Corporate Governance in Financial Strategy of Companies Listed in Bovespa

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Abstract

The capital market has recently gained increasing importance, as a key channel in fund-raising that allow businesses to grow, creating jobs and contributing to the progress of the country. Within this context, corporate governance comes as a set of practices which aims to improve management of the companies, maximizing their value and shareholder return. This graduation paper aims to investigate, through a literature review, the strategic aspects of corporate governance in enhancing and ease of trading shares of companies. It has been found a greater valorization of the company shares with corporate governance practices. That shows the importance of corporate governance in facilitating a greater flow of stock in the financial market. However the search for that same level of valorization remains to be sustainable is still a challenge.

Key-words: *Corporate Governance. Capital Market. Financial Strategy.*

1. Introduction

Many of the best known Brazilian companies and various sectors have their shares traded on stock exchanges. Listed companies also have differences regarding the nature of their control, including those of national, foreign and privately-owned, as well as companies whose control is focusing on families, business groups or in the situation where several partners to govern through a shareholders' agreement (BOVESPA, 2009). Companies entering the Bourse to raise funds and finance their investment projects, with the goal of becoming more competitive in the market. In this sense the capitals market assumes a great importance in economic development, because it is impossible to make a connection between those who have savings capacity, i.e. investors, and those who need long-term resources (ASSAF, 2008).

According to Bonfim, Santos and Pimenta Júnior (2007), to allow resources to people who do not have opportunities to produce are transferred to those that have them, these markets allow opportunities throughout the economy are exploited and thus result in a general increase in productivity (capital and labor), and the accumulation of productive capital. However, in order for a company to be attractive to investors, she must have good corporate governance practices, that is, it must be structured in such a way that the Administration conducts the business considering the interests of all its shareholders, without distinction between the importance of each one, being this an increasingly common requirement for shareholders. To fit this trend, Bovespa has created special segments for the listing of companies, each with different requirements relating to shareholders ' rights and the provision of information. Borges, Silveira and Silveira (2004) highlight that all segments are aimed at ensuring the voluntary implementation of good corporate governance practices by publicly traded companies. The main of these segments is the new market for the trading of shares issued by companies that have to make publication of information according to international standards or Americans, adopting voluntarily corporate governance practices beyond those that are required by law (BOVESPA, 2010). In this way, the new Bovespa listing segments consider the importance of adherence to corporate governance practices by companies, such as the quality of information provided to shareholders, being important factors in the pricing of the shares. For an enterprise to get the full benefits of launch on the stock market, she should prepare to meet needs and obligations required by control bodies, such as the Securities and Exchange Commission (CVM). It is through this regulator that the company asks permission to conduct sale of stock to the public. When the company performs the IPO for the first time, this event is called an initial public offering, best known by the term IPO (Initial Public Offering) (BOVESPA, 2009). From this, she must have good corporate governance practices with the goal of increasing the value of the publicly held company perceived by its current and potential investors, and thus attracting investment more easily. That's because good governance practices in the institutions appear as a mechanism capable of providing greater transparency to all agents involved with the company, minimize the information asymmetry that exists between managers and owners and make the shareholders who do not belong to the control pad can reduce your chances of expropriation (VIEIRA and MENDES, 2004).

According to Assaf (2008), in view of these advantages, investors are willing to pay more for stocks of companies that have these practices of respect for shareholders, whether minority or not. (ASSAF, 2008). On demand for best practices of corporate governance in Brazil, the São Paulo Stock Exchange (Bovespa) launched in December 2000 the new market and Differentiated corporate governance levels, from confirmation of a series of studies of recognized theoretical about the importance of good corporate governance for the development of the capital market in the country (ANDRADE and ROSSETI, 2006). Several authors and researchers sought today to investigate the evolution of the value of the companies with the best corporate governance practices in comparison with the others. Thus, the question to be answered in this context is: how corporate governance influences financial performance of a company on the Bovespa? Faced with this questioning, it is intended as a general goal of research to investigate, through a literature review, strategic aspects of corporate governance in recovery and ease of trading of the stocks of companies. The topic addressed by this study has relevance because it contributes to a better understanding of the strategic decisions of enterprises in open its capital to the public, and corporate governance practices can help in this process, with the purpose of the company to achieve its strategic goals.

