РАЗДЕЛ 1
НАУЧНЫЕ ИССЛЕДОВАНИЯ
И КОНЦЕПЦИИ

SECTION 1
ACADEMIC
INVESTIGATIONS
& CONCEPTS

STRATEGIC CORPORATE GOVERNANCE IN FAMILY BUSINESS: A STUDY ON THE BOARD OF DIRECTORS' ROLES AND RESPONSIBILITIES

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Abstract

The goal of this article is to analyze the constitution of the directors boards, based on their attributes, and the impact of this configuration on the roles and responsibilities of the board members in Brazilian Family Businesses. A research of a qualitative nature was carried out in 10 big family companies in Brazil. The results found point to the strategic roles as being the most relevant, but as a practical activity focused on the role of control. The Board has been more active at some moments, but is inactive at others, especially, when the concentration of capital is greater in some companies than in others.

Keywords: Corporate Governance, Board of Directors, Roles and Responsibilities

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1. Introduction

The strategic practices and definitions of the system of corporate governance are considered at present of great importance for organizations, due to the size and complexity of their structures and the diverse forms in which they are found: in networks, alliances, partnerships, mergers and acquisitions (Turnbull, 1997; Monks & Minow, 1995; Andrade & Rossetti, 2006; Silveira & Barros, 2008).

By corporate governance we understand the system, principles and processes, by which companies are controlled and administered, and that place the Board of Directors as the central reference of the system. In addition to the Board of Directors, the shareholders (majority and minority); the CEO (Chief Executive Officer); the independent auditors and the stakeholders - associations, creditors, trades unions, suppliers and public opinion that possess influence in the company management are part of the corporate governance structure (Brazilian Institute of Corporate Governance [IBGC],2009).

An efficient corporate governance structure proportions an important referential for organizations for the rapid responses of the Board of Directors and the executive directors in those situations that may affect the investments made by the shareholders, both majority, and minority.

Corporate Governance becomes an increasingly important factor in companies gaining access to foreign capital at competitive cost. It becomes, also, crucial in the private sector, faced with economic growth and the channelling of savings towards new investments. In addition, the recent ethical and financial scandals of American corporations, such as Enron, the Worldcom and the Imclone Systems, Parmalat, among others, have placed in check the roles of the Boards of Directors, company accounting and the external audits, motivating discussions on corporate governance in companies and its importance in the construction of the new international financial framework.

The corporate governance movement arose, at first, because of the privatizations, mergers and acquisitions and of the international dependence of the investment funds. But the importance of corporate governance really became evident with the professionalization of family companies, as well as the dismissal of chairmen of large American corporations such as General Motors, IBM and Kodak, in the 1990s.

In Brazil, following on the economic and social reforms which were started at the beginning of the 1990s by the Federal Government, provoking changes in the national context – such as the removal of market restrictions and structural transformations in Brazil - foreign institutional investors started to apply more in Brazil, and a movement of change in company share control and in the professionalization of Brazilian companies and their governance structures became evident.

In the 1960s and 1970s, the people who had the power of strategic decision-making in Brazilian organizations were the executive directors. Regarding the Board it was merely required to meet to fulfill legal requirements and confirm the decisions taken by the executive directors. The decade of the 1980s was impacted by the reflection of the big alterations in the Brazilian economy, such as the removal of trade restrictions, which, in the 1990s, led to a good part of the structural transformations in the country's economy, in which groups of companies suffered and have continued to suffer significant transformations in terms of their share control structure. It was at this time, also, that economic transactions started to become associated with governance structures and institutions (IBGC, 2009; Andrade & Rossetti, 2006; Martins, 2005).

The Boards of Directors then started to exercise a new strategic role in the face of the internationalized markets, to maximize gain for the shareholders and arbitrate conflicts existing among those that were related to the organization such as shareholders, external auditors, administrators and the statutory audit committee (Martins, Gonçalves & Pardini, 2010). The question that guides this research is: how the configuration of the boards of directors impact their performance in family businesses in terms of their roles and responsibilities?

Accordingly, the objective of this work 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 Family Business. To this end, research of a qualitative nature was carried out in 10 big family companies of the state of Minas Gerais, through the perception of the board members and/or executive directors that, in the organization, interrelate, influence or condition the board's attributes, roles and responsibilities.

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 family business.

2. Corporate Governance and the Board of Directors

The central characteristic of the present corporate governance structure is the combination of the power of control of the Board of Directors, with the power to remove directors, as also the right of deciding certain strategic questions in the general body of the shareholders.

One of the functions of the systems of corporate governance is that of resolving conflicts between the various agents who are interested parties in the company (suppliers, staff and customers) and even among society in general (Neto & Famá, 2003). Rabelo (1999), however, raises the possibility that closer relationships among the investors in the model of internal control would encourage a more active monitoring. Strictly speaking, the Board of Directors "should not only choose the indicators and control the data bank, but also remain on the alert for the various signs of debility" (Donaldson, 2001, p. 74).

