

Family firms in Algeria: between performance effectiveness and continuity challenges

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Abstract:

Family economic enterprises represent a fundamental pillar of Algeria's national economy and a key instrument within the comprehensive reforms adopted to restore economic balance through small and medium enterprises, most of which are family in character. This study examines the reality of family enterprises in Algeria by surveying the main challenges confronting their operation and the measures they adopt to establish the principle of corporate governance. It concludes that these enterprises contribute only a modest share to GDP, which calls for an appropriate legal framework, a supportive operating climate, and bridging the governance gap, so that they can overcome the constraints of their family character and effectively drive development.

Keywords: family enterprises, governance of family enterprises, Algeria.

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1. INTRODUCTION

The family is the social system known to human societies and the most enduring of human groupings. It is a socioeconomic structure in its very composition and forms, at its core, a productive economic and social unit that compels its members to cooperate and rely on one another across all domains in order to improve their livelihoods, conditions, and standing in society. The family economic enterprise is the clearest illustration of this. Family enterprises occupy a prominent position in business and investment worldwide and, in view of their numerical weight, represent the dominant form of enterprise. They have been, remain, and will continue to be of considerable interest to many states owing to the distinctive feature that sets them apart from other enterprises, namely their family character, which has endowed them with a high capacity to adapt to circumstantial change and to economic crises. They outperform their non family counterparts in absorbing shocks, mitigating risks, and recovering from crises. As a result, they have asserted themselves forcefully within the economic fabric and have been widely welcomed by decision makers and policymakers.

The family character of this type of enterprise and the transmission of its activity among family members, however, also expose it to recurrent complications in the second or third generation, given divergent orientations regarding management style and future vision, in addition to the same risks faced by all economic enterprises, which constrain their stability and continuity.

Beyond their role in widening the economic base and achieving integration across sectors, family economic enterprises constitute the principal artery for reviving economic activity and supporting inclusive growth. They raise individual living standards by creating employment, alleviating poverty, and upgrading the regional and local economic fabric in numerous economies worldwide.

This motivates an inquiry into the nature of family economic enterprises and the obstacles that confront them. In light of the policy of economic diversification, the move away from rentierism, and Algeria's forward looking vision, the role of these enterprises in activating development is highlighted by addressing the following central question:

How can family economic enterprises contribute to achieving development and supporting the local Algerian economy?

Significance of the study

The significance of the study derives from the central role family enterprises play in the international and regional economy. It is reinforced by the importance of family enterprises in the Algerian economy, where they account for the largest share of private sector enterprises and aspire to deliver benefits that serve economic and local development when properly managed.

Objectives of the study

The objectives of the study are, first, to address the central research question, and in addition to:

- identify the nature of family firms and their role in supporting local development;
- assess the economic weight of these enterprises in Algeria;
- highlight the fundamentals of corporate governance as a means of ensuring the continuity and durability of family enterprises.

Structure of the study

The study is divided into four axes as follows:

- First axis: analysis of the organizational structure of family economic enterprises.
- Second axis: importance and role of family economic enterprises.
- Third axis: economic weight of family economic enterprises in Algeria.

2. ANALYSIS OF THE ORGANIZATIONAL STRUCTURE OF FAMILY ECONOMIC ENTERPRISES

The world of business is replete with various types, forms, and sizes of economic units, including family enterprises, which account for the largest share of enterprises worldwide. Understanding this category of enterprise calls for addressing the following points:

1-The nature of the family enterprise

There is no single, unified definition of the family enterprise. Most legislations worldwide that specify the forms of enterprises and companies do not refer to family enterprises or family firms by that designation. This wide range of definitions arises because family firms are not confined to small projects but may extend to giant or multinational corporations and may take various legal forms, from sole proprietorship to joint stock company, so that their characteristics overlap with those of various types of business enterprise.

Family economic enterprises are generally defined as follows:

The concept of the family economic enterprise denotes any enterprise with its own resources, whether tangible or intangible, that is active in various fields, agricultural, industrial, or service oriented, and that is run by members of one family.

A family enterprise may also be defined as one owned and managed by an individual or several individuals belonging to a single family or to several families.¹

The International Finance Corporation (IFC) Family Business Governance Handbook defines a family firm as one in which the majority of votes are held by the controlling family, including the founder or founders who intend to pass the firm on to the next generation.²

Definitions of the family enterprise have multiplied according to several criteria, but it is widely agreed that the common factor is the family dimension, in which ownership and the firm's core operation are interwoven. Three essential criteria must be present: control of capital by the family, the family's effective and substantial participation in management, and the transfer, and the desire to transfer, the enterprise to subsequent generations.³

2-The nature of the family enterprise compared with non family enterprises

Most studies conclude that enterprises owned and managed by a single family outperform their non family counterparts in sales, profits, and other growth indicators.

Family and non family enterprises are two terms that reflect the firm's distinct managerial and entrepreneurial identities. The two are nearly polar opposites, as summarized in the following table.

