CORPORATE GOVERNANCE AT WORK: THE ATTRIBUTES AND ROLES OF BOARDS IN BRAZILIAN COMPANIES

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Abstract

The board of directors is seen as the central governance instrument, promoting interaction between stakeholders and promoting high performance, organization sustainability and return to investors. The practices and strategic definitions of corporative governance are considered of great importance today for corporations, due to the size and to the complexity of their structures (like M_Forms structures) and the different forms in which they are presented: in networks, associations, partnerships, mergers and acquisitions. The aim of this article is to analyze the constitution of boards of directors, based on their attributes, and the impacts of this classification on the roles and responsibilities of the directors in Brazilian companies. For this, a quantitative survey was performed in the 300 largest companies in Brazil listed in BOVESPA - stock exchange in capital market. The results found point to a strong correlation of some attributes of the directors of the researched firms with the roles and responsibilities of the board, in relation to strategic, control, and institutional dimensions.

Keywords: Corporate Governance, Board, roles and responsibilities

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1. Introduction

Corporate Governance (CG) is seen as a system, principles, and processes, by which the companies are controlled and administrated, and which classifies the board of directors as the central reference of the system. As well as the board of directors, the stakeholders (majority and minority) are part of the corporative governance structure; the chief executive of the corporation – CEO (Chief Executive Officer); the independent control mechanism, and the stakeholders – associations, creditors, labor unions, suppliers, and public opinion, who have influence in the administration of the company (IBGC – Brazilian Institute of Corporate Governance:2007).

A CG becomes daily more important for the corporations to gain access to external capital and to competitive costs. It also becomes crucial in support to the private sector, in relation to economic growth and in the canalizing of savings for new investments. Apart from this, the recent ethical and financial scandals in American corporations, like Enron, Worldcom, and Imclone Systems, have put in doubt the roles of the boards of directors, the bookkeeping of the corporations, and the external control mechanisms, motivating discussions about Corporate Governance in the companies and its importance in the construction of a new international financing framework.

Movements of corporate governance first appeared because of privatizations, mergers, and acquisitions and due to the international dependence of investment stocks. But actually, the importance of corporate governance became evident as from the professionalizing of family companies, as well as from the dismissing of presidents from large North American corporations like General Motors, IBM, and Kodak.

In Brazil, with the beginning of economic and social reforms at the beginning of the 90s by the federal government, which promoted changes in the national context – like the opening of markets and the structural modifications of the country – foreign institutional investors started to invest in Brazil, a movement of alterations having also occurred in the social control of Brazilian firms and in their governance structures.

In the 60s and 70s, it was the executives who had the power to make strategic decisions in Brazilian corporations. The board of directors only needed to meet to obey the law and confirm the decisions taken by the executive management. The 80's were impelled by the indirect influence of great alterations in the national economy, such as commercial opening, so it was in the 90s that great part of the structural transformations in the economy of the country occurred, in which groups of corporations suffered and continue suffering significant modifications in terms of the structure of *societarian control*. It was at this same time, that people began to associate economic transactions with governance structures and the importance of the institutions (IBGC:2007).

The Boards of Directors then started to exercise a new strategic role faced with internationalized markets, to maximize the profit of the shareholder and to mediate conflicts existing among those who associate with the organization, such as stakeholders, outside auditors, managers, and fiscal boards. From one point of view, it can be asserted that the boards of directors have three key-roles: strategic – responsibilities for monitoring and influencing the strategy; control – maintenance of control of the manager and of the funds of the company; service or institutional – counseling managers and providing an institutional face to the corporation in its own community (ZAHRA and PEARCE II, 1989; DEMB and NEUBAUER, 1992; JOHNSON et al, 1996; STILES and TAYLOR, 2001). On the other hand, there are four main attributes in the constitution and work of the boards, that affect their roles and the acting of this instance of power in the companies and that contributes indirectly to the performance of the firm. They are: composition, characteristics, structure, and process (ZAHRA and PEARCE II, 1989; PEARCE II and ZAHRA, 1992).

Composition refers specifically to the size of boards and types of members who constitute the board of directors of the corporation (PFEFFER, 1972; CASTALDI and WORTMAN, 1984). Size is in relation to the amount of existing members on the board and type refers to the recognized dichotomy existing between insiders (who possess an executive role in the company) or outsiders (who do not possess any executive role, do not possess shares in the company or its subsidiaries, and have not worked directly with the principal executive in other companies) (JONES and GOLDBERG, 1982; COCHRAN et al, 1985). The characteristics of the board refer to the experience and qualifications of the members of the board, to the independence for work on the boards, if they are owners or not of shares in the company, and other variables that influence the interests and performance of the members of the board in their activities and assignments (KESNER et al, 1986). Basically, the analysis of the characteristics of the board can be developed from two components: 1) qualification and experience of the members of the board reflected on their age, academic qualifications, and values, which will directly influence their choices (ZAHRA and PEARCE II,1989) and 2) their working style, which will show the disposition for an internal or external focus (LYNCH, 1979, cited by ZAHRA and PEARCE II,1989), an independence to influence directors (PEARCE II and ZAHRA, 1992) and their interest in the company as representatives of the shareholders or other stakeholders (DALTON and KESNER, 1987; KER and BETTIS, 1987).