The Board of Directors and the group of directors, including the CEO, make up the most discussed CG units in the literature, principally because of the direct performance of these two units in the definition of the company's policy, strategies and management. The attributions of the Board of Directors in companies, in a general way and in family companies in particular, can be defined from the theoretical point of view and these activities are well accepted by the majority of specialists in the subject (Conger et al, 2001; Hamilton, 2001; Lima, Araújo & Amaral, 2008). The main responsibilities of the Board of Directors are development of the business strategy; monitoring the implementation of initiatives related to the current strategy; be certain that the organization has processable information, control and audit systems available, capable of informing the Board itself and senior management if the company is fulfilling its business objectives; ensure that the company observes the standards imposed by risk management.

In Brazil the Law of Corporations (S.A.) nº 6.404, of 15 December 1976, established the parameters for the activities of business corporations and the competencies of the Board of Directors as a deliberative level of open corporations. On the other hand, both the role of the Boards of Directors, and the principle company executives, has been reproduced from the Codes of Best Practices (CBP) of various countries in the world. In Brazil, the CBP was developed by the Brazilian Institute of Corporate Governance (IBGC) and described the main competencies of the Board of Directors (IBGC, 2009).

But, a company possesses a strengthened Board when its members originate from outside the company; when it is sufficiently small and, because of this, can act as a cohesive group; when it is represented by sector leaders; when its members communicate freely with each other and receive adequate information that helps them to understand the company in comparison with their principle competitors (Lorsch, 2001; Silveira & Barros, 2008; Andrade & Rossetti, 2006).

Different board structures can be found in the governance models of various countries in the world, resulting in different degrees and types of responsibilities (Demb & Neubauer, 1992):

a) Structure in levels: found principally in Germany, the Low Countries and Finland. The Board possesses two levels: a Board of Directors – consisting usually of the CEO and senior company managers and; a Supervisory Board, consisting of personnel from outside the company. The great difference of countries utilizing one or two-layer boards concerns the specification of responsibilities. The double structure of boards clearly presupposes the separation of the Supervisor from the functions of manager.

b) Executive and non-executive Membership. England and the United States use the Board model that brings together internal and external executives to the company in the same group - in different proportions - as a provision to determine the nature of the interactions with the managers.

c) Work participation: Germany and the Netherlands have established systems that bring the workforce onto the Board, but in different ways. Germany created the model of the Supervisor in which half of the members represent the shareholders and the other half are workers representatives. The Netherlands created the work councillors, a system that does not require the systematic involvement on the Board, but calls for the work members to approve certain key decisions.

d) Committees: the simplest type of board uses the model of the committee. The use of committee is related to the role of monitoring, selection of strategies and finances and has been used, principally, by some companies in Canada and other smaller ones, in the United States.

In functional terms, that is, of the effective performance within the company, the Board of Directors was grouped into four categories by the NACD - The National Association of Corporate Directors- (The Advisory Board Minutes of The National Association of Corporate Directors Meeting, AMA Headquarters, New York, April, 5, 1981) (Vance, 1983):

- **Minimum Board:** that meets only to satisfy the Articles of Association of the organization;
- **Cosmetic Board:** serves as a rubber stamp for management prerogatives;
- **Supervisory Board:** that has the primary function of reviewing programmes, policies, reports and performance of the managers;
- **Decision-making Board:** are involved in the definitions of the corporate policies, determination of the management objectives and authorization for their implementation.

From the characteristics and models of boards of directors three archetypes of boards' roles were defined based on their activities in companies: 1) The Watchdog Board: in this role the Board serves as the monitor of the processes and corporate activities in all the spheres. The term suggests a passive role. The role of watchdog implies a post-facto evaluation, primarily in terms of the success of the corporation in conducting business; 2) the Board of Trustees: this role suggests that the Board serves as guardian of the property. The guardian is responsible for ensuring that the corporate activities improve, for avoiding exhaustion and evaluating company employees. It implies that the role of trustee is to be responsible for the evolution of what is defined as business by the corporation, as well as seeing that this has been well conducted. 3) Pilot Board: the pilot has the active role of conducting the business. The Pilot Board is active, has a large amount of information and has the role of taking the decisions that the other archetypes leave to the manager (Demb & Neubauer, 1992; Martins 2005; Alvares, Giacometti & Gusso, 2008).

Of all these configurations, characteristics and archetypes, the question remains of who it is that has the final responsibility for the corporation and who is genuinely responsible for the company. From the legal point of view, the Board of Directors in many countries such as the USA and UK has the responsibility for the company and, because of this, the last source of power. In other countries, such as Brazil, it is the company chairman who has the authority and the responsibility for the decisions taken. In reality, it is in practice and not in the law that the problem increases. Managers have the expertise, infrastructure and time to make operational company activities and control them. But the paradox is how to enable both bodies of the system of governance to be able to retain effective control without diminishing the initiative and motivation of the other. The paradox creates tensions that are visible in some companies, causing friction at the top of the company and considerable loss of energy. In the context of the governance accumulated power starts to coexist with the ability to exercise authority of different types and at different moments (Demb & Neubauer, 1992; Martins 2005; Alvares et al, 2008; Andrade & Rossetti, 2006; Hamilton, 2001).