Table 1. Family enterprises versus non family enterprises

Type of Enterprise	Non-Family Enterprise	Family Enterprise
Dominant Dimensions	Rational dimension	Emotional dimension

Decision-Making Process	Hierarchical circles	Centralized around the founder
Decisions Based On	Logical argument, reasoning	Founder's personal conviction, intuition, arbitrariness
Focus of Attention	Managers	The founding family (direct or indirect influence)
Main Objective	Economic (profits–growth)	Economic and non-economic, long-term, stability and satisfaction
Competitive Advantage	Price	Quality, reputation, long-term relationships
Assets	Financial	Financial, social, cultural
Pursued Goals	Satisfaction of owners / shareholders	Internal and external satisfaction (family, customers, workers)
Profits	Distributed as dividends among owners and shareholders	Reinvested in the company
Prevailing Climate	Formal and distant relations	Familial — trust, solidarity, commitment, and enthusiasm

Source: Qassas Fatiha, Qara Ibtisam, Bachkir Abed, "The role of leadership skills in strengthening organizational loyalty in family firms," *Journal of Quantitative and Qualitative Research in the Economic and Administrative Sciences*, vol. 2, no. 2, 2020, p. 30, with adaptations from Khwaled Abou Bakr, "Global expansion of firms: an analysis of the reality, the role, and the obstacles," in *Collective Volume on Family Firms*, Abou Bekr Belkaid University, Tlemcen, p. 444.

3-Types of family enterprises

Although family economic enterprises share the same defining characteristics and constitutive elements, this does not imply that family enterprises take a single form or fall into a single type, given the variation in the factors, orientations, and forces that influence them. This is what Levinson noted in 1983 when he proposed a classification of family enterprises along organizational lines, dividing them into three types:⁴

-The traditional family enterprise

This type is characterized by continuity and longevity, surviving across several family generations because of the strong communicative relationships built on trust and loyalty that the firm enjoys, in addition to its good reputation among customers owing to the quality of its services and products and its capacity to plan continuity over long horizons. This rests on the firm's confidence that the children will follow the same approach or thinking with which the founder began the firm's life. The firm continues to operate in the same field of activity chosen by the founder and is not subject to pressure to achieve rapid growth.

-The conflict prone family enterprise

This type is a branch of the traditional family enterprise. While family cohesion, strong communicative relationships, and the efforts deployed to preserve family traditions are maintained, conflicts may surface, owing to differences of view regarding the firm's future direction between older and more influential members and other members who wish to apply a different management style.

-The entrepreneurial family enterprise

The third type is the most challenging. The difficulty facing entrepreneurial family enterprises lies in the fact that the entrepreneur who founded the firm continues to lead it until succeeded by one or more of his children, who may be less competent or less entrepreneurial than their predecessor. In such situations, family hostilities are likely to surface and conflicts to arise and persist for a time.

Family economic enterprises can also be divided into two categories:⁵

-Enterprises that put the family first: that is, those that place the family at the top of their priorities. Their characteristics include treating the firm as a place for all family members without their needing to undergo recruitment; equality among family members within the firm, particularly in income and promotion regardless of experience or work performed; leadership being granted rather than earned, regardless of qualifications and achievements; the use of the firm's resources for family needs, that is, outside the firm's strategic objectives; and restriction of board membership to family members.

This type of enterprise cannot deliver good operational performance even in the first generation of ownership and management; problems begin to appear immediately after the transition to the second generation, with negative effects on performance and continuity.

-Enterprises that put the business first: those capable of striking a balance between the family's needs and demands and the interests, success, and continuity of the business. Clear boundaries are drawn between firm and family, understood by all. Their characteristics include: joining the firm on the basis of the qualifications and skills required; separation of salaries as employees from profits as partners and owners; income granted on the basis of performance and assigned responsibilities; leadership earned rather than granted, requiring the conditions and standards necessary for successful leadership and otherwise awarded to qualified candidates from outside the family; strategic use of the firm's resources to serve the firm's interests and objectives; and clear policies governing the firm's operation, such as recruitment, dispute resolution mechanisms, board membership, promotions, and other organizational matters.

4-Characteristics of the family enterprise: strengths and weaknesses

Family enterprises differ markedly from other enterprises because of the influence of the family on firm strategy, the predominance of the social character and personal relationships in business affairs, and the pursuit of social objectives in parallel with economic ones. The family enterprise is distinguished from other economic enterprises by the following features:⁶

- The family element. This is the foremost feature of these enterprises and entails specific consequences through the participation of family members in firm management and the development of the family's business activities.
- Reduced agency costs, owing to the concentration of ownership and management in a single party, the family. This substantially lowers, and may even eliminate, agency costs, replacing costly monitoring with productive cooperation grounded in trust and nourished by kinship, with all that kinship entails in terms of ease of information sharing, frequent encounters within and outside the firm, and smooth dealings and exchange.
- Family social capital, which is characterized by stability and facilitates the emergence of

strong social relationships that allow for the sharing and accumulation of knowledge over time and across generations. The continuous interaction blurs the boundaries between family and firm, develops mutual commitments, strengthens trust, and helps prevent deviations in individual behavior relative to group expectations.

- Mutual dependence, in which the individual subordinates personal interest to that of the group because capital is shared among the group, intensifying the scope for benefit. The density of ties within the family network and the existence of rules and standards that close the group reduce the risks of misappropriation of information and resources.
- Generational succession, namely the passage of the firm from one generation to the next. Only one third of these enterprises succeed in transitioning to the second generation, while between 10 and 15 percent succeed in moving to the third generation. Personal vision and intuition dominate the strategies pursued and link them to the firm's interests.
- The organizational structure is generally less formal, with relative stability in management and decision making mechanisms, particularly when trust and informal communication are present.
- Family enterprises find it more difficult than others to increase their capital because of their reluctance to resort to external borrowing, given their strong desire to preserve independence and decision making authority.⁷
- The principle of specialization is entrenched and expertise is transmitted: family firms continue to operate in the same field and seek to develop and expand it.
- Higher market trust in the firm, owing to the good reputation of the owning family, which provides preferential advantages in sales and purchases as well as in obtaining the financing and credit the firm needs to carry out its projects and activities.
- Tensions arise between economic and family considerations, with emotional considerations gaining the upper hand, weakening the quality of decisions taken.⁸

5-Positive and negative attributes of family economic enterprises

Family firms are distinctive because of the overlap of three systems, family, ownership, and management, which gives them a number of features, some positive and others negative, as the following table summarizes.

