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### Abstract

*As a frontier subject of studies in Public Administration, corporate governance in state-owned companies has aroused and created many debates and questioning about the State's performance as a shareholder. Public enterprises, although organized as basis for the foundations of administration that underpin private enterprise, are managed by a complex and diffused chain of agents (managers and executive directors) and the ministerial structure of the political base representing the state (owner). Based on empirical research carried out in 8 (eight) state-owned enterprises, this study presents the results of how the different actors (stakeholders) of Public Company of the Federal Government (employees, counselors, directors and president) see the practices of corporate management in their organizations. Thus, it was sought, with a focus on the view of the interested parts of society (stakeholders), to make a further contribution to understand this complex relationship between the Shareholder State represented by the government elected by the people and the managers of the public company.*

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# Corporate Governance in a state-owned company in Brazil: an empirical study

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## Abstract

*As a frontier subject of studies in Public Administration, corporate governance in state-owned companies has aroused and created many debates and questioning about the State's performance as a shareholder. Public enterprises, although organized as basis for the foundations of administration that underpin private enterprise, are managed by a complex and diffused chain of agents (managers and executive directors) and the ministerial structure of the political base representing the state (owner). Based on empirical research carried out in 8 (eight) state-owned enterprises, this study presents the results of how the different actors (stakeholders) of Public Company of the Federal Government (employees, counselors, directors and president) see the practices of corporate management in their organizations. Thus, it was sought, with a focus on the view of the interested parts of society (stakeholders), to make a further contribution to understand this complex relationship between the Shareholder State represented by the government elected by the people and the managers of the public company.*

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## 1. Introduction

In the last decade, the various conflicts of interest between shareholders and managers related to issues related to financial sustainability, equity performance and transparent corporate management, as well as the various financial scandals in large corporations that resulted in bankruptcies and frauds with Banco

Barings (1995), Eron (2002), Worldcom and Arthur Andersen (2002) were determinants for implementation of changes in the management system that govern practices between shareholders and managers of companies (BERGAMINI, 2002; VIEIRA and MENDES 2004; OECD, 2004). As a result of these events, governments, regulators and investors have established new control mechanisms with a goal to strengthen issues related to corporate governance, such as the Sarbanes & Oxley Act, which regulates and creates obligations for listed companies with shares on the New York Stock Exchange. The Sarbanes & Oxley Act makes executives accountable for the application of resources and obliges them to establish, evaluate and monitor the effectiveness of internal controls in companies (DELOITTE, 2003). In Brazil, corporate governance issues are addressed by the Brazilian Securities and Exchange Commission - CVM, a federal agency responsible for regulating the capital market and ensuring the application of the new Brazilian Corporate Law, Law 10.303, dated October 31, 2001. The São Paulo Stock Exchange - BOVESPA has also contributed to strengthen the Brazilian stock market by implementing the new market and the differentiated levels of corporate governance I and II, where the participating companies voluntarily adopt additional corporate governance practices in those required by Brazilian regulations. However, it is important to note that these rules are aimed at publicly held companies that have publicly traded shares on the stock exchange.

All this normalization framework is directed to regulate a relationship between shareholders (owners) and managers (agents) in what concerns all their roles. The shareholder (investor) aiming at maximizing profit by invested capital and managers, with delegated powers of the shareholder, the responsibility for the conduction of the business, focusing on the financial performance, equity through an ethical and transparent management. Also, in this context, and in an extended way, there are also the relationships among the different actors that interact with the company: employees, customers, suppliers, community, government and society (stakeholders). In this way, the management of an organization under the corporate governance focus, aims at establishing the set of roles and the relationships between shareholders, managers and other stakeholders.

However, the emphasis of corporate governance is grounded in a set of fundamental principles that universalize its application to both private sector and public sector organizations. The Organization for Economic Co-operation and Development (OECD), in dealing with corporate governance in state-owned enterprises, is based on non-prescriptive principles based on shareholders' rights, in respect for stakeholders, disclosure and transparency and corporate governance responsibility (OECD, 2005). Therefore, it can be seen that differences in management practices are due to the legal nature of these organizations, since the principles governing corporate governance in private or public organizations are the same for different types of organizations. However, the theme of corporate governance has been much researched in the segment of private companies. Although, in a less expressive way, there are some studies focusing on the issue of corporate governance in state-owned enterprises.

To this end, the Brazilian government has already held two seminars on the subject in 2004 and 2005: 1) Government - State Enterprises: a necessary dialogue; 2) Corporate Governance: Experiences in State Enterprises. In these events, national and international experts discussed corporate governance practices, as well as the experiences of Banco do Brasil and Petrobrás as companies participating in the

new market and of differentiated levels of corporate governance of BOVESPA. Despite the efforts of the Federal Government to establish a standard of corporate governance for state-owned companies - the relationship between shareholders (the union), agents and other stakeholders, there will still be a gap between the central power and the actors of the public companies (employees, advisors, directors and president). This blank space or corporate gap are the divergent interests of the shareholder-owner (Union) and the agent and its stakeholders. These divergences are latent in the face of conflicts of interest between the political power that indicates its advisers and the bureaucracy technique in charge of the management of the company. So, it's up to us to ask: In the view of stakeholders of State-owned Enterprises, do corporate governance practices fit within the principles of corporate governance?

