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Internal Governance Mechanisms and Value Creation of the Company: A Study of Large and Small and Medium Enterprises in Cameroon

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Abstract

This study seeks to highlight the relationship between the various control and incentives measures established within companies and the wealth created by them in the Cameroonian context. We overall studied using quantitative method, and then separated these measures into small and medium enterprises, and large enterprises through a sample size of 72 structures and four assumptions. Results reflect a significant relationship between the presence of independent directors on the Board of Directors and the overall business value of companies. A significant relationship was also highlighted between concentrated structures and profitability. Therefore this concludes to a positive influence between financial incentives granted to executives and the shareholder value thereof. This thus validates three of the four hypotheses stated earlier.

Keywords: board of directors, financial incentives, governance, ownership structure, shareholding, value

1. Introduction

The concepts of governance and control are becoming more essential in the global economic environment. Media coverage of behavioral findings clearly "deviant" from some leaders and especially their "logical" consequences such as the recurrent financial scandals of Enron (2001), WorldCom (2002) in the U.S. and other Parmalat (2003) in Italy, several countries-even some developing countries–are indispensable to the rules of this notion. In Cameroon, the disappointments of the business fabric led to privatization cascade (Camair, Sonel, Snec, Regiefercam, etc...). This is the manifestation of the problem in this country. Bankruptcy filings and corporate receiverships are increasingly numerous (Note 1) and especially the revocation and convocation of many leaders of public and parastatal (Note 2) companies in courts are recurring in this country and which clearly reinforces this need for governance culture and justify reflections on maximizing and securing the created value assigned to it.

Given that they are able to overcome the various mechanisms establish to control them, business leaders are able to assign income at the expense of shareholders and other business partners (Bancel, 1997), which revives the need of control in these structures. The economy of Cameroon as those of the majority of African countries lacks fully operational financial market. Consequently, it obeys to a particular politics of governance.

It makes external infusions of growth difficult such as mergers, acquisitions, or even takeovers. The labor market for executives is almost nonexistent and that of goods and services doesn't play its role as censor of companies. These various institutions which externally define the governance policy cannot therefore have a significant impact on it, much less on its value creation. This leads us to analyze the relationship between the different internal governance measures and value creation of companies in this country- a study carried out on large and SMEs. This study will be focused on the relationship between internal governance mechanisms and the creation of value within firms (I). The second point shows the work methodology and the third presents the results established.

2. Internal Governance Mechanisms and Value Creation in Companies: the Theoretical Debates

Governance mechanisms are internal means to the company which aim at disciplining leaders to act in the interests of shareholders. Charreaux (1997) proposed an analytical framework to classify all mechanisms likely to play a role in corporate governance according to two criteria: the intentionality of the mechanism and its specific character. According to this classification, it appears a number of instruments fall within the politic of

internal mechanisms. We shall present in this work the Board of Directors, (BD), the structure of ownership, employee share ownership and incentives measures.

2.1 The Board of Directors

When governance is approached in the literature, the first thought goes to the BD (Marsal and Bouaiss 2007; Charreaux, 1997). Thus, it is perceived as the fundamental way to implement the adopted governance approach. Therefore, it is even more essential that it is the natural equilibrum between leaders-managers of the organization and outside interests. Fama (1980) and Fama and Jensen (1983) attribute two main functions to the BD: to review and ratify the long-term investment decisions and monitor the performance of senior executives. To achieve these objectives, this body must have an adequate composition and organization. Going further, Fama (1980) suggests insertion of external directors (since they do not exercise managerial position in the company) to improve the independence and quality control incidentally.

Also, Cotter et al. (1997) (Note 3) conclude that the increase in shareholder dividends is conditioned by the strong presence of independent directors. Lin et al. (2009) similarly note that companies governance through its mechanisms intervenes to neutralize the agency costs, to protect the interests of all stakeholders, allow shareholders to increase their return on investment and therefore to achieve high performance. Moreover, Schiehll and Bellavance (2009) argue that independent directors better promote value creation within companies unlike interns. The synthesis of this work has allowed us to state the first hypothesis of this research, namely: "There *is a positive relationship between the presence of independent directors on the BD and value creation in companies*".