The attribute *structure* refers to the organization of the board, the division of the work, the forming of committees, and the efficiency of their operations. These attributes specifically materialize in the number and kinds of committees, which the boards put together in the companies, how the flow of information happens among board members, committees, executive directors, shareholders, and the environment, and mainly how leadership of the board is formed (ZAHRA and PEARCE II,1989; VANCE, 1983; PEARCE II and ZAHRA, 1992).

Finally, the process refers mainly to the activities of decision making, based on five elements: frequency and length of meetings; interface of the board with the chief executive of the company; level of consensus among the members of the board; conventionality of the processes, and extension by which the board of directors is involved in their own self-evaluation (VANCE, 1983; ZAHRA and PEARCE II).

In this way, the aim of this article is to analyze the constitution of the boards of directors, based on their attributes, and the impact of this configuration on the roles and responsibilities of the members of boards in Brazilian corporations. For this, a quantitative survey was performed in the 300 largest companies in Brazil listed in the stock exchange, by means of a perception of members of the board and/or directors, who, within the company, interact with, influence or condition attributes, roles, and responsibilities of the board.

This research becomes important for the (re) configuration of the boards, through the choice of members, who satisfy a certain profile, so that the board, as a whole, can have a better performance in strategic or control or institutional roles, in accordance with the prerogatives of the shareholders of the company.

2. The Board of Directors: Theoretical Perspectives

The board of directors and the group of directors, including the CEO or president, are composed of units of CG more largely discussed in the literature, mainly because of the direct performance of these two units in defining policies, strategies, and administration of the firm. The attributions of the board of directors in the companies can generally be defined from a theoretical point of view, and these assignments are well accepted by the majority of specialists on the subject (CONGER at al: 2001).

In Brazil, there is a Law of Public Companies (or Public Limited Companies) under the number of 6.404 of December 15, 1976, which has established the parameters for the functioning of public companies and the competencies of boards of directors as a deliberative body of companies with open capital. However, on the other hand, the role of boards of directors, as well as the chief executives of the companies have been reported based on the Code of Best Practices (CBP) in several countries in the world. In this country, the CBP was developed by the IBGC (Brazilian Institute of Corporate Governance), which has described the main competencies of a board of directors (IBGC:2007).

But a company has a strong board when its members are outsiders to the firm; it is sufficiently small and, because of this, can act as a united group; it is represented by the leaders of the field; its members communicate freely with each other and receive adequate information, which helps them to understand the company in comparison to its main competitors (LORSCH, 2001).

Research on the role of boards of directors and the extension to which these power groups in corporations perform each one of their roles has been led by six theoretical perspectives: the *Agency Theory* and the *Theory of Transaction Costs*; *Stewardship Theory*; the *Theory of Resource Dependence*; the *Theory of Class Hegemony*; the *Theory of Management Hegemony*, and the perspective defined by law – *Legalistic* (ZAHRA and PEARCE II, 1989; STILES and TAYLOR, 2001). The differences in these perspectives can be found exactly in what the boards of directors should do, how they should be constituted, how they affect performance in the company, and which criteria ought to be used to evaluate their contributions to the corporation.

For Jensen and Meckling (1976), the key idea of the *Agency Theory (AT)* is that there is an *agency* relationship (or contracts), in which one or more people (the principal) contract another person (the agent) to execute a service that involves the delegation of decision making and authority to the agent. If both parts of the relationship have different motives, there then exist good reasons to believe that the agents do not always act in accordance with the interests of the principal. The principal can then limit the discrepancy of interests between them, establishing appropriate incentives for the agent and, by means of a monitoring cost, appoint the limits of the activities of the agents. Like this, the principal and the agent will incur in monitoring costs and costs in entailment, and will have discrepancies in some decisions of the agent.

The foundation of the *Theory of Transaction Costs* (TTC) is related to the discussion of the firms about whether they should produce their own necessities or if they ought to buy from the market, so as to reduce the *transaction cost.* The more economical situation, market or internal production should prevail in the decisions of the company. The objective of the firm is to guarantee good operations through governance mechanisms. Governance is then thought of as an institutional structure in which the integrity of the transaction or the relation of the group of transactions is decided (WILLIAMSON, 1996).