This article aims to investigate how the different stakeholders-actors represented by employees, directors, and presidents, see the practices of Corporate Governance in the public company. It addresses the concept and fundamentals of corporate governance, addresses corporate governance from the standpoint of public enterprise; describes the architecture models of corporate governance in Brazil and in the world. Finally, it presents an empirical research of the stakeholder view on the practices of corporate governance in Public Company.

## **2. Concept and elements of the corporate governance**

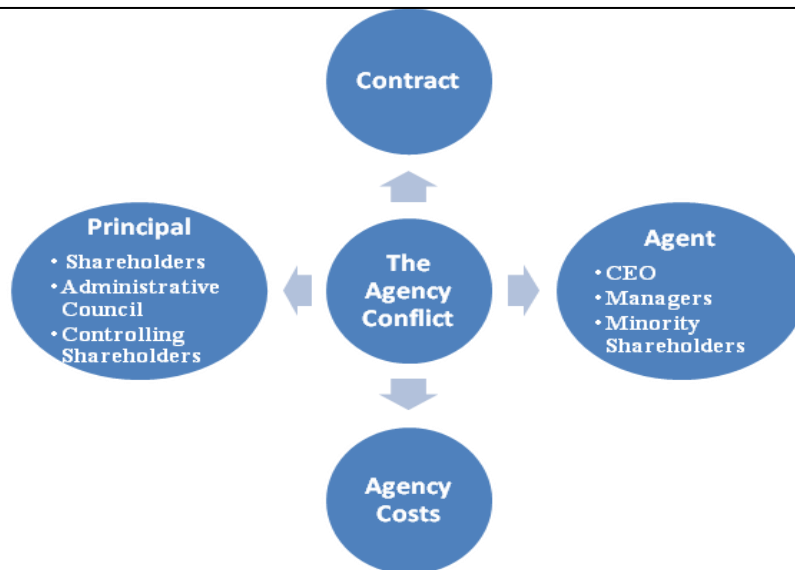
Corporate governance is a series of practices that govern relations between shareholders, other stakeholder relationship groups and company management, in order to increase value for society, facilitate access to capital and improve the performance of the organization, (GUIDIS, 2005, LETHBRIDGE, 1997, NASCIMENTO 2005, IBCG, 2006).

The concept of corporate governance and its practices are grounded in the agency theory proposed by JENSEN and MECKLING (1976) by their affirming that the division of ownership and management introduces agency conflict. The manager or agent with individual interests may not pursue the objectives dictated by the owner. For REAZ and HOSSAIN (2007), decision-making in organizations, where there are one or more parties with different interests, may not bear the best practices that meet the interests of the organization or its stakeholders. According to FONTES FILHO and BALASSIANO (2005) this conflict is due to the parties in relationships, the principal (owner) and agent (manager) seek a maximization in function of a particular utility, reason why not always the agent will act in order to attend the interests of the principal.

On the other hand, the issue related to the transaction costs must also be considered. According to MACHADO (2005) transaction costs are those resulting from and inherent to the use of the market mechanism, both in terms of coordination and motivation, in relation to the preparation of contracts for each transaction or series of transactions. Therefore, the object of analysis is centered on the transactions between the producer, its suppliers and customers, with a view to minimizing transaction costs and mitigating agency and contracting costs. Hence the reason of associating the agent with the financial, economic and professional performance success of the agent to the success of the organization and the valuation of the Company, that is, the agent must link its trajectory and its future to the future of the Company. But as the manager or agent is endowed with individual interests he may not pursue the goals

set by the principal or owner, thus giving rise to the agency conflict. It is the overlap of the agent's interest to the interests of the owner.

FONTE: ADAPTADO DE GORGA, ÉRICA C.R , PANORAMA DA GOVERNANÇA CORPORATIVA NO BRASIL E OUTROS PAISES,FEA-USP, OUT 2005 ,SLIDES



There are several reasons for conflicts between the principal (owner) and the agent (manager). But the practices related to the expropriation of wealth on the part of the agent, as it overrides his interests to the interests of the principal, they are, in fact, the central point of the agency conflict. These are decisions made by the agent that result in prejudice or loss of value for the organization and / or its stakeholders, such as:

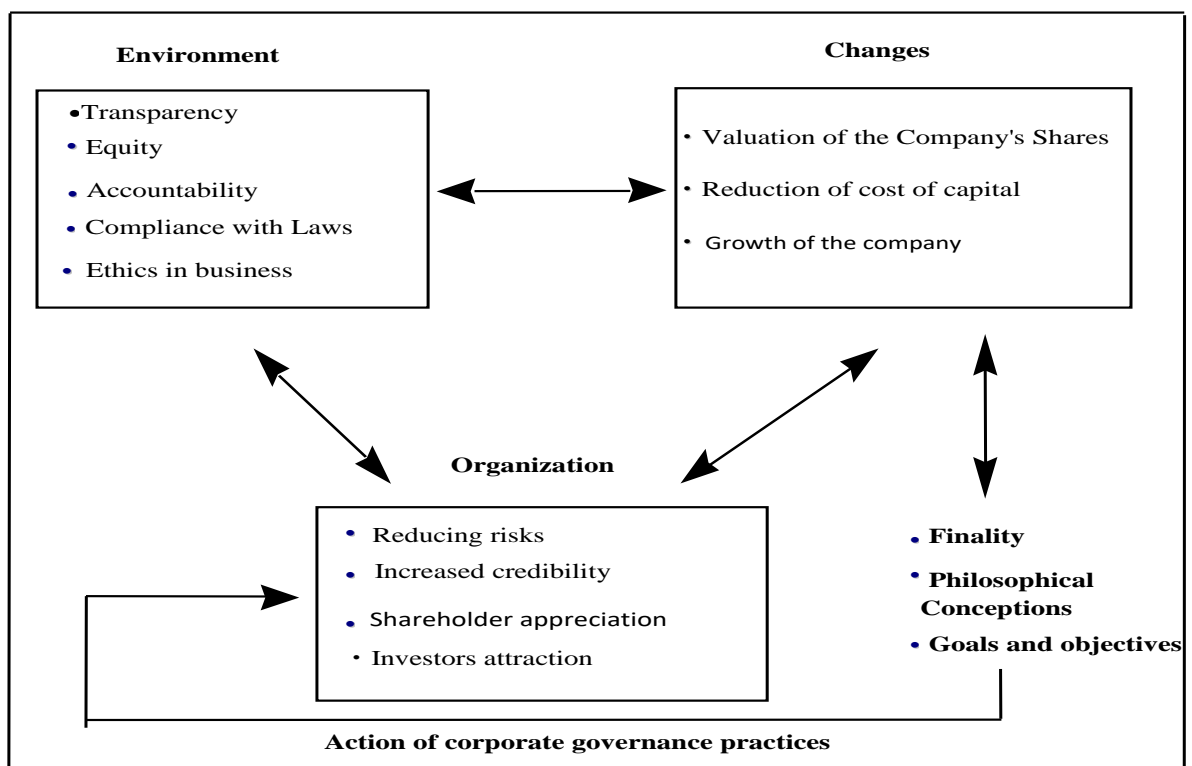
- Use of free cash flow in businesses that do not add value to the shareholder
- Expansion of business beyond necessary or excessive diversification of the company
- Transfer or disassembly of company assets to subsidiaries at prices below market value
- Resistance of sale, merger or liquidation advantageous to the shareholder
- Production of results to justify bonuses
- Support projects loaded with personal values to those supported by technical feasibility studies
- Indication of relatives or friends to hold managerial positions without proper technical qualification
- Abusive determination of remuneration for the agents themselves

According to RABELO E SILVEIRA (1999) an efficient governance system should provide:

"Specialized mechanisms of incentives, safeguards and conflict resolution that can promote the continuity of business relationships that are efficient in the absence of self-interested opportunism, relationships that could otherwise be broken under exclusively market-based contractual rules. "

However, in dealing with corporate governance, it is important to state that the governance of a society transcends the management of the company beyond its borders. One must also think of the stakeholders who are represented by the groups of people who relate to the company. For WRIGHT ET. AL. (2000) the challenge of top management, given the diversity of stakeholder interests, is to seek balance to meet the diverse demands of different groups of relationships. The corporate governance construct involves different agents, such as controlling and minority shareholders, directors and advisors, company employees and suppliers, consumers, regulatory agencies and communities (BERNARDES AND BRANDÃO, 2005). From this perspective one can seek to understand the concept of corporate governance under a systems vision, as shown in figure (1).

Figure 1- Systemic view of the corporate governance



Source: authors

Therefore, corporate governance from the point of view of an open system is organized with management practices that govern relations between the shareholder and other stakeholders, in an integrated and interdependent way, in constant interaction with the market (environment), to ensure in a transparent and timely manner, all information about the company's management.

The organization, when adopting good corporate governance practices, through the application of efficient management mechanisms, in a clear and transparent manner, in accordance with current legislation and prioritizing business ethics, brings perennality and continuous valorization and increase in the credibility of society. VIEIRA and MENDES (2004) corroborate with this positioning, arguing:

"Greater transparency proposed by governance will tend to induce a reduction in the cost of capital, since creditors will have greater credibility in company data and shareholders will be willing to invest if they believe that the controlling group or manager will not be able to manipulate the information in their own advantage " .