3. Attributes, Roles and Responsibilities of the Board of Directors

The roles and behavioural patterns of the company CG result from the manner in which the strategic decisions are analyzed, taken, implemented and rated by the executive directors and by the Boards of Directors (Pound, 2001; Martins 2005; Martins et al, 2010; Alvares et al, 2008; Andrade & Rossetti, 2006). Accordingly, the function of the executive is to facilitate "the synthesis of contradictory forces in concrete action, to reconcile forces, instincts, interests, positions and conflicting ideas" (Barnard, 1971, p.51) and that of the Board of Directors is to encourage, counsel, and evaluate the actions proposed and executed by the organization (Bowen, 1994; Andrade & Rossetti, 2006).

Specifically, the Boards of Directors possess three key roles: strategic - responsibilities for monitoring and influencing strategy; control - maintaining control of the manager and of company resources; service or institutional - advising the managers and providing an institutional face for the organization in its community (Mintzberg, 1983; Zahra & Pearce, 1989; Johnson, Daily & Ellstrand, 1996; Forbes, 1999; Stiles & Taylor, 2001).

The literature points out four principle attributes that affect the roles and performance of boards of directors and that contribute indirectly to company performance. They are: composition, characteristics, structure and process (Zahra & Pearce, 1989; Pearce & Zahra, 1992). **Composition** refers specifically to the size of, and the types of members that comprise the company Board of Directors (Pfeffer, 1972; Castaldi & Wortman, 1984). Size refers to the number of members and type to the recognized dichotomy existing between members internal to the organization (that possess some executive role in the company) or external to it (that do not possess an executive role, nor company shares or shares of subsidiaries and have not worked directly with the principal executive in other companies) (Cochran, Wood & Jones, 1985). Another distinction related to the type of the Board refers to the participation and representation of ethnic minorities and women as members. According to Zahra and Pearce (1989), this configuration represents amply the values of the whole of society and not only that of the shareholders. The **characteristics** of the Board refer to the experience and background of the members, independence for work on the boards, possessing or not company shares and other variables that influence the interests and the performance of the members in their activities and tasks (Cochran et al, 1985).

The attribute **structure** refers to the organization of the Board, division of the work, formation of committees and efficiency of their operations. Specifically these attributes materialize in the number and types of committee that the boards form in the companies, how the flow of information occurs between the members, committee, executive directors, shareholders and environment and, principally, how the leadership of the Board is configured (Zahra & Pearce, 1989; Vance, 1983; Pearce & Zahra, 1992).

Finally, **process** refers principally to the decision-making activities, considering five elements: the frequency and the duration of the meetings; the interface of the Board with the principal company executive; the level of consensus among the members; formalities of the procedures and the extent to which the Board is involved in its self evaluation (Vance, 1983; Zahra & Pearce, 1989).

The theoretical perspectives that deal with the roles of the Board relate the principal attributes to these roles, strengthening some to the detriment of others, or emphasizing all or none of them. In a general way, it can be affirmed that a strategic role of the Board is not to formulate strategy, but to help in the context of strategy, which can be done in four principle ways: 1) via definition and review of corporate activities - which is the business of the company; 2) through the function of gatekeeping - evaluating and revising the strategic proposals, and frequently changing them by means of comments and advice; 3) via building of trust - encouraging managers with good ideas for carrying out the strategic objective and 4) through the selection of directors - the result through which signals are sent to the rest of the organization regarding the type of person who is succeeding to the previous one and the standards that the other has to attain (Demb & Neubauer, 1992).

But, in practice, the involvement of the Board of Directors in company strategy is difficult to evaluate. Research has shown a greater involvement in the initial phases of preparation and in the evaluation of the strategy (Mcnulty & Pettigrew, 1999). Even in the phases of preparation and evaluation there are levels of involvement of the Board (Zahra & Pearce, 1989). In the preparation phase either the Board is involved with the direct formulation of strategy together with the manager or merely ratifies the proposals of the executive. In the evaluation phase on the other hand, the boards can be classified as effective evaluators of the proposals of allocation of managers' resources or as simple accepters of management operations. Empirical research therefore classifies the boards as passive or active, in relation to the strategic definitions of the organization (Stiles & Taylor, 2001). In the case of the passive type, the Board merely contributes to compliance with the legislation, working as a legal fiction, ratifying the decisions and actions of the manager. The active type however is involved effectively in the problems of the organization, participating in the development of specific strategies and of final decision making (Stiles & Taylor, 2001).

