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**The roles of the Board of Directors in listed companies in Brazil**

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## LIST OF ABBREVIATIONS AND ACRONYMS USED IN THIS SUMMARY

ADR - American Depositary Receipts

AMEC - Association of Investors in Capital Markets

BOVESPA/BM&FBOVESPA - Sao Paulo Stock Exchange

BoD - Board of Directors

CVM – Securities and Exchange Commission of Brazil

CEG - Center of Studies for Corporate Governance

CEO - Chief Executive Officer

GCGF - Global Corporate Governance Forum

IBGC - Brazilian Institute of Corporate Governance

ICGN - International Corporate Governance Network

IFC - International Finance Corporation

IPO - Initial Public Offering

NM - Novo Mercado

OECD - Organization for Economic Cooperation and Development

SEC - Securities and Exchange Commission

## **1. Introduction**

The internationalization of real and financial markets has eased the boundaries of the business world, increasing the complexity of the environment and also universalizing risks and turmoil, as shown by the crises in Asia, Russia and Brazil in 1990. These factors contributed to the rise of competition for resources and elements of differentiation of countries and companies.

The wave of hostile takeovers in the United States in the 1980s and Europe in the 1990s, in addition to the strengthening of institutional investors did increase the discussion of corporate governance practices that could be harmful to the different agents involved. In Brazil, the subject began to take evidence in 1995 with the creation of the Brazilian Institute of Corporate Governance (IBGC), but has only grown exponentially since the corporate scandals in the United States, precisely the period in which the changes were completed in the text Law of Corporations at the end of the millennium.

The stories of Enron, WorldCom, Tyco evidence the result of vicious cases based on asymmetric information, divergent interests and mismatch of purpose, with doses of greed and lack of basic principles of ethical conduct. The scandals eventually played a major educational role on the importance of good governance practices, as they fully exposed serious flaws in their governance model.

Among the best practices, the ones regarding the board of directors (BoD) started to gain attention. The main decision making forum of companies acting on behalf of shareholders, began to be dissected and discussed both in the corporate world

and in academia. The practices and procedures of the BoD are among the first elements to be analyzed to determine the level of governance of a company and there is total agreement on the centrality of their role. But the convergence of opinions does not go much further, since there are different views about the roles played by the BoD on business and the factors that interfere in this role.

Despite the variations in the descriptions, the importance of the role of the board on corporate governance is undisputed. A formal analysis of the board's role of listed companies in Brazil will contribute to academia and the market. What is proposed in this study is a new generation of researches that go beyond a mere description of the structure of the BoD. There is enough awareness that it is necessary to develop more than the demography-outcome approach so that the implications of the board's characteristics in its performance are understood.

As far as our information goes, this is the first research to investigate the roles of boards of directors as a whole in listed companies in Brazil. This is also the first study to analyze the relationships between these roles to the ownership structure and identity, size, company's age, the corporate governance quality at the level of BoD, and the relationship between these roles and the presence of institutional investors in the ownership structure.

A formal analysis of the role of the board of listed companies in Brazil will contribute to academia as well as for the the market. The results of this research may contribute to future theoretical models of corporate governance, that aim to be more inclusive and customized for the study of companies in the Brazilian market and similar emerging countries.

The choice of the board of directors as the subject of study is justified by the wide recognition of its importance in corporate governance. It should also be considered that, due to the relevance of corporations in the modern economic activity, any deviation from the maximization of firm's value is a matter of fundamental importance. Thus, understanding the role of BoDs is vital not only for the comprehension of the corporate behavior but also for the policy-making regarding the regulation of business activities.

## **2. Problem definition and objectives of the study**

The most common theoretical models lack of detailing to capture the complexity contained in the board of directors' activities. Additionally, the vast majority of empirical studies were carried out in countries where the capital market is more mature and developed. So most of them use theories better suited to that reality. Thus, the knowledge produced is not fully applicable to the Brazilian reality and fails to capture important elements for its understanding. The concentration of ownership in Brazil creates a different environment from that prevailing in BoDs of countries where there is widespread ownership.