According to Bovespa (2009) there are several benefits that lead companies to open up the capital, among them: The company will have more access to capital: many designs suffer with lack of long-term credit sources, and the stock market through the issue of shares, is an alternative of financing; Asset liquidity for investors: Possibilities of the partners to transform their actions in money, being a form of protection, which reduces the risk for investors; Use of actions as form and payment in acquisitions: acquisitions generally consume a great deal of resources and may not be available in cash, companies can pay with their actions, avoiding strong capital reduction of the company; The company improves its institutional image: publicly traded Companies have more public recognition and projection with which it relates because it gets more visibility, mentioned in the media and accompanied by the financial community. As mentioned above, potential investors will assess, in addition to other factors, the corporate governance practices adopted by the company with regard to the relationship established in their statutes and practices among all stakeholders, particularly among shareholders. The basic idea of the importance of corporate governance is that, given a set of companies, some can be differentiated by the good governance practices that have become more attractive to investors, increasing the amount of interested in allocating resources in these companies. This consequently leads to a greater demand for their bonds, reduces the cost of capital, and an increase in the value of the shares and the company, making it more competitive in the market (SILVEIRA, 2004).

2. Research Methodology

The topics below provide the research methodology utilized in the work to reach the defined goal, which is to investigate strategic aspects of corporate governance in search capabilities in the stock market for companies that are offering for the first time its securities on the stock exchange. First is the concept of research and scientific methodology, their typology, and the characterization of the method chosen for the job. Scientific research, to Reis, Ciconelli and Faloppa (2002), is the set of systematic procedures based on logical reasoning, which aims to find solutions to problems, using scientific methods. The scientific method can be understood as a set of techniques used to develop a particular study, outlining clearly and objectively all the steps and systematizing the researcher to understand and describe the object of investigation (VALENTIM, 2005). The quantitative research assumes a population of observation objects comparable with each other and the qualitative methods emphasize the specificities of a phenomenon in terms of its origins and its reason to be. Several authors propose the classification of types of research as to the approach of qualitative and quantitative problems. Godoy (1995) points out that this classification must exist, because in spite of scientific research to characterize as an effort to discover new information or relationships, and for the verification and extension of knowledge, the paths followed in order to achieve these objectives may be in different ways. The author states that in a quantitative study the researcher conducts its work through specific assumptions and variables operationally defined, with concern in quantifying the results. Berto and Nakano (2000) cite that quantitative research approaches are based on cause/effect relationships explain through the generalization of results, from a selection of samples. Research types inherent in these approaches are the surveys (surveys), the theoretical and conceptual studies, diagnoses, the modeling and simulations, which artificially recreate reality through quantitative data. Inverse way, the qualitative study does not search the event measurement, with statistical tools and data analysis.

This involves getting descriptive data, with the aim of seeking to understand the phenomena according to the perspective of participants of the situation being studied (GODOY, 1995). The qualitative research seeks to bring theory and the facts, through the interpretation of isolated or unique events, coming to get individualized results that make up the comparison between cases (BERTO and NAKANO, 2000). At the same time, Malhotra (2006) turn the qualitative research as a "non-unstructured research methodology and exploratory based on small samples that delivers insights and understanding of the context of the problem". One can see that there are various possibilities to make a scientific research. The researcher should select the type that best answer the questions of the research problem. Among the various types of research for this paper was used the literature review, which falls in the second type of approach (quality method), because it is through scientific papers already published the analysis and interpretation of events. In the following topic, a review on the method used in this work.

2.1 Research Characterization

Raupp *et al.* (2003) define a bibliographical research as that explains a problem with published references in documents. And for being theoretical in nature, the bibliographical research becomes a mandatory part of any kind of research, because it is through this survey which learns about the existing scientific production. Raupp and Beuren (2003) complete bibliographical research refers to any kind of benchmark that is public, as publications, newsletters, newspapers, articles, books, monographs, theses, among others. With this it is possible to gather knowledge about the topic in question. For Noronha and Ferreira (2000) the works of literature review can be understood as studies which examine bibliographical production in certain area, providing an overview of a specific topic, highlighting new ideas and methods that have received greater or lesser emphasis on selected literature.

Thus, from the point of view of its nature, the work is classified as an applied research since it was made a survey of the studies already carried out aiming to reach conclusive results about the corporate governance practices in corporate financial strategy, unlike basic search, which aims to generate new knowledge for science with the development of theories. For completeness, this research can be classified as exploratory-descriptive, because: this study aimed the improvement of initial ideas and propositions, the exploratory research shows more flexibility in planning and execution, which allows addressing wider range of aspects (Gil, 2002); the research also has a descriptive purpose, because it aims to describe the establishment of relationships between variables, involving the use of standard techniques for data collection. Exploratory-descriptive research therefore will seek to identify the characteristics of a particular phenomenon that will be analyzed under a qualitative perspective. A summary of the research of this work can be classified as a review of the literature with a qualitative approach, applied nature, exploratory-descriptive purpose on the issue.