As regards control, it is correct to affirm that, in a strict sense, this role designates the structural relationship in which private individuals or groups have capacity in fact for mobilizing the resources that are legally invested in the company. This constitutes power potential. According to Berle and Means (1932, p.69) control consists "in the power to determine the fundamental elements of corporate behavior and the power centre is in determining the composition of the governing body of leaders".

The control and the rules occur in two levels within the organization: at the strategic level - taking the structural decision; and at the operational level - level of day-to-day management. Strategic control is the capacity to determine the long-term goals and objectives of the undertaking, the adoption of courses of action and the allocation of resources necessary to carry out and reach the targets. Operational control involves budget decisions and management of the tasks at the work level (Scott, 1997; Demb & Neubauer, 1992; Stiles & Taylor, 2001; Staub, Martins & Rodrigues, 2002; Andrade & Rossetti, 2006).

The function of the Board, starting from the institutional role, places the members at the highest level of the organization from the external perspective, not only monitoring and advising the principal executive, but also relating with company shareholders and ensuring the rights of the company's internal and external constituents, vis-à-vis the environmental contingencies (Provan, 1980). Mintzberg (1983) defines the Board of Directors as the mediator between the internal and external coalitions of the organization.

The Board of Directors maintains contact with investors and other constituents for two principle reasons. The first is that such contacts allow the construction of the legitimacy of the corporate work and maintains the people informed on the company. The second is that these contacts facilitate access to the scarce resources of the environment, through the transparency and nature of the information supplied to the market. From this aspect, the companies utilize also the Annual Management Report, which should be approved by the company boards and reduces the assymetry of the information supplied by the managers to the shareholders and institutional investors (Monks & Minow, 2001; Stiles & Taylor, 2001).

4. Corporate Governance and Board in Family Business

In order to understand the family-society-corporate system, the main issue is to comprehend the interpersonal relationships existing within this system. These relationships are so complex that when we seek to structure them, they refer us both to the foundations of the organizational culture, and to the foundations of family companies' governance, considered, in these companies, as two faces of one same coin (Bornholdt, 2005; Casillas, Sanchez & Fernandez,2007).

The governance process in family companies may be comprehended by thinking of dangers and opportunities. To define the norms and rules among the individual interests on behalf of the collective (company) is essentially a process of relinquishing (a danger from the family's perspective). Despite these latent difficulties, especially in family companies, it is necessary to integrate the family, society and company systems (opportunities). For these three dimensions to be integrated, it is first necessary to put some distance between them. This distinction allows for a more appropriate understanding of the structure and content of the subject, as well as of the systemic structure of family governance. It encompasses the three axis and the relationship between the three systems – the corporate system and the administration board (management); the societary system and the shareholders and partners committee (partners); and the family system and the family council (families) (Bornholdt,2005; Casillas et al.,2007; Tondo et al, 2008).

Floriani (2008) believes that family-type companies already demonstrate some concern about giving privilege to a management model supported by social responsibility and corporate governance. In this model, competence is the main word, inside a broadened comprehension which makes it a synonym of attitudes and behaviors which are adequate to a modern management standard.

However, the resistances to the installing of the best practices of corporate governance are still very strong (Bornholdt, 2005; Ricca, 2007). The main argument is that these instruments are not fit to this organization and also that "these practices in companies are like 'custom-made outfits', in that, if they fit, they are used; if not, they are hanged in the wardrobe" (Bornholdt, 2005, p. 77). Such a phenomenon also happens with the administration board, family council, or consultant committee. If they are considered as being appropriate to the organization's context, they are installed. If not, they are "kept away" in the organizational structure and in the company's contracts and statutes.

In light of the complex relationship between these three systems and axis of the family companies, the corporate governance installation process, in these companies, is the creation of various organs correlated to the company management and its inter-relation to the families. These organs need to be comprehended in each company-family context, because some of them may be fit and others may not, depending on the size of the company, the complexity of the family and societary systems, of how many generations are active and the organization's history. These organs are the following: 1 – family council; 2 – administration board; 3 – superior council; 4 – executive management; 5 – consultant committee; 6 – fiscal board; 7 – independent auditing; 8 – board of partners (properties) and shareholder committees (Silva,2006).

It is of interest, particularly to this paper, the administration board in family companies. The observation of the administration board in different companies is comprised of elements which indicate a higher or lower degree of involvement with the administration. We may identify the influence level by the administration boards in scale levels; the more acting in the company the board is, the higher is the acting scale (Bornholdt, 2005; Tondo et al, 2008). The board, according to its mission, has an inadequate responsibility when it takes on a passive role or an executive one. However, these situations may happen in practice, since the board members are often old executives or family partners.