2.2 Ownership Structure

Several measures leading to the increase in value of the company are established by governance. The ownership structure that is among them through the concentration of capital is essential to achieving this objective role. Indeed, Mayéglè (2009, 2010) argues that ownership concentration is conducive to the exercise of an effective control by shareholders. A shareholder who holds a significant stake in the company is prompted to invest in the management control of the firm because he will own a substantial share of the additional profit. In Cameroon, this configuration can be attributed to SMEs whose direction is often provided by a single man who is the owner or the main shareholder. Therefore, he leads a prudent management of the company for the backup control and his majority shareholder position. He has an aversion to an opening of the capital which leads to a dilution of shareholding (Colot & Croquet, 2007).

In contrast, in a firm where ownership is widely dispersed, it is very difficult for any shareholder to commit resources to exercise control over management. Given that this action will benefit all owners and / or business partners. For this purpose, Hoskisson et al. (1991) argue that a dispersed ownership structure implies a low capital control from shareholders, allowing the leader to implement his strategy without any restriction and in areas that promote his personal benefits.

Several studies have focused on this phenomenon. For example, Shleifer and Vishny (1986), André and Schiell (2004) highlight a positive influence of the presence of a principal shareholder on firm performance. Through his study of the family business, Ross (1977) (Note 4) argues that the concentration of capital in the family group has a positive impact on the value of the company.

On another level, Agrawal and Mandelker (1990) support the hypothesis proposed by Shleifer and Vishny (1986) stating that the existence of large shareholders leads to better monitoring of managers and better performance. This is found when the property is concentrated in the hands of institutional investors. In the case of Japan, Kaplan and Minton (1994), Nakamura et al. (2000) confirm the disciplinary role played by large shareholders. Gorton and Schmid (2000) empirically corroborate this prediction, showing that the value of German firms improves when the concentration of ownership increases. In the case of China, Chen (2001), examining the relationship between ownership structure and firm's value shows a strong positive relationship between a concentrated ownership and the value of the firm.

In the case of Cameroon, Feudjo (2006)—who worked on family businesses-shows that ownership of these family businesses is highly concentrated and is held in most cases either by one person or by the first five shareholders. It thus positively impacts the profitability and the maximization of the family patrimony. In conclusion of these results, we can assume that the way the capital is left in a company determines the control exercise on the management of the latter and at the same time has an influence on its results. This led to the formulation of the second hypothesis of this research, namely "*The more the ownership structure of a business is concentrated, the more profitable it is*".

2.3 Employee Ownership

The partnership approach of the firm expresses the desire for a balance between the interests of the various partners of the firm, this is to all those who incur a risk regarding the products of its activities so that the value will be appreciated more widely across a plural vision of the company (Charreaux and Desbrières 1998; Bughin, 2004; Mayéglè, 2010). This new scheme should result in a better distribution of the income benefit to all partners, particularly to employees who have specific skills (Poulain- Rehm, 2002). Indeed, the practice of employee ownership is the willingness to involve employees in the economic and financial performance of the firm. It covers all policies done by companies to allow their employees to become shareholders of their company through an organized, widespread and voluntary process. It is organized, because governed by precise, generalized rules, it is open to all non-executive employees and volunteers since employees adhere freely (Trebucq, 2002).

Work that has been done on the subject highlights the impact of this practice on the performance of the firm. Desbrières (1997), Arcimoles and Brillet (2000) show that though positive, the relationship between the presence of employee ownership and economic performance is generally uncertain. Thus employee ownership seems more appropriate to control the sources of conflict than the future adjustments of the level of remuneration. For Andrew and Schiell (2004), they globally show a positive influence of the presence of a principal shareholder on firm performance.