3. Literature Review

In this section there is a literature review on the subjects related to the research problem. The concepts covered for the understanding of the work are corporate governance, in section 3.1, capital market, in section 3.2 and Financial Strategy, in section 3.3. On the topic of Financial Strategy, knowledge about existing scientific production of the concepts of strategy and Finances will be raised, in order to obtain a greater understanding when addressed the Financial Strategy.

3.1. Corporate governance

According to the Instituto Brasileiro de Governança Corporativa (IBGC, 2009a), corporate governance can be defined as a system that guides how organizations should be addressed, in order to meet the interests of its owners, officers, Board of Directors and control bodies. In other words, corporate governance is linked to the principles that govern the decision-making process within a company. The IBGC (2009a) points out that the € œ € corporate governance practices began to turn investors ' requirement, as a protection to ensure their interests, especially in relation to the return of your investment. These good practices generate value for shareholders, and this causes other companies seek suit these practices. It is understood that the good practice principles on objective recommendations convert, aligning interests with the purpose of preserving and optimizing the value of your organization, facilitating their access to resources and contributing to their longevity. The need for corporate governance exists within an organization, according to the Banco Central do Brasil (BACEN, 2008), occurs at the moment when the ownership and management of enterprises are separated, i.e. when there is what many authors call the Agency relation, defined by them as being a contract in which one or more persons (the principal) place another person (the agent) to perform any task in his favor by authorizing this agent to make decisions. If both parties act with a view to maximizing their personal utilities, there is good reason to believe that the agent does not always act in the best interest of the principal. This conflict of interests arise agency costs, which represent the main spending with the activity monitoring agent (LIMA and TERRA, 2006).

The processes that led to the separation between ownership and management, as the succession of founders, the opening of capital, led to an inadequate relationship between managers and shareholders. Went on to prevail the private access to information (ANDRADE and ROSSETTI, 2006). According to Lima and Earth (2006), the asymmetry of information can be understood as a transaction in which, in order to ascertain whether its terms are accepted and implemented, there is a need for better information than was provided. Silva (2003) says that in Brazil, because of the property of the companies being high measurably, this conflict that occurs between shareholders and executives, sometimes, is reduced by the fact that the owners of enterprises often occupy the offices of the Executive Board. However, in this situation, the relationship between the company and its creditors may contain a higher level of complexity. Another situation that occurs due to the Agency's conflict is with regard to property ownership structures that lead to the expropriation of minority rights by opportunistic actions of the majority. Lima and Terra (2006) claim that minority protection should be a central issue for corporate governance, since the effective development of capital markets, the financing of new projects of companies, can have on minority shareholder an affordable alternative for this funding, i.e. the search for information asymmetry is in the internal environment of the organization or external aims to serve the interests of stakeholders, among them the so-called minority. By stakeholders, it is understood that according to HITT, IRELAND, and HOSLISSON (2008) are those that can affect and are affected by the company's strategic results. And as a company is dependent on the continued support of stakeholders (employees, shareholders, communities, suppliers, funders, etc), they claim a good performance of the company.

Andrade and Rossetti (2006, p. 39) claim that there are external reasons to corporations that were responsible for awakening of corporate governance: 1) changes in the macro environment: the boundarylessness process of real and financial markets and the creation of economic blocs. As a result of this process it is developed different forms of integration of markets, breaking down barriers to business entry, with impacts on corporate strategies, because of increased competitiveness. Privatization ended the cycle of nationalization and monopolies, opening up new business opportunities. The rise of Asia, with the emergence of new players in the market, implies new opportunities and challenges. In summary: this set of changes in the macroeconomic environment increased flows of trade and finance, promoting greater uniformity of national enterprises and increasing interdependence of countries ' strategies; 2) Changes in the business environment: the business environment has become more complex, with increasingly rapid changes and profound. As a result, the business results have become less secure and more exposed to the impacts of these new realities; 3) Institutional Revisions: movement that occurred simultaneously with the emergence of conflicts of Agency, with the need for better business strategies evaluated and filtered by competent advice. Institutional investors have become more active, assuming postures more interventionist. Add to the corporate scandals that occurred in the capital markets, which have resulted in a reaction of regulatory authorities and institutions of the marked. It was in response to abuses that the U.S. Congress passed the Sarbanes-Oxley Act, which imposed higher standards of corporate governance, and severe sanctions for noncompliance, primarily for administrators and auditors of companies traded on that market.