Álvares et al. (2003) are more incisive and define the administration board as the most important governance organ in a family company, despite some families relegating this instrument to a secondary role: some do not want any board at all, while others prefer a purely symbolic board. The authors believe that this instrument is fundamental for the well-being of the family and its company. But, in order for the administration board to work effectively, it is necessary that there is a commitment towards the creation of a professional group of members, active and highly competent, that work based on parameters which are set out by the family. Some aspects are related to important tasks of the administration board, according to Álvares et al. (2003): - evaluation and management succession; - administration board structure; - interactivity (of the administration board with all those involved in the business); - evaluation of the administration board.

In this direction, the board may be used as a valuable instrument for conducting the professionalization process of the family company (Andrade & Rossetti, 2004). However, the absence of efficient acting mechanisms for the board, as well as of formal corporate governance structures may cause and/or explain the problems related to the family company in this case. Corporate governance acts through the shareholders committee and the administration board, and it is structured by the commercial contracts and family protocol. With this in mind, the fact of a lower or higher efficiency by the administration board is established from the configuration and attributes of the board members which are not from the family and of external members (Casillas et al, 2007).

5. Research Path Methodology

A research of a qualitative nature was carried out, through the perception of the members and/or directors that, in the organization, interrelate influence or condition the attributes, roles and responsibilities of the Board.

This study adopted the approach of multiple cases, analyzing the boards of 10 big family companies of Minas Gerais, chosen randomly, but, principally, using the criterion of access to the interviews, granted by these companies.

For the qualitative data, the semi-structured interview was used (Thiollent, 1985). This technique was used in the interviews with the representatives of the boards and/or executive directors belonging to the companies' corporate governance.

The analysis of the data was carried out through the analysis of content. The great advantage of the analysis of content is the possibility of reduction in the material researched (Flick, 1998).

The results of the interviews were grouped, for the purposes of synthesis and analysis, into three groups of subjects: the first relatively to the attributes of the Board, subdivided into composition and characteristics, structure and process; the second on the roles and the responsibilities of the Board; and the third on the notion of creation of value in the companies researched.

Table 1 presents the identification of the respondents of the research, indicating, principally, their share relationship with the company, their background and, specifically, whom the interviewees represent in the positions that occupy. The companies and the members/executives were identified by E1, E2..., E10, to conceal their identities.

Table 1. Identification of the respondents

Company	Position Occupied	Possesses Company Shares	Professional experience (as executive)	Represents Interests	Sector to which the company belongs
E1	Chairman of the Board of Directors	Yes	34 years	"I represent the interests of the my wife, who is one of the controlling shareholders"	Textile
E2	Executive Director	No	28 years	"I represent the interest of the whole company"	Iron and steel
E3	Vice-President of the Board	Yes	+ 30 years	"The company has five majority shareholders (family) and I am one of them"	Energy
E4	Member	Yes, via the employees club	+ 26 years	"I represent the employees, that detain today 3% of the ordinary nominal shares with voting rights within the control group".	Iron and steel
E5	Chairman of the Board	No	+ 30 years	"I represent the majority shareholder".	Financial
E6	Chairman of the Board of Directors	Yes	+ 20 years	"I represent the interests of the controlling family"	Technology
E7	Chairman	No	+ 30 years	"I represent the interests of the majority"	Biotechnology
E8	Vice-President of the Board	Yes	40 years	"I represent no interests, but the company"	Iron and steel
E9	Chairman	No	+ 30 years	"of the shareholder."	Mining
E10	Member	Yes	+ 30 years	"Of no-one, I am a professional counsellor"	Technology

Source: Research Data

6. Board of Directors of Family Companies

The attributes of the Boards of Directors were subdivided into composition and characteristics, structure and process with the intention of characterizing the form, the relationships, the exchanges of information and, above all, the day-to-day work of a board member, as a mechanism to justify, as far as possible, the emphasis placed on the roles and responsibilities of this power level in family companies.

6.1. Composition and characteristics

The importance and the objective of this topic is to identify how family companies choose their internal and external members. The discussion of the composition of the boards is important because the companies that have more external or internal members can alter the specific relevance of roles and responsibilities of the boards, from a more external or more internal view of the company.

During the interviews, it became evident that the raison d'être of the company are the shareholders, singling out the majority family that, due to the high concentration of capital of Brazilian organizations, is confirmed as the greatest director of the companies' actions.

In relation to the manner of choice of the members, it should be stressed that, for the most part, the members are indicated by the controlling shareholders, through, principally, an agreement within the family. From this results the fact that, in these companies, there is no independence of the Board in relation to the majority shareholder, or group of shareholders, as is brought out by some extracts from the interviews:

> *"Each large shareholder indicates the people that it wants to represent us on the Board. Then, we are thirteen members - a Board too big even - but we attach much importance to "shareholder peace" (E1).*

Only in two cases, E5 and E10, are the members chosen in a shareholders general meeting, but the interviewees make it clear that there is always prior agreement.

With the exception of company (E3), whose members are all internal, members of the controlling family itself, the other companies researched seek external members, professionals, but that have sufficient experience to help in conducting the company business.

