

## **Corporate Social Responsibility, Managerial Entrenchment and Privatization. Example of an Algerian Public Company**

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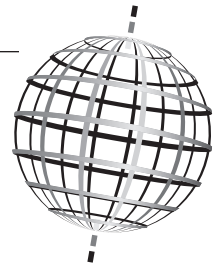
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### Résumé de l'article

Nous nous intéressons aux choix stratégiques des managers d'une entreprise publique portuaire en Algérie. Ces choix s'incarnent dans une politique de responsabilité sociale des entreprises : certification -qualité, sécurité et environnement-, partenariats public-privé, investissements citoyens. Nous tentons de comprendre ce qui a incité les managers de cette entreprise à s'engager dans cette voie. Nous proposons d'interpréter leurs choix managériaux comme la résultante d'une politique d'enracinement. Nous suggérons que cette politique est susceptible de les mettre en position favorable le jour où la privatisation des activités portuaires algérienne rentrera dans les faits.

# Corporate Social Responsibility, Managerial Entrenchment and Privatization. Example of an Algerian Public Company



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## RÉSUMÉ

Nous nous intéressons aux choix stratégiques des managers d'une entreprise publique portuaire en Algérie. Ces choix s'incarnent dans une politique de responsabilité sociale des entreprises : certification -qualité, sécurité et environnement-, partenariats public-privé, investissements citoyens. Nous tentons de comprendre ce qui a incité les managers de cette entreprise à s'engager dans cette voie. Nous proposons d'interpréter leurs choix managériaux comme la résultante d'une politique d'enracinement. Nous suggérons que cette politique est susceptible de les mettre en position favorable le jour où la privatisation des activités portuaires algérienne rentrera dans les faits.

Mots clés : Entreprises publiques (D 22), Transports : en général (L91), Entrepreneuriat (L 26), Responsabilité sociale des entreprises (M14).

## ABSTRACT

We focus on strategic choices of managers of a public port in Algeria. These choices are embodied in a policy of corporate social responsibility: quality certification, safety and environment, public-private partnerships, investment citizens. We try to understand what prompted the managers of this company to move in this direction. We propose to interpret their managerial choices as the result of a policy of rooting. We suggest that this policy is likely to put them in a beneficial position on the day the privatization of port activities Algeria will return to the facts.

Keywords: Public enterprises (D 22), Sustainability (L 32), Transportation : general (L91), Entrepreneurship (L 26), Corporate social responsibility (M14).

## RESUMEN

Nos centramos en las opciones estratégicas de los directivos de un puerto público en Argelia. Estas opciones se materializan en una política de responsabilidad social corporativa: certificación de calidad, de seguridad y de medio ambiente, asociaciones público-privadas y inversiones de ciudadanos. Tratamos de entender lo que impulsó a los directivos de esta empresa para avanzar en esta dirección. Proponemos para interpretar sus opciones de gestión como resultado de una política de arraigo. Suggerimos que esta política es probable que les haya puesto en una posición favorable en el momento de la privatización de las actividades portuarias de Argelia volverán a los hechos.

Palabras claves: Empresa Pública (D 22), Transportes: en general (L91) Emprendimiento (L 26), Responsabilidad Social Corporativa (M14).

The outlines of the corporate social responsibility concept (CSR) seem well defined today: it is characterized by consideration of managerial, social and environmental concerns, an intentional approach well beyond legal obligations and collective agreements, a concern to permanently integrate viewpoints of the company's various stakeholders, and an engagement for certain transparency. Responsible management consequently seems to be based on a three main aspects: environmental quality, economic prosperity and social justice (Capron and Quairel-Lanoizelée, 2004; David, Dupuis and Le Bas, 2005).

Many works have studied the implementation of CSR in large size private companies operating in developed economies (Campbell, 2000; Livesey and Kearins, 2002; Igalens 2007; Reynaud and *al*, 2008), or average and small size companies (Quairel and Auberger, 2005; Berger-Douce, 2006; Roy and *al.*, 2008). Focus was also put on the complexity of CSR application in multinational firms (Wolff, 2004; and Boudier and Bensebaa, 2008). More recently, publications studied the case of small private firms in developing economies (Spence and *al.*, 2007, 2008). To our knowledge, however, little researches are leaning on the case of public companies of the countries in the process of development.

This is the field of study of our work. We wonder what incites public managers to voluntarily engage in a CSR policy while evolving in countries where social and environmental concerns and the issues of the economic effectiveness of public firms are not really a priority.