The Sarbones-Oxley Act was enacted in 2002 in order to improve the accuracy and reliability of information disclosed by the companies, in obedience to the laws about safety. This law requires that companies have an internal control structure and procedures for financial reporting. In addition, established penalties to which they are liable the senior executives of organizations (CARUSO and STEFFEN, 2006). These authors state that this law is valid for international organizations with shares traded on United States exchanges, as well as for subsidiaries of Brazilian companies in the United States. Below some of the law's requirements that organizations must fit, setting controls how (CARUSO and STEFFEN, 2006, p. 45): Access control to monitor all attempts to access systems of financial reports of organizations or the primary data used in these reports; Malicious software detection, for the collection and transmission of information on malicious activity caused by any type of malicious program and its origins, gathering in a central location; Systems audit to verify the correct policy compliance and system configurations and any changes that take effect on the environment. Lima and Terra (2006) summarize the corporate governance under corporate law as a process that aims to ensure the correct relationship between the minority shareholders or creditors, and managers of a company, with the goal of maximizing its value and the return to the shareholders. In this way, the importance of governance mechanisms is the ability to constantly monitor the administration of the company, reducing information asymmetry through greater transparency, avoiding the problems of the Agency. Thus, one can define the corporate governance as a set of principles, processes and practices that govern the system and mechanisms of management of the companies.

3.2. The capital's market

According to Gitman (1997), the term capital denotes the company's long-term funds. All sections listed in the right side of the balance sheet, with the exception of liabilities, are sources of long-term capital. To Bonfim, Santos and Pimenta Júnior (2007) the third capital includes any type of long-term funds, obtained by the company via loans. It can be said that the cost of third-party capital is less than the cost of other forms of funding because they are the creditors who are entitled to priority on profits or existing assets for payments, and this right may overlap those of preferential or ordinary shareholders in respect of the payment of the company. Already own capital consists of long-term funds provided by the company's owners, the shareholders. Unlike funds taken as a loan that must be repaid at a predetermined date, it is expected that the capital remains in the company for an indefinite period (BONFIM, SANTOS and PIMENTA JÚNIOR, 2007). Nóbrega *et al.* (2000, p. 41) points out that the IPO provides many advantages to companies such as: Ease in obtaining funds for expansion plans; Dilution of risk among multiple partners; Liquidity for shareholders ' equity; Increased borrowing capacity; Better institutional image of the company; Best solution to the problem of succession in the case of family businesses; Professionalism in the administration of the company on the basis of greater transparency of its operations.

The most important is the fact that the advantages are not confined within companies, because to invest, companies are increasing production, generate jobs and income, offers more storage room. The capital market makes the distribution of profits more socialized and sprayed, benefiting investors or even direct employees, who invest through mutual funds and pension plans (NÓBREGA *et al.*, 2000). The IPO works as a tool to access precisely the market able to provide these resources, aimed at financing new investment projects, promoting growth and modernization of the activities, or allow for capital restructuring operations. According to Cavalcanti and Misumi (2001), the capital market is a securities distribution system that provides liquidity to securities issued by companies and makes fundraising. The capital market is composed of a set of institutions and financial instruments that enable operations both medium and long term, as indeterminate term, as in the case of shares, with main purpose to finance fixed capital and turning (ADREZO and LIMA, 1999).

For Assaf (2008) the capital market is of great importance in economic development, because it is impossible to make a connection between those who have savings capacity, i.e. investors, and those who need long-term resources. Others agree with the statement that the capital market is the major source of funds for investments in the economy. The capitals market provides increased efficiency, because when a company assumes long-term commitments with third parties, it shares its risks with a large number of investors. This somehow compels the company to provide detailed information about their performance to investors follow their activities, identified failures to improve its performance. The goal is then to be the best economic result and not the specific interests of their owners or of specific groups (NÓBREGA *et al.*, 2000). Assaf (2008) cites that the capitals market operates through different modalities of financing, medium-and long-term working capital and fixed capital. In addition, it also works with indeterminate term operations, such as those that involve issuing and subscription of shares. Transactions are made directly between savers and stakeholders, or through non-banking financial intermediaries. In this case, the intermediary is only an obligation by law, not acting as part of the operation. An example of this, are the transactions on stock exchanges. The negotiations carried out in a financial intermediary occur in the private market, being a case in point a contract between two individuals (ADREZO and LIMA, 1999).