In principle, this composition of external members is positive for the organizations, to the extent that there is a view from the outside, but the relationship with the shareholders is so close that, frequently, the external view is obscured by the vision that the shareholder himself has of running the business, in accordance with E1's declaration:

> *"Normally the external members are very close relations or people of trust. At times, it is the shareholder himself: we have a case in which the member is the shareholder himself. We must have there some seven or eight family*

groups and they are all represented on the Board by people from the actual groups" (E1).

It should also be considered that, with respect to representation on the boards, for the most part, the members are representing the majority families and "there are no representatives of others involved" (E1, E3, E5, E8, E9).

In E6's company, the interviewee affirms that there are effective representatives not only of the majority shareholders, but also of the minority. But in the firm of E8, the minority was cited with representation not on the Board of Directors, but on the Statutory Audit Committee, which is not the same thing. The Statutory Audit Committee, among others attributions, realizes the principal task of examining the financial statements of the accounting year and giving its opinion regarding them, but without interfering in the strategic direction of the company. It should be emphasized that in E10 the interviewee calls himself a professional member and says he represents the interests of no-one specifically. He considers himself totally independent and does not owe explanations to any one specific shareholder, but, to all.

As regards the fact of the members possessing or not shares, several situations were found in which all the members retain shares, as in EI, but also, other companies in which the Board does not have shares (E2, E7).

In fact, Brazilian legislation - through the Law of Corporations, article 146, determines that the members should have shares: "individuals, resident in the country may be elected members of the administrative bodies, the members of the Board of Directors should be shareholders and the directors may or may not be shareholders" (Manuais de Legislação, 2004, p.64). This being so, some companies have established mechanisms to meet this exigency, but others have merely ignored it.

The interviews relative to the attribute composition and characteristics of the Boards of Directors of the companies researched leads, above all, to the question of the independence of the boards in Brazilian companies. In the first place, the composition of the boards presented for the companies researched (with few external members, members and shareholders from the family, and the shareholder himself as Member of the Board) does not permit independent work of the members, in view of the strong influence that the shareholders and the company's internal members exercise over the decisions taken at this level. In the second place, the obligatory possession of shares by the members, required by the legislation in force, does not contribute to the dissociation of roles of family/shareholder/member/executive directors.

From this aspect, the literature has argued that the members should seek the maximum independence in the execution of their work in relation to any group of shareholder, other stakeholders or even of the company's executive directors (Monks & Minow, 2001; Demb & Neubauer, 1992; Vance, 1983; Andrade & Rossetti, 2006; Silveira & Barros, 2008). The Code of Best Practices of the IBGC also recommends that the board member should be the most independent possible and work for the good of the company and, consequently, of all the shareholders" (IBGC, 2009, p.20).

6.2. Structure

On the structure of the boards, we tried to analyze the organization and division of the work in the boards' meetings, the interchange of information between board members and executives, including the limits between these two levels of the organization and, finally, if there is any polarization in the meetings and why it happens.

In all the cases, the only structure existing between the boards is that of the presence of the Chairman and of one Vice-President, this latter, with the exclusive objective of substituting the first in his absence. The remaining members are considered Members of the Board.

In E1, E6, E7 and E10, there is a division of labour in the form of commissions or the formation of committees, principally, for some specific questions, as in the case of a merger or expansion of the business.

Although only four of the ten companies researched present a division of labour in the form of committees or commissions, this is the crucial point in the performance of the members, in view of their background and professional experience. Given that it is very difficult to find complete members, with abilities in all the areas, principally through their education, these committees or commissions would have the fundamental role of seeking information, analyzing details, proposing alternatives so that all the Board could take an effective, conscious decision, and attend to the interests of all. However, the majority of companies do not work in this way and, when necessary, have recourse to outside consultancies.

The information is, in all cases, passed over exclusively by the Chairman, but in none of the companies is it checked. The answer to this is in the great confidence deposited in the principal company executive, who was chosen by the members themselves, or by the controlling family. And even if they are asked if the financial scandals in companies such as Parmalat, Enron, WorldCom were not due the an excess of trust in the principal executive and to the fact that the Board did not supervise adequately, the respondents affirm that, in these cases, the problems were in the external audits. And that these should be linked directly to the Board "to give security and tranquility in their decision making" (E6). Furthermore, according to E6, with a correct and competent external audit, the Board does not need to verify information transmitted by the companies' chairmen.

In the companies in which polarization of some member appears in the discussions, this happens, according to the interviewees, due the better preparation of some in some questions to the detriment of others (E1, E2, E3, E4, E9). In other companies, this polarization is done naturally by the chairman of the board, due to the nature of the position itself (E5, E6, E8). In only one firm was the strategic partner found as polarizer of the discussions because of the simple fact of having more shares and business know how (E7).

