime* in its reference to a set of rules governing economic and political relations.

*-**The second level:** a political level referring to the rules governing the political system. Governance at this level presupposes the existence of a system endowed with legitimacy, whose authority is based on democratic delegation from the populace and is grounded in the principles of pluralism and the separation of powers.

*-**The third level:** an administrative level requiring the existence of a rational mode of administration and a civil service apparatus that is efficient, autonomous, and transparent and that is subject to accountability.

Beyond this broad conceptualisation of governance, Dr. Mustafa Kamel El-Sayed maintains that the study of governance is a study of decision-making at the highest levels. The importance of this perspective lies in its emphasis that governance is not confined to the technical administrative meaning proposed by the World Bank; rather, it is fundamentally a political process that relates more closely to the manner in which decisions are made. He bases this on the argument that if decisions are not taken rationally at the highest level, no administrative arrangements will suffice to avoid their adverse effects.

From these definitions of governance, several observations may be drawn:

*-The concept of governance did not originate within the academic field despite certain writings pointing to the term's older roots but rather emerged as a concept introduced by international donor institutions, notably the World Bank.

Good governance is defined as the elements that render institutional mechanisms and rules effective, such as the rule of law, transparency, accountability, and participation (Farjānī,).

*- Although the concepts of governance and democracy are sometimes used interchangeably, the foregoing indicates a distinction between the two terms. Good governance may be studied independently of democracy, especially in its narrow sense associated with pluralism and the alternation of power; indeed, there are examples of nondemocratic states that have achieved high rates of economic growth and have been characterised by the broad application of governance principles.

Section Two: Standards and Determinants of Governance

The World Bank links the concept of governance to achieving economic development and combating corruption in sub-Saharan African states by examining two variables: public-sector efficiency and economic growth. According to the Bank's formulation, governance exists when a government is accountable and capable of achieving sustainable development.

The bank identified three criteria for this concept:

✓ the manner in which a state's economic and social resources are managed to achieve development;

✓ the form of the political system;

✓ the extent to which the public sector is capable of formulating, articulating, and implementing policies and performing its assigned functions.

Governance requires establishing an institutional character for the decision-making process, ensuring transparency, and strengthening the principles of accountability, participation, the rule of law, and respect for human rights. The definition offered by the United Nations Development Programme is based on a set of criteria, the most important of which are as follows:

• **Participation:** The concept of participation, in its broad sense, emerged within economic and social development processes in general during international forums and in United Nations declarations and resolutions in the 1960s. It entered the vocabulary of development experts in the late 1970s, and by the early 1990s, renewed attention was directed toward this concept. In February 1990, an international conference was held in Tanzania on popular participation in the formulation of public policies and the achievement of comprehensive economic development, bringing together several African states, United Nations agencies, and nongovernmental organisations. By the late 1980s and early 1990s, increasing attention was directed to new aspects of the mode of governance, following the World Bank's introduction of the term *governance*, which reflected the transformations of the previous years. It emphasises the importance of the participation of both the private sector and civil society institutions in the formulation and implementation of public policies. Participation means that all citizens have a voice in decision-making, whether directly or indirectly, without discrimination, as individuals or through civil society organisations.

• **Rule of law:** Legal frameworks must be characterised by justice and by enforcement without discrimination. It is the framework that regulates relations among citizens and between citizens and the state; it also regulates relations among state institutions, respecting the separation of powers and the independence of the judiciary, to ensure justice and equality among citizens. This is achieved through clarity, transparency, and coherence in the application of laws.

• **Transparency:** Transparency refers to the right of members of society to know how decisions that concern them are made, who makes them, under what conditions they are made, how public resources are managed, who manages them, and for what purpose. In other words, the provision of accurate and timely information and the opportunity for all to access the necessary, verified information aid in making sound decisions in the realm of public policy. Furthermore, such information must be published openly and periodically to broaden the scope of participation, oversight, accountability, and the containment of corruption.

Vito Tanzi maintains that transparency rests on clearly distinguishing the public sector from other sectors. Under this principle, political and administrative roles within the government are defined by a specific mechanism accessible to the public, and responsibilities are delineated among different levels of government and among the executive, legislative, and judicial authorities.

