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BENEFITS OF THE IMPLEMENTATION OF BEST PRACTICES OF CORPORATE GOVERNANCE

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Abstract

This study aims to identify the vision of executives of publicly traded Brazilian companies listed on differentiated levels of BM&FBovespa on the benefits of implementing Best Practices of Corporate Governance. For this purpose, a structured questionnaire was sent to all 157 public companies listed. The results showed that all 25 benefits presented an average above 3 signaling that generally all are considered strong and extremely important. Nine benefits were elected, being the first three most importance: Best image; Promotion of greater alignment between owners, board of directors and senior management; and Reduction of conflicts of interest. With the completion of this work we expect to contribute to the Academy raising further studies on the topic "Benefits of Implementing BPCG", which as already stated is of great importance since it directly impacts, for example, in improving the company's image before the stakeholders and policies on fair treatment of shareholders, including minority ones, ensuring transparency of company management, adding value to the shares traded on the stock exchange.

Resumo

Este estudo objetiva identificar a visão dos executivos das companhias brasileiras de capital aberto listadas na BM&FBovespa sobre os benefícios da implementação de melhores práticas de governança corporativa. Com tal propósito, foi enviado questionário estruturado a 157 companhias listadas nos segmentos diferenciados. Os resultados mostraram que todos os 25 benefícios investigados apresentaram média acima de 3, sinalizando que de modo geral todos são considerados de forte a extrema importância, sendo que nove foram eleitos os mais importantes, são eles, em ordem decrescente de importância: melhor imagem; promoção de maior alinhamento entre proprietários, conselho de administração e diretoria executiva; redução de conflitos de interesse; maior profissionalização da gestão da empresa; aumento da capacidade de crédito e diminuição do custo de captação de recursos; amadurecimento da gestão, com o entendimento do funcionamento do conselho de administração e do conselho fiscal; aprimoramento do processo decisório; maior formalização dos processos de trabalho; e melhor gestão dos riscos de investimentos e aprimoramento dos controles internos. Espera-se contribuir suscitando novos estudos no tema, que se justificam por impactar diretamente, por exemplo, na melhoria da imagem da empresa perante os *stakeholders* e na transparência da gestão da empresa, agregando valor às ações negociadas em Bolsa.

Palavras-chave: Benefits. Best Practices. Corporate Governance.

1 Introduction

Over the past few decades, the discussion on the implementation of Best Practices of Corporate Governance (BPCG) has been a central theme in corporate and academic environment (Oliveira et al., 2011). The evidence that good corporate governance practice can reduce the cost of capital and increase the market value of firms (Silveira, 2002; Carvalho, 2003; Srour, 2005; Rogers, 2006; Bridge, 2006; Mello, 2007) must have stimulated the implementation of BPCG by Brazilian companies, judging by the growing number of companies listed on the BM&FBovespa.

In Brazil, the movement for corporate governance began in 1995 with the creation the Brazilian Institute of Counselors Management (IBCA), which in 1999 changed its name to Brazilian Institute of Corporate Governance (IBGC). Besides the creation by IBGC, the effectiveness of that mobilization relied on institutional and governmental initiatives such as the creation of the Code of Best Practices of Corporate Governance by IBGC, the enactment of Law no. 10.303/01, which reformed the Law of Corporations (6.404/76), and the launch of the booklet Recommendations from Brazilian Securities Commission (CVM) on Corporate Governance in 2002. Another factor that propelled the movement was the creation of the New Market and Differentiated Levels of Corporate Governance "1" and "2", by São Paulo Stock Exchange (Bovespa) in 2000.

There are visible improvements resulting from the implementation of those policies in the Brazilian capital market. Despite the timid initial adhesion to the differentiated levels of corporate governance in 2001, gathering only 18 companies, in 2006 and 2007 the number of companies listed on the differentiated levels of corporate governance presented an increase of 65.9%, having gone from 94, in 2004, to 156. In July 2010, 404 companies were already listed for trading on stock markets, with 253 in traditional market, 106 in the New Market, 25 in Level 1 and 20 in Level 2 of Corporate Governance (Ponte et al., 2011).

In this context of growth, in which BM&FBovespa has encouraged increasingly IPO and new issues of shares as a form of business financing, considering also that corporate governance and its practices are presented to companies as instruments of generating value and return on invested capital, improving the pricing of its shares, and that the adoption of good governance practices has become one of the basic requirements demanded by investors and market institutions, we defined the following research question: What is the perception of investor relation directors of the companies listed on BM&FBovespa regarding the benefits arising from the implementation of best practices in corporate governance?

Thus, the overall objective was to identify the vision of executives of publicly traded companies listed on different levels of BM&FBovespa on the benefits realized through the adoption of Best Practices of Corporate Governance. Additionally we identified the most important benefits, according to the perception of the investor relation directors.