According to Williamson (1996), both TTC and AT argue that the board emerges internally as a control instrument. *The board is the principal instrument in which managers control other managers, or shareholders control the managers* (p.393). The role of the board in governance structures is then to provide a relative mechanism of low monitoring cost for the companies, reinstatement or rearrangement of the managers.

The S*tewardship* Theory goes directly against the arguments of *opportunism* of the managers (agents) proposed by the *Agency Theory*. In this point of view, the managers are motivated by other reasons, not exclusively financial ones, and because of this, they represent well the company's interests (DONALDON e DAVIS, 1991; DAVIS et al 1997). Donaldson and Davis (1991) state that managers are also motivated by the necessity to reach and earn intrinsic satisfaction in the realization of challenging work, exercise authority and responsibility, and like this earn recognition from the boss. It can be concluded then that there are non-financial motivating factors. The manager subjacent to this proposition is far from being opportunistic and tries to do a good job and be a good *steward* in the corporative assets. For the *Stewardship Theory*, the problem of motivation of managers is inherent to the work of executives and the performance of the company increases when the governance structure makes their work easier (DONALDSON and DAVIS,1991).

This is because when the manager in the corporation is also the chief executive on the board of directors, his/her performance improves, seeing as power and authority will be concentrated on one person and the expectations about leadership will be better defined and more consistent. The corporation will then benefit from the advantages of the unity of leadership, as well as from strong command and control. And this produces a much larger return for the shareholder than when there is a separation of the executive and the president of the board.

According to Pfeffer and Salancik (1978), in the approach of the *Theory of Resource Dependence*, the central question of the corporation is management for survival, which is seen as problematic. The company survives in proportion to its effectiveness, and organizational effectiveness depends principally on the managing skills or on interest groups in the capturing of external resources. This way, the principal way for the survival of the corporation is its capacity to acquire and maintain resources. But this problem can be minimized if the company has control of all the components necessary for its operations, which in practice is not possible, considering that no corporation is self-sufficient. With environmental change, corporations and their managers face the dilemma of not surviving or of changing their activities to adjust to these new environmental factors. This said, the companies have started searching for solutions to decrease environmental uncertainties and the dependency on scarce external resources.

The empirical support for this perspective then emerges from the research done about the interlocking of the board. In this perspective, the contribution of the board to the corporation is the decrease in the environmental impacts, through the creation and increase of mutual benefits in the interorganizational relationships (PFEFFER and SALANCIK, 1978; ZAHRA and PEARCE II, 1989). The sharing occurs when a group of members of the board of directors is shared by two or more companies (MILLS, 1956). For Zahra and Pearce II (1989), this sharing can be direct, when one or more directors serve on the board of a second specific company. It is indirect when directors of different companies serve on the board of a third one.

The sharing of boards is a more extensive and general way to administer an environment, through the designation of outsiders for important positions in the organizations. Known as *co-optation*, this is the strategy for access to new resources, information, development of interorganizational committees, and establishment of the legitimacy of the market. Apart from this, it is a more flexible and easier form of implementation. *Co-optation* describes a situation in which a person, or group of persons, is designated by the board of directors or the committee, with the mission of defining policies, and who have the capacity to make and influence decisions (PFEFFER and SALANCIK, 1978). The role of the board in this perspective is to strengthen friendships, exchange of information, and identification of promptness to establish relationships with other corporations, public institutions, governments, clients, and communities, decreasing the environmental uncertainties and extracting resources for the operations of the firm.

For the Theory of *Class Hegemony*, the power of society is shared by the leading circles, who administer the large companies and who have similar views about reality (MILLS, 1956). In this context, the board of directors is seen as the agent that seeks to perpetuate this governing leadership and encourages the strengthening of it through the sharing of directors (GLASBERG and SCHWARTZ, 1983; BAZERMAN and SHOORMAN, 1983).

According to Pfeffer and Salancik (1978), while the Theory of Resource Dependence is characterized by the emphasis on the actions that serve the organizational interests instead of those of the families, individuals or a social class, the hegemonic class adopts the view in which the organizations are the agents of the families, of the individuals or a specific social class, instead of being the agents of the institutions. That is, it adopts an individualistic view of the company's interests.

The business structure that emerges from this dynamic is a dense network of interaction among the interdependent firms, which seeks advantages in the environment in which they are inserted, as well as in relation to each other. The result of this is that the firms have temporary (or permanent) control over certain resources and can substantially influence suppliers and clients (DOMHOFF, 1969; GLASBERG and SCHWARTZ, 1983). Hence, the board of directors should be emphatic in the selection of executive directors so as to choose the right people in terms of status and social influence. These, in turn, must also represent the capitalist leading circles and promote favorable business to all the companies. Strong competition in this context is totally discouraged, and there are non-written rules for corporative behavior (STILES and TAYLOR, 2001).