Although Hirigoyen (1997) confers to the shareholding a humanistic character i.e., "*A valuing technique of the person and an instrument of performance*" Charreaux (1998) introduced an innovating concept to explain the legitimacy of shareholding: *trust*. He notes that trust invites to an overrun of behavioral hypothesis of opportunism that dominates mainly both the finance and the control. Resulting in "the creation of a climate of trust, which is the collective property of the firm and the different partners"; trust contributes in the creation of stakeholder value. It relaxes, including control constraints and lowers the cost of control mechanisms installed by the different partners.

However studies have shown that on a sample of a hundred French companies, found an overall improvement in performance, provided that the level of shareholding remains modest. He demonstrates that companies which had distributed a substantial stake to their employees appear less efficient than others. In the U.S. contests, Kruse (1992) (Note 5) also stresses that employee shareholder practiced in the American companies has a positive impact on productivity, even if it is less than the profit-sharing formulas.

Following the foregoing works, Poulain- Rehm (2002) argues that employee shareholding plays a bicephalous role: formally, by the employee's participation in representative and decision-making bodies of the firm and informally, by the establishment of a trust scheme to contribute to the creation of stakeholder value. This induces the third hypothesis stated as "*There is a relationship between the employee shareholding and the partnership business value*".

2.4 Financial Incentives for Managers

According to the agency's theory, conflicts of interest result from differences between the work environment, the assumed risk and the payment level desired by managers and shareholders (Byrd et al., 1999). The reduction of these conflicts inevitably involves the satisfaction of the interests of all the forces present. Thus, the manager may consequently be given advantages that allow him to combine his utility function to the shareholder, or to that of all other partners.

Amihud and Lev (1981), Fama (1980) believe that the holding of stake by the manager lead to the achievement of this goal–as they argue—because that allows the manager to bear the consequences of decisions harmful to the company and to enjoy those that increase the value . This participation to the capital should not neither be negligible, avoiding the manager to adopts a behavior that essentially aims to protect his human capital rather than his financial one (Amihud & Lev, 1999; Denis et al., 1997; May 1995) nor very important, because as suggested by Johnson et al. (1993), the larger the share capital of the manager, the higher the manager will feel emancipated from the control of shareholders and the more he will be likely to establish himself (Jarboui , 2008).

Mehran (1995) (Note 6) shows that companies in which the payment of managers is related to their performance (particularly in the form of share ownership and stock options) have a significantly greater performance regardless of the performance measure. However, the payment of the Central Executive Officer is linked to the managers' payment, which is itself a predictor of the financial performance.

According to Jensen and Murphy (1990), the alignment of the interests of managers with those of shareholders is not achieved by the direct payment itself, but much more by the holding of shares or stock options. However,

Cormier et al. (1999) reveal on a sample of Canadian firms that the impact of amounts allocated on the stock performance decays over a relatively short period of time.

André and Schiehll (2004) argued that conflicts of interest between shareholders and managers tend to reduced significantly since the compensation or payment plans are linked to the companies' performance. They develop the following reasoning: the stronger the relationship between incentive compensation and firm performance, the greater the relationship between incentive payment and the companies' performance, the greater the incitement for leaders to exercise a productive effort in accordance with the objectives of the shareholders.

These developments follow those of Desbrières et al. (2000) (Note 7) who find that choosing a compensation structure encouraging managers to take more risk, such as the granting of stock options and/or cash bonuses contributes to increase the value created and support the following fourth hypothesis: "*The financial incentives for the manager have a positive impact on shareholder value creation in companies*".

These theoretical developments have guided the development of hypotheses that have been set. Cameroon's economic environment has its peculiarities, where its principal is its informality. The second point of this research will present the methodological approach that guided the verification of assumptions made and the path followed.

3. Methodology

This section defines the population studied and leads measuring variables. It also presents the analytical tools and sample characteristics.

3.1 The Studied Population

This research aims to highlight the influence of internal governance mechanisms on value creation within companies. The population concerned is that of Small and Medium Enterprises and Large Enterprises with a Board of Directors. It focuses on companies located in the cities of Douala and Yaoundé. The choice of these two cities is also justified by the fact that they are respectively the economic and political capital of Cameroon, in addition to that, they are the main economic centers of the country and count more than 60 % of companies (Note 8). The statistical population numbered is the basis sampling of this work. Our population of study consists of all enterprises employing more than forty people and working with a Board of Directors.