Studies on the subject "Benefits of Implementing BPCG" are important for several reasons, for example to the community - the adoption of BPCG is immediately reflected in the programs of corporate social responsibility, attracting partnerships, volunteerism and support, while increasing the acceptance of the brand among the public and providing greater visibility before the community, increasing the respect for the brand and attracting goodwill towards the company. For the economy - modern companies, listed on the Stock Exchange on differentiated levels, boost the stock exchange and activate the national economy, further increasing the level of confidence of the investor market domestically and internationally. For the various publics - the image improvement of the company before the stakeholders and the policies of fairness in the treatment of shareholders, including minority ones, ensure transparency in the management of the company, adding value to the shares traded on the stock exchange.

2 Theoretical Framework

2.1 Best Practices of Corporate Governance

With the development and the growing importance of the study of corporate governance have emerged, initially in countries with more developed capital markets, the Codes of Best Practice for Corporate Governance. The first of these codes emerged in the UK in 1992 as a result of the initiative of the London Stock Exchange, which created the Cadbury committee with the aim of revising certain corporate governance practices relating to accounting, which leaded to the Cadbury Report, published on December 1, 1992. The report prepared by the Cadburry committee contained limited themes and subsequently two new committees were installed: the Greenbury and the Hempel, addressing broader issues (Garcia, 2005: 11).

To a detailed discussion about the principles of Corporate Governance, Apreda (2011) based in Center for the Study of Corporate and Public Governance-Cegopp discusses 10 Principles recommended for The Statute of Governance: P1. The company must safeguard owners' rights and endorse their bid for value; P2. The board of directors must perform a fiduciary role toward the owners in the quest for the organization's value; control rights must be clearly stated; P3. The senior management must perform a fiduciary role toward the board of directors; decision rights must be clearly defined; P4. The organization must be accountable; P5. The organization must be transparent; P6. The organization must preserve creditors′ ownership rights; P7. The organization must cope with, prevent and carefully treat conflicts of interests arising from its relationships with internal or external stakeholders; P8. Suitable incentives and remunerations programs must be designed to reward performance and loyalty, but all of them must be contingent upon creation of value for the company; P9. There must be a mindful following up and resolution of compliance risks; P10. The organization must care for and be accountable to internal and external stakeholders as well.

Over time, many global investors began to create their own codes with governance rules that should be adopted by companies in which they invest. In Brazil, major institutional investors have also created codes of Best Practices of Corporate Governance, such as Welfare Fund for Employees of Banco do Brasil (PREVI), the largest pension fund in the country, which developed its own code and establishes policy guidance for its 421 representatives on the boards of directors and supervisory boards of companies in which it participates.

Since the 1990s, with the opening of the Brazilian economy, foreign investors have begun to participate in ever-greater proportion of the capital of Brazilian companies, initially through investments inside the country and then by purchasing American Depositary Receipts (ADRs), also known as American Depositary Shares, representing shares of domestic companies on US exchanges, i.e., representing shares of companies not based in the United States. By listing their shares on U.S. exchanges, the Brazilian public companies were required to follow various rules imposed by the Securities and Exchange Commission (SEC), the regulatory body of the North American capital market. Such rules regarded aspects related to accounting, disclosure and transparency, which are nothing more than corporate governance principles (Nunes, 2009). Thereafter,

> Brazilian companies began to have contact with shareholders more demanding and sophisticated, who were used to invest in markets with corporate governance practices more advanced than those applied in the Brazilian market. To the growing number of foreign investors amounted a greater participation of large institutional investors of Brazil who were more aware of their rights (Garcia, 2005: 24).

There are also some worth mentioning institutional and government initiatives that have been implemented over the past few years in order to ensure the improvement of corporate governance practices of Brazilian firms: a) the approval of Law No. 10.303/01, b) the creation of New Market and Levels 1 and 2 of corporate governance by São Paulo Stock Exchange - Bovespa, c) the new rules setting limits to the application of the resources of Pension Funds.

Bebchuk & Assafi (2009) explain eight practices in CS (Companies Shareholders) companies: allocation of Power Between the Majority and the Minority; Self-Dealing and Freezeouts; Director Independence; Control Contests; Shareholder Voting Procedures; Allocation of Power Between Boards and Shareholders; Executive Compensation; Controlling Minority Shareholders.

As Lipman & Lipman (2006: 3) note, proponents of a specific set of corporate governance best practices may primarily seek "to prevent corporate scandals, fraud and potential civil and criminal liability to an organization," while exponents of distinctly different and possibly conflicting practices may seek to optimize for specific business objectives, such as maximizing share value. Todd (2008: 84) offers the following view about diverse priorities for corporate governance:

> While improved compliance is necessary for the protection and enhancement of public and shareholder confidence, it has led to the prevailing assumption that a more independent and engaged board is the prescription for all that ails today‟s corporations. While this may be true in some cases, new research reveals that corporate governance standards cannot be consistently applied to different structures; one size does not "fit all." The research suggests that the appropriate style of corporate governance in any business is a strategic consideration directly influenced by its relative position in the corporate lifecycle. Simply stated, different sets of governance practices are associated with distinct measures of business performance. Corporations need to actively consider their strategic priorities before adopting corporate governance reforms and corporate strategies that enhance both business performance and governance effectiveness.