The theory of *Management Hegemony* comes from the work of Berle and Means (1932) under the argument that the accelerated increase in the size of the companies led to the separation of ownership and control by means of capital dispersion. This proliferation of shareholders also led to the attenuation of the power of corporative control, exercised previously by the owners or majority shareholders. The diffusion of the power of the owners together with the dependency on outside capital, put power of decision making into the hands of the chief executive of the firm, who has little or no participation in the corporation (GLASBERG and SCHWARTZ, 1983).

From this basic proposition, the theory of *Management Hegemony* builds suppositions about the inside operations in the corporations and about the relations among the companies. Internally speaking, the expectancy of management control is efficient production of profit, and the executive role is treated under the view of a search for results that are sufficiently satisfying to passive and disperse shareholders, without the pressure of maximum profit, because it could involve a risk of financial disaster. And this change in expectancy brought forth large implications and alterations in the internal processes of the company. On the other hand, the corporative interrelations became the greatest focus of the analysis of management theory, because the large autonomy given to the executives and the low pressure for maximum profit produced an era of *laissez faire* amongst the companies, in which relations became sporadic, non-coercitive and highly equal. The arena of conflicts only exists in relations between owners and managers, and this conflict was widely solved in favor of the managers. The unity of action among the companies materialized in the non-financial relations amongst firms, in the sharing among directors, in the connections between suppliers and clients, and in the coordination of prices among competitors (GLASBERG and SCHWARTZ, 1989).

According to the same authors, the theory of *Management Hegemony* traditionally produces a picture of a new class of corporative leaders, who have worked regardless to outside pressure. This freedom produced enormous power for managers, but produced weak connections and relative disorganization of business structures. In this context, the board is seen as *legal fiction* and is dominated by the manager, becoming ineffective in the potential reduction of the problem of agency between managers and shareholders (MACE, 1971; VANCE, 1983). The responsibility of management and control of the firm is completely taken over by the corporative manager.

Lastly, the legalistic perspective includes a set of laws that define, amongst other things, mandatory existence, roles, and responsibilities of the board of directors. The function of the boards are described by the legislation of each country, but actually, there are variations of how these roles are interpreted and how power has been delegated and distributed between boards and directors.

Parkinson (1993) states that the legislation has usually emphasized the shareholders' interests, which can be understood in the return of capital invested by the enhancement of the company shares, and that the main point in the studies on corporative legislation is in the role and principles which watch over the interests of the members of the company and their creditors.

The legalistic approach suggests that the boards contribute to the accomplishment of the firms when they really perform the responsibilities designated by legal mandate (ZAHRA and PEARCE II, 1989). According to this view, the boards are responsible for corporative leadership, but without interfering in the day to day operations of the firm, which are activities designated to the chief executive. In the majority of pertinent legislations on the subject, the roles of the board are related to the selection and dismissing of the chief executive of the company, representation of the shareholders' interests, provision of counseling for the chief executive, and monitoring of the management actions and the performance of the firm (VANCE, 1983; DEMB and NEUBAUER, 1992; BOWEN, 1994).

3. Theoretical Perspectives and the Attributes, Roles, and Responsibilities of the Board

The theoretical perspectives which approach the roles of the board – strategic, control, and institutional – show the main attributes to these roles, strengthening some in detriment of others, or underlining all or none of them.

The research that supports the central argument in the Resource Dependency perspective recognizes the three roles of the board (strategic, institutional, and control) and shows that they are impacted by two specific attributes: composition and characteristics. The view of resource dependency recognizes that the board should involve itself actively in the strategic arena, through deliberations and counseling for the chief executive of the firm, by personal initiative or suggested alternatives. However, the members of the board do not develop or execute the strategies, as this is an inherent activity of the operational executive. (ZAHRA and PEARCE II, 1989; STILES and TAYLOR, 2001).

The Theory of Class Hegemony argues that the role of the board is to coordinate the actions of the companies of which it serves, and more importantly, to assure the capitalistic control of social institutions. This view results in that the institutional and control roles are the only ones emphasized, and which are impacted by the attributes: composition, characteristics, and processes (ZAHRA and PEARCE II, 1989). The consideration of the process attribute in this perspective becomes a paradox, as the role of the board is merely imaginary, whereas the research does not operationally define this domain. The performance of the board depends on the concentration of ownership and power and working style of the chief executive of the firm. In this aspect, the executive can reduce or increase the involvement of the board, depending on his/her form of action and power in the company.