The excessive power concentrated in the CEO, who is at the same time, chairman of the board, is not prevalent in the BoDs of listed companies in Brazil. Here, the concentration of power arises from ownership concentration, which takes place in the actual control of the firm, by limiting the rights of minority shareholders. The Brazilian market is beginning to witness a movement of dispersed ownership, which was observed particularly in the new IPO firms that went public in the stock market, with the listing of its shares in

a segment with superior governance practices, the so called "*Novo Mercado*", but this transformation is still incipient.

Giving this scenario, what is the role of BoD in Brazilian companies listed on the Stock Exchange of São Paulo (BM&FBovespa)? Are there relationships between ownership structure<sup>1</sup>, controlling shareholders' identity, firm's size and age, and the practices adopted by the BoD and its role? To date, there are no studies in the country with answers to these questions as a whole, particularly when considering the Brazilian reality in which there is the prevalence of ownership concentration and the existence of controlling blocks<sup>2</sup>.

Specifically, the objectives of this research were:

1. To describe and explore the roles of BoDs and their relevance in the corporate governance model in companies listed on the Sao Paulo Stock Exchange (BM&FBovespa);
2. To study the relationships between ownership structure and type, company's size and age, quality of governance at the level of BoD as established in the literature and the roles of BoDs in the enterprise.

For this purpose, the following key issues were set out:

- What is the predominant role of BoDs in listed Brazilian companies?
- What are the relationships between ownership structure and type, size and age of the company, quality of

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<sup>1</sup> Ownership structure addresses the full range of partners or shareholders - when company with shares traded on the Stock Exchange - which make up the ownership of a company.

<sup>2</sup> control block refers to private arrangements between groups of shareholders that together and by special agreement, establish rules that ensure control of the company, acting as a block.

corporate governance at the level of BoD, as described in Section 3.4, and the roles of BoDs in listed Brazilian companies?

- o What is the relationship between the participation of institutional investors in the ownership structure for over three years as well as the roles of the board?

## **2.1 Research limitations**

This study will consider only two of the internal mechanisms of corporate governance: the board of directors and the ownership structure. Other internal and external mechanisms of governance will not be analyzed. By observing the board this study is focused only on the roles of BoDs of listed Brazilian companies; procedures and operation of the BoD or general practices of corporate governance will not be studied.

This research addresses what the BoD does and how it is made, assuming that there may be a joint endogeneity among the factors studied. The composition of BoD affects what BoD does and this can be influenced by an intention to affect what the BoD does.

This research explores the more frequent categories in the literature to describe the role that BoDs play in business: Ratifier, Control, Strategy, Service and Dependency Resources, subject to check features that may delineate a role additional or a different set of these categories in the Brazilian case.

Private companies were not considered in this study.

## **3. Conceptual assumptions**

After extensive work of literature review, for this research it was used the assumption that a multitheoretical approach may better capture the complexity of a corporate governance system. It was

also assumed that the quality of governance at the firm is positively associated with voluntary adoption of stricter governance standards, as in the case of the special listing segments with higher standards of corporate governance, such as Level 2 and BM&FBovespa Novo Mercado<sup>3</sup> and those issuing *American Depositary Receipts (ADRs)* <sup>4</sup>.

It is also assumed that the roles of BoD in the literature are not always comparable between studies and theoretical discussions, but often use the same label for the role.

From the proposal that a multiple perspective can broaden the understanding of the problem situation, this research relied on the economic theories of organization - agency theory, transaction costs' theory, theory of the property rights, the prospects for theories of organization - *stewardship* (leadership, management) and resource dependence theory and the theory of stakeholders, derived from studies of politics, law and administration.

Despite the evidence that there is no prevalence of outside professional executives employed by companies in the sample, given the majority of family-controlled business which allocate family members in key positions, this research also used the approach of the managerial hegemony.