### 3. The typologies of architecture of corporate governance

The predominant corporate governance systems in the world are the Anglo-Saxon and the Japanese-German. The Anglo-Saxon or so-called legal protection model prevails in the United States of America and in the United Kingdom and is based on the shareholder’s interest. While the Japanese-Germanic model is employed in Continental Europe, Germany and Japan is based on the interest of the various - stakeholder - groups involved. (REAZ e HOSSAIN, 2007; BORGES and FERRÃO, 2006; RATTA et. Al. ,2005; BERGAMINI JUNIOR, 2002; LETHBRIDGE, 1997). In Table 1 below, we present the architecture of the corporate governance system in Brazil and in the World

Table 1 - Architecture of the Corporate Governance System in Brazil and in the world

Corporate Governance System	Germany / Netherlands / Scandinavia Countries	Japan	United States of America / United Kingdom	Brazil
Administrative Council	TWO-TIER BOARD 2 boards - Management and Supervision (50% elected by employees)	SINGLE-TIER BOARD Mostly Internal	SINGLE-TIER BOARD Mostly External (professional advisors)	SINGLE-TIER BOARD Mostly Internal and even external ones are of the social circle of the controller
Property	Concentrated: Families, Corporations, Banks	Less Concentrated Banks and Corporations. Keiretsu	Diffuse: Non-corporate, Banks, Pension Funds	Highly Concentrated Families
Features	Agency Costs and Failure to Maximize Shareholder Wealth	Cross-linked properties creating competition conflicts	Strong Executives and Weak Owners	Majority and minority agency problem and Expropriation. Overlap between ownership and management

Source: TARIFF, Benemar, Concept, strategy and the Sabesp case study, PPGA-FEA-USP, slides (2007)

### 4. Corporate governance under the view of the public company

In the context of public administration, state-owned enterprises represent the government's business arm in the performance of the state as an entrepreneur. The bias of the state as an entrepreneur is an issue widely debated by several currents of public administration scholars of various shades, in the midst of the administrative reforms promoted in the public service over the last five decades. (CERAF, 1969, GARCIA 1979, FERNANDES 1979; FETTER JR, 1979; MARTONE et al 1994, REIS et al 1995; PEREIRA, 1998; BENTO, 2003) .The role these companies represent for society and questions regarding their performance

in complying with governmental public policies, the exercise of power and the control of their managerial activities, rekindles, from time to time, the discussions about the capacity of the state to exercise effective control over them. This phenomenon always occurs when the (principal) State, represented by the executive power, can not exercise control over the technician-bureaucracy (agent), insofar as the society (stakeholders) puts pressure on the State's performance. In the democratic system, politicians represent the society (stakeholder-taxpayer) and seek to influence the state organizations through political action motivated by the perspective of political return through public spending. BENTO (2003, p. 141) reinforces this positioning by suggesting changes in the regularity audit system for performance auditing, which puts the following argument:

"In general, the tension between financial management and performance management faces difficulties and resistance in administrative routines that have long been obeyed, and neither politicians nor bureaucrats are sensitive to argumentation through numbers and indicators, economic discourse without social human meaning. The demands of the democratic political process conspire against any technocratic solution. "

However, this shows the difficulties and limitations of the state in exercising control over state-owned enterprises. Under political pressure, the leaders nominate agents to management positions in public organizations, and those co-opted by political power put their individual interests in first, to the detriment of policies and guidelines set by the government (owner). It is the agency conflict, where the agent is concerned with maximizing its usefulness. FONTES FILHO (2003, p 28) corroborates with this argument, making the following statement:

The rulers, incapable to administer directly all the organs of the state apparatus, delegate tasks to leaders who, according to the theory of the agency, have their own interests. If for the rulers the existence of the organization lends itself to the fulfillment of politically defined objectives, for the managers the control of the organization may be associated with particular projects that will expand their power, relationships and even political visibility

Now, this agency conflict is different from that of market management practices, because, because due to the phenomenon of political action being inherent to the democratic process, the control of public power over State enterprises becomes inefficient due to social standards constructed and shared that are incorporated and legitimized by the members of the organization, based on coercive, normative and mimetic institutional mechanisms. Therefore, they are evidences of the institutional theory that paint the panorama of the influence of the State, of the society and the cultural pressures on the organizational conformation not emphasizing the forces of the market, the scarcity of resources, the organizational behavior, the organizational history or the rules and consensual understandings (ROSSETO and ROSSETO, 2005). Finally, we have here a dichotomy of approach from two perspectives: a market and an institutional one, whose mechanisms of control of managerial action differ.

Therefore, in view of this duality, PEREIRA (1998, p.140) proposes as a form of control mechanism the functional criterion:



According to this criterion, and arranged in this order, we have the following mechanisms or types of control beyond the juridical-legal system: control through the market; political-democratic control, which can be carried out, on the one hand, through the mechanisms of representative democracy, direct democracy or social control, and, on the other hand, transparency of information and control by the media and opposition; and hierarchical control, which can be managerial, bureaucratic or traditional. "

OECD (2004) has been working on corporate governance in state-owned enterprises, in Member States and in other countries, and acknowledges the great challenge of governments in establishing an efficient corporate governance system that meets market conditions, but do not suppress practices arising from society's initiatives, whether in the public or private context. In the document - OECD Guidelines on Corporate Governance of State-owned Enterprises, it points out that the greatest challenge for efficient corporate governance in state-owned enterprises lies in the fact that management performance accountability involves a complex chain of agents (administrator, management, proprietary entities, ministers and governments) without the clarity and ease of identifying the principal.