According to NACD (2009; 2):

> Concerns arise […] about the overly prescriptive use of best practice recommendations by some proponents, without recognition that different practices may make sense for different boards and at different times given the circumstances and culture of a board and the needs of the company [...].

The proliferation of best practices by prominent organizations, such as Institutional Shareholder Services‟ (part of RiskMetrics Group) Corporate Governance Quotient (CGQ) and those of many other national and institutional rating and benchmarking services, has prompted the National Association of Corporate Directors (NACD) in the United States and other corporate governance organizations to caution directors against slavishly following corporate governance best practices (Beker & Anderson, 2010).

Turnbull (2004: 9) notes "Good corporate governance needs to be defined in terms of the ability of corporations to become self-governing on a reliable, sustainable and socially desirable basis."

2.2 Implementation of Best Practices of Corporate Governance

The literature is still lacking in studies on the process of implementation of Best Practices of Corporate Governance. We found only three studies, namely: the Brazilian Institute of Corporate Governance (IBGC, 2006), the International Finance Corporation (IFC, 2005) and Aragão (2008).

The survey conducted by IBGC (2006) had as its object of study 15 Brazilian family-controlled companies with mature stage of development, namely: Banco Itaú Holding Financeira S/A, Gerdau S/A, Gol Linhas Áreas Inteligentes S/A, Klabin S/A, Localiza Rent a Car S/A, Pão de Açúcar – Companhia Brasileira de Distribuição S/A, Randon S/A Implementos e Participações, Sadia S/A, Saraiva S/A Livreiros Editores e Weg S/A. For its technical accuracy and unprecedented nature, the study fills a wide gap in quality and extensive research on topics related to family business and corporate governance practices. With a wealth of information, the study lists the steps of the corporate life of listed companies that made their own revolutions, made achievements in silent and, more recently, have been consolidating a gradual separation between ownership and management. The positive results collected by the definition of papers highlight the renewing role of governance in family corporations. Such results inspire a growing number of other family companies to seek the market as a source of capitalization and growth (IBGC, 2006).

The study of IFC (2005), on the other hand, was conducted with thirteen Latin American companies, among which eight were Brazilian companies, namely: Embraer, Companhia de Concessões Rodoviárias S/A, CPFL Energia, Marcopolo S/A, Natura Cosméticos S/A, Net Serviços de Comunicação S/A, Suzano Petroquímica S/A e Ultrapar Participações S/A. The study reflects the views of the Executive Board and the Board of Directors of each company regarding the motivations, challenges, solutions and rewards associated with the design and implementation of improved standards and practices of governance. The IFC (2005, p. 6) reports that:

> The study of these accounts provides a deep and diverse experience, not exactly in the theory of corporate governance, but rather regarding the *practical applications* of the goals of transparency and disclosure, accountability, respect for shareholders' rights and equitable treatment of all stakeholders, such as established in the Principles of Corporate Governance of OECD - Organisation for Economic Co-operation and Development - and reflected in the recommendations of the White Paper on Corporate Governance in Latin America prepared by the cited Roundtable. (Italics by IFC).

Aragão's study (2008) was conducted in the company M. Dias Branco, Brazilian publicly traded company, and reflects the views of the Executive Board on the process of adaptation to BPCG in companies, identifying the motivations, implementation steps, earned benefits and barriers faced during this process.

The implementation of good practices of corporate governance is not something quick and must be understood as a process. Thus, for purposes of this study, it is understood that the process involves several steps, being the main described in Figure 1.

Category	Components
Stages of the process of implementing best practices of corporate governance	1. Change in the size and composition of the board of directors
	2. Establishment of committees the board of directors
	3. Entry of strategic partners and/or institutional investors as shareholders
	4. IPO on Bovespa with adherence to differentiated levels of governance
	5. Accession to ADR programs
	6. Establishment of the area 'investor relations' (IR) and a section for investor on the company's website
	7. Identification of a CEO not belonging to the controlling family to run the company
	8. Granting of tag along to preferred shares
	9. Corporate restructuring
	10. Introduction of a code of conduct
	11. Hiring independent audit
	12. Elaboration of a shareholders' agreement (organization and definition of rules for the controlling shareholders)
	13. Definition of a new governance model
	14. Definition of a clear and regular dividend policy
	15. Definition of rules for separation between ownership (controlling families) and management (business)
	16. Drafting of a system of variable remuneration of executives based on metrics of economic value
	17. Elaboration of balance sheets in IFRS or US GAAP
	18. Establishment of the supervisory board
	19. Conduction of annual meetings with significant presence of minority investors
	20. Conduction of a secondary public offering of shares in possession of major investors seeking liquidity of the shares on the stock exchange

Figure 1. Main stages of the process of implementing Best Practices of Corporate Governance
Source: Aragão (2008: 87).