The studies, according to the legalistic perspective, show that the four attributes of the board – composition, characteristics, structure, and process – affect the performance of the board, based on two primary roles: institutional or service and control. The performance of the board, however, depends first on the concentration of ownership and second on the size of the firm. In the companies in which the concentration of ownership is large, the members of the board have a much more active role in control and service, differently to firms with an ample dispersion of shareholders (ZAHRA and PEARCE II, 1989). Yet in small companies, research shows that the board is more active in the institutional role to legitimize the firm, while in bigger ones, the control function becomes vital, considering that these are associated to more complex operations (JONES and GOLDBERG, 1982; CASTALDI and WORTMAN, 1984).

The Theory of Management Hegemony sees the board as a *jure* and not as an instance that effectively affects the organization. This brings the result in which the strategic and control roles of the board are extremely passive, projecting only the institutional role. In this way, just composition and characteristics as attributes will have impact on their activities, seeing as the process and structure will serve triflingly as organizational input (STILES and TAYLOR, 2001).

The economic perspectives – Agency Theory and Theory of Transaction Costs – establish the roles of the board based on the influence of the four attributes – composition, characteristics, process, and structure, similar to the legalistic approach. The big difference, however, is that the economic perspectives destine more attention to the process attribute (principally in decision making) than the legalistic view. The emphasis of this is in the interest of how the boards execute their work, how they monitor the actions of the executive, and principally how these attitudes lead to the reduction of agency and transaction costs (ZAHRA and PEARCE II, 1989). In this view, control, institutional and strategic roles are executed by the board, but control becomes the most important, followed by institutional and strategic roles. For the evaluation of corporative performance, this perspective primarily uses market based gauges, for instance, the market value of the firm.

Finally, the joining of the roles of the chief executive and the president of the board of directors, according to the Representative perspective, strengthens the institutional and strategic roles, but weakens the control role. As the executive of the company is also the president of the board, the attributes of composition, characteristics, and structure are of little importance, but the process attribute takes on relevance, mainly in the consensus aspect. According to Stiles and Taylor (2001), empirical research based on this view and the Management Hegemony, are limited, principally by the fact that these perspectives do not see the board of directors as an independent and strong body within the corporation.

4. Research Methodology

The universe of the research was the group of companies listed in the stock exchange. The 300 largest companies listed in BOVESPA were selected as units of analysis. The reason for this selection was mainly due to representation, influence, and importance of these firms for the country. The subjects of the survey, or unit of observation, were the board of directors and/or executives who form the corporative governance of these companies, using an individual level for the analysis, that is, the perception of the answerer (member of the board or executive) in relation to the roles of the board of directors.

This study is characterized as a gathering of facts of the survey kind, in an intersectional design, in which a semi-structured (open ended and closed questions) questionnaire was used. The object of this article was to establish the influence (correlations) of the independent variables (attributes) over the dependent ones (roles and responsibilities of the boards), and for this, Kendall and *Chi-squared* tests were used (WALSH, 1962; KOOSIS, 1997). For the first test, an ordinal correlation coefficient was used, with the aim of establishing the correlations among the big groups of attributes with the roles of the board, like sex, academic qualification, professional experience, ideal number of components on a board, among others. And, to better detail and explain these large groups of attributes of the board, a second test (*Chi-squared*) was used, with the intention of measuring the incidence of association among the variables researched.

According to Fonseca, Martins and Toledo (1980), Kendall's coefficient of correlation, normally symbolized by the letter τ (tau), "supplies a more satisfactory dimension of correlation among the classifications, mainly when the amount of relations is very big" (p.94). The coefficients of correlation can assume values between -1,00 and +1,00. In terms of the degree of association, the nearer to -1,00, in both senses, the larger is the strength of the correlation (LEVIN, 1987).

The second tool used was *Chi-squared* (HOGG and CRAIG, 1995). This test is a technique which has as its objective the extent of the incidence of association existing between two variables (questions) in the qualitative scale of a questionnaire, based on absolute variables. The decision on the association strength is most of the time measured by statistics known as *value-p* (or descriptive level of the test). Whilst probability, the nearer to zero is the significance of the test (*value-p)*, the more the evidence of association becomes plausible.

In the same way as in the *Kendall* test, the computer program SPSS 11 was also used for the expected frequencies and for the level of significance calculated in the test *Chi-squared.*

5. The results of the Research: Boards at work

The subjects were asked to classify, in increasing order, the roles and responsibilities of the board of directors in their companies (table 01), so as to evaluate which roles are more enhanced by the boards in detriment to others. It is important to point out here that for the boards, among the five more important roles three represent the strategic dimension and two, the control dimension.