Finishing this. Considering the breadth and complexity of the relationships that encompass the role of state enterprises and their environment in society, as well as their social and political interactions, in which these companies are inserted in the context of the socioeconomic development of society, we look for STREIT (2006) the concept of corporate governance for the public sector:

The coordination and articulation of the set of institutions, processes and mechanisms, through various forms of partnerships and interactions, social and political, with the active participation of the government, to achieve corporate goals and promote the development of society.

In this context, corporate governance in the public sector, that is, corporate governance in state enterprises, transcends the principles of corporate governance, because it promotes, directly or indirectly, the incorporation of a set of stakeholder interests represented by the political and social systems, product of political actions and demands of society in democratic regimes. Such factors are not present in private organizations. This is why, in this study, the principles of corporate governance of the OECD were adopted for the uniqueness, adequacy and breadth of its adoption in the public area.

## **5. Methodology of the research**

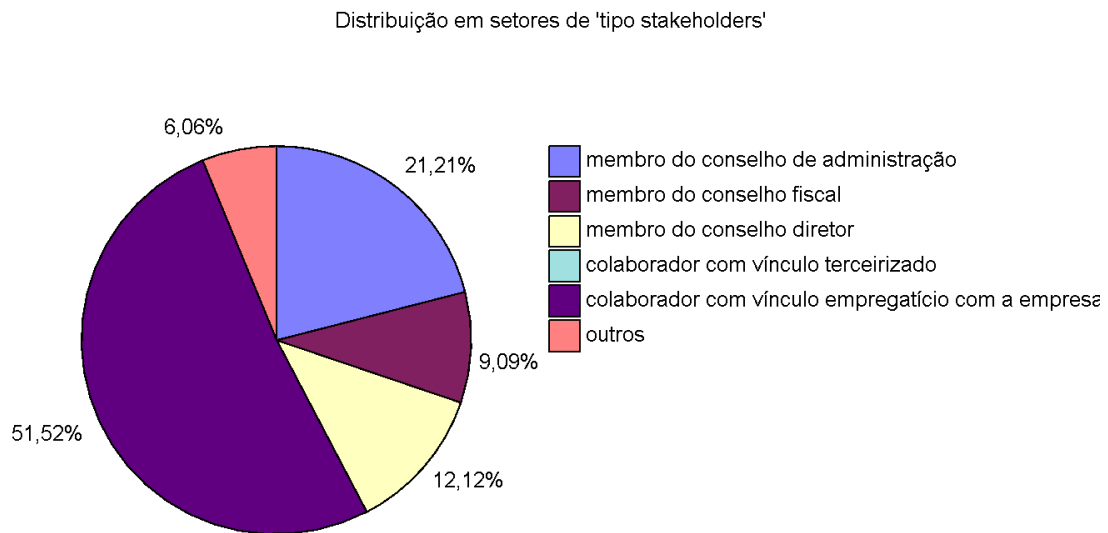
This is a bibliographic, documentary and descriptive research, with primary and secondary instruments of data and information collection, aiming to understand how the different performers (stakeholders) of the Public Company (employees, counselors, directors and president) see practices of the Company's corporate management, in which they relate professionally.

The research was developed in two stages: 1) bibliographic and documentary research; 2) empirical research through the application of a structured questionnaire (model appendix I), opinion survey, closed type with responses in Likert scales. The questionnaire was made available on a website and sent electronically to a set of selected public companies.

The sample of companies surveyed was drawn from the universe of 117 state-owned enterprises, of which only 22 are classified as public companies, that is, 18.80%. The others are joint-stock companies,

but only three have shares traded on the stock exchange. Of the 22 (twenty-two) public companies, 8 (eight) were selected for the survey and sent 283 emails to their directors, auditors, directors, president and employees exercising their management function, with the site's indicative to respond to the questionnaire.

The percentage of questionnaires answered was of 11.66% (33), of the emails sent. The table below shows the distribution of the respondents by the type of stakeholders.



The applied data collection instrument was organized based on six basic and non-prescriptive principles that address the relevance of corporate governance in the legal, economic and social context, listed by the OECD's Corporate Governance guideline - Organization for Economic Co-operation and Development. The principles of OECD corporate governance used in formatting the questionnaire are as follows:

- 1) ensure the basis for an effective corporate governance structure;
- 2) protect the rights of shareholders;
- 3) ensure equitable treatment of the shareholder;
- 4) establish norms of governance for stakeholders
- 5) ensure the transparency and disclosure of information in relation to the corporation; and
- 6) assure the responsibility of the corporate management in the monitoring and rendering of accounts for the company and its shareholders.

The limitations of the research were conditioned to the problems of bureaucratic and operational order to obtain the electronic addresses of the respondents, in order to cover the universe of the selected public companies. Also, as a limiting factor found, it is shown the difficulty in establishing a control over the adequate number of respondents per category of positions, given the degree of uncertainty in relation to those who would effectively cooperate by answering the questionnaire.