We administered a total of 152 questionnaires; among these, 94 were collected, giving a response rate of 61.84%; 72 questionnaires were found usable after screening.

3.2 Measurement of Variables

The variables used are compiled into two groups: on one hand, the variables related to internal governance mechanisms and on the other hand, those related to the value creation in companies. The concepts with no directly measurable aspects - mainly those related to value creation are defined by items. These are measured by ordinal scales. The 3 points Likert's scale was used for this purpose. It measures the degree of agreement or disagreement of a proposal, the effectiveness of another. The items used are mainly from the literature on the research topic.

3.2.1 The Variables Relating to the Internal Governance Mechanisms

The internal governance mechanisms studied are four. They are as far as the associated variables, in the following Table 1.

Table 1. Internal governance mechanisms and the associated variables

<table>
<tr><td>The composition of Board of Directors</td><td colspan="2">The presence of independent directors</td></tr>
<tr><td rowspan="2">The concentration of capital</td><td colspan="2">The total number of shareholders of the company</td></tr>
<tr><td colspan="2">The percentage of capital of the largest shareholder</td></tr>
<tr><td rowspan="5">The variables linked to the Financial incentives</td><td rowspan="4">The existence of incentives</td><td>Indexed compensation</td></tr>
<tr><td>Stocks options</td></tr>
<tr><td>Bonuses and grants</td></tr>
<tr><td>Distribution of shares</td></tr>
<tr><td colspan="2">The frequency of granting incentives</td></tr>
<tr><td rowspan="3">The variables related to the employee shareholders</td><td colspan="2">The existence of employee shareholders</td></tr>
<tr><td colspan="2">The percentage of employee shareholders</td></tr>
<tr><td colspan="2">The proportion capital held by employee shareholders</td></tr>
</table>

3.2.2. Variables Related to the Creation of Value within the Company

The creation of value within the company has been apprehended through four variables: the dividend distribution, frequency distribution and especially by two Likert's scales at three points which respectively measure shareholder and partnership values.

3.3 Analysis and Sample Characteristics Tools

The four hypotheses were tested using the sorting flat, scoring method, the chi-square test, comparison of means test and multiple regressions. These analyzes were performed using SPSS software.

On a sample of 72 companies, 55.6% are SMEs that is 40 companies, and 44.6% or 32 companies are considered large. Among these, we can clearly perceive the dominance of Limited Companies representing 70.83% of the companies (77.5% of SMEs and 62.5% of Large Enterprises). Public companies represent 5.5%, parastatals, 11.11% and 12.5% Economic Interest Group sample. These companies are found in three areas of activity but we note a strong concentration in the tertiary sector, whether from SMEs or from Large Enterprises. Thus 65.5% of firms in the sample belong to the tertiary sector; 22.22 % in the secondary sector and 12.5% in the primary sector.

The distribution of firms by revenue is as follows: 71.9% of Large Enterprises have revenues greater than $ 1 billion against 7.5% in SMEs. In addition, the section of revenues most occupied by SMEs is that which goes from 100 million to 1 billion, it has 55 % of them. One Large Enterprise has a turnover of less than CFAF 300 million. Three SMEs have revenue in excess of one billion. Moreover, the vast majority of companies were created after 2000; they alone represent 65.5% of the sample. Indeed, 65% of SMEs and 59.4% of companies were created in the 21st century. Only 12.5% of Large Enterprises and 17.5% of SMEs were created since the 1980s.

We realize that the combination of function of the general manager and the president of board of directors is much more present in the large enterprises, only 59.4% against 37.5% in SMEs. On 34 companies that practice a combination of function, 55.89% or 19 companies are large enterprises. In addition, the majority are family; that is 40 out of 72 companies. 23 companies or 31.94% belong to a single individual. Only 3 companies in the sample belong to the state. Finally, it is clear from the study that 58.33% or 42 companies of the businesses are run by a shareholder. Among these, there are 29 SMEs and only 13 large enterprises. We can therefore conclude that the SMEs in the sample are mostly managed by the shareholders compare to large enterprises, as we note that 72.5% of SMEs have a shareholder as manager while only 40.6% of large enterprises are managed by a shareholder.