To answer this question, we propose to examine a case study, *the success story* of the Bejaïa Harbour Company (HBC) in Algeria. We analyze the motivations of this public company's managers who intentionally implemented a CSR policy through the triple certification of their company (quality, environment, security) and the realization of citizenship oriented investment. We will introduce their explicit justifications and we will look further into their real determinants with reference to the company's and the organizations' theory. Our approach rises from the methodological individualism resulting of the company's contractual theories. It's an economic study rather than a sociological one. In this framework, we consider that HBC represents a "contract nodes". This approach, which offers an economic conceptual framework to CSR (Capron and Quairel-Lanoizelée, 2007), enables us to oppose to the "posted" and common speech of HBC managers, instrumental and managerial concerns serving their interests. Behind an ethical position, where their CSR choices are

justified as a moral obligation to contribute to the good being of the Algerian Society, we note a more pragmatic approach which leads them to recognize that these choices are mainly ways to improve the economic and financial performances of their company. We then seek determinants of this attitude by examining HBC's corporate governance model. Our analysis fits within the disciplinary current of corporate governance theory (Charreaux, 1997, 2006), more precisely in its analytical outcome offered by the managers' entrenchment theory (Shleifer and Vishny, 1989). The corporate governance frame of reference postulates with the existence of monitoring and sanction means, which would force managers to improve performances of their company and act towards the interests of the company's stakeholders. The corporate governance frame of entrenchment shows that managers set up neutralization strategies for disciplinary systems, supposed to control their actions, in "widening up their managerial latitude".

We show that entrenchment theoretical contributions in the comprehension of the HBC Leaders' managerial behaviour in favour of CSR, are undoubtedly less interesting in their aspect related to the "neutralization of disciplinary systems" than in that relating to "widening up their latitude managerial". We point out indeed that control systems seem little or not operative in Algerian firms and that HBC managers, under these conditions, are not very willing to neutralize them. However, we underline the interest of the approach in terms of widening the managerial latitude. This approach enables us to formulate two assumptions. The first represents an extension of a current of thought of CSR stakeholders' theory (Jensen, 2001; Mercier and Gond, 2005; Barnea and Rubin, 2006; Cespa and Cestone, 2007): HBC Managers' engagement in favour of CSR could be explained by their willingness to widen their managerial latitude aiming at the executive entrenchment within their company. The second is inspired by work undertaken in Eastern transition economies concerning the public executives' strategy in the process of pre-privatizing their firm (Labaronne, 1998, 2002): HBC Managers' entrenchment strategy would be explained by the prospect for the privatization of Algerian harbour activities. Whether hostile or favourable, or even proactive with regard to this privatization, we believe that their engagement in favour of CSR within an entrenchment strategy, gives them decisive managerial and informational advantages which will serve their function when harbour privatization is implemented in Algeria.

To defend these analyses, we present in the first part of this work, the strategic choices of HBC managers with regard to CSR. We distinguish in the choice justification what concerns the "posting effect", namely a *pro domo* advocacy in favour of an ethical and normative CSR, an assumed "managerial practice" where CSR is first per-

ceived as an instrument at the service of the company's performance. In the second part, we analyze the HBC corporate governance model by mobilizing the corporate governance theoretical and entrenchment theoretical framework. We stress the interest to go beyond the theoretical framework of the corporate governance through a positive and endogenous approach of managers' active behaviour through the study of the extension of their managerial latitude. We suggest, in a third and last part, that CSR choices within HBC would be entrenchment choices which are explained by the prospect for privatization. We conclude by presenting this work's limits and contributions.

### **The Commitment of HBC Managers in favor of CSR: from outspoken speech to managerial reality**

The Bejaïa port is a Mediterranean harbor, located in the northern part of Algeria at 250 kilometers on the east of the capital Algiers. The HBC was created in August 1982 after restructuring the Algerian port system. It is an autonomous economic public company, whose corporate capital subscribed in actions is entirely held by the State participations management company, SOGEPORIS. This public holding operates ten Algerian port units, including HBC. The latter is in charge of the exploitation, management, development, and security related to the port of Bejaïa. Its "mixed" traffic includes hydrocarbons, general products (agricultural products, food products, industrial products, fertilizers and chemicals, and other products) as well as passengers. In terms of tonnage, it represents the third Algerian harbor company handling hydrocarbons and the second handling general goods.

The reason we chose to study HBC managers' behavior is because their choices are original and make their company play a pioneer role:

- This is the only one harbor company in the Maghreb and West Africa to be three times certified (quality, environment and security).
- The first to have conceded a harbor public space to an Algerian private company, Cevital, the first to be associated through a subsidiary company (the Bejaïa Mediterranean Terminal or BMT) to a private operator, the Singapore Company, Portek, for the exploitation of the port's containers terminal.
- One of very few to call for and implement a citizen approach by investing in public equipment serving the interests of its stakeholders.

Due to these strategic choices, HBC has recently been selected by the European Union in October 2008 to be part on behalf of Algeria in the pilot project MEDA MoS<sup>1</sup>

1. Mediterranean Motorways of the Sea (MEDA Mos).

“Motorways of the Sea”<sup>2</sup>. HBC is used as a reference for other Algerian port authorities, and was even qualified with its BTM subsidiary company as a success story on SOGE-PORTS’ internet site’s home page<sup>3</sup>.