Table 2. Positive and negative attributes of family enterprises

Positive Features	Negative Features
Sustainability of capital and actual participation of shareholders	Reliance on a sometimes inconsistent frame of reference
Family solidarity	Shareholders may become a burden on the company's development
Cautious investment and reinforcement of commercial synergy	Insufficient risk-taking culture
Employee engagement and spreading of altruistic values	Occurrence of splits and conflicts within the family
Speed of reaction and independence in decision-making	Rejection of business opportunities and investments unrelated to the core activity
Reinforcement of positive values and building trust among employees	Unbalanced financial structure, failure to benefit from financial leverage, and limited opening

	of capital to outside investors
Strong social background that enhances the integration of the enterprise into its environment	Family-style management, limited delegation of authority, excessive concentration of powers, and limited distribution of wealth

Source: Mezian Amina, Arkoub Ouali, "The importance of developing strategic vision in building the competitiveness of Algerian family firms: case study of the Adwaa El Madina Marsali Company," in collective volume cited above, p. 138.

The strengths and weaknesses of family enterprises can be summarized as follows.

Strengths of family economic enterprises:⁹

- Commitment. Family ownership of the enterprise makes its members more committed to working for its growth and prosperity. They are more inclined to transmit it across generations and more willing to reinvest profits so that the firm can survive and grow over the long term.
- Continuity of knowledge and the transfer of accumulated experience and competencies to future generations, particularly in firms whose members join at an early age, which strengthens their commitment to the firm's development.
- Reliability, an important factor in the family enterprise, operating at three levels: trust among managers, internal trust between managers and workers, and external trust between the firm and its environment.
- Credibility and pride, which derive from the link between the firm's name and reputation and its products or services. Family firms therefore work to sustain and improve their products and their relationships with the various stakeholders involved with them.¹⁰

Most studies attribute the success and continuity of firms primarily to their founders. The owner manager generates high financial returns that attract investors and is more capable of bearing risk; the manager's competence has a positive impact on firm performance.¹¹

The weaknesses of these enterprises, in turn, stem from their family nature, which forces them to confront the challenge of continuity and succession across generations. Most family enterprises declare bankruptcy or fail to reach the third generation, and they face the same difficulties as other economic enterprises, including:¹²

- Complexity. The presence of emotions and family dynamics gives these enterprises a particular degree of complexity in governance and renders the challenges they face more intricate.
- Informality. Because most families manage their enterprises themselves, at least in the first and second generations, they pay little attention to clear business practices and procedures. This situation becomes counterproductive once the enterprise grows and family membership expands, generating inefficiency and internal conflict that may undermine the continuity of the business.
- Lack of discipline. Family enterprises neglect strategic dimensions that may lead to failure, such as succession planning for the chief executive and key management positions, the appointment of family members to management, and the attraction and retention of qualified outside managers. Postponing or ignoring such strategic decisions can result in

the failure of family firms.

- The spillover of family conflicts into the work environment, with negative effects on operations.
- Mixing the firm's cash flow with cash for personal expenses, a defect found even in the smallest family firms, which undermines the firm's financial stability.¹³

3. IMPORTANCE AND ROLE OF FAMILY ECONOMIC ENTERPRISES

Since the 1980s, the study of family firms and the entire body of work associated with them has emerged in response to their importance in the global economy. Family firms have been recognized as one of the pillars of the international economy. Their numerical weight worldwide leaves no doubt that they represent the dominant form of enterprise. Family firms are the oldest and most widespread model of economic organization and constitute the vast majority of firms across the world, accounting for nearly 70 percent of operating commercial enterprises in many countries. The substantial increase in the number of such firms is a global phenomenon and is not confined to any particular country.

1-The economic size of family enterprises worldwide

Family enterprises generally account for more than two thirds of the economic enterprises of industrialized countries. Researchers estimate that 90 percent of enterprises in the United States are owned and managed by a single family or a group of families. They generate between 30 and 60 percent of GDP and pay roughly half of all worker wages. In Australia, 75 percent of enterprises are family enterprises. In Chile, family enterprises represent 75 percent of all firms, of which 65 percent are small and medium enterprises (SMEs). Roughly 85 percent of European companies are family firms, contributing close to 60 percent of employment in the European Union. In Spain, for example, family firms account for 75 percent of commercial enterprises and contribute approximately 65 percent of the total value of the Spanish economy. Family enterprises in Germany account for 80 percent of economic enterprises and contribute 66 percent of GDP. The lowest level of activity for family enterprises is in Portugal and the highest in Italy at 99 percent. In Western Europe, family enterprises secure between 45 and 65 percent of GDP. The picture is no different in the Middle East and North Africa, where family firms play a leading role and control between 70 and 90 percent of private sector activity in the region's countries. In 2012, the major economic contribution of ten family firms in the Middle East was estimated for the first time at approximately 89 billion United States dollars (USD), and these firms participated in providing nearly 222,000 jobs. This contribution remains modest, however, compared with that of family firms in geographically closer European countries, although it is in proportion with their share of the economic fabric of these countries. Family firms have a long history, and in the developed world they account for many of the firms with annual turnover between 50 million and 2 billion. Family firm activity worldwide is concentrated in seven sectors: consumer goods, advanced and heavy industries, financial services, energy, medical and health sciences, infrastructure and smart infrastructure, and communications technology.¹⁴