In other words, transparency at all stages of budget preparation is an essential factor that enables citizens, through their representatives in parliament, elected local councils, and civil society institutions, to monitor and hold the government accountable. For this reason, the degree of transparency characterising the state budget has become one of the key criteria of governance and an indicator of sound public financial management alongside the effectiveness of fiscal policy.

• **Accountability:** Accountability is the obligation to provide a record or report concerning an assigned responsibility. This means that individuals and organisations entrusted with performing specific actions are questioned and held responsible for accomplishing them. This responsibility is judged or measured against clear, publicly stated standards. Accountability thus entails holding individuals and organisations accountable for their performance, measured in the most objective manner possible.

• **Types of Accountability:** Just as definitions of accountability have varied, its classifications have also been diverse. Among these is the classification of accountability into political, administrative, and financial accountability (Sāmiḥ Fawzī, 1999):

-Political accountability: This is the accountability of the government before the people regarding the responsibilities entrusted to it by citizens as a whole. In this context, free and fair elections, which allow governments to change, constitute one of the mechanisms for implementing the concept of political accountability.

-Administrative accountability: This refers to the vertical relationships within the administrative apparatus or classical bureaucratic system, which includes the delineation of roles, responsibilities, rules, and regulations that permit the measurement of administrative performance.

-Financial accountability: This refers to the ability to demonstrate and clarify how public funds, property, and assets have been allocated and used in accordance with the applicable accounting rules, systems, and principles over a specified period of time. It also includes the questioning and interrogations directed at the minister of finance in parliament by members of the Finance and Budget Committee.

Accountability is also classified into formal and informal accountability:

Formal accountability: This refers to accountability exercised through three branches of the state: the executive, legislative, and judicial authorities. Among the mechanisms used by the executive authority to implement accountability is reliance on specialised and independent oversight bodies.

-Informal accountability: This refers to accountability carried out by nonformal sectors, such as civil society institutions, including nongovernmental organisations and the press.

To deepen the principles of transparency and accountability in budgetary processes, the Presidential Commission on Budget Concepts in the United States clarified in 1968 that the budget must provide the public, particularly the private business sector, labour, and agricultural sector, with data that enable citizens to assess the degree to which the government safeguards public funds and state resources. It further explained that citizens must be able to contribute ideas regarding the key decisions emphasised in the general budget, most notably, efficiency and effectiveness in major government programmes, assessing the need to increase taxes as well as the opportunities for reducing some of them, and the fiscal policies designed to support progress and welfare (Krafchik, 2024).

In addition to participation, the rule of law, transparency, and accountability as fundamental determinants of good governance, on which most of the literature agrees, other specific determinants or standards have been formulated by institutions seeking to strengthen the foundations of economic governance. Among these is the Asian Development Bank, which set forth standards of fairness and equality, responsiveness, and efficiency and effectiveness. The Organisation for Economic Co-operation and Development added that, alongside the primary standards, there are further determinants of no less importance for the attainment of good governance, namely, strategic vision and consensus-building. Other studies have focused on additional criteria, including accountability, political stability, the quality of economic regulation, oversight, and the balance of powers.

- **Responsiveness:** Institutions within society must seek to serve all individuals and to meet their needs without exception.

- **Consensus building:** This refers to the ability to mediate and arbitrate among diverse and conflicting interests to reach broad agreement on what serves the common good.

- **Effectiveness and efficiency:** Effectiveness requires the capacity to implement projects with results that respond to citizens' needs and aspirations on the basis of the rational and sound management of resources. Effective administration can contribute to achieving growth and combating poverty, as well as determining sound orientations and providing essential services at the lowest possible cost.

- **Strategic vision:** Leaders and individuals must possess a broad perspective on governance, human development, and their requirements.

- **Fairness and equality:** This means granting rights without exception to both men and women and ensuring equal access to opportunities to advance gender equity and improve social conditions.

Section Three: Advantages and Controls of Governance

The advantages of governance from an institutional perspective appear through the following elements:

- Governance encourages institutions to make optimal use of their resources.

- Governance helps companies achieve sustainable growth and promotes productivity.