We will examine the “pioneer” strategic choices adopted by HBC manager since the end of the nineties, shown as Corporate Social Responsibility choices (1.1) and we will try to decipher in their speech the advertising and managerial reality aspects (1.2).

### HBC MANAGERS’ STRATEGIC CHOICES

These choices are divided into four levels:

- 1- Managers decide to adopt the integrated management and sustainable development system concept in their managerial policy. For this reason: (i) they launched in 1997 a quality certification process (ISO 9001) to fulfill their economic responsibility. They received their quality management system certification in 2000. They have been renewing and preserving it until the present. (ii) They implemented in 2004 an environmental certification approach (ISO 14001) in order to respond to ecological requirements. Their partnerships with suppliers and customers could reduce environmental risks related to the company’s activities. This has at least been reflected in the most recent audit carried out in September 2007 confirming renewal of their certification. (iii) They implemented in 2007 a «work health-care and security» system in the framework of the OHSAS certification process (Occupational Health and Safety Assessment Series) (ISO 18001) to fulfill their social responsibility.

These choices in terms of certification are reflected in their internal and external communication, stressing the voluntary character of the managerial approach and interest given to the company’s permanent improvement in terms of quality, environment and security.

- 2- they transferred in 1998 in the form of concession a part of their unexploited yard apron in the port to the large private food industry compound Cevital<sup>4</sup>. HBC managers underline the fact that this concession in favor of a private company, representing another success story of the Algerian economy, contributes to the development of the city of Bejaïa and the growth of the Algerian economy. They showed that after this concession, Cevital became the city’s largest fiscal contributor, the most dynamic direct and indirect employer in terms of jobs and salaries disbursed within Bejaïa district, one of the most active non-hydrocarbon exporters

enabling Algeria to accumulate foreign currency and substitute imports.

- 3- they signed in 2005 a partnership with a Singaporean private company, Portek, specializing in container handling. This trust brought one million dollars in terms of direct foreign investments. A subsidiary was then created in the form of a joint venture, 51% of its corporate capital was held by HBC: BMT. HBC managers stress that in addition to the 200 new jobs created by this subsidiary, this partnership proved it was possible to improve the pace and performance of the containers handling business in Algerian ports. While the average in Algeria is 8 to 10 containers per hour, BMT could process up to 20-25 containers per hour, which is the rate performed by the ports of Marseilles and Rotterdam.
- 4- they realized in 2008 development works at the level of the sea front boulevard with the collaboration of local communities. HBC managers consider their expenses as a “Citizenship-oriented Investment” aiming at enabling the Bejaïa population to appropriate part of the port’s public domain. Leisure areas were created including restaurants, shops and children’s entertainment parks. A well developed walkway has become a meeting and entertainment site well appreciated by Bejaouis.

### HBC’s CSR: ETHICAL VERSUS MANAGERIAL CHOICES:

HBC managers’ state that their strategic choices have been defined by taking in consideration stakeholders’ interests only. In extending the contractual approach, we may decipher this discourse by opposing a CSR policy implemented for ethical and normative reasons (Donaldson and Dunfee, 1999) or instrumental and managerial (Freeman, 1984).

In reference with the ethical approach (Table 1.a), HBC managers present the triple certification obtained by the company as a means to respond to clients’ expectations (ISO 9001), the Bejaoui community (ISO 14000) and the company’s employees (OHSAS). They justify HBC’s partnership with private companies (Cevital and Proteck) for social and national interest reasons: job creation and Algerian economic development. They claim a citizen-based approach in investments made to develop the seafront boulevard, very much appreciated by the population as well as local political authorities.

These strategic choices are reflected in the company’s institutional communication and internal journals such as moral obligations for the company’s managers to adopt with regard to the population of Bejaïa and the small Kabylie,

2. Three Maghreb ports were selected: the Bejaïa Port having for main partners the ports of Marseilles and Barcelona; the Rades Port (Tunisia) and the Port of Agadir (Morocco). The Israeli Port of Haifa was also selected. This project is part of the future Mediterranean Free Exchange Area. It aims at improving maritime inter-modal schemes and trends

to ensure sustainable development integrating safety and environment issues.

3. <http://sogeports.com>

4. First private company and sixth Algerian company in terms of turnover.



the company's partners – collaborators and port professionals – and also with regard to the entire Algerian national community. In a speech given by HBC General Manager on August 25, 2007, we can read the following: “by complying with this policy and adopting the citizenship entrepreneurship, the Bejaïa Harbor Company aims at developing the viability of its activities, increasing its employee's welfare and protecting the community hosting it”.<sup>5</sup>

With reference to the instrumental approach (Table 1.b) and more pragmatically, managers acknowledge in their activity report that certification is before all an instrument to improve the company's performance. They assert that partnership mainly aims at developing synergies of the port's different activities in order to increase traffic in the Bejaïa port and hence HBC performance. They stress that they need support of the local political authorities to bring forward the port's extension project, which will enable them to increase traffic handled by HBC.