4. Results

This work aims to highlight the links between governance mechanisms at the domestic level and the creation of value within the company, but also to evaluate these relationships in both SMEs and Large Enterprises. This section examines the results from different statistical tests used. We first test the hypothesis globally and then we do a test (the second one) to see what happens in the two subgroups of SMEs and Large Enterprise in order to achieve or make meaningful comparisons (see table 2 below).

Table 2. Results of the tests of the four hypotheses

Hypotheses	X^2 cal.	Dll	Prob.	Phi	C
H1	**43.690**	**1**	**0.000**	**0.779**	**0.615**
SME	28.819	1	0.000	0.849	0.647
LE	14.514	1	0.000	0.614	0.559
H2	**0.296**	**1**	**0.586**	**0.064**	**0.064**
H3	**20.196**	1	**0.033**	**0.530**	**0.468**
SME	12.379	1	0.000	0.556	0.486
LE	7.428	1	0.006	0.482	0.434
H4	**0.622**	1	**0.430**	**0.112**	**0.114**
SME	2.654	1	0.103	0.340	0.322
LE	3.962	1	0.047	0.406	0.376

Note. **H1**, **H2**, **H3** and **H4** = hypothesis 1, 2, 3 and 4; **Dll** = degree of freedom; **Prob =** probability; **X^2 cal.** = calculated chi-square.

4.1 The Impact of Control Mechanisms on Value Creation within Companies

4.1.1 Analysis of the Links between the Composition of the Board and Value Creation in Companies

This hypothesis is tested from the idea that the presence of independent directors in the Board plays an important role on the spur of the value creation in companies. Of the 38 companies that have independent directors in their board, 33 or 86.8% have a high overall value creation and 5 show only a small increase in the value created. In addition, 34 companies have no independent directors; among which, there are up to 91.2% or 31 companies that have a low overall value increase. Only three of them (8.8%) have a high value increase.

The chi-square test with 1 degree of freedom gives a calculated value of 43.690. This creation of high value is well above the threshold of 3.841. In addition, the probability of significance is very good; that is 0.000. This expresses the existence of a strong relationship between the presence of independent directors and value creation in companies. This relationship is confirmed by intensive Phi coefficient which shows a value of 0.779 and the contingency coefficient which has a value of 0615, representing an acceptable level of correlation. All these coefficients are highly significant; their significance is 0.000.

These results confirm the existence of a significant relationship and high intensity between the two variables studied. They follow those of Cotter et al. (1997) who concluded that the increase in shareholder dividends is conditioned by the strong presence of independent directors. Lin et al. (2009) came to similar conclusions when they pointed out that corporate governance through its mechanisms intervene to neutralize the agency costs , protect the interests of all stakeholders, allow shareholders to increase their return on investment and achieve high performance.

4.1.2 The Relationship between the Ownership Structure of the Company and Profitability through Increasing the Value Created

The basis for this assumption is that a company is more profitable and therefore creates value, that its capital structure is concentrated. To this, a chi-square test was performed to verify the relationship between ownership structure and value creation. This gives a value of 20.196, well above the significant theoretical value threshold of 3.3%. This already gives information about an association between the two variables. Phi whose value is 0.530 informs us on the acceptable significant association between the two variables. The contingency coefficient with a value of 0.468 concludes on an average degree of association. Both coefficients show a significant association with threshold 3.3% between the two variables.

Besides this association established by this research, the comparison of means has an average return of 5.08 for concentrated structures and an average profitability of 3.79 for diffuse structures; a difference of means of 1.285 . The mean difference is significant at 0.000. This means that concentrated structures generate more revenue than diffuse structures and validates the second hypothesis.

In a study made in Cameroon in 2006, Feudjo showed that the ownership of family firms which is highly concentrated and is owned by one person or by the top five shareholders positively influences the profitability and the maximization of family heritage.