This approach intends to explore whether the same theoretical roles provided by those researches are present in the firm's sample, although with actors with a different relationship with the company, which includes its shareholding.

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<sup>3</sup> Level 2 and Novo Mercado are special listing segments of the BM&FBovespa which bring together companies that voluntarily adopt better corporate governance practices than those required by law.

<sup>4</sup> Receipt of shares of company not based in the United States, issued by a bank and guarded in U.S. bank. Negotiating tool designed so that issuers of securities listed on other countries meet the rules and regulations of U.S. securities registration, and to facilitate the receipt of dividends for investors in the United States. (NYSE, 2008).

To better define the outline of the strategic role of the BoD, this project considered the model of decision making in enterprises described by Fama and Jensen (1983) in his seminal text, which deals with the separation of ownership and control. The authors divide responsibilities of the board and managers in line with the agency theory, as presented in the table below:

**Process of decision-making:**

**Duties of the board of directors and executive management**

MANAGER (AGENT)	BOARD OF DIRECTORS (PRINCIPAL)
<i>Initiation</i> Generation of proposals for resource utilization and structuring of contracts	<i>Approval</i> Choice of the decision initiatives to be implemented
<i>Implementation</i> Execution of the ratified decisions	<i>Monitoring</i> Performance measurement and implementation of rewards

Source: Guerra; Fischmann; Machado Filho (2009), adapted from Fama & Jensen, 1983

The model of Fama and Jensen suggests that the manager (agent), in general, is the one who should initiate the process, generating a proposal to be undertaken by the company so that, in the next step, the board can approve the proposal or not. Implementing the proposal is, once again, a manager's responsibility. And it is a role of the board to monitor and evaluate how the manager implements the proposal. In this study, it was sought to determine whether the model applies to the environment with concentrated capital, such as Brazil, where controlling shareholders are part of the effective control of the organization.

**4. Research Methodology**

The research aimed to capture possible relationships between different variables and the role of BoDs in Brazilian companies. The study is quantitative, based on statistical procedures and is fundamentally descriptive and correlational. Descriptive studies intend to describe, measure and evaluate various aspects of the phenomenon, while the correlational studies seek the degree of relationship between two or more concepts or variables.

Executed in two phases, this research describes the role of BoDs in listed Brazilian companies, checking different factors, measuring them independently and then establishing the relationship between the variables studied. In the first phase, it is analyzed companies listed on the Stock Exchange of São Paulo (BM&FBovespa) from 1998 to 2007. In the second, the study is based on a cross-section using the *survey* method.

The analysis is performed using multivariate techniques, such as statistical methods that simultaneously analyze multiple measurements on each subject or object of research, drawing specifically on factor analysis of the simultaneous equations model and structural equation modeling to check the relationships between the different variables and the role of BoDs.

#### **4.1 Dependent variable: roles of the BoD control, direction and service**

The dependent variable was constructed based on 17 questions about the activities that the BoD performs and to the three roles most often reported in the literature (control, direction and service). The questions are part of a questionnaire applied to the directors. The variable seeks to measure, based on the understanding of the

activities that the BoD carries out, the roles that it plays in the company's corporate governance.

Some of the questions intend to identify activities associated with BoD roles described in the literature: control, guidance and service.

#### **4.1.1 Control Activities:**

Hire and fire the chief executive officer (CEO)
Approve the hiring (or waiver) of the other executives on the proposal of the CEO
Approve the remuneration and incentive packages for executives that will be sent to the Shareholders' Meeting
Evaluate and monitor the performance of executives and company
Discuss and conduct matters of succession of key positions in the company
Define the responsibility of the chief executive and his/her subordinates
Oversee the relationship of the executives with related parties
Monitor the company's risks
Appoint and replace the independent auditors

#### **4.1.2 Directing Activities :**

Make <i>de facto</i> decisions concerning the strategy of the company
Make decisions (or propose them to the Shareholders' Meeting) on the main facts of the company such as acquisitions, divestitures, capital structure, and dividends.