While the ethical position is clearly sincere and reveals HBC manager's deep commitment towards their company, territory and country, it is certainly not exempt of economic concerns serving managers' interests. This behavior questions HBC's governance model. We offer to examine this model through theories of corporate governance and of entrenchment.

### **HBC's CSR : from corporate governance to entrenchment**

On the theoretical level, the shareholders and stakeholders have control means to oblige the managers to maximize the

firm's interests, rather than manager's interests. These control means are classified into internal and external control systems which constitute the “corporate governance” (Charreaux, 1997). We point out that these control systems play a limited role in the case of Algeria (2.1.). We continue our analysis by underlining the analytical interest presented by the entrenchment theory with regard to our study (2.2.).

#### **NEED TO GO BEYOND THE CORPORATE GOVERNMENT THEORY...**

In the external system, control is carried out by the legal, political and regulatory environment but also by the market: labour market, goods and services market and the money market which respectively exert a contractual, competitive and counteroffer discipline. In the internal system, monitoring is performed by shareholders, the board of directors, managers, and, directly or indirectly, by stakeholders.

We do not want here not to see to which extent these control systems are exerted in an effective way on HBC managers' behaviour, and or if they can explain the origin of their strategic choices. This approach is useless, otherwise why would corporate governance mechanisms function in this framework, while they are not or almost not implemented with respect to managers of other Algerian public or private companies?

Let us stress that recent works (Oman and *al.*, 2003; Khan, 2004; Meisel, 2004; Ould-Aoudia, 2007; Meisel and Ould Aoudia 2007, 2008), focused on corporate governance and public governance in developing countries, and

**TABLE 1**

<b>HBC's CSR</b>	<b>(a) Ethical justifications</b>	<b>(b) Instrumental justifications</b>
Certification	Respond to expectations of customers (ISO 9001), of Bejaoui community (ISO 14001), and of company's employees (ISO 18001)	Improve the company's performances
Public-private partnership	Create jobs, develop Algerian economy	Develop synergies between the port's activities favorable to the increase of the Bejaïa's port traffic and HBC performances
Development of seafront boulevard	Adopt a citizenship approach, respond to popular expectations, satisfy demand of local political authorities	Rely on local political authorities to advance the port's extension project in order to enable the increase of traffic handles by HBC
Communication	<b>Institutional</b> Managers' moral obligations towards the citizens of Bejaïa, the small Kabylie, national Algerian community partners	<b>Activity Report</b> Instruments at the service of HBC's economic performances

5. <http://www.portdeBejaia.com.dz/epb.htm>

particularly in North African countries. These works stressed the limited efficiency of North African procedures with regard to corporate governance systems, which are still broadly founded on interpersonal and informal relations (relationship-based systems) in opposition to more transparent systems observed in developed countries, and which are more respectful of the legal provisions (rules-based systems), systems where economic and political power makers must account for their acts (accountability). In an extension to this work, Labaronne and Ben Abdelkader, 2008 showed that the companies' external or internal control systems have limited impact on the behaviour of managers of north African companies in general, and Algerian companies in particular. Managers of these companies seem less subjected to disciplinary constraints supposed to control their actions compared to their Central and Eastern European counterparts, taken as a benchmark in the study. Theoretical, legal, political, social-cultural or economic factors are used to explain the specificity of North African governance national systems.

Rather than examining the nature of control systems monitoring HBC managers' action, our objective is to better understand their real engagement motivations in favour of CSR. If disciplinary mechanisms play little or no role in the implementation of CSR strategy, why was this strategy followed? What are the objectives? For which interests? To answer these questions, we suggest looking beyond limits of the corporate governance theory.

In its disciplinary approach, the analysis of the firm as contracts nodes is based on an efficiency principle. Managers' action control mechanisms are supposed to be efficient, as only powerful organisational forms minimizing agency and transaction costs are supposed to survive. Others have to disappear. In this analysis framework, managers' role is reduced to the minimum. Control mechanisms are supposed to be exogenous, and emerge as ways to reduce agency or transaction costs. The choice of control modes is done freely and is binding on leaders who passively undergo them.

This analysis is limited because it neglects the managers' active behaviour in the face of mechanisms that are supposed to control them and discipline their actions. But also because it forsakes the analysis of public actors' behaviour towards "political" decision-making processes which may dispossess them of their control methods used to monitor public companies. However, as managers enjoy a "managerial latitude" to neutralize disciplinary mechanisms and satisfy their utility function (Charreaux, 1996), public actors have a "discretionary capacity" to prevent questioning their statute within public companies and to maximize their objective-based function (Labaronne, 1995, 1997).