The two values of X^2 (SMEs and Large Enterprise) are high and above the theoretical X^2. However, the X^2 registered in the group of SMEs is higher than that of Large Enterprise. We can nevertheless say that there is a relationship between the two variables in the two groups of companies. This is confirmed by the Phi coefficients of the two groups. There is an acceptable correlation in SMEs (Phi = 0.556) whereas in Large Enterprise, the correlation is only moderate (Phi = 0.482). These correlations are significant at 1%.

The presence of a relationship between the two groups of firms is better confirmed with the mean comparison test experimented in these two groups. This Levene's test has a value in the Small and Medium Enterprises group which is (F = 1.931); but it appears that this value is not significant (0.173). We thus carryout the t-test for equality of mean in the case of equal variances. This t-test has a value of 3.648 and is significant at 0.001. The test being very significant, we proceed to the rejection of H0 which states that there is no link between the variables and conclude that there is a relationship between the variables studied in the group of Small and Medium Enterprises.

Regarding the group of Large Enterprise, Levene's test gives a calculated F value of 0.212, but this is not significant because the probability of significance is equal to 0.649. The non-significance of Levene's test leads to a t-test for equal variances. The value of t in this case is 2.238 and it is significant at 3.5 %. The significance of the t-test (acceptable) enables one to conclude on a relationship between profitability (through value creation) and ownership structure.

From the different tests, we can say that the more the ownership structure of a company is concentrated, the more it creates value, because the difference of means is significantly different from zero, although this connection is a slightly more intense in SMEs than in LEs.

4.2 The Impact of Incentives on Value Creation in the Company

4.2.1 The Link between Employee Shareholding and the Creation of Stakeholder Value

This section is designed to test the third hypothesis of this research; "There is a link between the employee shareholding and the creation of stakeholder value in companies". With this assumption, it should be understood that when a company provides an opportunity for its employees to become shareholders it creates in them a certainly emulation and motivation, resulting in increased performance.

In the sample, 47 companies practice policy ownership. Of these, only 10 have a significant share, that is to say greater than 3%. The other 78.7% had a non-significant practice of ownership. Of the 37 companies with a non-significant practice of ownership, 20 have an increase in low stakeholder value and 17 companies have a high increase of value. Six of the ten companies involved in a significant ownership policy have a high increase in stakeholder value.

The X^2 from this distribution shows a value of 0.622; this value is less than the theoretical value of 3.84. Moreover, its significance is high (0.430), thus concluding in a lack of relationship between the two variables studied. The Phi and contingency coefficients whose values are low (less than 0.2) are far from being significant, their significance level is 43%.

This leads to a conclusion that invalidates one of these hypotheses. This conclusion is consistent with the work of Trébucq (2002), even if it contradicts those of other authors found in the literature. Indeed, Trébucq (2002) shows that employee shareholding is exploited for the purpose of family roots, without affecting the value of the company, while some authors find a relationship between these two variables, on condition that the level of ownership is not high. Desbrières (1997) and Arcimoles & Brillet (2000) also show that the relationship between the presence of employee shareholding and economic performance, while positive, are generally uncertain.

4.2.3 Influence of the Frequency of Offering Financial Incentives on the Creation of Shareholder Value

The objective here is to highlight the influence of financial incentives on the creation of shareholder value in companies. The principal component analysis of the frequency of financial incentives, which is the independent variable, revealed the existence of two factors we qualified. These are "cash incentives" and " action incentives. " As for the dependent variable, we use the score of the creation of shareholding value.

The hypothesis for this is thus: "Financial incentives for managers have a positive impact on the creation of shareholding value of companies". The following tables provide information about the multiple regression test, carried out in order to verify if there is an influence of incentives on creating shareholding value:

Table 3. Summary of models

Model	R	R-2	adjusted R-2	Estimation standard error	Changes in statistics				
					Variation of R-2	Variation of F	ddl1	ddl2	Sig. Variation of F
1	0.484[a]	0.235	0.212	1.795	0.235	10.569	2	69	0.000

Note. a. Predicted value: (constants), cash incentives, actions incentives.