Deal with and lead the matters relating to corporate governance
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Approve the code of conduct and bylaws of the BoD
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#### **4.1.3 Service Activities:**

Establish contacts with the external network of interest to the company and use it for the benefit of the company.
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Facilitate the company's access to external resources, such as funding, for example.
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Provide advice and guidance to the chief executive and his subordinates.
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Play the role of institutional representation of the company
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#### **4.2 Independent variables**

- Characteristics of BoD performance acting.
- Role of the BoD in strategy development
- Composition and functioning of the BoD
- Ownership Structure
- Type of controlling shareholders
- Institutional Investor presence
- Listing segment
- Firm's Size
- Company's Industry

#### **5. Defining the research universe and sample**

The research universe comprises financial and non-financial companies listed on the Stock Exchange of Sao Paulo

(BM&FBovespa), in traditional segments, Level 1, Level 2 and Novo Mercado, which totalizes 449 companies in December 2007.

This study uses a non-probability sample of convenience formed by the companies listed on BM&FBovespa representing different industries and ownership structures.

After sending questionnaires to all companies in analysis scope, responses were received from questionnaire 1 (from 65 companies), and from questionnaire 2 (from 122 managers). A common intersection of respondents among the two questionnaires yields a total of 102 observations.

Thus, in the descriptive analysis on matters related to businesses, it is used the sample of 65 companies, while for topics involving only issues related to the executive management and BoD, the sample of 122 respondents was considered. For the analysis of statistical models involving issues relating to the two questionnaires, the final sample was of 88 observations.

In order to include information regarding the ownership structure, secondary information for the period 1998 to 2007 from these respondent companies were gathered. In view of the stronger relationship between the current roles of BoDs and the existent ownership structure, the data referring to 2007 were adopted as a measure of the current shareholding structure, and the past values were used for the calculation of indicators of the degree of variability of this structure over time.

Additionally, in order to verify a possible different behavior of the companies listed in the special segments, two subsets of firms were observed separately, which will be called reference groups:

a) Companies listed on the BM&FBovespa that also issue *ADR*'s in the New York Stock Exchange, comprising a total of 32 companies in September 2008;

b) The companies listed in the special listing segments with superior corporate governance practices to those required by Law that is, BM&FBovespa's Level 2 and Novo Mercado, a total of 120 companies in July 2008.

## **6. Summary analysis of results**

The results of the descriptive statistics make up a clear picture of the boards in companies listed on the Novo Mercado and those that issued *ADRs*. The BoDs are largely dominated by controlling shareholders and the participation of independent directors is still well below the recommendation of a majority of independents by the Brazilian code of best practices (IBGC, 2004) and by several authors, among them, Saito (2006), Black (2008) and Gorga (2008).

This situation identified in previous research (KPMG, CEG, 2008) indicates that much improvement can still be made in the composition of the boards of listed companies.

There is a small presence of minority shareholders in the BoDs. In line with previous findings from studies in Brazil (BLACK, Carvalho, Gorga, 2008; KPMG, CEG, 2008), the accumulation of chairman and CEO positions is not a major problem in Brazilian companies. More important is the accumulation of power by the fact that the chairman of the board is in most cases also the controlling shareholder himself or he/she belongs to the controlling family. It is also relevant the frequency of CEOs being family members or relatives of the controlling shareholders.

Regarding the focus of this research, the roles of BoD, it was observed that there is a predominance of activities related to the control role in the same way that the committees related to this role are almost double those that relate to directing activities (strategy and policies) of the company. The directing role is also relevant, confirmed by the number of committees. The role of service however is less relevant in the boards.

The predominance of the control and directing (strategy in his case) roles was also observed by Stiles (2001) when investigating 51 board members, 121 secretaries of BoD and developing four case studies in the UK. Here, despite the most mentioned is an activity related to strategy, is the set of control activities that, together, grow in importance. The finding confirms the view of the agency theory that sees control as the most important task of the BoD. An activity which ranked as the fifth largest in the list of agreement - monitoring risks - can be linked to the period of this research field, from September to December 2008, coinciding with the outbreak of the international financial crisis.