Consequently, we believe that a study on CSR in a public company as the HBC, cannot be dissociated from an analysis of the managers' active behaviour and from the positive design of their behaviour as public actors. This step lies within the managerial latitude theory which underlines

managers' active behaviour with regard to the incomplete character of markets and contracts. It is inspired from the theory of public choices (Buchanan and Tullock, 1962; Tollison, 1982) which, in its positive part, tries to explain means implemented by the public actors to neutralize disciplinary mechanisms and to satisfy their utility function.

These two theoretical frames of reference, managerial latitude, public choices, are of interest to us for four reasons. They go beyond the limits pertaining to the corporate governance theory and hence enrich the private/public company's contractual model. They give up the backward looking vision of managers' behaviour to the profit of an active design. They go beyond the normative and exogenous approach by a positive and endogenous approach of managers' real behaviour. They challenge the concept of public actors acting towards collective interest in favour of a public-actors design concerned by maximizing the objectives function.

Contributions of these two reference frames converge to draw the lines of a new explanatory theory of private/public managers' behaviour. This is the entrenchment theory. What does this frame of reference bring to us in the analysis of HBC leaders' managerial choices?

#### ...TO TACKLE THE ENTRENCHMENT QUESTION

The entrenchment theory (Shleifer and Vishny, 1989) focuses on behaviours of managers setting up strategies aiming at reducing risks to be replaced at the head of their company: "they entrench". The interest of this approach is to tackle in an endogenous and positive way the active behaviour of private and public managers. The latter will seek to neutralize disciplinary systems in order to widen their "discretionary latitude".

Means that can be used for entrenchment are multiple. They include idiosyncratic investments, or specific to managers (Shleifer and Vishny, 1989, 1997), informational asymmetry (Stiglitz and Edlin, 1992), the quantity of controlled financial resources (Ravid and Sudit, 1994), the control of human resources (Charreaux, 1996), alienation of some members of the board of directors (Pichard-Stamford, 2000), blocking market mechanisms or exploitation of lawful faults, in particular in the case of transitional economies (Labaronne 1998, 1999). CSR can also represent a lever for this strategy. Why do economists of the school of Chicago consider that the company is liable only with regard to its shareholders and not vis-à-vis other stakeholders? Because they supposed that this increase in the number of interested parties, with opposed expectations was going to scatter managers' objectives, to increase their managerial latitude and hence divert them from fulfilling shareholders' interests.

How can we take the most of the analytical framework of the entrenchment theory in the case of the HBC?

Let us first note that this frame of reference is not really useful in terms “neutralizing disciplinary systems” for reasons we already specified. The systems of control being little or not operative in the Algerian firms, one does not see why the managers of the HBC would seek to neutralize mechanisms of which the effect is limited, or absent on their functions managerial.

In its component “widening the managerial latitude”, this frame of reference seems more interesting. One point must however be clarified. In the literature, business entrenchment strategy has a negative connotation. This strategy would play against shareholders’ interests and would serve only managers’ objectives, seen as opportunistic, or crafty according to Williamson, 1985). This conception is reducing. We do not agree with it. On the one hand, business entrenchment can be a source of efficiency as shown by Castanias and Helfat, 1992 or Garvey and Swan, 1994. These writers stress that the managers’ specific investments, their specific knowledge, their capacities to mobilize financial and human resources represent revenues which benefit the company, the shareholders as well as all stakeholders. Paquerot, 1997 considers that entrenchment may be beneficial, insofar as it enables them to be withdrawn from short term constraints. In addition, managers’ behaviour is not always reduced to opportunism as stated by Joffre, 1999 which shows that this attitude does not reflect the extent and the variety of managerial behaviours which are at the same time richer and more complex than simple opportunism.

If we accept the presence of positive entrenchment, which can be accompanied by an improvement of the company’s performances, and if we admit that opportunism is only one possible managerial behaviour (Donaldson, 1995), the question is to know how HBC’s CSR can be deciphered from of an entrenchment strategy perspective, and what are managers’ objectives by extending their managerial latitude? This question must be put in prospect of the future privatization of Algerian harbour activities.

### From entrenchment to privatization

We suggest that CSR put in place within HBC favouring the extension of managerial latitude would be a managers’ entrenchment strategy (3.1.). The implementation of this strategy could be explained by threats or opportunities for the harbour privatization project (3.2.).

### HBC’s CSR: A MEANS WIDENING THE MANAGERIAL LATITUDE TO THE PROFIT OF AN ENTRENCHMENT STRATEGY?

In the model suggested by Shleifer and Vishny, 1989, entrenchment is carried out through idiosyncratic investments, in that of Stiglitz and Edlin, 1992 through informational asymmetry. An investment is known as idiosyncratic when its value depends on the manager who carried it out. It is specific to the manager. It is in particular the case of intangible investments or those which widen the field of the company’s activity, and whose identification with the manager or his team is strong. Informational asymmetry is an advantage given to managers who control the entire value creation chain. This advantage can lead them to engage investments which “visibility” cannot be easily assessed by shareholders or stakeholders. Here again, the development of intangible investments can fall under this strategy: be them sums devoted for the search of “Western partners”, the design of “marketing plans”, the implementation of new technical processes, adapted to Western standards, or the installation of new distribution circuits.