Table 4. Coefficients[a]

Model		Non-standardized Coefficients		Standardized Coefficients	t	Sig.
		A	Standard error	Beta		
1	(Constant)	8.347	0.212		39.466	0.000
	Cash incentives	0.938	0.213	0.464	4.402	0.000
	Action incentives	0.283	0.213	0.140	1.327	0.019

Note. a. Dependent Variable: Score of shareholding value.

The above table shows values of R-2 and low adjusted R-2, but slightly greater than 20 %. This reflects an average quality of fit. The adjusted R-2 whose value is 0.212 reflects the fact that only 21.2% of the variation in created shareholding value is explained by incentives.

As conclusion, the regression model does not perfectly fit the data. However, the correlation coefficient R = 0.484, indicates that there is a relationship between increasing shareholding value and frequency of incentives and that this relationship is average-and within the acceptable limit (around 0.5). However, the ANOVA table shows an F value of 10.569, significant at 0.000, reflecting on the one hand the robustness of the model and on the other its very high significance.

In addition, it can be seen in Table 4 that the partial regression coefficients have values (t) of student higher than 1 that is 4,402 for the variable "cash incentives" and 1,327 for "actions incentives" and are significant at 0.000 and 0.019. We find that they are significantly different from zero. In addition, they are both positive and reflect a positive impact on shareholder value. Also, we note that the contribution of the variable: "cash incentives" in explaining the dependent variable is greater than the contribution of the variable "action incentives" judging by their standardized Beta coefficients of 0.464 and 0.140 respectively.

The multiple regression models can be written as follows:

$$Y = 8.347 + 0.938\, X_1 + 0.283\, X_2 + \varepsilon \tag{1}$$

Where:

Y = shareholding value;

X_1 = the frequency of granting cash incentives;

X_2 = the frequency of granting action incentives;

ε = the error term.

We can thus conclude that increasing shareholder value is a positive linear function of the frequency of granting cash incentives and frequency of granting action incentives.

Following these analyses, we can conclude on the validation of this hypothesis by saying that the increase in shareholding value of companies is a positive function of the frequency of granting cash incentives and frequency of granting action incentives.

Several studies are consistent with these results. This is particularly the case of the work of Mehran (1995), André and Schiehll (2004) who found a positive relationship between incentives and firm performance. Indeed, financial incentives are intended to link executive compensation (reward) to the performance of the company (increasing shareholder wealth). Jensen and Murphy (1990), Kaplan (1994) and Pigé (1994) abound in the same direction, but at the same time emphasize the weakness of the link between these two variables. Based on a synthesis of the literature in the field, conducted by Caby and Hirigoyen in 2001, only Poulain- Rehm's (2000) research, conducted in France, who observed no effect of stock options on creating value, does not lead to this conclusion.

Moreover, the results of this regression by company type show that the fit is very bad for the SME group (R-squared = 0.012); to that of Large Enterprise, it is low but tends rather to the average (19.7 %). Indeed, only 1.2% of the dependent variable is explained by the incentives for SMEs and 19.7 % in Large Enterprise. In addition, the Fisher test with a value of 1.236 is not significant for SMEs, whereas, it has a value of 4.794 in Large Enterprises and it is significant at 1.6%. Partial coefficients whose values of the test (t) are not significant for SMEs, while in the case of Large Enterprise, with a threshold coefficient, namely, that of granting cash incentives has a t value = 2.715 which is significant at 1.1%.

After this final analysis, we can say that there is a weak relationship between the frequency of granting incentives and shareholding value in SMEs of the sample; this relationship is not significant. In addition, we cannot pretend to any influence of incentives on shareholding value in this group of companies. However, the relationship of Large Enterprise between the two variables is within the acceptable limit (R=0.498) and significant at 1.6%. Also, there is at least one variable that explains the creation of shareholding value. The regression model that emerges is:

$$Y = 7.805 + 1.232\, X_1 + \varepsilon \tag{2}$$

Where:

Y = shareholding value;

X_1 = the frequency of granting cash incentives;

ε = the error term.