3.2.1. Actions

The actions can be understood as titles that represent the smallest fraction of the share capital of a company. The owner of an action becomes a co-owner with right to profit from this organization. They can be issued as scripts or physical certificates, or entry type, which does not require a physical issue. The actions do not have a deadline for redemption, and can be traded converted into cash at any time by means of a negotiation on the market. This allows investors to sell their bonds to buy others of another company (ASSAF, 2008). For the author, shares can be ordinary when it gives the holder the right to vote, or they may be preferred, with the right of pre-emption on profits distributed to shareholders. The shares are those who run the Assembly of shareholders. They can elect members of the Executive Board and supervisory board, reform the bylaws, to decide fate of profits etc. There are two classes of shares, which differ as regards the votes granted by action. These actions are confined to companies with majority control by some people or groups. Such family-controlled companies had to begin to expand, because at the beginning were financed only with family capital. Thus were created two classes of shares to which the members of the family or group founder could hold most shares with greater voting power (GRINBLATT and TITMAN, 2005). The free market negotiations and drive the prices become stricter, due to the concentration of power in a small number of investors. Preferred shares in accordance with the law 10,303/02, have the following advantages of priority in capital reimbursement and priority over dividends, and may receive a percentage higher than the value of the common shares (FORTUNA, 2008).

If the pass three years the company did not distribute preferential dividend, these actions are the right to vote, thus being able to change the controlling interest. According to the bylaws of each undertaking these actions may also be entitled to vote (ASSAF, 2008). Companies that issue shares, the Corporations (S.A.), can be classified as open or closed. The company is classified as open when a minimum of its shares are traded on stock exchanges. Privately held companies are organizations that have their shares traded and a restricted group of investors and well-known (GRINBLATT and TITMAN, 2005).

Assaf (2008) also cites this difference, adding that privately held companies are typically family businesses, while publicly traded companies, in Brazil, are required to be registered with the CVM and be required to provide accounting and financial information, on a regular basis. The rights arising from an action when they have the appreciation, according to Fortune (2008, p. 74) are: Dividend: distribution of part of a company's profits, in fashion. Interest on own capital: the amount paid in this way is considered as an expense, deducting the taxable profit, decreasing the income tax to be paid. It was created by law 9,249/95 to compensate for the end of monetary restatement of the balance sheets of companies.

Subscription: right to acquire shares for capital increase; Bonus: free distribution of new shares to the shareholder; Split or Split: free distribution of new shares to shareholders through dilution of capital in more shares, giving liquidity to securities; Grouping or Inplit: condensation of capital at least shares, increasing the value of the action of the company, valuing their image in the market.

For being a title of variable annuities, the action generates results the holder based on the variation of its price on the market. The expected performance and confirmed the firm through financial statements, market conditions and the economy are the factors that go into recovery or not.

3.2.2. Initial Public Offering

Fortuna (2008) cites that after the decision, the first step is to register with CVM as anonymous society. CVM is a government agency that was created by Law 6385/76, which aims to discipline, standardize and supervise the activities of several members of the securities market. Discipline the record of publicly-held companies, the accreditation of independent auditors and administrators of securities portfolios, organization, functioning and operations of the stock exchanges, suspension or cancellation of registrations, accreditations or authorizations are some of his assignments (CVM, 2010). The initial public offering process and the company's registration with the CVM is basically composed by three steps (FORTUNA, 2008, p. 76): Appointment of investor relations officer: responsible for conveying information to CVM and to the shareholders on the company's activities and decisions; Hiring Independent Audit: accredited Institutions by the CVM to audit annually the company's financial statements and submit its opinion; Submission to CVM a document relationship: between them the minutes of the general meeting which appointed the Director of relations, the Declaration of the stock exchange where the securities are traded, copy of the new bylaws, etc.

Any public offering must be accomplished through a financial intermediary such as a broker-dealer or investment bank that will be responsible for coordinating the operation. The experience that you already have, by polls that perform in the market, the financial institution will have good sense of demand and the conditions for which the placement is well accepted. This step of the recruitment of intermediary is very important for the good result of the operation. The company, to choose the one that best suits your profile and providing the best solutions for it, should consult the various institutions (BOVESPA, 2009). Bonfim, *Santos* and Pimenta Júnior (2007) complement the institution citing will be responsible for conducting studies on the present financial situation of the company, prospects of a result, ability to pay future financial commitments and model of IPO more appropriate. Granted the record by the CVM, begins the process of public distribution, which should be widely circulated, containing the main characteristics of the operation, the name of the financial institution that carries out brokering the release, and the registration number of issue (BONFIM, SANTOS and PIMENTA JUNIOR, 2007).