## **7. A corporate governance in a public company and a view of their practices by the stakeholders**

The understanding of the corporate governance system in a public company transcends the axiomatic principles described in governance models for private enterprise. On the one hand, public companies, although organized as a basis in the foundations of administration which underpin private enterprise, are managed encompassed by a complex and diffused chain of agents (administrators and executive directors) and the ministerial structure of government-based political representation of the state (owner). On the other hand, there is also the breadth and complexity of social and political relationships and interactions with surrounding environment (society), which through their stakeholders (contributors, politicians, organized civil society) seek to influence state organizations through political action. This fact puts the public company under a great conflict of agency. In another dimension there is the discussion of the role of the public company in the context of society. Should the public company primarily position itself as a profit generator for the owner (the State investor) or as an instrument of public interest for the creation of social wealth (stakeholders)? So how to solve this dilemma: is corporate governance evaluated in a public company on the wealth side for the owner or the stakeholder side in the creation of social wealth?

The view of corporate governance, both in the business world's focus and in the focus of public administration, is built by a set of universal principles that establish standards and procedures that promote accountability with transparency and equity, observing the principles of legality, legitimacy and administrative probity. In this way, the relevance of corporate governance is related to the management of companies, both on the side of profit generation for the owner, and on the creation of social wealth from the stakeholder perspective. Therefore, regardless of whether it is a public or private company, the corporate governance system must be structured based on universal principles that ensure equitable, transparent and ethical values treatment in the relationships between the principal (investor) and the agent (administrator) and the other stakeholders.

Thus, under this prism of the universality of the principles governing corporate governance, we sought to know the practices of corporate governance in the public company from the perspective of stakeholders (members of the board of directors, fiscal council, executive officers and employees). It was adopted, for this study, the six principles of corporate governance defined by the OECD, already mentioned in the methodology of the research, which will be analyzed in the following section.

### **7.1- Ensure the basis for an effective corporate governance structure**

The basis for an efficient corporate governance is determined, above all, by the performance of the Board of Directors that is responsible for the strategic and corporate decisions of the Company. The Board of Directors, as a representative of the shareholders, seeks to raise the value of society and improve company management, with a focus on financial and equity sustainability in an ethical and transparent manner.

In the view of the stakeholders of the public company, it can be seen that the members of the Board of Directors of these companies do not exercise their role accordingly, since 54.54% of the respondents state

that the Board of Directors in the companies surveyed have their deliberative meetings based on presidential agenda. It is also worth noting that, in the view of 87.87%, the issues related to the expansion and interest of the company are defined by the Company's Executive Board. Another point to note is the overlapping of roles between the Board of Directors and the Board of Executive Officers, since 84.85% say that the big decisions in their companies are taken by the Board of Executive Officers and then the Board of Directors approve them.

TABELA- 01 GOVERNANCE IN PUBLIC COMPANY: BASES FOR AN EFFECTIVE STRUCTURE OF CORPORATE GOVERNANCE

OECD Governance Principles	Variables analyzed	The view of Stakeholders					
		1	2	3	4	Average	Standard deviation
		%	%	%	%		
ENSURE BASES FOR AN EFFECTIVE STRUCTURE OF CORPORATE GOVERNANCE	In my company, the Board of Directors, due to its deliberative nature, has dedicated its activities strictly to discuss and make decisions based on a template proposed by the Presidency	15,15	30,3	42,42	12,12	2,52	0,91
	In my company, it is the Executive Direction that defines the Company's expansion and interest projects and then submits them to the Board of Directors for approval.	3,03	9,09	42,42	45,45	3,3	0,77
	In my company, major decisions are taken by the Board of Executive Officers and the Board of Directors always approve them at their regular meetings.	6,06	9,09	51,52	33,33	3,12	0,82

Caption: 1- I disagree totally; 2 - partially disagree; 3- I agree partially; 4 - I fully agree

Therefore, it is concluded that Brazilian public companies, according to OECD principles, do not effectively ensure a basis for corporate governance structure, due to the non-observance of the responsibility of the roles between the Board of Directors and the Company's Executive Board . There is a clear overlap of roles.

**7.2- Protect the rights of shareholders.**

The protection and facilitation of the exercise of shareholders' rights is obtained through the application of a business management based on respect for the rights of the principal (shareholder) and the compliance of the agent (manager) in establishing financial valuation and shareholders' equity valuation actions based on on the principles of legality, legitimacy of roles and transparency in the relations between these actors.

TABLE- 02 GOVERNANCE IN PUBLIC COMPANY: PROTECTING THE SHAREHOLDERS RIGHTS

OECD Governance Principles	Variables analyzed	The view of Stakeholders					
		1	2	3	4	Average	Standard deviation
		%	%	%	%		
PROTECTING SHAREHOLDER RIGHTS	In my company, I have never been aware of a risk management program with the objective of strategic alignment and loss reduction due to operational contingencies	24,24	27,27	18,18	30,3	2,55	1,18
	In my company, there is the continued practice of the Board of Executive Officers to take decisions ad referendum of the Board of Directors	18,18	15,15	45,45	21,21	2,7	1,02

Caption: 1- I disagree totally; 2 - partially disagree; 3- I agree partially; 4 - I fully agree

In this regard, the survey shows that in the view of the stakeholders of public companies 48.48% are unaware of the existence of a risk management program with a goal of making strategic alignment and reducing losses due to operational contingencies. Another point is the continuous practice of the Board of Executive Officers in making ad referendum decisions of the Board of Directors (66.66%).