Family firms began their activity as small projects, typically arising from craft traditions, particularly in the late 1960s, 1970s, and 1980s of the past century. They subsequently developed and asserted their presence in international markets, gaining real momentum in the revival of the

market economy. It is also established that many of the largest multinational corporations began as family firms. Approximately 91 percent of the world's leading companies started out as family firms. Major family firms operating in various sectors feed national economies in industry, agriculture, trade, communications, and other sectors and play a prominent role in building core infrastructure.

Arab family firms in the Middle East are revitalizing their investments in numerous sectors such as retail, real estate, energy, and industry. Following the partial recovery from the effects of the pandemic and the continuous expansion of these firms' business activities, many have moved into new sectors such as investing in start ups or establishing their own companies. Some firms ranked in the 2022 list of the 100 most powerful Arab global companies have begun to alter their centralized management policies after the third generation of the family and beyond joined business management. Some firms have begun to plan for the future and to separate ownership from management, while others have started to list their main or major subsidiary companies on capital markets, a trend that appears poised to continue.¹⁵

2-Importance and role of family economic enterprises

Economic enterprises of a family character are the prevailing form of economic enterprise worldwide, which has endowed them with considerable economic significance. Family firms have emerged worldwide as a major economic locus in which the various economic functions are performed. They play a substantial role in economic growth and in promoting innovation and sustainable development in any country. Family firms also provide many employment opportunities and reduce unemployment in society, fostering local employment and contributing to community development. They build up the national economy and reinforce economic stability through their contribution to GDP. They are the oldest and most widespread model of commercial enterprise globally, and in many countries family firms are the principal pillar of the economy because of their flexibility, their capacity for innovation and development, and their strong drive to endure, which contributes to economic steadiness and stability.¹⁶

Family firms have been and will remain an essential component of the global economic structure. Many of the world's public companies began as family firms, and some still bear the original name of the founding family. Corporate governance has recently received growing attention from leading economic thinkers because of the considerable effect family firms can have on the financial and accounting performance of firms and on prospective regulation. Family firms have played, and continue to play, a substantial role in the national economic development of the countries to which they belong, a role that has not diminished even in the major industrialized countries with their giant corporations. There has been no contradiction between large capital and family firms; on the contrary, large corporations have been unable to displace family firms and have instead chosen to cooperate with and benefit from them by sourcing their small and recurring needs through family firms. Family firms occupy a substantial place in many economies regardless of the diversity of these countries' economic approaches.¹⁷

3-Challenges facing family firms

Family firms have different needs from those of other commercial enterprises. The principal concern is to enable the current generation to hand the business over to the next generation in better shape. Succession planning is among the most complex aspects of managing a family

business, particularly because of the inherent complexities of transferring ownership and inheritance. Family relationships and interests are often varied, and while some members may not wish to continue with the business, others may wish to change it substantially. The most important challenges facing family firms are:

- Capital management. Family enterprises seek to invest, raise the level of their technology in developing new products, restructure operations, and consider financing methods and capital support.
- Maintaining growth and profitability through exploring new markets with new products or services.
- Talent management and retention.
- Risk balancing, that is, the resilience of family firms in adapting to risks arising from market developments and fluctuations.
- The future administrative structure of family firms is among their largest challenges.¹⁸

4. ECONOMIC WEIGHT OF FAMILY ENTERPRISES IN ALGERIA

In Algeria, as in other countries, family firms are the cradle of the private sector. Despite the scarcity of studies and statistics, it is widely agreed that family firms account for roughly 97 percent of the private sector. The private sector emerged through the economic reforms aimed at moving from a command economy to a market economy beginning in the early 1990s and has become the active sector in the national economy, exhibiting accelerating dynamism in recent years in terms of numbers and activities pursued, and contributing to job creation and value added.

1-Emergence and development of family economic enterprises in Algeria

Family firms in Algeria are the hard core of the private sector and the most prominent actor in economic development outside the hydrocarbons sector. They are enterprises in which one or more families hold a controlling share of capital and participate directly in strategic and managerial decisions. In Algeria, these firms are not confined to small projects; they include giant industrial groups that compete internationally. They are characterized by high flexibility and resilience in the face of economic crises, owing to family loyalty and a long term vision.

Family firms in Algeria have followed a distinctive historical trajectory closely tied to the political and economic transformations the country has undergone. Their development can be divided into four main stages.

- **Stage of roots and traditional activity (before 1970)**

Most family firms began as small commercial projects, family stores, mills, or craft workshops, such as Hamoud Boualem Group, founded in 1878 as the oldest family firm. This stage was marked by a struggle for survival, first under a colonial economy and then under a centrally directed socialist economy after independence, when nationalization curtailed family ambitions for major industrial expansion and confined activity to trade, traditional agriculture, and basic services.