- Governance reduces a company's cost of capital, as banks grant loans at lower interest rates to companies that apply governance systems than to those that do not comply with governance requirements.

- Governance facilitates oversight and supervision of a company's performance by defining internal control frameworks, establishing specialised committees, and applying transparency and disclosure.

- Governance contributes to attracting foreign investment, as foreign investors are drawn to the shares of companies that implement governance systems, considering investment in such companies to be more compliant and transparent; consequently, uncertainty is reduced compared with that of other companies.

- Governance contributes to the stability of financial markets.

There is also a consensus that the proper or improper application of corporate governance depends on the availability and quality of two groups of controls: external and internal.

✓ **External controls:** These refer to the overall economic environment and business climate in the state. External controls relate to the general investment climate, which includes, for example, the laws regulating economic activity (such as capital market laws, company law, laws governing competition and preventing monopolistic practices, and bankruptcy law), as well as the efficiency of the financial sector (banks and the capital market) in providing the necessary funding for projects, the degree of competitiveness in goods and factor markets, and the efficiency of supervisory bodies and authorities (such as the Capital Market Authority and the stock exchange) in exercising strict oversight over companies. They also include institutions in liberal professions, such as law firms, auditing firms, credit rating agencies, and financial and investment consultancies. The importance of external controls lies in ensuring the enforcement of laws and rules that guarantee sound corporate management and reduce discrepancies between social and private returns.

✓ **Internal controls:** Internal controls refer to the rules and principles that determine how decisions are made and how powers are distributed within the company among the general assembly, the board of directors, and the executive managers. Their availability, on the one hand, and their application, on the other hand, serve to reduce conflicts of interest among these three parties.

Section Four: The Theoretical Framework of Corporate Governance

First: Emergence of Corporate Governance

In the nineteenth century, government laws strengthened the rights of corporate boards of directors to govern without requiring the approval of all shareholders, in return for legal advantages, such as appraisal rights, aimed at making corporate governance more efficient. Since that time, shareholders' concerns have led to repeated calls for further reforms. In the twentieth century, particularly in the period immediately following the 1929 Wall Street crash, legal scholars began studying modern corporations and private ownership. During this period, Eugene Fama and Michael Jensen established the foundational concept of the separation of ownership and control and agency theory as a means of understanding corporate governance (Darwāsī, 2012).

Upon its emergence, agency theory focused on the problems arising from conflicts of interest between corporate board members and shareholders. This led to increased attention to and reflection on the necessity of establishing a set of laws and regulations to protect shareholders' rights and interests and to limit financial and administrative manipulation by boards of directors to maximise their personal benefits. This was followed by a series of academic and practical studies confirming the importance of adhering to the principles of corporate governance and their impact on increasing investor confidence in corporate boards. Consequently, many countries around the world began adopting the concept of corporate governance, with academic bodies and legislators issuing regulations, laws, and reports that emphasise the importance of corporate compliance with these principles (ʿAlī ʿAbd al-Ṣabūr, 2012).

In the United Kingdom, the issue of governance sparked significant debate in the late 1980s following the collapse of major companies and the banking sector, prompting concern among investors. This prompted the London Stock Exchange in 1991 to establish a committee to develop a framework for financial practices to help companies identify and implement internal controls to avoid losses. In 1992, the committee issued its first report, which focused on the relationship between management and shareholders. Subsequently, several countries issued their own reports aimed at reforming corporate practices.

Arab states also took genuine steps towards adopting the concept of corporate governance, albeit later. For example, in 2000, Egypt played a pioneering role by undertaking a study and evaluation of its compliance with international corporate governance standards. Similar efforts were undertaken in other Arab countries, as the Organisation for Economic Co-operation and Development and the World Bank agreed to increase cooperation in the field of corporate governance in response to the growing need of states seeking to strengthen this system (Bin al-Shaykh, 2021).