Then there is a clear conflict of roles, where the bias of the Executive Management (the agent) overlaps with the corporate management of the Board of Directors (the principal). You see, then, a reversal of roles. Board of Executive Officers defining strategic policies and guidelines and the Board of Directors relegated to the secondary role of homologator of decisions of the executive managers. A clear conflict of agency. The agent (Executive Board) maximizing the usefulness of its function and control of decisions in the Company, to the detriment of the principal / shareholder (the State) represented by the Board of Directors.

**7.3- Ensure equitable treatment of the shareholder;**

In order to ensure an equitable treatment of the shareholder, the agent (manager) shall guide its practices and administrative decisions based on the principles of legality, transparency and administrative probity. Thus, it is essential to establish a balance in the relations that govern shareholders and stakeholders. The application of the principles of legality, transparency and administrative probity through the code of ethics and business conduct signals the observance of good corporate governance practices that are fair to both shareholders and stakeholders. However, the research sample reveals that 45.45% of respondents stated that they had never been aware of the application of the Code of Ethics and of Business Conduct for administrative practices and decisions contrary to this principle.

TABLE- 03 GOVERNANCE IN A PUBLIC COMPANY: EQUITABLE TREATMENT OF THE SHAREHOLDER

OECD Governance Principles	Variables analyzed	The view of Stakeholders					
		1	2	3	4	Average	Standard deviation
		%	%	%	%		
ENSURING EQUITABLE SHAREHOLDER TREATMENT	In my company, I have never been aware of the application of the code of ethics and business conduct, due to administrative practices and decisions that are contrary to the principles of legality, transparency and administrative probity	42,42	12,12	3,03	42,43	2,45	1,42

Caption: 1- I disagree totally; 2 - partially disagree; 3- I agree partially; 4 - I fully agree

It can then be deduced that although public companies have their codes of ethics and business conduct, transparency in their application is inefficient.

**7.4- Establish norms of governance for stakeholders**

Corporate governance practices aim to recognize the rights of stakeholders in laws or through the establishment of norms or agreements that legitimize relations between the corporation and stakeholders in the creation of value, work and sustainability of the financial and equity health of the company.

TABLE - 04 GOVERNANCE IN PUBLIC COMPANY: GOVERNANCE STANDARDS FOR STAKEHOLDERS

OECD Governance Principles	Variables analyzed	The view of Stakeholders					
		1	2	3	4	Average	Standard deviation
		%	%	%	%		
ESTABLISH GOVERNANCE STANDARDS FOR STAKEHOLDERS	In my company, there is no widespread disclosure by managers of the Code of Ethics and Business Conduct	33,33	21,21	36,36	9,09	2,21	1,02

Caption: 1- I disagree totally; 2 - partially disagree; 3- I agree partially; 4 - I fully agree

The code of ethics and business conduct outlines the principles and values that should guide management practices and the relationships between stakeholders and the company. The disclosure of the Code of Ethics and Business Conduct is important to build trust in the relationship between the corporation and its stakeholders. In the public companies surveyed, there is no widespread disclosure of the code of ethics and business conduct by managers, according to 45.46% of the respondents.

**7.5- Ensure the transparency and disclosure of information in relation to the corporation**

Transparency and the timely disclosure of all information in relation to the corporation is one of the basic support pillars of good corporate governance, since it underpins the basis of society's valuation and increases the credibility between the agent (manager) and the principal (shareholder) and its stakeholders.

TABLE-05 GOVERNANCE IN PUBLIC COMPANY: TRANSPARENCY AND DISCLOSURE OF INFORMATION REGARDING THE CORPORATION

OECD Governance Principles	Variables analyzed	The view of Stakeholders					
		1	2	3	4	Average	Standard deviation
		%	%	%	%		
ASSURE TRANSPARENCY AND DISCLOSURE OF INFORMATION REGARDING THE CORPORATION	In my company, there is a concern to divulge internally and externally its activities in a clear and transparent way	6,06	24,24	39,39	30,3	2,94	0,90
	In my company, the deliberations of the Board of Directors are widely disseminated to the various managerial levels	21,21	24,24	27,27	27,27	2,61	1,12

Caption: 1- I disagree totally; 2 - partially disagree; 3- I agree partially; 4 - I fully agree

In public companies, there is a concern in disclosing the activities of the company both externally and internally (69.69%). However, it is also observed in the view of the stakeholders (45.45%) that the disclosure of the Board of Directors' deliberations to the different management levels has no amplitude that is adequate in the companies.

**7.6- Assure the responsibility of the corporate management in the monitoring and rendering of accounts for the company and its shareholders.**

Corporate Management is responsible for ensuring the monitoring, the evaluation of results and rendering of accounts for the company and its shareholders. Another point is also about the practices of performance evaluation and conduct of the managers responsible for conducting the business. Therefore, the responsibility of Corporate Management is stipulated, not only for the performance of auditing accounts, but also for the financial and equity performance through an evaluation of the manager's performance and conduct.