- **Stage of cautious opening and emergence of identity (1980 to 1990)**

In the early 1980s, the state began to loosen its grip on the economy, allowing families to move from being mere traders to becoming investors. The early nucleus of the major groups appeared in this period (such as the early stages of Cevital Group and Mehri Group), as families

drew on their knowledge of the local market and its need for consumer goods and electronics, gradually expanding from import to manufacturing by building small factories and broad distribution networks. With the constitutional revisions and the move toward a market economy, Algerian families began to establish genuine productive enterprises that continued to grow in the absence of foreign competition at the time, enabling them to build solid financial foundations.

- **Stage of industrial expansion and growth (2000 to 2019)**

With the political stabilization at the start of the millennium, Algeria experienced a surge in private investment. Family firms moved from single activity enterprises to large family groups encompassing dozens of subsidiaries in diverse sectors (food industries, electronics, construction, tourism). At this stage, family names such as Rebrab, Benhamadi, and Soueiker became the most prominent commercial brands in the daily life of the Algerian citizen.

These family firms turned into holdings dominating entire sectors (sugar, oil, household appliances). Cevital Group, for example, became the first private firm to extend beyond the country's borders to acquire companies in Europe. The most prominent family firms in Algeria are listed below.

Table 3. List of major family firms in Algeria

Family Group Name	Main Specialization	Notes on Contribution and Performance (2024–2026)
Cevital Group	Food industries, retail, manufacturing	Considered the largest private company in Algeria; owns the world's largest sugar refinery. Ranked 67th among Arab companies in the Forbes 2025 list.
Condor Group (Benhamadi)	Electronics, household appliances	A leader in the electronics industry; has export branches in more than 50 countries (via Brandt Algeria).
Mehri Groupe	Tourism, hotels, beverages	Holds the Pepsi bottling rights in Algeria and manages luxury hotels such as The Royal Hotel and La Gazelle d'Or.
Soummam Group	Dairy products and food industries	One of the leading players in the milk and dairy products sector; ranked among the most influential brands in the local market.
GIBA Group (Babahem)	Processing industries (biscuits, packaging)	Based in the wilaya of Biskra; includes several family-owned joint-stock companies active in food and processing industries.
Hamoud Boualem Group	Soft drinks / carbonated beverages	One of the oldest family companies (founded in 1878); holds a significant market share in the beverage sector.

Source: prepared by the author.

- **Stage of the sustainability and governance challenge (2020 to 2026)**

These firms have entered a stage of transfer of authority from the founders' generation to the children and grandchildren, that is, the second and third generations, who are graduates of

international universities. An example is the transfer of the chairmanship of Cevital Group from Issad Rebrab to his son Malik Rebrab in 2022.

Today these firms face the necessity of moving from traditional family management to corporate governance to ensure their continuity, particularly as the state moves toward digitalizing the economy and encouraging transparency. They are also seeking professionalization by recruiting executive officers from outside the family and adopting governance and financial audit standards to ensure the firm's survival beyond the founders' generation. The following table summarizes the most prominent family firms in Algeria that have managed to maintain their continuity and growth across generations, with their specializations and the secret of their resilience.

Table 4. Most prominent family firms with intergenerational continuity in Algeria

Famil y Name	Affili ated Group	Curre nt Generation	Main Specialization	Secret Continuity and Resilience
Boual em Family	Hamo ud Boualem	5th	Beverages and spirits	Strong attachment to national identity and preservation of original quality and recipe since 1878
Rebra b Family	Cevital	2nd and 3rd	Food industries, steel, retail	Early succession planning by the founder (Issad Rebrab) and adoption of a global "holding" structure
Benha madi Family	Cond or	3rd	Electronics, energy, contracting/construction	Distribution of specialized roles among family members (brothers and sons) and investment in technology
Mehri Family	Mehri Group	3rd	Tourism, hotels, beverages	Strong international partnerships (e.g., Pepsi and Accor) and diversification of investments to mitigate risk
Yahya Family	Soum mam	3rd	Dairy products	Focus on integrated production chains (from farm to consumer) and strong loyalty to the region
Soiker Family	Palma ry Group	2nd and 3rd	Food industries (biscuits)	Rapid horizontal expansion into mass- consumption products

				and focus on modern marketing
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Source: prepared by the author.

Studies indicate that **approximately 15 percent** of family firms in Algeria succeed in surviving once they reach the third generation. This historical challenge is one that the major groups are now seeking to overcome by adopting family charters and strict governance rules. The continuity of these firms is supported by the following features:

- **The transition from trade to manufacturing:** Most of these families began as traders or importers in the first generation and then moved into manufacturing in the second generation.
- **Academic training:** The third generation in these families is distinguished by higher education at major international universities, which has helped introduce digitalization and governance into their enterprises.
- **The challenge of separation:** These families have recently begun to separate **the family portfolio** from **firm management** by appointing executive officers from outside the family in order to ensure professionalization.