2.3 Benefits of the Implementation of Best Practices of Corporate Governance

Corporate Governance is now being increasingly practiced by companies across the globe due to the number of benefits it offers. Practicing corporate governance is beneficial for a company and its stakeholders as well for the economy as a whole (Best Practice, 2011).

International (Black, 2000, Ewing, 2005; IFC, 2009; La Porta et al., 1997, 1998) and national studies (Santana, 2001: 7; Carvalho, 2003: 12; Vieira & Mendes, 2004: 112; IBGC, 2006: 57-60) empirically prove the belief of companies in aggregate benefits when implementing BPCG.

> Good corporate governance helps the economy in its good times and in its bad times as well. The tangible positive results of good corporate governance are evident when the economy and the market are growing. However, good corporate governance also helps companies to overcome with more balance the serious consequences of an economic crisis, as evidenced in the analysis during the global financial crisis of late 2008 (IFC, 2009: 179).

The consolidation of expectations about the benefits arising from the use of BPCG has influenced the behavior of entrepreneurs. In the Brazilian case, this fact has been visible, notably in 2006 and 2007, with the significant adhesion of companies to the New Market and the other Differentiated Levels of CG of Bovespa (Aragão et al., 2010).

In a interesting study about benefits to implementation of good corporate governance practices in Chinese companies, Ewing (2005) recommended three strategies to the Chinese government: (1) Directly align managerial incentives with economic value reation, where restructuring, merger, and expansion strategies would be conducted on the basis of rational corporate strategy; (2) They would have access to more and lower-cost capital from domestic and global capital markets if transparency and accountability were improved; (3) The reforms would also help create a viable labor market for senior management.

A study conducted by IFC (2009) reports that all discussion on corporate governance is based on the premise that the implementation of BPCG positively influences the performance of the company and lists the following benefits of this implementation, namely: best processes of decision making in top management, more efficient control environments, and reduction in cost of capital of companies. Additionally, the study mentions that, for companies listed on the stock exchange, the most commonly discussed benefit of good corporate governance is the effect on the stock price, liquidity and portfolio composition of investors.

Aragão (2008), in a survey conducted in the company M. Dias Branco, points out that after a year and half of its entrance in the New Market the following benefits have been observed: a) significant changes in internal processes, b) modernization of the technological apparatus, c) development of organizational culture; d) consolidation of a high level professional team, and d) national recognition of the institutional image.

Andrade and Rossetti (2006: 525) also identify some benefits of implementing BPCG, including some coinciding with Aragão's view (2008). Namely: a) greater appreciation of investors willing to pay "agios of governance", b) greater accessibility to market and lower capital costs, c) important requirement for access to international financial markets, d) requirement for strategic alliances, especially those involving international actors, and) greater alignment between owners, board of directors and senior management; f) reducing conflicts of interest; g) harmonization of the interests of owners with other parties; h) more certainty as to the rights of owners; i) provision of conditions for the improvement of the processes of top management; j) improvement of the image of the corporation.

The benefit "agios of governance", pointed out by Andrade and Rossetti (2006: 525), has proved to be one of the most important for investors, due to the choice of direction of their resources. From this perspective, the survey by McKinsey & Company (2000: 10) - Investor Opinion Survey - with big investors from nineteen countries on four continents (North

America, South America, Asia and Europe) detected the intention of these institutional investors to pay "agio" on the price of the shares of companies that adopt the BPCG. The values that these investors were willing to pay vary by country, reaching 23% in Brazil, 27% in Indonesia and 28% in Venezuela.

In the opinion of Santana (2001: 7) there are countless benefits that good governance can provide for companies, highlighting: a) improvement of institutional image, b) greater visibility, c) higher demand for shares; d) valuation of shares, and e) lower cost of capital.

It is observed that the benefit "better institutional image" was quoted in all surveys presented here, thus demonstrating that this is a very visible benefit in the process of implementing BPCG. This is also corroborated in the survey conducted by Aragão (2008), in which this benefit was identified as the most important one. Other benefits were also highlighted, with them in order of importance: cultural change in people's minds, greater asset diversification of controlling shareholders, entrance of independent directors and their active participation in committees, enriching the discussions of the board, and usage of the market as partners to monitor business.

It is also possible to highlight the study by IBGC (2006) with the largest family businesses in Brazil, aiming to capture the perception of entrepreneurs about the benefits earned after implantation of BPCG. The benefits were classified into two groups: internal - so considered those related to improving the functioning of senior management and external - those linked to the reduction of capital cost and a greater perception of external investors.