So, has the public release of new shares, known as underwriting or subscription, is an operation performed by financial mediator that puts the company's securities in the primary market, namely, will the sale of new shares of the company. After this operation, these investors can negotiate with other subscribed shares in the secondary market, which are the negotiations to effect exchanges, with the aim of giving liquidity to the primary market, enabling the launch of new assets (ASSAF, 2008). This means that the primary market is the stock market where the securities issued by the companies are traded for the first time, and then traded in the secondary market, primarily through the stock exchanges, which have the basic objective of providing conditions for the purchase and sale of securities among investors. A company can only get new resources through subscription on the primary market, not benefiting directly from secondary market trading (ASSAF, 2008). The subscription contract between the company and the financial intermediary is a document that shows what is being sold, the selling price and the spread of subscription, this being the difference between the total value of the offer and the net amount that is directed to the issuing company (GRINBLATT and TITMAN, 2005). When the company performs the IPO for the first time, this event is called an initial public offering, best known by the term IPO (Initial Public Offering) (BOVESPA, 2009).

3.3. Financial Strategy

Under the business financial strategy can be defined as responsible for planning, control and coordinate all activities necessary for the generation of information and administration of tax records, financial statements, cash flows, budgets and financial assets. Administer the portfolio of individuals is another important function of finance. This portfolio may have various types of investments and securities, but also can be concentrated in a few businesses, always on the advantages and disadvantages of each type of investment, its risk and profitability and liquidity (OLIVEIRA and AMARAL, 2001).

The company's strategy consists of a set of competitive changes and business approaches that managers must perform in order to achieve the best performance of the company. Is planning to strengthen the Organization's position in the market, with a focus on promoting customer satisfaction and achieve the objectives proposed (SILVA, 2003). The strategies, according to Farina (1999), are conditioned by competitive environment, where the standards of competition and training internal resources are defined. The author still defines competitiveness as the ability to survive sustainably, taking place this preferably, into new markets or expanding current markets. Companies gain and sustain competitive advantage when a competitive strategy considers the basic factors that determine the limits that a company can develop and deploy successfully, even facing competitive forces in the industry. (PORTER, 1999). Silva (2008, p. 18) points out that the strategy involves decisions that: Have comprehensive effect and so are significant in the Organization to which the strategy relates; It defines the position of the organization in relation to its environment; Approach to organization of its long-term goals. So we can understand the strategy as a set of approaches which the company runs to achieve the best performance to the conditions of the competitive environment in which it finds itself. Thus, Souza and Menezes (1997) claim that the strategies formulated by the company's top management, will serve as a benchmark for other decisions at all levels. These authors cite an example in which the level of sales, and consequently your revenue, will be part of the company's strategies. From this point, decisions on all subsequent levels should be adhering to the strategy defined by top management.

The financial strategy is part of the area of financial management that relates to the medium and long-term operations. It can be said that the financial strategy performs administrative operations, unlike the long-term management of current assets, such as cash flow, and this is a short-term financial management. These decisions are inevitably made continuously, investment decisions involve the process of identification, evaluation and selection of alternatives, while that financing decisions involve knowledge about the origin of the funds invested. The allocation of the results, or the dividend decision, may also be included in the area of financing, it also represents an alternative to finance the company's activities. The areas of decisions must be made fairly integrated among themselves, because while financing decisions indicate the required rates of return, investment decisions show the expected returns. These decisions must be well integrated, because the way in which it is financed exerts influence on how much that investment must be return to if considered feasible and approved by financial administrators (ASSAF, 1997).

4. Analyses

With the IPO, the company aims to acquire many advantages. Among the main highlights: ease in obtaining funds for expansion plans, dilution of risk among multiple partners, liquidity for shareholders ' equity, improved the company's institutional image, best solution to the problem of succession in the case of family businesses and a greater pursuit of professionalism in the management of the company on the basis of greater transparency of its operations (NÓBREGA *et al.*, 2000). The benefits obtained with the IPO depend on the liquidity of the stocks of companies, i.e. the possibility of investors negotiating significant volumes without affecting significantly the price of these. Actions that have a low liquidity require the presence of minority investors, because they depend on a greater number of market participants. If the company cannot guarantee the rights of those investors about the cash flow generated by its applications, they will seek to apply its resources into safer investments (CARVALHO, 2003).

The same author notes that changes in corporate governance standards are difficult to be implemented through legislation, because minority rights increases decreases the value of the control of the main economic groups, which hampers the implementation of such law. The lack of transparency, guarantees to investors, shareholders, namely the lack of corporate governance practices are some of the reasons cited by the author for the discount on the price of the shares of the companies. For this voluntary adhesion mechanisms have been created for companies with the best corporate governance practices, such as the creation of Differentiated corporate governance Levels of Bovespa. Fortuna (2008) cites that one of the main reasons for the creation of this thread part of the world-renowned consensus on the part of companies and investors that the greater the degree of safety of rights granted to shareholders, quality of information and the provision of accounts, the greater the value of the company's stock. That's because the market reckons that investors are willing to pay more for stocks of companies that have these practices of respect for shareholders, whether minority or not. (ASSAF, 2008).