Table 01 presents the role "involvement in the strategy" as being the most important for the subjects questioned, followed by "development of corporate view". Third and fourth in the control category, "determine a position of risk" and "monitor the health of the firm". And a fifth role, again in the strategic group, "control the strategic changes of the firm". The group of the institutional role appears in the sixth place with the responsibility of "contacts with shareholders and stakeholders", followed in eighth place, tenth, eleventh, and twelfth, by a total of thirteen roles presented. Still enhanced, is the fact that the role that was considered less important "guarantee of the corporative return", belonging to the control group, could have been equaled to those that were placed in second and third positions.

Once having established the classification of roles and responsibilities of the board, evaluation of the impacts or influences of the variables or constant factors of the attributes of the board were explored – 1) composition and characteristics; 2) structure; 3) processes – for roles and responsibilities of this instance in the corporations.

While analyzing the attribute "composition and characteristics" in Brazilian companies, it was found that sex, professional experience, ideal number of components on the board, and length of adequate mandate variables influence the roles and responsibilities of the boards, as can be seen in table 02. In relation to the items academic qualification, ideal number of components on the board, and ideal number of outsiders on the board no correlations were found with the roles of the boards.

Table 1. Responsibilities, commitments and involvements of the board

Responsibilities of the Board	Order of Preference (%)	*Dimensions*
Involvement in the strategy	30,87	Strategic
Develop a corporative view	11,22	Strategic
Determine a position of risk	10,29	Control
Monitor the health of the firm	10,44	Control
Control the strategic change in the firm	8,54	Strategic
Contacts with shareholders and *stakeholders*	6,64	Institutional
Contract, evaluate and dismiss executives	5,70	Control
Review of the social responsibilities of the firm	3,91	Institutional
Guarantee the survival of the corporation	3,74	Control
Guarantee the ethical structure of the firm	2,89	Institutional
Understand and keep up with the present legislation	2,87	Institutional
Act as ambassadors of the firm	1,90	Institutional
Guarantee corporative return	1,01	Control

Source: Research data

Table 2. Index of correlation of *Kendall* between the attribute of composition and characteristics and the roles of the board

COMPOSITION AND CHARACTERISTICS

	Institutional		Strategic		Control	
Variables	Value p	Índex of Correlation	Value p	Índex of Correlation	Value p	Índex of Correlation
Sex	0,001	0,400	0,500	0,079	0,306	0,122
Professional experience	0,060	0,217	0,021	0,268	0,610	0,059
Ideal number of components on the board	0,050	0,215	0,687	-0,046	0,563	0,066
Length of adequate mandate	0,608	0,065	0,149	0,184	0,042	0,259

Source: Research data

The sex variable presented a significant index of correlation of Kendall with the institutional role of the board (value p 0,001). A bigger index of relation in males (54,17%) with the institutional role was found in the *Chi-squared* test, than in females (44,90%). So, it is worth considering that in those boards where male presence is dominant, the institutional role will tend to be stronger than in boards in which a female presence prevails. However, this does not mean that the other roles are not considered, but shows that there will not be a gender influence in the performance of the board.

Professional experience also presented statistic relations with the institutional (value p 0,06) and strategic (value p 0,021) roles of the board, by means of the index of correlation of Kendall. In relation to the institutional role, the *Chi-squared* test shows that professional experience as a board member and/or executive for more than five years (36,00%) is more relevant than the experience as a board member (32,70%) or as an executive (31,30%) up to five years. Now, for the strategic role, the strongest association was for professional experience as executives up to five years (34,25%), followed by the experience of being a board member up to five years (33,87%), and as board members and/or executives for more than five years (31,88%). Practically speaking, the data show that executives and board members with more professional experience give more value to the institutional role, while executives with less professional experience tend to strengthen the strategic role.

However, this does not mean that more experienced board members ignore strategic and control roles, but they recognize that, in an ever increasing competitive market, the institutional role becomes extremely relevant, so that the firm can improve its institutional relations, decrease the dependence on resources, and ease the exchange of information and assets with the external environment.

The number of members of the board also presented a significant correlation with the institutional role (value p 0,05). The configuration analyzed by the *Chi-squared* test reveals that the strongest association belongs to the boards that have nine to eleven members (35,00%), followed by three to nine members (31,85%), and from 5 to 7 members (31,85%). Based on these data one can infer that the larger the composition of the board, the more relevant will be the institutional role for the board members of the corporations. This is because the more members that a board may have, more possibilities of having outside relations with the environment exist, as well as participation in other firms, influence on the community and government.

The last variable of the attribute “composition and characteristics” that presented a significant relation with the roles of the board was the length of the mandate of board members. The correlation of this attribute through the Kendall test presented a value p of 0,042 for the control role. On analyzing the length of the mandate of the board members with the *Chi-squared* test, it was observed that a mandate of a four year influences the control role (32%) less than a mandate of three years (33,44%) or of two years (34,56%). In this aspect, it is worth pointing out that the shorter the mandate of the board member, the stronger will the control role be in the corporations. This is because more frequent renewals of board members provides a more careful analysis of the data and of the following up of the performance of the company.