We can highlight as internal benefits: a) greater professionalization of the management of the company, b) greater formalization of working procedures, c) improvement of the decision-making process; d) clearer separation between the roles of representatives (councilors) and management (CEO), e) better management of investment risks, f) improvement of internal controls; g) cultural change; h) entrance of independent directors and their active participation in committees, enriching the discussions of the board; i) management maturity, with the understanding of the functioning the board of directors and the fiscal council; j) better criteria for performance evaluation and system of executive compensation; k) development of best practices in accounting and management instruments (IBGC, 2006).

Regarding the first internal benefit listed by IBGC (2006), Souza (2006) reports that the professionalization of the company and the executive board is not anymore a trend or strategy. It is an imposition of the market due to the need of separation between ownership and management. According to the author, in addition to this fact, it is also important to remember that the professionalization avoids the overlap of personal interests of members and of the successors to the interests of the company. Caetano (2003) quotes a study conducted in 2001 by Fundação Dom Cabral among the five hundred largest companies in the country, noting that 67.7% of the companies indicated the professionalization as the primary motivation for the adoption of formalized models of corporate governance.

Among the external benefits of the implementation of BPCG, it is possible to highlight: a) greater access to capital, b) increased credit capacity and lower cost of funding, c) greater liquidity and trading volume of shares; d) best corporate image, e) use of the market as a partner to monitor business; f) greater asset diversification of controlling shareholders; g) greater differentiated visibility, especially in relation to industry peers; h) greater protection and guarantee of corporate rights of all shareholders involved; i) higher accuracy in the pricing of shares, and j) greater peace of mind for managers seeking good projects (due to the availability of new sources of funding) (IBGC, 2006).

Thus, Sandes (2010) emphasizes that the implementation of BPCG brings much larger benefits for companies than simply the attraction of investments; these benefits include also, and above all, the harmony between the shareholders and between stakeholders and society itself.

3 Methodology

As for the goal this is a descriptive (Cervo, Bervian & Da Silva, 2007), quantitative survey (Richardson, 1999). As for the designs, we used a questionnaire to collect data with investor relation directors from all 157 publicly traded companies listed on the differentiated levels at BM&FBovespa, corresponding to a census.

After the definition of companies to be effectively researched, telephone contacts were made to confirm the email addresses of people who answer the questionnaires in the companies. Initially, the respondents, investor relation directors, were contacted by telephone and invited to receive clarification on the purpose and procedures of the study.

We adopted a questionnaire already used and validated in Aragão's study (2008), which consists of a block 25 closed questions, i.e. 25 benefits (those identified in the literature) to be evaluated according to their degrees of importance through a five-point Likert scale (0. unimportant; 1. insignificance 2. moderate importance, 3. strong importance, and 4. utmost importance). This is a scale used in social research due to its qualities of easy visualization, application and analysis.

Since the data collection instrument had already been pre-tested before it was not deemed necessary a new pre-test. The following presents the pre-test process carried out in Aragão's research (2008): the questionnaire was submitted to five experts, and the selection of experts took into account the following requirements: a) be a member of the Association of Investment Analysts and Professionals of the Capital Market (APIMEC), b) have at least five years experience in capital markets, and c) be working in the area. It was then applied the survey instrument, gathering open and closed questions; open questions concern the identification of the respondents and the indication of benefits (attempt to corroborate the benefits identified in the literature, spontaneously); experts indicated that the instrument was ready with no need for improvement.

The questionnaire was sent via e-mail along with a letter of invitation, which stated the importance of the topic in addition to the research in addition to the academic and managerial contributions that would follow it. Respondents had the option to respond via e-mail or via a website to which they would have access through the link contained in the invitation letter.

Seeking a greater amount of return of the questionnaires, we did not ask for a nominal identification of respondents and enterprises.

The collection effort was undertaken in the period from August to November 2011. We obtained a return of 83 questionnaires in total of 157 questionnaires sent to investor relation directors of companies in the differentiated segments of corporate governance of BM&FBovespa (New Market, Levels 1 and 2), which is equivalent to 53%.

The collection and analysis of data were structured from the categories of analysis identified in the theoretical framework, as outlined in Figure 2.

Acronyms	Categories
B01	Higher valuation of companies on behalf of investors willing to pay for "agios of governance"
B02	Requirement for accessibility to international markets
B03	Requirement for strategic alliances, especially those involving international actors
B04	Promotion of greater alignment between owners, board of directors and senior management
B05	Reduction of conflicts of interest
B06	Harmonization of interests of owners with those of other stakeholders
B07	Greater safety regarding the rights of owners
B08	Greater professionalization of the management staff of the company
B09	Greater formalization of working procedures
B10	Improved decision-making process
B11	Clearer separation between the roles of representatives (councilors) and management (CEO)
B12	Best risk management of investments and improvement of internal controls
B13	Cultural change
B14	Entrance of independent directors and their active participation in committees, enriching the discussions of the board
B15	Maturing of the management, with the understanding the of the functioning of the management board and the supervisory board;
B16	Better criteria for performance evaluation and system of executive compensation
B17	Development of best practices in accounting and management instruments
B18	Greater accessibility to capital
B19	Increased capacity of credit and decreased cost of fundraising
B20	Greater liquidity and turnover of shares
B21	Improved corporate image
B22	Use of the market as a partner to monitor business
B23	Greater asset diversification of controlling shareholders
B24	Greater differentiated visibility, especially in relation to industry peers
B25	BPCG; greater accuracy in the pricing of shares

Figure 2. Benefits of Adopting Best Practices of Corporate Governance
Source: Aragão (2008: 87).