Second: Fundamental Concepts of Corporate Governance

Corporate governance has acquired multiple definitions, on which economic thinkers, legal scholars, analysts, and academics have not reached an agreement. This divergence arises from its intersection with numerous organisational, economic, financial, and social aspects of corporate activity. The most important definitions are presented below (Ḥamdi, 2024):

1. **The linguistic definition of corporate governance:**

The term *ḥawkama* is relatively recent in Arabic. After several attempts and consultations with experts in Arabic linguistics, economists, and legal specialists in this field, the expression *ḥawkamat al-sharikāt* (corporate governance) was proposed. The term denotes the process of control and oversight, through regulatory rules and principles, to achieve soundness. Other works indicate that it is derived from *control* or increased intervention and supervision; others still consider it a term that linguistically conveys an integrated, public monitoring system that reinforces transparency, objectivity, and responsibility.

Linguistically, *ḥawkama* derives from the triliteral verb *ḥakama*, *ḥukman*, *ḥawkama*, meaning to assume the administration of a country's affairs; he is a *ḥākim*, a ruler. It therefore implies discipline, control, and rule, in all the senses conveyed by these terms.

Thus, the concept includes several dimensions, among them:

✓ *ḥakama*: managed, led;

✓ *ḥakama*: commanded, imposed;

✓ *ḥukm*: administration, leadership, authority;

✓ *ḥukūma*: government, rule.

2. **The legal definition of corporate governance:**

From a legal standpoint, corporate governance refers to a set of interlocking contractual constraints that govern the decisions of those managing the company, ensuring profitability and fairness for all partners. It also denotes the internal organisation, the legal and regulatory contracts, and the extent to which such contracts are complete from the moment the company is founded, as well as their success or failure in defining and regulating the various relationships among the parties concerned. Legally, corporate governance also refers to a company's institutional and internal regulatory system, which ensures the adoption of efficient decision-making processes and appropriate interventions at the right time to protect stakeholders' rights.

3. **The social definition of corporate governance:**

Corporate governance, according to its social purpose, is defined as the procedures that maintain a balance between economic and social objectives and between the aims of individuals and those of society. It aims to bring together the interests of individuals, companies, and the community as a whole to achieve sustainable development and ensure that companies allocate a portion of the wealth they generate for the benefit of low-income citizens in the state.

4. **The economic definition of corporate governance:**

Economically, corporate governance refers to the mechanism by which investors who finance companies through capital markets can obtain reasonable assurance that they will receive a return on their investments. The concept of corporate governance is not intended solely to protect minority shareholders; more importantly, it serves to protect major creditors, investors, and shareholders to guarantee them satisfactory returns, given that they are capable of contributing effectively to corporate growth and thereby advancing the required development plans, particularly in developing countries undergoing economic transformation.

5. The World Bank definition:

The World Bank defines governance as the set of rules and institutions that govern a society's economic resources and ensure their efficient management for development.

6. The International Finance Corporation definition:

The International Finance Corporation defines governance as the system by which companies are directed and controlled.

7. The United Nations Development Programme definition:

According to the UNDP, governance is the exercise of sound economic, political, and administrative authority for the management of a society's affairs at all levels.

8. The Organisation for Economic Co-operation and Development (OECD) definition:

The OECD defines corporate governance as the distribution of rights and responsibilities among the corporation's participants, including the board of directors, managers, shareholders, and other stakeholders. It also sets out the rules and procedures for making decisions on corporate affairs. In doing so, it provides the structure through which the company's objectives are set, the means to attain them, and the means to monitor performance.

Gabrielle O'Donovan defines corporate governance as internal policies, including systems, processes, and individuals, that serve the needs of shareholders and other stakeholders by directing and supervising sound business management with objectivity, accountability, and integrity. Effective corporate management depends on adherence to external market forces and legislation, as well as a healthy culture that includes safeguards for policies and procedures.

Corporate governance is a system for organising, operating, and controlling a company to achieve long-term strategic objectives that satisfy shareholders, creditors, employees, customers, and suppliers; ensure compliance with legal and regulatory requirements; and fulfil local environmental obligations and the needs of the community.

It may also be defined as management's acceptance of the inalienable rights of shareholders and the actual owners of the company and of their role as trustees acting on behalf of those shareholders. This involves a commitment to values and ethical conduct and to avoiding any conflation of personal and corporate funds in the management of the company. This definition is derived from Gandhi's principle of trusteeship and from the guiding principles of the Indian Constitution and considers corporate governance an ethical duty.