The presence of family members of the controlling shareholders in the positions of chairman of the board or CEO is related to greater relevance given the role of service.

The decision degree of the BoD is associated with better governance practices. This was observed when there was a situation experienced by BoDs which replaced their CEOs, in a process that, before making the decision, they discussed the matter thoroughly, unlike the group that only approved the ready-made proposal submitted to the BoD.

Regarding the development of the strategy, the boards are more involved in the approval stage than in the monitoring phase. The result is consistent with the recent finding of Muritiba (2009), but other than that expected by the model of Fama and Jensen (1983) who see involvement in monitoring the BoD at the same degree of approval. Unlike this model, many of the boards studied are still involved in the initiation step that would be delegated to managers, according to Fama and Jensen (1983).

The major gaps observed by respondents in relation to the activities of BoD are: (i) not to direct matters of succession, (ii) not to monitor risks, (iii) not to actually decide on the company's strategy, (iv) not to monitor the performance of executives and the company, (v) not to establish contacts of interest to the company.

This result deserves consideration by market agents, considering that this was answered mostly by companies with superior governance practices in relation to the market average. Also in this section of the questionnaire, respondents were more critical than when responding to initial questions about the activities of the BoD, showing here a much less positive reality than initially.

In this research, it was addressed two additional factors to outline the roles of the BoD. The first was related to the style, seen through a semantic differential scale of six points <sup>5</sup> in whose extremities were the levels of participation, activity, and independence. The other factor was the decision-making degree, where the respondent was also asked to place in the scale their vision of levels of decision and relevance.

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<sup>5</sup> Semantic differential scale - scale with bipolar extremes defined by adjectives or phrases adjectives, used to compare two different situations.

The results indicated that the respondents see their boards with high levels of the actions recommended - participatory, active and independent - and also at high ranks of the decision-making degree. But these results should be interpreted with caution, in view of bias possibility resulting from the large number of internal directors (controlling shareholders or executives) in the sample, which could have a less critical view of the body they formed and lead. Additionally, the answers to these items showed some inconsistency with the results from the questions about what BoD does and should not do and what it does not but should, where there was a more critical stance as mentioned. Despite presenting a more favorable view when these results were contrasted with the information obtained in business, it was observed that the absence of a family member of the controlling shareholder as chairman of the BoD is positively associated with a more active, deciding and relevant than when a relative of the controlling shareholder chairs the BoD.

All results obtained in this study should be considered in light of three characteristics of the sample concentration: (i) the majority of companies are listed on the Novo Mercado, Level 2 or issue *ADR*'s in New York Stock Exchange. In such cases, the rules of governance are more stringent, which can lead to the assumption that the results obtained here do not reflect the entire market, but are related to companies which generally adopt superior practices in relation to their peers in the market, (ii) the vast majority of companies are family-controlled or part of a controlling block, which in this case is consistent with the prevailing market environment, (iii) there is a predominance of directors and managers connected to the controlling shareholders of the respondents, which can lead to a less critical view of governance practices given the relationship with those who actually decide the model.

The Simultaneous Equation Model was used after results that led to suspicions about the adequacy of the SEM (*Structural Equation Modeling*). The model allows us to conclude that boards involved in the initiation step and monitoring of the strategy is positively associated with the role of control. This result points to a reflection: where the control really resides? Considering the predominance of respondents from firms with family ownership and controlling blocks in the sample, is the BoD that would be associated with the role of control or the presence of directors related to the controlling shareholders and family members also in other management organs that would give this connotation of control to the board?

An additional result is that: the larger the role of control exercised by the BoD, the greater will be the role of direction and the greater will be the service role provided by the board. These relationships suggest a hierarchy of the roles of the BoD. Interestingly, however, the role of control is negatively associated with the role of service. This finding may lead to speculation that BoDs dealing with control activities cannot or may not want to engage in service activities, which could be considered less important.