Statistical techniques were used for measures of central tendency (arithmetic average) and measures of dispersion (frequency distribution and standard deviation) (Mattar, 2005), in addition to the normal distribution (Stevenson, 2001). We relied on the support of SPSS software (version 16.0) and Microsoft Excel (version 2007).

4 Results and Analyses

The benefits being the main variables investigated in this study, it is essential to present the point of concentration of most responses.

Looking at Table 1 it is seen that almost all benefits, except for BE6 and BE13, showed higher frequency of response in the degree of "extreme" importance, signaling that the investor relation directors perceive the benefits listed in the literature as aggregates of the best practices of corporate governance. The other results of Table 1 will be made together with the analysis of Table 2.

Table 1:
Degree of importance of benefits

Acronyms	Benefits	Degree of Importance/Frequency (*)				
		0	**1**	**2**	**3**	**4**
BE1	Higher valuation of companies on behalf of investors willing to pay for "agios of governance"	0	1	14	15	53
		0.0%	1.2%	16.9%	18.1%	63.9%
BE2	Requirement for accessibility to international markets	0	7	14	18	44
		0.0%	8.4%	16.9%	21.7%	53.0%
BE3	Requirement for strategic alliances, especially those involving international actors	0	6	15	19	43
		0.0%	7.2%	18.1%	22.9%	51.8%
BE4	Promotion of greater alignment between owners, board of directors and senior management	0	0	3	26	54
		0.0%	0.0%	3.6%	31.3%	65.1%
BE5	Reduction of conflicts of interest	0	0	2	30	51
		0.0%	0.0%	2.4%	36.1%	61.4%
BE6	Harmonization of interests of owners with those of other stakeholders	0	1	5	40	37
		0.0%	1.2%	6.0%	48.2%	44.6%
BE7	Greater safety regarding the rights of owners	1	0	3	38	41
		1.2%	0.0%	3.6%	45.8%	49.4%
BE8	Greater professionalization of the management staff of the company	0	0	4	32	47
		0.0%	0.0%	4.8%	38.6%	56.6%
BE9	Greater formalization of working procedures	0	0	3	39	41
		0.0%	0.0%	3.6%	47.0%	49.4%
BE10	Improved decision-making process	0	0	10	24	49
		0.0%	0.0%	12.0%	28.9%	59.0%
BE11	Clearer separation between the roles of representatives (councilors) and management (CEO)	0	0	17	19	47
		0.0%	0.0%	20.5%	22.9%	56.6%
BE12	Best risk management of investments and improvement of internal controls	0	0	11	23	49
		0.0%	0.0%	13.3%	27.7%	59.0%
BE13	Cultural change	0	1	5	41	36
		0.0%	1.2%	6.0%	49.4%	43.4%
BE14	Entrance of independent directors and their active participation in committees, enriching the discussions of the board	1	0	11	25	46
		1.2%	0.0%	13.3%	30.1%	55.4%
BE15	Maturing of the management, with the understanding the of the functioning of the management board and the supervisory board;	3	0	4	23	53
		3.6%	0.0%	4.8%	27.7%	63.9%
BE16	Better criteria for performance evaluation and system of executive compensation	0	0	15	18	50
		0.0%	0.0%	18.1%	21.7%	60.2%
BE17	Development of best practices in accounting and management instruments	0	0	15	24	44
		0.0%	0.0%	18.1%	28.9%	53.0%
BE18	Greater accessibility to capital	0	1	14	19	49
		0.0%	1.2%	16.9%	22.9%	59.0%
BE19	Increased capacity of credit and decreased cost of fundraising	1	0	1	16	45
		1.2%	0.0%	1.2%	43.4%	54.2%
BE20	Greater liquidity and turnover of shares	0	8	8	11	56
		0.0%	9.6%	9.6%	13.3%	67.5%
BE21	Improved corporate image	1	0	1	16	65
		1.2%	0.0%	1.2%	19.3%	78.3%
BE22	Use of the market as a partner to monitor business	1	0	5	37	40
		1.2%	0.0%	6.0%	44.6%	48.2%
BE23	Greater asset diversification of controlling shareholders	2	8	13	23	37
		2.4%	9.6%	15.7%	27.7%	44.6%
BE24	Greater differentiated visibility, especially in relation to industry peers	1	0	16	14	52
		1.2%	0.0%	19.3%	16.9%	62.7%
BE25	BPCG; greater accuracy in the pricing of shares	1	9	5	15	53
		1.2%	10.8%	6.0%	18.1%	63.9%

Note (*). 0 - None, 1 - Poor, 2 - Moderate, 3 - Strong; 4 – Extreme. Source: Survey data (2011).