In the case of HBC, the company’s managers developed then accumulated specific know-how which conferred them with a strong technical and operational legitimacy vis-à-vis shareholders and stakeholders. They seem best placed to have a prospective vision on the development of the port of Bejaïa’s different activities. The strategic choices that they engaged are clearly assigned to them: they defined and imposed them. They fully assume their paternity and responsibility. The identification of these choices to HBC leaders is strong<sup>6</sup>.

Investments they made to obtain triple certification, to look for partnerships with private companies and to develop the seafront boulevard can be considered intangible investments. They widen the company’s field of activity and are characterized by an “eye-bird vision” which is not necessarily obvious to concerned official authorities (only stakeholder) and stakeholders.

Moreover, HBC turnover (growing by + 22% in 2008 compared to 2007, for example) enables the company’s managers to self-financing most of investments without resorting to public subsidies or to the financial participation of its main shareholder, Sogeports. We know that an organization’s vulnerability stems from its need for resources and from the fact that these resources are controlled by its environment. Pfeffer, 1981 worked out the dependence theory by stressing the fact that power within a company is held by players who are able to bring financial or human resources that are essential to the operation of the organization and

6. In a recent poll conducted with all HBC employees, the answer to the question: “is the quality objectives definition process based on a formal procedure along with imposed quality objectives or on a real and voluntary discussion?” , 70% of surveyed employees chose

the first answer while 30% chose the second. To the question: “is the leadership style applied by your supervisors autocratic, democratic or participatory?” 69% chose the first answer while 31% chose the second (Meziani, 2009).

that cannot easily be substituted<sup>7</sup>. Self-financing, like HBC's recruitment model, founded on competences, is the best means to avoid financial pressure exercised by banks, the official authority and stakeholders, but also prevent political pressures which pay subsidies in exchange of benevolent recruiting. This approach joins the analysis which melts the managerial capacity on the quantity of financial (Ravid and Sudit, 1994) or human (Charreaux, 1996) resources controlled by managers.

While HBC managers skilfully composed their board of directors by associating men and women who are favourable to their strategic choices and totally backing the HBC mission<sup>8</sup>, they could also anticipate some legal reforms made in Algeria. They were the first to conclude with difficulty an exploitation concession of a harbour public space by a private company. This practice is today spreading throughout Algerian ports. Pioneers in the field of public-private partnerships in port activities they were the first to create a joint-venture with a foreign firm. They held the majority (51%) of the corporate capital of a new entity created in 2005 (BTM), where the Algiers Port Company, EPAL, obtained, in 2008, 50% only in a joint venture created with Dubai World Port. This had been made before Algerian authorities decided, at the end of December 2008, that national shareholding will have to be henceforth a majority in joint-ventures created with foreign companies, in all different businesses.

We have just suggested that HBC managers' strategic choices in favour of CSR enabled them to extend their managerial latitude. These choices can be assimilated with "entrenchment choices". We objected the idea that this approach could serve the interest of the company, its shareholder and stakeholders. We still need to understand why HBC managers engaged such choices which extended their managerial latitude.

#### **AN INCREASE IN MANAGERIAL LATITUDE: WHICH OBJECTIVE, PRIVATIZATION?**

Cultural and political reasons could be considered to explain HBC manager's desire to increase their managerial latitude. Bejaïa is a town of science, of history and of a great culture<sup>9</sup>. It is located in the heart of the Small Kabylie, renown for being a development land for Algerian

businessmen, and for being the most independent and rebellious Algerian wilaya against the central political power<sup>10</sup>. In this ethno-cultural vision, one would consider that HBC managers seek an increase of their discretionary space for at least four reasons.

- To affirm their managerial independence and obtain financial autonomy with regard to Sogeports, in order to release themselves from the public supervision of Algiers, for relations are often stressed.
- To avoid administrative, financial or political conflicts with the Official Authority in order to preserve the company's interests and to develop the activity of the port of Bejaïa and of its hinterland, according to regional constraints and concerns.
- To show managerial capacity and affirm an operational superiority, expressing the entrepreneurship aptitudes of great Kabylean managers.
- To claim leadership on the business of the port and to develop a "bottom-up logic": if reforms do not come from top "top down", i.e. from Algiers or the central power, show that managers, originating from the Kabyle civil society, are capable in an ascending logic to improve the sector, considered to be sensitive as it can easily be affected by changes, starting from regional, original and successful initiatives (certification, public-private partnership).

These factors of ethnological nature can explain part of HBC managers' behaviour. While they are necessary to understand their strategic choices, they remain insufficient in this explanatory approach. Economic considerations, which maximise the objectives function of HBC managers, must also be considered.