For the attribute **"structure",** the following variables were analyzed: hierarchic structure, forming of committees within the board, information flow between board members and directors, and the presence of a board that polarizes discussions. The result presents an index of correlation of Kendall which is significant for hierarchic structure, forming of committees, and information flow between board members and directors (table 07).

The independent hierarchic structure variable presented an index of correlation of Kendall that was significant to the strategic role of the board (value p 0,09). On analyzing this variable with the *Chi-squared* test, the formal structure, composed mainly of president and vice-president, secretary and other posts, showed a more significant relation to the strategic role (56,89%), than the informal structure (43,11%). An informal structure is characterized in a board by the presence of a president, but by the absence of any other post. In this case the work is frequently divided in task-force or committees. The data presented suggest that the more formal the structure of the board, the stronger the action of the board members will be in the firm’s strategic role.

The forming of committees also presented a significant index of correlation of Kendall in relation to the institutional role (value p 0,022). About this aspect and using the *Chi-squared* test, the presence of permanent committees presented, a more significant association with the institutional role (56,41%), than the constitution of task-force or sporadic committees (43,59%). Practically speaking, this means that the bigger the amount of permanent and formal committees presented by the board for specific subjects, the more important will be the institutional role in the firm. This is because committees make exchange of information easier with the external environment and are important for the establishment of internal and external policies, which guarantee the continuity of the processes, of the strengthening of institutional and social relations, including the relations with minority and majority shareholders (ZAHRA and PEARCE II, 1989). The task-force and committees, in turn are organized for specific and sporadic work and do not perpetuate relations and exchanges, seeing as at each summons new members are designated, depending on the subject.

Lastly, the information flow between the board members and the directors presented an index of correlation of Kendall which was significant with strategic (value p 0,032) and control (0,062) roles. From the analysis of the *Chi-squared* test, informal conversations between board members and directors (25,54%) and informal communications between them (25,06%) strengthen the strategic role more than the formal correspondence (24,84%). It is important to point out, based on the data, that the more informal the exchange of information between board members and directors in the firm, the larger the propositions made about strategic questions. That is, informal discussions between them encourage a strategic debate in the corporation.

Differently from the control role, the ordinary formal meetings (25,45%) and the formal corresponding elements (25,11%) are more relevant in the performance of the board, than informal communications (25%) and informal conversations (24,44%). This, in practice, means that the formality of the meetings between board members and directors and the exchange of information through specific reports give priority and favor the control role in corporations.

Table 3. Index of correlation of *Kendall* between the structure attribute and the roles of the board

STRUCTURE						
	Institutional		Strategic		Control	
Variables	Value p	Índex of Correlation	Value p	Índex of Correlation	Valr p	Índex of Correlation
Hierarchic structure	0,070	-0,214	0,009	0,312	0,168	-0,165
Forming of Committees within the Board	0,022	0,274	0,593	0,064	0,232	-0,143
Information flow between the board members and the directors	0,106	0,178	0,032	0,236	0,062	0,205

Source: Research data

Table 4. Índex of correlation of *Kendall* between the process attribute and the roles of the board

PROCESSES						
	Institutional		Strategic		Control	
Variables	Value p	Índex of Correlation	Value p	Índex of Correlation	Value p	Índex of Correlation
Involvement of the board in the selection of the Executive Director	0,015	0,288	0,979	0,003	0,048	0,235
Involvement in decision making in board meetings	0,272	-0,128	0,060	0,216	0,050	0,227
Independence in evaluation of the work of board members	0,894	-0,016	0,055	0,228	0,162	-0,167

Source: Research data

In relation to the **process attribute** and the roles of the board, periodicity and duration of board meetings were analyzed as variables, as well as the preparation of the minutes of the meetings, the way decisions are made in these meetings, the involvement of the board in the selection of the executive director, the involvement of the members in decision making in these instances of the corporation, the frequency of frank discussions about certain subjects and work, the discrepancy of opinion among themselves, the influence on the work of outside board members vs insiders, and the independence in the evaluation of the work of board members.

However, the result presented a significant index of correlation of Kendall with the roles and responsibilities of the board only for the involvement of the board members in the selection of directors, involvement of the members in decision making in board meetings, and independence in the evaluation of the work of board members (table 04).

The form of involvement of the board in the selection of the director presented an index of correlation of Kendall which was significant for institutional (value p 0,015) and control (value p 0,048) roles. From the analysis of the *Chi-squared* test, the institutional role is influenced more when the board sanctions the new director (52,85%), than when the board actually chooses the executive (44,28%), or when the board only indicates the director (1,45%). However, the control role becomes more significant when the board chooses the new executive director (54,55%), instead of only sanctioning him/her (40,30%) or of indicating the chief executive (3%).