It is concluded that the creation of shareholding value in this group of companies is a positive function of cash incentives only.

It is important to note that in addition to the frequency of granting incentives, it is closely related to the dividend policy. This is shown by the cross table between the frequency distribution of dividends and the enhancement of shareholding value. To this effect, it shows a very significant average relationship between these two variables for the calculated Chi - square (14.852), the Phi coefficient (0.464) and especially their level of significance (0.000).

5. Conclusion

This work was aimed at analyzing the relationship between internal governance mechanisms and the creation of company value, in studying the phenomenon in both Cameroonian Large Enterprises and Small and Medium Enterprises. It turned out that the presence independent directors in the board of directors, maintains a significant relationship with the creation of value in all companies in the sample. The interest of this analysis is all the more important that this practice is new in these companies, in particular, and in economies of embryonic financial markets in general. They bring specific skills needed by the company to achieve its goals of profitability and sustainability. The comparison test allowed us to see that this impact is more visible and greater in SMEs than in large companies. The second hypothesis sought the relationship between ownership structure and profitability through value creation. It has been confirmed, and revealed that the more the structure of a company is concentrated, the more profitability is high. This is probably explained by the important role played by large shareholders in these companies. They manage to control the activity of the manager, and have all the tricks to guide his interests in maximizing organizational income. This corroborates the results of Shleifer and Vishny (1986) and André and Schiell (2004). The role of shareholders on increasing stake holder value was studied by the third hypothesis. It was invalidated.

Regression testing used for the fourth hypothesis showed that the frequency of granting financial incentives to managers positively influence the creation of shareholding value of companies. Incentives here fall into two blocks: cash incentives and action incentives. It appears that those in cash have a greater explanatory power than in action. This means that leaders prefer immediate remuneration to term incentives.

The study of this influence on the two groups provided information on the fact that there is no impact on the frequency of granting incentives to the creation of shareholding value of SMEs, be it in cash or in action. As for the subgroup of Large Enterprise, only cash incentives explain the value created. Moreover, SMEs are usually run by the owners, they do not often need financial motivations. But Large Enterprises, often qualified as managerial business is characterized by the separation of ownership and management, and is the reason why we often need incentives to encourage executives to manage the company in "good father family.

Overall, it appears that there are no significant differences between SMEs and LEs, as regards the impact of governance on value creation. Four hypotheses, only one showed a real gap between SMEs and LEs. This concerns the hypothesis that studied the impact of the frequency of financial incentives on shareholding value. This comparison showed that the influence was just perceptible in LE and only cash incentives determine shareholding value. On the contrary, in SMEs, no incentive exercised any influence on shareholders wealth.

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Notes

Note 1. This was the case of the Commercial Bank of Cameroon (CBC) in 2009.

Note 2. This is the case of the Société Immobilière of Cameroon (SIC), Crédit Foncier of Cameroon (CFC), or the Port Autonome of Douala (PAD) during the first half of 2012 and more recently the National Refining Company (2013).

Note 3. J. Cotter, Shivdasani, A. and Zenner, M. (1997). Do independent directors Enhance target shareholder wealth falling on tender offers? *Journal of Financial Economics, 43*(2), 195–218 quoted by El Gaied Rachdi H. and M. (2009). The Impact of Independence and the duality of the Board of Directors on Business Performance: Application to American Context. *Journal of Management Lebanese and Economics*, *3*, 1–24.

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Note 5. Kruse D. (1992). Profit Sharing and Productivity: Microeconomic Evidence from the United States. *The Economic Journal*, *102*, 24–36. quoted by Poulain-Rehm T. (2006). The employee shareholding in France, a factor of value creation? *International Congress of AFFI, IAE Poitiers, France,* 19p.

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Note 8. From the Main results Report of RGE (2009), the National Institute of Statistic numbers 35.1% of companies in the city of Douala against 23.9% in the city of Yaoundé.

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