After the application of descriptive statistics, we elaborated the ranking of benefits of implementing BPCG according to the perception of the investor relation directors. It is noteworthy that the rankings were calculated by considering the averages, and we used as tiebreaker the standard deviation (Table 2). 25th

Table 2:
Ranking of the Benefits of Implementing Best Practices of Corporate Governance

Position Ranking	Acronym	Benefits	Average	Standard Deviation
1st	BE21	Improved corporate image	3.735	0.607
2nd	BE4	Promotion of greater alignment between owners, board of directors and senior management	3.614	0.559
3rd	BE5	Reduction of conflicts of interest	3.590	0.542
4th	BE8	Greater professionalization of the management staff of the company	3.518	0.592
5th	BE19	Increased capacity of credit and decreased cost of fundraising	3.494	0.651
6th	BE15	Maturing of the management, with the understanding the of the functioning of the management board and the supervisory board	3.482	0.888
7th	BE10	Improved decision-making process	3.470	0.704
8th	BE9	Greater formalization of working procedures	3.458	0.570
9th	BE12	Best risk management of investments and improvement of internal controls	3.458	0.721
10th	BE1	Higher valuation of companies on behalf of investors willing to pay for "agios of governance"	3.446	0.815
11th	BE7	Greater safety regarding the rights of owners	3.422	0.683
12th	BE16	Better criteria for performance evaluation and system of executive compensation	3.422	0.783
13th	BE18	Greater accessibility to capital	3.398	0.811
14th	BE24	Greater differentiated visibility, especially in relation to industry peers	3.398	0.883
15th	BE22	Use of the market as a partner to monitor business	3.386	0.713
16th	BE14	Entrance of independent directors and their active participation in committees, enriching the discussions of the board	3.386	0.809
17th	BE20	Greater liquidity and turnover of shares	3.386	1.010
18th	BE6	Harmonization of interests of owners with those of other stakeholders	3.361	0.655
19th	BE11	Clearer separation between the roles of representatives (councilors) and management (CEO)	3.361	0.805
20th	BE13	Cultural change	3.349	0.652
21st	BE17	Development of best practices in accounting and management instruments	3.349	0.772
22nd	BE25	Greater accuracy in the pricing of shares	3.325	1.072
23rd	BE3	Requirement for strategic alliances, especially those involving international actors	3.193	0.981
24th	BE2	Requirement for accessibility to international markets	3.193	1.006
25th	BE23	Greater asset diversification of controlling shareholders	3.024	1.104

Note. Source: Survey data (2011).

In Table 2 we can observe that, in a general context, all benefits obtained na average above 3, which means that the investor relation directors attribute to all 25 benefits a degree of “strong importance”.

The benefit *BE21-Best image* was indicated by the investor relation directors as the most important, occupying the 1st in the ranking, averaging 3.745, among the 25 benefits investigated. This result is consistent with the findings of Aragão (2008), in which this benefit was also named as the most important by the company M. Dias Branco. This result This results also confirms the expectation of Bovespa (2007c) that, in addition to the valuation of the shares, the implementation of BPCG generates a significant improvement in corporate image. the study This results also corroborate of IBGC (2004), which found that awareness of the importance of BPCG is increasing, and that the perceived benefits are associated with better corporate image.

In the third position figured the benefit *BE5-Reduction of conflicts of interests*, with an average of 3.590. According to Sandes (2010) the role of corporate governance in the stock market is and will continue to very significant to its development, and the author also points out the reduction of corporate conflicts as an additional benefit.

The benefit *BE8-Greater professionalization of the management staff of the company*, averaging 3.518, is among the five most important benefits in the point of view of the investor relation directors Souza (2006) reports that the professionalization of the company and the executive board is not any longer a trend or strategy. It is an imposition of the market due to the need of separation between ownership and management. According to the author, in addition to this fact, it is also important to remember that the professionalization avoids the overlap of personal interests of shareholders and of successors to the interests of the company.

It is also worth noting that the benefit *BE13-Cultural Change* figures in the 20th position in the ranking. This result was surprising, going against the trend already observed in previous research, such as that of Aragão (2008), in which this benefit occupied the 2nd position. It is also worth noting that the benefit BE13-Cultural Change figures in the 20th position in the ranking. This result was surprising, going against the trend already observed in previous research, such as that of Aragão (2008), in which this benefit occupied the 2nd position. Another benefit that held the latest placements, refuting results presented in previous research, the benefit was *BE23-Greater asset diversification of controlling shareholders*, with an average of 3.024. In survey Aragão's (2008) this benefit occupied the 5th position.

The position held by the benefit *BE23-Greater asset diversification of controlling shareholders* (25th position) mitigates the prerogative that it is increasing the attention given by the owners of capital to the possibility of transforming their shares at any time in cash, in order to diversify their personal wealth, which is often heavily concentrated (Carvalho, 2002; Bovespa, 2007c).