This assertion is made with the perspective of privatizing harbour activities in the Maghreb, and in Algeria in particular. In accordance with provisions of article 892 of the Algerian Maritime law (issued on June 28, 1998), commercial harbour activities are eligible for competition and privatization. This concerns handling<sup>11</sup>, lighterage<sup>12</sup> and towing<sup>13</sup> which can be exerted by any individual of Algerian nationality or any legal entity of Algerian right.

We said that mechanisms used to monitor managers' actions play a limited role in Algeria and do not currently con-

7. The dependence theory towards resources is also mobilized in the CSR economic conceptual framework (Capron and Quairel-Lanoizel, 2007).

8. Including Union representatives, mostly perceived by HBC employees as "in-house representatives" defending more the company than its employees (Meziani, 2009).

9. Its university is the only one in Algeria to offer all courses and programs in French. It thereby marks its originality and independence with regard to the Arabization phenomenon of university studies.

10. A Wilaya is a regional administrative district in Algeria. In the last presidential elections held in 2009, while the national participation rate was 74.54%, the rate of Bejaïa was 29%, which is the country's lowest.

11. They include operations of loading, stowage, breaking out, and the unloading of goods, and the storage and lifting operations of goods from open areas or in warehouses (including containers' terminal and dry ports).

12. These operations include reception, counting, and on the ground recognition of loaded or unloaded merchandise as well as their security until their uploading or delivery to addressees.

13. Towing is pushing or pulling vessels, berthing, offsetting, and getting underway operations, driving ships away, and assistance in the execution of other vessel navigation operations.



stitute any threat against managerial functions, in particular for HBC managers. However, the future is likely to be more dubious once competition between public and private companies will be exerted on the same harbour platform, as it is the case in Morocco and Tunisia, after privatizations are made.

The privatization of harbour activities in Algeria is *de jure* since 1998. We note here that this was precisely the year when HBC managers started to engage their strategic choices in favour of CSR. When it will be a *de facto* privatization, it will lead to the removal of all institutional prerogatives held by whole public managers. Today, they enjoy *usus* and *usus fructus*, but not *abusus* on harbour public assets. In this context, implementing privatization could face two types of reactions on the part of whole managers:

- A live opposition, which will result in a strong resistance among hostile managers for the loss of power within their public company or who will not want to comply with a disciplined behaviour. Interest groups will be formed to oppose attempts for the companies' external or internal control, and which would result from the privatization of harbour public companies.
- An honest adherence which will be reflected in the prompt acceptance of managers who, will adapt ownership rights and hence prevent attempts for the external control of public companies. They will benefit from privatization to preserve their old internal audit and decision-making authority within their company.

What could be the specific attitude of HBC managers at the implementation of a privatization policy? Wouldn't their strategic choices through their CSR policy give them decisive advantages which can serve their utility function? Three cases are possible according to whether they adopt a fierce hostile behaviour, a strained submission or a proactive adherence.

- If they are hostile towards this policy, they will be able to show that a public company can be as well managed and as efficient as a private company. There is no reason under these conditions, except for "ideological" reasons to transfer its assets to the private sector and to dispossess the community of its benefit. They will be able to mobilize their stakeholders and to profit from their "social networks" to make pressure on authorities in order to disqualify privatizations and to develop HBC's public character: would a private company have developed the seafront boulevard? Would short-term profit requirements of a capitalist company be compatible with the citizenship approach benefiting the entire population? Let us bet that the Bejaoui community mobilized by HBC managers will gather to bring negative answers to these questions and will commit to defend «its» harbour company. At the national level, HBC managers seem to be leaders in terms of harbour management. Their voice is heard beyond the wilaya of Bejaïa. No decision can be made without these managers

being associated and without them defending the managerial values in which they believe. If they are firmly opposed to the privatization process, it will undoubtedly be very hard to impose it in the country.

- If they are not favourable to privatization but constrained to be subjected to it, they may consider remaining within HBC as leaders of a managerial company with a private statute. Their «entrenchment choices» will justify or force shareholders to maintain them at the head of the company. Their strategic choices are idiosyncratic, strongly identified with them as individuals. Replacing them would be costly for new buyers and would be likely to involve a loss in the value of the privatized assets, a loss which would follow their departure. Their managerial initiative capacities plead in their favour and do not justify that it is necessary for new owners to replace them. The more so as the managers' market is still narrow in Algeria, and that the nursery for powerful managers in the harbour industry remains limited. This analysis agrees with the one made at the time of the transition of Central and Eastern European economies towards the market economy. Many writers noted the extent of the reorganization of public companies at the beginning of transition. They explained this phenomenon by public managers' behaviour who were worried about their career plans. That had led them to improve their companies' performance with an aim of building a reputation of good managers and preserving chances to maintain their managerial functions after privatization (Pinto and *al.*, 1993; Bouin and Grosfeld, 1995; Grosfeld and Roland, 1997; Shleifer and Vasiliev, 1996; Konings and Repkin, 1998).
- If they are favourable, or even proactive in the privatization process of their company, HBC managers will profit from a strong informational asymmetry. They are the only or rare players to know the extent of the field of activity of their company, to control the entire chain of value creation, to have a vision of its development, to control the source and the dissemination of information, to identify the most or the least profitable activities. These informational advantages enable them to identify activities that may be privatized, which they know better than anybody, will be the most powerful in the near future. Their CSR policy, expressed and instrumental, will have sent "signals" on the quality of their management. They may hope that their messages are collected by public or private banks, domestic or foreign, so that they help them to finance the acquisition of all or part of the corporate capital of powerful entities transferred to the private sector.