2-Characteristics of family economic enterprises in Algeria:¹⁹

The family economic enterprise in Algeria has the following characteristics:

- **Strategic management:** Family firms in Algeria are recognized as units closed in on themselves, particularly with respect to management, which remains traditional and constitutes the largest obstacle to their development toward objectives of growth, total quality, effectiveness, and efficiency. In other words, this hampers the competitiveness of family firms and therefore the competitiveness of the private sector and of the national economy, which needs to confront global competition more than ever:
- The firm's objectives are tied to those of the family, which are not necessarily economic but revolve around family ties and at times around ethnic or regional bonds, leading to the emergence of non economic behaviors. The hierarchical organization is subordinated to the concentration of paternal authority, which possesses the force of supervision and the legitimate standing in Algerian social culture. This makes the firm unwelcoming of any change save that introduced by paternal authority, which is also the source of strategic strength characterized by defensiveness, restraint, and extreme caution, focused on solving short term problems rather than seeking and seizing new opportunities in line with market changes. This threatens the firm's survival and its capacity to face competition, particularly foreign competition, leaving it on a difficult path toward performance and competitiveness.
- From this perspective, the founders and managers of small and medium enterprises and consequently of family firms are often criticized for the weakness of their qualifications and competencies, especially as regards strategic vision, management style, organization, and business networks. As GEM studies indicate, Algeria has a low rate of individuals possessing the skills and knowledge required to establish a firm. Furthermore, the dominance of micro and craft activities does not allow these skills to develop, in addition to the lack of training, leaving most without the competence required to identify creative

projects, conduct successful market research, draw up an effective business plan that can diagnose forecasts, market needs and requirements in terms of quantity, price, and quality, study competition, select suppliers and distributors, conduct effective technical project studies, and so on. This invariably leads to financial and technical problems that hinder the firm's growth and development.

- **Intergenerational transfer of ownership:** This transfer can take highly complex dimensions in Algeria given the problems associated with inheritance, which is among the taboos within the Algerian family and which can threaten the life of the firm and therefore the fate of the family and its employees.
- **Governance:** Because Algerian family firms are mostly micro enterprises, the owners are themselves the managers, and the agency problem and information asymmetry typical of large corporations do not arise. In this case, governance centers on the procedures and structures used to direct and manage the internal and commercial affairs of the firm with a view to increasing its long term value and ensuring its financial soundness.
- **Financing:** Algerian family firms rely on informal financing from relatives and friends rather than turning to formal sources and diversifying the financing structure either at start up or during the growth phase. Capital is also non transferable and indivisible. Financial management is marked by extreme caution; partnerships and mergers with external parties from outside the family are very rare since they are seen as threatening the firm's strategic strength and the position of paternal authority and of the family as a whole. The family character of these enterprises also deters foreign capital from investing in them.²⁰
- **Size and significance:** As noted earlier, Algerian family firms are micro enterprises that have not yet developed into the major firms or the well known international conglomerates listed on the national stock exchange, as is the case in developed countries (such as Ford and BMW in the United States, FIAT in Italy, Samsung in South Korea, and Orascom in Egypt). This affects the size of their contribution to GDP and value added. In the United States, family firms contribute two thirds, while in Europe the share reaches half. One third of family firms in the United States are listed on stock exchanges.
- **Activities:** The closed managerial nature and limited financing of Algerian family firms also affect the nature of their activities. Most are oriented toward the local and regional market, less toward the national market, and rarely toward the international market. They concentrate on niches neglected by the public sector. Most are technologically backward and weak in innovative activities, given the search for quick profitability and the avoidance of risk without the need for substantial investment expenditure or high qualifications and skills, in such sectors as trade, services, transport, and construction.
- **Spread of unlawful practices:** The context in which the private sector and family firms emerged in Algeria, marked by transitional phases and social and security disruptions, gave rise to unlawful economic behaviors and practices alongside lawful ones. Some firms operate within a formal legal framework, complying with administrative procedures, the commercial register, and so on, while at the same time engaging in unlawful procedures (such as tax declarations, failure to insure employees and to declare turnover) primarily in order to multiply collected profits and reduce costs.
- **Social responsibility:** Family economic enterprises in Algeria are known for their social

and economic responsibilities toward family members, providing them with employment opportunities and rapid functional development and senior managerial positions, in addition to high incomes and a good standard of living. Some compel family members to join the firm even when they are unwilling, in the hope of securing for them an appropriate standard of living and social status.²¹

3-Family firms' contribution to GDP

Family firms are the principal pillar of the private sector in Algeria. Estimates indicate that there are more than **650,000 active family firms**. Despite this large number, their contribution to GDP remains limited at no more than 5 percent, reflecting a gap between their numerical weight and their economic effectiveness compared with international averages.

Table 5. Family firms' contribution to GDP by sector

Economic Sector	Major Active Family Companies	Sector's Contribution to GDP	Sect or Growth Rate (2025)	Notes on Dominance
Food Industries	Cevital, Soummam, Hamoud Boualem	15%–20% (of non-oil GDP)	+5.6 %	The private sector (largely family-owned) controls more than 74% of this activity
Manufacturing / Processing Industries	Condor (Benhamadi), Venus, Palmary	4.1% (targeted 10% by 2027)	+13.0 %	Condor Group leads the growth of electronics, while families such as Palmary dominate packaging and wrapping
Agriculture and Fishing	Major local family groups	~13.1%	+4.5 %	A predominantly family-run sector; the stability of its product prices contributed to lowering inflation to 4% in 2024
Trade and Services	Mehri Group, retail groups	~45.6%	+6.7 %	Forms the backbone of hotel services (Mehri Group), transport, and telecommunications
Construction and Irrigation (BTP)	Haddad Group (formerly), other private groups	~10%	+3.1 %	Medium and large family-owned companies participate in most local housing and irrigation projects

Source: prepared by the author.

Family firms have helped absorb shocks in the Algerian economy by concentrating their

contribution in sectors of real growth, particularly in agriculture and food industries. Family firms account for a substantial share of this sector, which represents close to 13 percent of GDP. Groups such as Cevital, Soummam, and Benhamadi are primarily responsible for cutting the import bill for oil, sugar, and dairy products, and in the manufacturing sector family firms have achieved a leap in the production of building materials and electronics, contributing to a growth of 5.3 percent in the non hydrocarbon industry sector in 2024.