When this result is contrasted with those obtained in the descriptive statistics in which it was identified that the role of service grows in relevance when CEO or chairman are family members of controlling shareholders, one can speculate that the role of control is less present in companies run by relatives of controllers. By being more present in the management and the board, the controlling shareholders can understand that there is no need for the BoD to play the role of control as a stated in the agency theory, because they are actually playing this role. But the question is: who will play this role on behalf of minority shareholders and other stakeholders

considering that the expropriation in companies with concentrated ownership can be made by controlling shareholders in expenses of the minority shareholders? Furthermore, the results of descriptive statistics suggest another reason for concluding that the role of control is weakened by the subsidiary companies: when the CEO is a family member of the controlling group, respondents agreed less with the activity of the BoD when deciding on the hiring or dismissal of that CEO. It is worth noting that this is one of the primary tasks of a board of directors.

Referring back to the Simultaneous Equations Model, the only independent variable that recorded a significant relationship with the roles of the BoD was the listing on the Novo Mercado, indicating that the BoDs of listed companies in this segment are positively associated with the directing role.

This research contributed to the study of boards of directors, as well as to practice in companies. The first contribution was to provide for the first time a picture of the activities of the BoDs in listed Brazilian companies - particularly those that belong to more stringent practices of governance - and the resulting roles prevalent in the BoDs. The second contribution is that the research brings new shaping elements to these roles, exploring the style and decision degree of the BoDs.

Noting the many areas for improvement aspects that still exist in the activities of the BoDs in this group of companies that adopt higher best governance standards, one can speculate how poor will the practices be in other listed companies in Brazil. Not to mention private companies. Progress in the improvement of corporate governance practices in the country have just started and the results of this survey indicate points for improving the activity of

the BoD: to increase its activities in monitoring the implementation of the strategy, to take care of matters of succession in the company, to monitor the performance of the company and their executives, to monitor risks, to effectively decide the strategic direction of the company.

The results indicate some other practical implications for specific ways of improvements in governance practices. First, the adoption of internal regulations for less than half of the sample indicates that this is an area for improvement, particularly when considering the fact that companies that adopt it present higher governance levels related to the activities of their BoDs. Secondly, as the internal regulation is associated with superior governance practices, this should be a priority demand from institutional investors and other shareholders for the companies they invest in.

Thirdly, the need to observe the proportion of outside and independent directors when the CEO and chairman are family members or relatives of the controlling shareholders. As evidenced in the results when this occurs, the role of control can be diminished or the performance of the BoD may be limited. When the chairman is a family member or relative of the controllers, the BoD was less active, deliberative and relevant regarding their decision-making degree. Thus, in addition to observing whether the two positions are exercised by the same person, the market should move towards a more refined level of scrutiny, with attention to proportion of external and independents, particularly in cases of great concentration of power with controllers or their representatives acting as executives or board directors as well.

With the finding that the minority shareholders continue having a small participation in the boards and, as other studies (Saito, Dutra,

2006) have shown, they do not use all mechanisms at their disposal to be represented in the BoDs, another recommendation is that the minority shareholders seek to organize themselves better, paying particular attention to the cases where they may join others for electing members of the board.

To the regulator it is recommended improvements in the public information on listed companies, particularly through the IAN, Annual Report Information of public companies <sup>6</sup>. By including elements such as those leading to the observation of the indicator of concentration of power, exogeny / endogeny and uncovering the relationships between managers and controlling shareholders, to name one example, the regulator would provide tools to monitor the market itself and encourage improvements in the practices of companies. More information about the meetings of the BoD, such as frequency and type (face or via other media), may provide information to stakeholders to better assess the performance of the BoD.

Finally, other positions held by directors in other companies - listed or not - can be extremely valuable to the market players to assess whether the directors are able to devote the time necessary for the fulfillment of their fiduciary duties.