Based on this hypothesis, several authors have sought to investigate the evolution of the value of the companies with the best corporate governance practices in comparison with the others. One of the methods for carrying out this comparison is the monitoring of the evolution of differentiated corporate governance stock index (IGC) in relation to the Bovespa index (Ibovespa). The Bovespa index (Ibovespa), is the average performance indicator of the national stock market quotations, because it shows the behavior of the major securities traded on the Bovespa. The index manages to represent faithfully and with reliability, for possessing an easy follow-up methodology, not only the average behavior of the main actions as well as the negotiations in sight observed in trading sessions (FORTUNA, 2008). The IGC is the indicator that is designed to measure the performance of a theoretical portfolio composed of shares of companies that have high levels of corporate governance. Such companies should be traded on the Novo Mercado or be classified in levels 1 or 2 of Bovespa (BOVESPA, 2008). Are included in the index portfolio all companies admitted to trading on Brazil's Novo Mercado and tiers 1 and 2 of Bovespa. The IGC is comprised of companies of NM, 2 Level and level 1. The weighting is done by the market value of its outstanding shares from their companies and there are different weight for companies of NM (weight 2), level 2 (weight 1.5) and 1 Level (weight 1). The IGC is calculated and disseminated in real time (BOVESPA, 2008). The procedures for the inclusion of an action in the index meet the following rule, according to Bovespa (2008): shares of new companies: will be included after the closing of regular trading first; shares of companies already traded on the Bovespa: will be included after the closing of trading prior to the commencement of trading on the Novo Mercado or level 1 or 2. Table 1 shows the comparative evolution between these indexes, which illustrates a valorization of the IGC in 411% at the end of the semester of 2007 compared to 2001, while the Ibovespa appreciation of 228% in the same period.

Table 1 – Corporate Evolution of the Ibovespa index and IGC

Years	Nominal Index		Evolution	
	Ibovespa	IGC	Ibovespa	IGC
2001	13.577	1.010	100	100
2001	11.268	1.026	83	102
2003	22.236	1.845	164	183
2004	26.196	2.545	193	252
2005	33.455	3.658	246	362
2006	44.473	5.169	328	511
2007(a)	54.392	6.282	401	622

Font: Andrade e Rosseti (2006). (a) end of the first semester.

It is observed that, despite the positive results for companies that adhere to best practices of corporate governance and to differentiated segments of Bovespa, the first half of 2007, of the 122 companies of these segments, only 69, or 56.6 percent of the total, are companies that opened their capital from 2001 until this season, and joined the new market. They conclude by arguing that every 10 businesses that are in the traditional market, less than two joined to new segments. This shows an increase of the perception on the part of companies to see the benefits of good corporate governance practices, and fall under different segments of Bovespa. Vieira and Mendes (2004) also stand out in his article the accumulated variation between June 2001 and September 2004, the IGC of 97%, compared with 57% of Ibovespa, showing that the market is willing to pay a “premium of governance” about the stock price, which seems to be closely linked to lower credit risk associated with these companies, and who claim governance practices are able to reduce the cost of corporate fund-raising. In addition, corporate governance, to provide a reduction in information asymmetry that exists between the company and the agents involved, tends to lead to a reduction in the cost of capital.

Vieira and Mendes (2004) also make an analysis of the liquidity of shares, where the Ibovespa was more liquid than the IGC, reflecting as expected a longer term profile investors of this group of actions. In addition, tests have shown that the IGC has increased rigidity when it comes to negative returns, i.e. the actions behave more stable on lower trends. Serra *et al.* (2009) states that both the actions of companies that made initial public offering (IPO) as those who migrated to a differentiated level of governance have usually higher initial return. In his article, the tests show that the top of the IGC in relation to the Ibovespa index can be attributed to the initial return of shares of companies that had recognized its differentiated level of governance, by migration or IPO. However, this author that in their study that, taken from this initial effect, the stocks of companies with and without a differentiated level of governance do not present long-term returns (in the long-term) significantly different. Even for authors, despite the good performance of the IGC, this result should be evaluated with caution because companies with good corporate governance practices in Brazil are a recent phenomenon and the statistical data are still too incipient to have final results. So what we have today can be interpreted more as an intuition about the observed results that reflect a superiority of companies with good governance in financial performance at Bovespa in relation to each other. Besides the evaluation on the IGC, there are articles that evaluate the evolution of the stocks of companies in the different levels of corporate governance segmentation through variable analysis.