The contribution to GDP is not confined to production but extends through job creation. Family firms employ more than 60 percent of the labor force in the private sector, stimulating family consumption, which is one of the principal drivers of GDP. They contribute to regional stability since they are concentrated in industrial zones (Setif, Bejaia, Bordj Bou Arreridj), creating decentralized growth poles that contribute to the geographic balance of GDP. They also contribute to non hydrocarbon exports, particularly in electronics, building materials, and food products, achieving 7 billion USD in 2025. Family firms have penetrated European markets (an increase of 21 percent), Asian markets (an increase of 31 percent), and have placed strong emphasis on Africa (Mauritania, Senegal) through exclusive deals.

A paradox remains in the Algerian economy. While there are more than 650,000 family firms, their contribution to GDP does not reflect this large number. Several analytical reasons explain this:

- **Crisis of succession of authority (generational conflict):** Studies indicate that 70 percent of Algerian family firms disappear at the transition from the first to the second generation, and only 10 to 15 percent reach the third generation. The absence of a legal family charter leads to division of the estate and fragmentation of capital.
- **Predominance of a micro character:** Most of these firms are small enterprises (TPE) or medium enterprises that lack the capacity for intensive export, restricting their value added to the local market only.
- **Weak corporate governance:** Most of these firms are still managed in a "one man" mentality (the founder). There is a clear absence of separation between family and firm budgets and weakness in retaining international audit firms or appointing independent managers.
- **Difficulty in accessing non bank financing:** These firms rely on self financing or traditional bank loans for 90 percent of their funding. The stock market remains absent from the thinking of these families for fear of disclosing financial secrets or losing control.
- **Weak integration into the stock exchange:** The absence of major family firms from the Algiers stock exchange deprives GDP of the capital flows and financial transparency that raise the value of formal economic growth.
- **Lack of digitalization and innovation:** The first generation tends to cling to traditional management methods, slowing digital transformation, which reduces their competitiveness against foreign firms or agile start ups.

4-The state of corporate governance of family enterprises in Algeria

The Algerian business community is characterized by the breadth of family ownership of firms, particularly small and medium enterprises. This raises a further problem of conflicts of interest among family members, increasing the threat to the firm's continuity. Studies have shown that in some developing countries family firms account for 90 percent of business, but research

indicates that only 30 percent of these firms continue to the second generation, 12 percent to the third generation, and only 3 percent move to the fourth generation and beyond.²² Some Algerian family firms have opened their capital to foreign investors to ensure that the effort to plan for generational succession in firm management, anticipate likely conflicts, and mitigate their effects continues, by means of a strong board of directors within the family firm that promotes communication and transparency and puts in place the mechanisms necessary for transition to the second generation.

Family firms are by their family nature a fragile sector, which makes it imperative to think about a strategy for the corporate governance of these firms, to strengthen their role as a development actor, and to mitigate the harm caused by the brevity of their economic life. As regards Algeria,

economic reforms were initiated in Algeria without grasping the substance of governance. The support of these reforms by international organizations such as the International Monetary Fund (IMF) and the World Bank, however, brought governance principles within the packages presented to the public authorities, particularly in light of certain negative indicators in the performance of the Algerian economy, such as Algeria's advanced ranking on corruption indicators and the weakness of its investment climate.²³ The orientation toward applying sound corporate governance therefore came late and followed the holding of the First International Forum in July 2007 in Algiers on "Good Governance of Enterprises," together with the negative ranking that Algeria received (99th place) in the report of Transparency International issued on 26 September 2007 regarding the spread of corruption and bribery. This was crowned by the issuance of the Algerian Charter of Good Corporate Governance in 2009. Building on the momentum generated by the Algerian corporate governance handbook, the working group on Algerian corporate governance launched the "Hawkama" center in October 2010 in Algiers. Hawkama El Djazair Center was established to serve as a platform to help Algerian firms comply with the provisions of the handbook, adopt international corporate governance best practices, and raise public awareness of corporate governance. The launch of the center provides a new opportunity for the business community to demonstrate its commitment to improving the country's economic environment and to enhancing the values of democratic governance, including transparency, accountability, and responsibility.

The phenomenon of family firms has expanded in recent years to the point of representing 40 percent of the total private firms in Algeria. The legal vacuum has encouraged the inheritance of positions and intensified tax evasion, which has reached 200 billion Algerian dinars (DZD) and which obstructs economic growth. The economic expert Bashir Mostefa (a former minister) has stated that most Algerian economic enterprises adopt the practice of inheritance owing to the existence of a recruitment law that does not prohibit family members from rotating in a single position, particularly in the case of death or retirement. He noted that the phenomenon is unreported because it relates to the internal secrets of these firms and is therefore not subject to statistical recording. He further indicated that several firms have turned the public service law into an internal vein governed by particular priorities and interests, which leads managers to act freely with regard to the firm's internal rules and recruitment standards.²⁴ The following table shows the principal problems facing governance in family firms.