The limits of the responsibilities among the boards and the executives are clear for the interviewees, principally, through the legal structure. For them, the roles "are defined by the requirements of the law" (E6, E10), or in the Articles themselves or internal resolutions of the companies, in accordance with what can be seen in part of the interviews as follows:

> *"They are defined by legal obligation, statutory requirements. The companies' Articles of Association require this separation of functions" (E6).*

> *"They are and follow the recommendations of the codes of good governance practice" (E10).*

In E5, a decided predominance of the boards over the directors was found: "the Board states what the directors have to do" (E5), in a clear allusion that the member shareholder cannot lose the tone of absolute master of the company" (E4). Company E10 was the sole case in which the principal executive director does not make up part of the Board of Directors.

In general, the structures of the company boards of those researched are organized in a formal way, through the figures of the chairman and vice-president of the Board of Directors. This fact characterizes the boards of these companies with a quite simplified structure, with little formation of committees and much utilization of outside consultancies.

The information that the members receive is always passed on by the company directors and is not checked. A variety of information received by the members can be observed, but in large part, these data are controlled by the Company Chairman. In addition, an excess of trust in the figure of the principal executive can be noted.

Already the limits between the attributions of the Board and the Executive Directors are defined by the internal statutes or according to the code of best corporate governance practices, defined by the IBGC (2009). Little is observed of conflict between the board members and the company directors, the board having a more formalistic role in the performance of its responsibilities.

6.3. Process

The importance of this topic is in understanding the processes that occur in board meetings, through the definition of the agenda, the decision-making and the interpretation and evaluation of its members.

In most of the companies researched, the agenda is defined by the boards, but, in all of them, the chairman is consulted for suggestions on subjects. In the interviews, the fact of consultation with the principal executive by the chairman of the board for the definition of the agenda was evident.

The most frequent themes in the agendas of the meetings are the financial results, through the accompanying of the company budget and the general performance of the business. The interviewees could not point to meetings having been convoked for the discussion of the evaluation of executives, business risks and specific strategic definitions. In any case, most of the codes of best practices of corporate governance require that the agenda really should be prepared by the chairman of the board, via consultations with the directors.

The decisions making in the meetings, in their turn, are by consensus or shareholders' agreement and, in only two companies, via vote (E5, E9). This fact occurs simply because of the statutes of these companies, that is, there always has to be a vote, even if it is consensual, which is what most often happens.

From this it results that the members have disagreed very little with the company executives and vice-versa. According to the E5 interviewee, when there is disagreement between members and directors, "the Board states what the directors have to do" (E5). It is clear, also, in some companies that the executive, because it is chosen directly by the Board, is slightly submissive [to the members], in the sense of not going counter to the desires of the Board" (E4, E8).

It is worthwhile stressing, that neither the members nor the executives are evaluated thoroughly and completely. The executives are monitored by the members exclusively by the financial results generated by the company, by the reaching of the targets, independently of the form in which such results were attained. No evaluation of a board member was found, but there was unanimity that such a procedure should occur and that it would even be important for the growth of the board members themselves, as can be observed in the following testimonies:

In general, it can be affirmed that the proceedings on the Boards of Directors have been conducted in a unilateral way, sometimes tending to the company executive and sometimes to the Board, without a more effective integration of these two levels in the company. The decisions are generally by consensus, or foreseen in the actual shareholders' agreement. With this the discussions, disagreements and alterations of opinions are relegated to second place. Evaluation of the work of the directors is exclusively through the company's financial results, by means of established performance indicators and supplied by them. There is no mechanism of systematic evaluation of the conduct, processes and procedures of the directors nor of the performance of the board members.

6.4. Roles and responsibilities

This topic sought to understand the vision of the interviewees on the principle roles of the Board, through the identification of the priority questions for the involvement of board members, the form of activity in the strategy and control of the organization. In addition, it tried to clarify the main measures for control that are evaluated by its members and, finally, verify if the role of the Board of Directors, in general, has been distinctive for Brazilian companies in the present day.

On the priority questions that require the involvement of the Board, the interviews make it quite clear that there is no uniformity among the boards of these companies researched on the questions that always require their intervention. With the exception of the financial indicators, that are normally analyzed, in most of the companies, no specific theme appeared but only contingent questions, depending on the situation and epoch through which the company is passing (E3, E4, E5, E6, E7, E8, E9). E1 and E2 could not even point out specifically an important priority subject, going back to the Articles of Association of the companies that define the attributions of the Board and others as " watching over the interests of the shareholders" (E1). E10, because it is made up of professional members, was the most specific, indicating quality of management and the future of the company, referring to the strategies.