In the context of academic research, this work contributed to a more refined view on the composition of the Board and placed this issue as compared to other governance bodies. This occurred when creating an index of concentration of power, which takes into account not only the positions of chairman and CEO occupied by the same person, but if these positions are occupied by family members

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<sup>6</sup> At the time of writing this dissertation, the IAN was being studied for future public consultation and later CVM released its substitute "Reference Formulary" that provides the framework to companies to offer much more transparency to market agents.

or relatives of controlling shareholders. Distinct degrees of power concentration may be useful to assess how it is reflected in other practices of the board, even broader, in the whole corporate governance.

Another contribution was the creation of an indicator of endogeneity / exogeneity, which adds another level of observation to a simple statement of dependence / independence. Directors elected by minority shareholders or employees are considered independent by the practices of good governance (IBGC, 2004) and that is not questioned here. However, the use of the concept of endogeneity / exogeneity can capture more subtle elements. Unlike a director without any connection or interest in the outcome of the company, directors with a formal role in minority shareholders' organization or employees representatives may experience conflicts of interest with greater frequency or have more difficulty in a free trial given his relationship with a particular stakeholder<sup>7</sup>. Higher levels of endogeneity, in turn, might be more associated with greater knowledge and involvement specifically due to their ties.

The two indicators in addition to their use in academic research to evaluate its relationship with the BoD practices may be useful to the market for the evaluation of optimal proportion of directors for each particular situation, taking into account that each frame requires a unique solution of governance in response to contextual situations.

As for future research, the universe of the boards is just beginning to be explored and other possibilities are opening to the use of indicators of power and concentration of endogeneity / exogeneity most widely associated with other board practices and corporate

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<sup>7</sup> It is worth distinguishing here advisers effectively minority representatives and those appointed by the minority shareholders, but completely independent work in BODs without any bond or exchange information with one investor in particular.

governance. The combination of the roles of the BoD elements regarding the vision of the BoD, based on social networks and the phenomenon of board interlocking, also appears to be an opportunity.

Future studies, as advocated by Guerra, Fischmann and Machado Filho (2009), should consider theoretical frameworks that reveal the dynamics of the board and analyze its different aspects, addressing its most core aspect, the functioning of the BoD.

Motivational aspects (and non-pecuniary), power relations, culture, leadership style, personality traits of members, types of independent directors (thematic experts, experts in business, experts in methods and models) can be observed to assess their relationship or influence the work of a group of individuals that make up the board as a collective body (GUERRA; FISCHMANN; MACHADO FILHO, 2009). In this case, the indicators of concentration of power and endogeny / exogeny could be inserted in the joint analysis. By integrating the dimensions of individual and group, new perspectives arise for analyzing the BoD`s functioning, which can be seen as a potential team formed by individual stars.

Additionally, this study proposes, as argued Guerra, Fischmann and Machado Filho (2009), the discussion on the capability of the researchers to engage in building a theoretical, multidisciplinary and integrated framework that models the complexity and different aspects of the board, such as group decision-making process, in which elements such as trust, social networks and board interlocking (to name a few) can add dimensions not captured by economic models. To economic theories of organization and the prospects for theories of stakeholders and stewardship theory it can be added lessons from psychology and sociology. Trust, cognitive

aspects, cohesion, commitment, consensus are among the elements to be observed. This regards adding the dimensions of behavioral and social character of boards to the economic and the organizational dimensions.

The roles of the board, its function and dynamics remain to be explored and represent proficuous research opportunities with benefits for academia and the market agents. The understanding of the central body of the governance system has just begun.

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**IMPORTANT NOTE:** The full text of this study with the full results and data, as well as questionnaires, tables of answers and references are available to all interested parties at the following sites:

<http://www.teses.usp.br/teses/disponiveis/12/12139/tde-11092009-141955/>

or

<http://www.bettergovernance.com.br/publico/index.htm>