Table 6. Problems facing governance in family enterprises

	Family Companies Facing Survival Difficulties	Family Companies Facing Growth Challenges
Relationships among the Active Parties in the Company	Since the owners of the company are themselves the managers, this creates confusion between the two roles, which extends even to relationships with external parties.	The separation between the role of owner and manager is more clearly defined, even if both functions are combined in a single person — resulting in higher-quality relationships with external parties.
Economic Situation	Weak management rules do not allow precise control over the company's results.	The presence of management rules allows for better control of the company's results, but the question of how reliable they are remains open.
Transition and Succession Cases	Transition and succession problems are usually unforeseen, and when they arise the company finds itself stuck in difficult situations that put it at risk.	Transition and succession issues are more anticipated, but addressing them may still cause disruption in the company's operations.
Alignment between Strategy and the Company's Interests	The company is unable to anticipate the future because its focus is limited to ensuring its day-to-day survival.	The company has the capacity to develop a long-term strategy.

Source: Lakhdar Abderrazak Moulay, "Governance of family firms," International Forum on Mechanisms of Enterprise Governance and the Requirements of Achieving Sustainable Development, 25 to 26 November 2018, University of Ouargla, pp. 200 and 201.

Accordingly, the most important measures the owners of these firms must adopt are:

- Digitalization and the adoption of modern technological techniques in the financial, operational, and administrative management of the firm. This eases owners' concerns about unlawful behaviors by employees from outside the family. Recruitment and progression in positions then become tied to experience and competence rather than to family belonging, which spares such firms the functional vacuum from which they often suffer because of the unwillingness of subsequent generations to practice the founding generation's profession, as well as the functional crowding caused by the family's growing size and the recruitment of its surplus.
- Exit from the informal market and forceful entry into the formal market, especially given the very large size of informal activity in Algeria, with around 80 percent of firms operating in it classified as family firms. This leaves their prospects for continuity very small, particularly with the intellectual changes that may take place among some family members through education or the desire to engage in activities far from the parents' firm, and given the commercial pitfalls and legal pursuits that may affect the firm and its founder.
- Reconsidering the firm's legal status and moving from the traditional family pattern to one of the legal forms enacted by the Algerian legislator, in particular joint stock companies or

limited liability companies. These provide greater opportunities to extend the firm's life and to escape the negative effects of family conflicts and the concerns that may arise among members of the owning family, while reinforcing the prospects of smooth transition between the generations following that of the founder, particularly since these legal forms precisely define ownership structures, financing, management, insurance, retirement, and the other financial files relating to the firm, which are among the principal causes of bankruptcy and dissolution as soon as transition begins between the generations following that of the founder.²⁵

The corporate governance of Algerian family enterprises thus contributes to establishing strong economic entities capable of competing and achieving sustainable growth, increasing non oil national output and contributing to the diversification of the economic fabric. It facilitates oversight and supervision of enterprise performance through the definition of internal control frameworks, the formation of specialized committees, and the application of transparency and disclosure. It strengthens the firm's reputation and brand and increases the trust and value associated with it. It also facilitates the firm's access to banking facilities, since banks grant loans on favorable terms to firms with effective governance systems compared with firms that do not adhere to governance principles. Governance also helps attract domestic and foreign investment, since firms that apply governance principles carry less uncertainty than other firms.

5. CONCLUSION

The family is an example of a structure that performs multiple functions confronting the requirements of the family economic enterprise's continued existence as well as those of family members. Each member performs particular functions, yet all support, complement, and interact with one another to ensure the continuity and survival of the structure as a whole. After addressing the concept of the family enterprise and its various features that distinguish it from other economic enterprises through its family character, and given its importance and economic weight at the global level in general and its modest role in Algeria in particular, the study has reached the following conclusions:

- Family economic enterprises play a substantial role at the economic level through creativity and innovation, the development of new products, and adaptation to market shifts and economic challenges in order to achieve financial stability and sustainable profitability.
- They contribute to the provision of employment opportunities, which improves living standards and promotes economic development for individuals and families, and they invest in the communities in which they operate by supporting economic and social projects or contributing to local infrastructure. This promotes economic growth and the welfare of populations and achieves local and sustainable development.
- They also play a substantial role in preserving family and cultural values in the communities in which they operate.
- The application of governance rules in family firms faces many challenges, the foremost of which are the multiplicity of roles for a single member of the firm, which increases the

prospects of conflict, the lack of balance between profit growth and the family's expanding size, and the absence of standards for separating family assets from firm assets.

- Most family firms in Algeria are micro enterprises or recent start ups and contribute only a small share of GDP. They are firms that have not yet moved beyond the first generation stage, which calls for a framework and an environment that allow them to develop and prosper, on the model of the three Algerian family firms that have reached the level of global firms.

In recognition of the substantial role family enterprises play in maintaining stability and promoting economic development, the study recommends the following:

- Establishing a family charter to ensure effective governance of family firms.
- Encouraging family firms to develop training programs for the next generation under the supervision of the current generation, in order to acquire scientific and practical experience.
- Issuing instructions that bind family firms to a number of safeguards, including the preparation of a succession and rotation policy for the board of directors and for all key managerial positions in the firm.
- Encouraging family firms to keep pace with developments in modern financial technologies and to promote innovation in their products and services in a considered manner that takes into account the firm's specific family character.
- The continued support and encouragement of family firms by governments to play their substantial role in the economy and to strengthen the competitive environment in markets.
- Integrating the activities and operations of family firms more broadly with the rapid pace of economic development in their countries of origin, where these firms will form part of the national economic wealth.
- Bridging the governance gap by providing a clearly defined framework that guides the owners and managers of family firms in modernizing corporate governance in their enterprises, in such areas as the firm's legal form, the performance of board duties, committee structures, management models, sustainability, internal controls, risk management, transparency, and accountability.

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