Practically speaking, the data indicate that when the board chooses the new executive, its responsibility for the actions of the new director increase and the board members exert a larger control on the actions of the chosen executive, strengthening like this the control role. In opposition, when the board just sanctions the director, who was indicated by another stakeholder in the firm, the institutional role is strongly given more priority, principally taking into account the exchange of information and relations that are undertaken with whom by right indicated the executive who was sanctioned by the board.

The involvement of the board in decision making in the firm also presented a significant index of correlation of Kendall with the strategic (value p 0,06) and control (value p 0,05) roles. With the *Chi-squared* test, the involvement of the board in decision making in the firm has a more significant influence on the institutional role when the whole board makes the decision (34,50%), that is, the decisions are made together without the dominance of one group of specific board members. However, the institutional role suffers a lesser influence when one dominant group of board members is the one to make the decision in the firm (33,52%), or when the board of directors makes the decision (31,98%).

In relation to the control role, it can be observed that this responsibility becomes much more important for the board members when the decisions are made by the executive director or the board of directors (34,65%). But when the board or a dominant group makes the decisions in the company, the control role becomes less relevant for this attribute.

When the decisions are made by the board, the institutional role is strengthened, taking into account the relations and accountability of the members of the board with shareholders and other stakeholders of the corporation, who are consulted or are informed of the decisions taken. Because of this, the institutional role tends to be preferred in these companies. But when the decision is made by the directors, it is up to the board to verify the performance of the action taken and, as a consequence, there is a strengthening of the control role in the firms.

Lastly, the independence variable in the evaluation of the work of board members presented an index of correlation of Kendall, which was significant for the strategic role (value p 0,005). According to the *Chi-squared* test, the strategic role of the board is more outstanding in the firm when the work of the members of the board is evaluated by shareholders (22,31%), followed by the evaluation undertaken by the society (20,24%), by the members themselves (20%), by the government (19,21%), and by the board of directors of the firm (18,24%). In general, it can be said that when the board of directors of the companies is evaluated, there is a tendency to privilege the strategic role in the firm, mainly when this evaluation is undertaken by the shareholders.

6. Final Considerations

On evaluating the roles and responsibilities of the boards it was observed that in 79% of the cases, the board believes that the mixture of tasks given is adequate. In relation to roles and responsibilities, the ranking found reveals that "involvement in the strategy" is the most important role for board members. Immediately the responsibilities "develop corporative view", "determine the position of risks", "monitor the health of the firm", and "control the change of strategy" appear. Three of these roles belong to the strategic domain and two to the control domain.

On analyzing the influence of the attributes – composition and characteristics, structure and processes – over the roles of the board, some variables were found that influence the roles of the board more than others.

Based on the elements of the attributes of composition and characteristics with the roles of the board, it was discovered by the index of correlation of Kendall, that sex, professional experience, number of components on the board, and length of adequate mandate variables are strongly related to the roles of the board. For this attribute, it was possible to verify that the institutional role predominated over the control and strategic roles. The structure attribute presented an index of correlation of Kendall, which was significant for the roles of the board, based on the elements of hierarchic structure, forming of committees, and information flow between the members of the board and the directors of the firm, with the predominance of the strategic role over the control and institutional one. For the last attribute analyzed – process – an index of correlation of Kendall was found, which was significant for the roles of the board in the variables of involvement of the board in decision making and independence of evaluation of the work of board members. However, there was no predominance of one role in relation to another.

On analyzing the data of this article, it was possible to define the board of directors of Brazilian companies in some parts of this research related to economic and legalistic theoretical perspectives, which strengthen mainly the control role and with a greater purpose of monitoring the actions of the executive in favor of the controlling shareholder. Few characteristics of the boards were found, such as *decision maker*, that are those which are involved in the definition of corporative policies, determination of managerial objectives, and authorization of their implementation.

From this, the conclusions reached are that the relative power of the boards of Brazilian corporations and their pending to the role of control comes from the evaluation of the following factors: (1) the personal influence of board members, in this case, of how they were chosen and by whom. The nearer they are related to the controlling shareholders or to a member of the controlling family, the larger is the power, influence, and control that they will have on the business of the firm; (2) skill to model the strategy, mainly based on their academic qualifications, specialty or knowledge and experience acquired in the same sector of action in the firms worked in – that is, less knowledge of the business, less involvement in the strategy and vice-versa; and (3) effective participation in the selection of the main administrator and, based on this, of the capacity to monitor the progress obtained in management through proposed objectives.

7. References

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