In general, corporate governance refers to the rules and standards that define the relationship between a company's management, on the one hand, and shareholders and other stakeholders, such as bondholders, workers, suppliers, creditors, and consumers, on the other hand. More specifically, the term provides answers to several key questions, including the following: How can owners ensure that management does not misuse their funds? How can they be sure that management seeks to maximise the company's long-term profitability and share value? To what extent does management concern itself with the fundamental interests of society in areas such as health and the environment? Moreover, how can shareholders and stakeholders effectively supervise management?

The term *corporate governance* is marked by a degree of ambiguity for three main reasons related to the novelty of the expression:

– The first reason is that although the substance of corporate governance and many related issues have roots extending back to the early nineteenth century, addressed in enterprise theory and, in particular, theories of organisation and management, the term itself was unknown in the English language. Its concept did not begin to take shape until roughly two or three decades ago.

– The second reason lies in the absence of a single, definitive definition of the concept. While some view it from an economic perspective as a mechanism that helps the company obtain financing and ensures the maximisation of its share value and its long-term continuity, others define it from a legal standpoint as referring to the nature of the contractual relationship, whether complete or incomplete, which determines the rights and obligations of shareholders and stakeholders on the one hand and managers on the other hand. A third group approaches it from social and ethical perspectives, focusing on the company's social responsibility to protect the rights of minority or small investors, achieve equitable economic development, and safeguard the environment.

– The third reason for the ambiguity of this term is that the concept is still in a formative stage; many of its rules and standards remain subject to review and development. Nonetheless, there is near consensus among researchers and practitioners regarding its principal determinants and the criteria used to assess it.

Third: The Importance and Objectives of Corporate Governance

1. Importance of Corporate Governance

The importance of corporate governance lies in the following:

• Increasing the efficiency of resource utilisation, maximising the value of the company, and strengthening its competitiveness in markets, thereby enabling it to attract domestic and global sources of financing for expansion and growth, as well as its ability to create new job opportunities while reinforcing the stability of financial markets and banking institutions, which leads to the achievement of the required economic efficiency and development;

• Ensuring an adequate degree of assurance for investors and shareholders that they will obtain an appropriate return on their investments while safeguarding their rights, especially those of minority shareholders;

• Maximising the market value of shares and enhancing the competitiveness of companies in global capital markets, particularly in light of the emergence of new financial instruments and mechanisms, mergers, acquisitions, or the sale of a major investor's stake;

• Ensuring the effective implementation of privatisation programmes and the sound allocation of their proceeds for optimal use, preventing any corruption-related practices that may accompany such processes;

• Providing domestic or international sources of financing for companies, whether through the banking system or capital markets, especially given the increasing speed of capital flow movements;

• Reducing the risks associated with financial and administrative corruption faced by companies and states;

• Raising the performance levels of companies, thereby advancing the wheel of development and economic progress in the countries to which those companies belong;

• Attracting foreign investment and encouraging domestic capital to invest in national projects;

• Increasing the ability of national companies to compete globally and opening new markets for them;

• Ensuring transparency, accuracy, and clarity in the financial statements issued by companies, resulting in increased investor confidence and reliance on such statements in decision-making;

• Provide an organisational framework through corporate-governance rules that enable the company to define its objectives and determine how to achieve them.

2. The objectives of corporate governance

The objectives that governance seeks to achieve confer considerable significance on it because of the importance, legitimacy, and value of those objectives. Researchers have identified a diverse set of corporate governance objectives, which may be summarised as follows:

• Achieving the transparency required to sustain companies and financial institutions and enable them to carry out their investment activities within a framework of integrity, objectivity, and professionalism, as governance instils a culture of transparency and clarity that becomes dominant in the administrative and functional behaviour of the members of such institutions;

• Increasing confidence in companies and institutions that apply governance standards and adhere to their rules, principles, and mechanisms, as such adherence fosters an atmosphere of trust in the company, its regulations, and its activities;

• Regulating administrative relationships among the parties involved in companies and institutions, namely, boards of directors, shareholders, departments, and administrative structures branching from the main body of the company, together with other stakeholders concerned with the company's activities and investments. This is achieved by balancing the interests that may appear to conflict among the actors engaged in the productive or investment operations of these institutions so that all interests are safeguarded and that none are allowed to dominate at the expense of others.