But, on being questioned on the involvement in company strategy, E3, E5 and E10 affirm that the Board "defines the strategy". However, the approval of the strategy, that is normally defined by the directors, appears as the most common form of involvement of this level in organizations, in accordance with that brought out by the following testimonies:

> *"The Board questions and approves the strategies"(E2).*
> *"In mergers and acquisitions, the Board traces out the strategies that it wants. Then, it gives the strategic definition" (E3).*
> *"In all levels, monitoring, approving, adjusting together with the directors and listening to the directors, in some cases" (E4).*
> *"Approving the strategic plans presented by the directors"(E8).*

Still regarding this question of involvement in the strategy, for company E1 the Board "is involved in the whole process", but the member interviewee could not explain what "the whole process" means in the company.

Control is effected by means of the financial results, "comparing the planning with the goals proposed" (E2). In some cases, such as in E7, non-financial indicators appear such as indexes of work safety, means of management and industrial operation and indexes of service for customers. Such a fact occurs because of the nature itself of the company –an industrial company and one which has rigorous legislation at least in terms of occupational work safety. The directors, as already mentioned, appear once again as the supplier of the data. The veracity of these indicators is checked exclusively by the audit, when requested by the Board, in accordance with extracts of the interviews:

The financial indicators placed at the disposal of the Board are classical, going from cash flow, statements of results, net worth, stocks and indebtedness, up to some more sophisticated steps that evaluate the creation of value by the company such as technical management with added value, present in company E2.

For all the interviewees, the Board has been more active in the present day and has added value for companies. However, E8 considers that this is not permanent, that is, the Board is more active at some times and less at others, but the interviewee could not say why this occurs, revealing merely that "at present the Board has been much less active" (E8).

However, the interviews make it clear that the controlling shareholder has interfered directly in the company, which perhaps explains the subdued activity of the Board. It should be stressed, also, that, in E3, in spite of the interviewee finding that the Board adds value, he considers that it "still falls very much short of what it could do for the company" (E3).

This specific datum from E3 can be explained because of the fact that the company is passing through a process of transition, organizational restructuring and that "today in the company Board and shareholders are confused". We are going through a very specific situation at this time" (E3).

Unlike the company cited previously, the E4 interviewee considers that the Board has been quite active and that the work of the Board members has prevailed over the executive directors. From another perspective, the interviewees have considered that the Board adds value more because of the vision of their institutional work, of the perception of the external environment, rather than really because of their day-to-day tasks and formal attributions.

In general, the Board of the companies researched has not become involved in the definition of the company's strategic issues, relegating this to the directors. However, the members have been more active in the revision and approval of the strategic targets.

On the other hand, the role of control has been exercised based on in the classical financial results of the company, due, principally, to the difficulties of the board members in understanding and accepting more sophisticated tools and mechanisms of performance analysis and that, consequently, proportion a better and more objective interpretation of the work of the directors, of the members themselves and of the performance of the company as regards creation of value for the shareholder in the company. The data supplied by the directors are not checked and, once again, an excess of confidence in the work and reports of the executives is seen.

The institutional role is very little cited in the interviews and is seen as of less relevance in the context of the attributions of the Board and of company performance.

7. Final considerations

From this research it is evident that, in the family companies in the research, regarding the attribute composition and characteristics, the members are chosen by the controllers through a shareholders agreement. In many companies, each controller indicates one member and most of the time this is a member of the controlling family itself. We would further point out that with respect to representation on the boards, for the most part, the members are representing exclusively the majority shareholders and there are no representatives of others involved.

Regarding the attribute structure, the data shows that in the companies in the research the existing formal structure, for the most part, is of chairman and Vice-President and that there is no systematic division of work among them. The flow of information occurs only via the Executive Directors and, primarily, at the Board meetings; and the member that most polarizes the discussions is the chairman, because of the nature of the position itself.

In most of the companies, the attribute process is influenced by the definition of the agenda of the meetings, which is always defined by the Board, but the executive Director is consulted as to suggestions on subjects. The decision-making occurs for the most part via consensus, or consensual vote arising out of a simple statutory obligation. That is, decisions are taken to the vote only after obtaining prior agreement or consensus. From which it results that the members have disagreed very little with the executives of the companies and vice-versa in some cases. In others, the executive is constantly subject to the decisions of the Board, as this represents the majority shareholder or is a member of the controlling family itself.

On the roles and responsibilities of the Board, the interviews make clear that the involvement with strategy occurs, especially, through its approval, which normally is defined by the directors. The role of control is made via financial results, but always compared to the planning/budgeting or with the proposed goals. This was considered to be more important, as it has been the most valued and focused by the work of boards in the companies in the research. The institutional role was hardly mentioned in the interviews and it has not been given the importance it deserves. In all of them, however, a decided predominance of the role of control is observed, to the detriment of the strategic and the institutional.

It can be concluded, from these observations, that the Board of Directors in the family companies in the research has been more active at some moments, but is inactive at others, mainly, when the concentration of capital is greater in some companies than in others. The trend in the interviews, of boards to give prominence to the role of control, to the detriment of the strategic and the institutional is clear.

From this, the conclusions reached are that the relative power of the boards of family companies 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; 2) 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.

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