The article by Silveira, Barros and Famá (2003, p. 19) aimed to verify statistically, the existence of a significant relationship between corporate governance and financial performance in Brazilian listed companies based on three variables of governance, which were tested against the financial performance variables: Largest possible participation of independent members on the Board; Separate persons occupying positions of Chief Executive and Chairman of the Board; A Council with adequate number of members. The authors highlight that the variable size of the Council was the governance indicator with the most important results of the study. Expected from the recommendations of the IBGC and CVM, the existence of an optimum range for the size of the Council, being that this was exactly the result obtained, indicating that companies with an intermediate number of Councilors (four to eight members) achieved, on average, better financial performance. The variable “Executive Director as Chairman of the Board” presented and significance this correlation was statistically weak. Therefore one cannot reject the hypothesis that this variable is irrelevant to financial performance. The “variable degree of independence” of the Council did not submit statistical significance against the financial performance variables, and may consider irrelevant variable to financial performance. This result goes against the principles of corporate governance, and for this reason must be studied in order to verify the existence of some specific phenomenon or the possibility of the fact continue being observed consistently, which refers to the analysis made by *Vieira* and *Mendes* (2004), in which companies with good corporate governance practices in Brazil are a recent phenomenon and the statistical data are still too incipient to have final results. In their study prepared for the Bovespa, Carvalho (2003) points out that the effect on the valuation of shares is positive for companies that migrated to the Bovespa's Novo Mercado, as well as the volumes traded, but without being able to illustrate the magnitude of the increase. The author also highlights a reduction in volatility on the stock price, noting that this ultimately should be viewed with caution, as noted previously by other authors.

5. Conclusion

The main objective of this research was to evaluate how the corporate governance influences financial performance of a company on the Bovespa. For this we conducted a survey of several bibliographical productions on areas involving the goal of research. First sought to analyze the concept of corporate governance are the reasons that determined his awakening within companies, its organizational structure, the main models employees worldwide and a historical overview of the Brazilian stock market, its evolution until impact in current governance in the country. This topic has been highlighted that governance is a set of practices are increasingly recognized by its stakeholders, because it helps mitigate the agency costs and contributes to its network of internal and external relations to the company. The following was presented a theoretical introduction about the capital in companies and the stock market, with a brief description of the current situation of the market in Brazil. It was covered in a brief review concept of stocks, IPO process and initial public offering of shares. Finally, different levels are quoted in Bovespa's governance, highlighting the reason for its creation. The complete financial strategy the literature review to highlight that the medium and long-term decisions involve some risk, because they are made on the basis of history and projections. One must thus plan in an integrated manner, so that investment can be considered feasible and approved by financial administrators. On the topic of analysis sought to assess the evolution of the stocks of companies at Bovespa with the best corporate governance practices, based on the assumption that shareholders are willing to pay more for stocks of companies that have these practices, by the higher level of security over their rights, the quality of information and services.

A method widely used by various authors is to analyze the evolution of differentiated corporate governance stock index (IGC) in relation to the Bovespa index (Ibovespa). While the IGC evaluates all companies that are in different segments of Bovespa corporate governance, the Ibovespa index shows the behavior of the major securities traded on the Bovespa.

It was observed a greater appreciation of the IGC compared the Ibovespa. This highlights the importance of corporate governance to facilitate greater flow of actions in the financial market. In addition, over the past three years there was an appreciable increase in the number of companies on the New Market, going from 69 to 109. It can be concluded that corporate governance practices have gained prominence in the Brazilian capital market, because they help companies to face the challenges posed by the new economic realities. Facilitate the transparency and access to information, improve the company's image, allows the alignment between shareholders and executives are the benefits found by practitioners of this model of management, and increasingly a market requirement for publicly traded companies. Although there is a high concentration of the company's property, which may result in the imposition of majority stockholder actions on the Executive Board, this is a scenario that tends to reinforce the importance of the Board of Directors, which makes the decision-making process more efficient. When a company's stock values or has a tendency of recovery, there is a greater demand for these securities. This company, when issuing new shares, will raise a larger sum for their roles more quickly, achieving in this way resources for working capital and fixed capital. Corporate governance, as corporate management mechanism, is one of the goals facilitate and stimulate that flow between the company and shareholders. However, in the long run such practices do not end up generating a return. Moreover, no one knows for sure the companies gain towards migration to the first differentiated segments - level 1 and level 2 of corporate governance. You should seek this appreciation in a sustainable way, so that the investment of company resources in the migration to different segments of corporate governance, with the adoption of the practices required has a decent return for their financial strategy.

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