To define among the 25 benefits which ones are the most important to the implementation of best practices of corporate governance, we applied the technique to data of normal distribution. The technique consists in using data to the arithmetic average and standard deviation of the benefits to indicate a value that enables the effectuation of cuts.

It was adopted as cut-off values that were under 3.450, a value which was obtained by the sum of the average of the averages plus (+) the average of three standard deviations. The procedure resulted in the identification of nine benefits, as shown in Table 3.

As many of the benefits listed in Table 3 were commented when the analysis was done in Table 2, we will now complement the analysis, highlighting other findings.

Table 3
Most important benefits to the implementation of best practices of corporate governance in view of the investor relation directors of publicly traded companies listed on the BM&FBovespa

Position Ranking	Acronym	Benefits	Average
1st	BE21	Improved corporate image	3.735
2nd	BE4	Promotion of greater alignment between owners, board of directors and senior management	3.614
3rd	BE5	Reduction of conflicts of interest	3.590
4th	BE8	Greater professionalization of the management staff of the company	3.518
5th	BE19	Increased capacity of credit and decreased cost of fundraising	3.494
6th	BE15	Maturing of the management, with the understanding the of the functioning of the management board and the supervisory board	3.482
7th	BE10	Improved decision-making process	3.470
8th	BE9	Greater formalization of working procedures	3.458
9th	BE12	Best risk management of investments and improvement of internal controls	3.458

Note. Source: Survey data (2011).

The non-indication of the benefit *BE1-Greater valuation of companies by investors willing to pay agios of governance* among the most important was surprising (it occupied the 10th position in the ranking, with an average of 3.446), going against the exposed by IBGC (2006), which reports that a survey conducted in June 2000 showed that companies that adopt corporate governance standards increase the agio of its shares between 18 and 28%, signaling that the investors are concerned about the safety of their investments and therefore choose companies more transparent which offer lower risks to investors. We expected a better position, since the generation of wealth for the company and for the shareholder is a subject widely discussed, both theoretically and empirically (Carvalho, 2003; Bridger, 2006; Rogers, 2006; Mello, 2007).

5 Conclusion

This study chose as its main objective to identify the perceptions of directors of publicly traded Brazilian companies on the benefits of implementing best practices of corporate governance. The research involved the participation of 83 directors from 157 companies listed in the New Market and at Levels 1 and 2 of BM&FBovespa.

For the development of the research, we used a similar methodology to that applied by Oliveira et al. (2011), who classified 25 motivations for the adoption of best practices of corporate governance, according to the perceptions of directors of the 157 companies listed in the New Market and at Levels 1 and 2 of BM & FBovespa and directors of the 359 largest and best privately held companies in Brazil.

A ranking was elaborated classifying the 25 benefits according to the perception of the directors, which made it possible to show that all the benefits obtained an average above 3, indicating that the investor relation directorsattribute to the 25 benefits a degree of “strong and ultimate importance”.

In order to define among the 25 benefits which were most important ones to the adherence to best practices of corporate governance, we applied to data the technique of normal distribution. In the perception of directors of publicly traded companies listed on the

BM&FBovespa, technique indicated the existence of nine major benefits, listed below in decreasing order of importance: BE21- Best image; BE4-Promotion of greater alignment between owners, board of directors and senior management; BE5-Reduction of conflicts of interest; BE8- Greater professionalization of the management staff of the company; BE19-Increased capacity of credit and decreased cost of fundraising; BE15-Maturing of the management, with the understanding the of the functioning of the management board and the supervisory board; BE10-Improved decision-making process; BE9-Greater formalization of working procedures, and BE12- Best risk management of investments and improvement of internal controls.

There were also some surprising results. Despite the empirical evidence of the fact that the generation of wealth for the company and for the shareholder is a subject widely discussed, both theoretically and empirically, the benefit *BE1-Greater valuation of companies by investors willing to pay agios of governance* was shown in a secondary position by privately held companies. The position occupied by the benefit *BE23-Greater asset diversification of controlling shareholders* (25^{th} position) was also surprising as it refutes the prerogative that it is increasing the attention given by the owners of capital to the possibility of transforming their shares at any time in cash, in order to diversify their personal wealth, which is often heavily concentrated.

We conclude that the investor relation directors of companies listed at BM&FBovespa's differentiated levels are aware of the influence of the benefits arising from the use of BPCG in the behavior of entrepreneurs.

With the completion of this work we expect to contribute to the Academy raising further studies on the topic "Benefits of Implementing BPCG", which as already stated is of great importance since it directly impacts, for example, in improving the company's image before the stakeholders and policies on fair treatment of shareholders, including minority ones, ensuring transparency of company management, adding value to the shares traded on the stock exchange.

A complementation of the study is recommendable, through research in companies listed on the stock exchanges of other countries.

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