TABLE - 06 GOVERNANCE IN PUBLIC COMPANY: OF CORPORATE DIRECTORS IN MONITORING AND THE RENDERING OF ACCOUNTS FOR THE COMPANY AND ITS SHAREHOLDERS

OECD Governance Principles	Variables analyzed	The view of Stakeholders					
		1	2	3	4	Average	Standard deviation
		%	%	%	%		
ENSURE THE RESPONSIBILITY OF CORPORATE DIRECTORS IN MONITORING AND RENDERING OF ACCOUNTS FOR THE COMPANY AND ITS SHAREHOLDERS	In my company, there is no method of evaluating the performance and conduct of the Executive Directors	12,12	12,12	30,3	45,45	3,09	1,04
	In my company, the Fiscal Council is considered a technical body that has guided its actions in specific facts of the accounting and financial audit legislation.	6,06	6,06	48,48	39,39	3,21	0,82

Caption: 1- I disagree totally; 2 - partially disagree; 3- I agree partially; 4 - I fully agree

Thus, the control action in companies is extended beyond the traditional accounting and financial audit, which is the responsibility of the Fiscal Council and independent audits. It requires, therefore, the Corporate Direction to establish, to evaluate and to monitor the effectiveness of the internal controls.

Regarding public companies, it is observed that there is a strong performance of the Fiscal Council in the management of controls (88.87%). On the other hand, for 75.75% of respondents, there is no instrument for evaluating the performance and conduct of the Executive Officers. Therefore, in public companies, the monitoring of business management is deficient in evaluating the performance and conduct of Executive Officers.

## 8. CONCLUSIONS

Corporate governance in public companies and their practices viewed by the critical view of their main stakeholders (members of the board of directors, members of the fiscal council, executive directors and their employees), according to the data collected from the survey applied to 8 public companies, under management of the Federal Government, presents a new panorama on the corporate management of Brazilian public companies. Although there are efforts by the Federal Government to regulate, normatize and exercise control of the shareholder (state) over the agent (corporate management) in conducting business in state-owned enterprises, there is a corporate governance gap in these companies. Next, based on the principles of corporate governance defined by the OECD, some relevant points are placed on the problems of corporate governance in public companies, linked to the administration of the Federal Government.

a) there is evidence of the conflict of roles between the Board of Directors and the Board of Executive Officers of the Companies. The Executive Boards of Companies carry out, directly overlapping the responsibilities of the Directors, the decision-making in expansion projects and in the Company's interest. And place the Board of Directors as an approval body for decisions of the Board of Executive Officers;



b) As a reflection of this conflict of roles between the Board of Directors and the Board of Executive Officers, the administrative actions of risk management and financial and equity valuation are adopted in part by the agent (executive officers) with a view to protect shareholder rights (State);

c) The intention is created, but the fact does not occur. The companies have a code of ethics and business conduct with the goal of establishing equitable treatment of the shareholder and its stakeholders. But the fact is that there is no efficiency in its application. A significant group of stakeholders claims to be unaware of its application because of administrative practices that go against the code of ethics and business conduct.

d) Public companies have a code of ethics and business conduct regulating relations between the shareholder and the stakeholders, but their disclosure in the scope of the companies by their managers does not affect the organization as a whole, only part of it;

e) communication in public companies, as a way to ensure transparency and the disclosure of corporate information, to the management levels it is deficient; and

f) The performance of the Fiscal Council is well evaluated by the stakeholders, but their actions are restricted and based on specific facts of the accounting and financial audit legislation. For 2/3 of the stakeholders of public companies, the monitoring of business management is deficient in evaluating the performance and conduct of Executive Officers.

Therefore, it is concluded that corporate governance in public companies is precarious and deficient. The corporate governance gap generates agency conflict as a continuum in the management of these companies. The executive power, represented by the State (shareholder), can not exercise control over the technical-bureaucracy of the Executive Offices (agent), through the action of the Board of Directors. On the other hand, the society (stakeholders) represented by the political system tries to exert an influence in these organizations with political actions in defense of a set of interests different from the social goals of the Companies. This fact emphasizes the strengthening of bureaucracy in the search for maximization of its usefulness and the weakening of shareholder power, represented by the members of the Boards of Directors.

In reality, what is observed is a dialectic of interests between the various stakeholders, whose summary only occurs in the defense of the interests of the agent. Therefore, in the view of the stakeholders, corporate governance in public companies is a rhetorical figure, as observed in relation to the code of ethics and business conduct. It exists as a demonstration model of transparency and disclosure of the relations between the Company and its stakeholders, but of little knowledge of the managers and almost no effective application by the company.

Finally. The great challenge to ensure an effective corporate governance structure in public enterprises lies in the fact that management performance accountability involves a complex chain of stakeholders. The (main) State, in view of its social and political interactions, can not mitigate the agency conflict, either motivated by political action in the perspective of maintaining a power of influence in the decisions by the stakeholders, or by the direct action of the technical-bureaucracy in the defense of the maximization of their interests.

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