• Attracting and retaining investment, a company or institution that implements governance rules and standards is better able than others to attract investment due to the climate of trust and credibility that its practices generate, which in turn fosters reassurance regarding the company, its activities, and its conduct;

• Increasing the competitiveness of the company that applies governance standards and enabling it to secure the largest possible share of the market in its field of activity, as governance increases the company's overall level of performance and thereby enhances its competitive capacity, which typically increases its market share;

• Combating financial and administrative corruption within such companies by applying the principles of disclosure and transparency and by implementing and activating financial and administrative control systems. The enforcement of these rules and systems reduces and contains corruption and minimises errors and irregularities, whether deliberate or unintentional.

Fourth: The Essential Components of Corporate Governance

For corporate governance to succeed, four essential components must be present: (Qarūnqah, 2023)

*-**The legal framework:** This framework is responsible for defining the rights of shareholders and the powers of each of the principal parties concerned with the company, particularly the founders, the general assembly of shareholders, the individual shareholder, the board of directors and its central committees, and the external auditor as well as the penalties for violating these rights, failing to fulfil responsibilities, or overstepping assigned authorities. The legal framework for governance must also specify the governmental body entrusted with supervising the implementation of governance procedures. The governance system should not be left entirely to companies as an internal matter; in that case, it would be no different from an internal control system and would not achieve the objectives of governance.

*-**The institutional framework:** This framework includes governmental regulatory institutions that oversee corporate activity, such as the Capital Market Authority, state financial supervisory bodies, central banks, and specialised regulatory agencies, as well as nongovernmental institutions that support companies, such as relevant professional and scientific associations and civil society organisations such as consumer protection groups. It also includes nongovernmental, profit-oriented institutions such as accounting firms. No less important than these are academic institutions, such as universities, whose role is essential in developing governance systems and disseminating governance culture. All such institutions must perform their functions efficiently, honestly, with integrity, and with transparency, for the benefit of companies and the national economy as a whole.

*-**The organisational framework:** This framework consists of two elements: the company's articles of association and its organisational structure, which must clearly define the names and responsibilities of the chair and members of the board's committees, as well as the names and responsibilities of the executive managers.

*-**The spirit of discipline** refers to diligence, effort, and commitment to the company's public interest, as well as encouraging all employees to contribute effectively and to the fullest extent of their ability to improve its performance and strengthen its competitive capacity through the dissemination of a culture of governance within the company.

Conclusion

Therefore, governance generally refers to the set of procedures and processes through which organisations are directed and controlled. The overall governance framework involves defining and allocating rights and responsibilities among the various parties within an organisation or institution, including the board of directors, managers, shareholders, and other stakeholders. It also works to articulate and establish the rules and procedures for decision-making within that organisation. A sound governance system rests on achieving an optimal level of examination, control, and balanced oversight and on incorporating effective internal and external communication channels, as well as strengthening a culture of responsibility and accountability through the establishment and development of systems for measurement and evaluation. The culture of corporate governance aims to ensure the optimal and most prudent investment of corporate capacities and resources by creating a working environment grounded in responsibility, oversight, commitment, and adherence to the principles of clarity and transparency in defining the company's objectives and strategic business plans and in setting out the rights and obligations of each of its constituent entities, as well as in managing its relationships with suppliers, financiers, consumers, regulatory bodies, and the activities it undertakes.

Ethical Considerations

This study is based exclusively on theoretical analysis and a critical review of existing academic literature, institutional reports, and publicly available sources. No empirical data involving human participants, personal data, or sensitive information were collected or analysed. Accordingly, the research does not require ethical approval from an institutional review board. The authors confirm that all sources have been appropriately cited and that the research adheres to principles of academic integrity and ethical scholarly conduct.

Author Contributions

- Dr. Ahmed ben Ahmed contributed to the conceptualization of the study, conducted the literature review, and drafted the initial version of the manuscript.

- Prof. Alla Mourad provided theoretical guidance, contributed to the analytical framework, critically revised the manuscript, and approved the final version for publication.

Both authors have read and agreed to the published version of the manuscript.

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Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this article

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