Holding the information and enjoying financial supports, with regard to their managerial initiatives, they will be able to diligently and even actively take part in the privatization process and concretely show that this process is a success. This can be assessed based on performances of

the new private entity. These performances will result less from the change of the HBC statute (public *versus* private), and more of the “cherry picking” effect which will benefit the new private entity. This effect plays when the most powerful public companies (“cherries on the cake”) are privatized in first, the least powerful remaining in the public sector (Labaronne, 2002). Performances of the new private entity will be all the more high since efforts of HBC reorganization before its privatization will have been significant and will have succeeded. In the credible perspective of the privatization of harbour companies, the role of HBC managers can be to anticipate this evolution and to prepare their company for this term. This type of behaviour was formalized in the models of Aghion, Blanchard and Burgess, 1994 or Aghion and Blanchard, 1996 which were interested in the behaviour of managers during the pre-privatization of the public firms in Eastern Europe. These authors show that the hopes of public managers to obtain corporate shares in their company, once this one privatized, were strong incentives for the reorganization of public firms. Roland and Sekkat, 2000 worked out a model in which the anticipation of public firms’ privatization encourages their managers to restructure them, to improve their performances and to be held ready to take part in the acquisition of their corporate shares their assets are transferred to the private sector.

Having shown their managerial capacity in the management of a public company, one can think that HBC managers will be able to maintain a high level standard and managerial competence within the framework of a new entity of which they would have become owners or joint owners (with all other HBC employees). Let us consider that privatization method of harbour activities in Algeria favour the repurchase of the company by its managers and employees (management and employee buyout - MEBO -). The implementation of CSR within HBC will have required mobilization and efforts of the company’s various collaborators. It will have been reflected in increasing the company’s performance. Because of the “cherry picking” effect, HBC could be one of the first harbour companies to be privatized. Under these conditions, one can suggest that the transfer of assets using the MEBO method, would reward the results of the CSR policy<sup>14</sup>. To some extent we would be in the presence of a CSR (RSE in french) put at the service of an MEBO method (RES, in french) which would benefit all, managers as well as collaborators, who forged the HBC identity.

## Conclusion

In this work we were interested in the strategic choices of the managers of an Algerian public company. These choices are incarnated in a CSR policy: certification, public-private

partnerships, citizenship-oriented investment. We tried to understand what incited managers of this company to take this route. We proposed to interpret their managerial choices as business entrenchment choices. We suggested that this strategy was likely to put them in a favourable position the day when privatization of the harbour activities in Algeria will become real.

The limits of this approach are at least twofold. On the one hand, we adopted CSR economic conceptual framework by forsaking the sociological framework. Our contractual theory approach, of stakeholders, the company’s corporate governance body and entrenchment could usefully have been supplemented by socio-institutional theories. We could therefore have looked further into analyzing managers’ behaviour by taking more in consideration laws, values and culture which determine their actions and explain their behaviour. In addition, we privileged in our design the efficiency of the company, through the contractual approach, disciplinary currents (and means of circumventing this discipline through entrenchment). We somewhat disregarded the cognitive trend. We could have insisted more on the role of manager’s knowledge in terms of HBC performance. The firm is not only contracts nodes; it is also a set of resources and an entity to accumulate knowledge guided by the vision of its managers, depending on their acquired experience (Charreaux, 2006; Kaplan and *al.*, 2001).

These limits call upon us to further carry out our research task. The purpose would be, in an interdisciplinary vision, of an economic and sociological nature, associating disciplinary and cognitive trends, but also in a comparative approach studying the behaviour of North African managers engaged in CSR, to look further into our analysis of the role played by privatization in inciting managers to implement a CSR strategy in the Maghreb. If our case study applied to HBC enabled us to open some lines of thought in this perspective, and can constitute the contribution of this work, we should extend our research by diversifying our theoretical reference frames and our fields of empirical studies.

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14. The French-speaking authors exploit the words by using abbreviations RSE (responsabilité sociale des entreprises, CSR in english) and RES (Rachat de l’entreprise par ses salariés, MEBO in english).

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