

OBSTACLES FOR THE COMPLIANCE WITH GOOD CORPORATE GOVERNANCE AND PRACTICES FOR PUBLICLY TRADED AND CLOSED BRAZILIAN COMPANIES

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Abstract

This study aims to identify the perceptions of executives from Brazilian companies traded and closed on obstacles for the adherence to good corporate governance practices. Therefore, a structured questionnaire was sent to 516 companies. We concluded that the perceptions of executives from Brazilian companies traded and closed, differ with respect to amounts allocated, being most of the obstacles (ten out of thirteen) in adhering to good corporate governance practices. What could possibly be explained, is that the fact of a group having already gone through the process or have already duly joined this practice and not the other.

Keywords: Corporate Governance, Obstacles to Good Corporate Governance, Corporate Governance Practices

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1 Introduction

In recent decades, the discussion about the need to adhere in good corporate governance practices, has been a central theme in corporate and academic environment, despite evidence that the practices of good corporate governance, can reduce the cost of capital and increase the market value of companies (Silveira, 2002; Carvalho, 2003; Srour, 2005; Rogers, 2006; Bridge, 2006; Mello, 2007) in Brazil, where the number of companies is still low, as listed on the Bovespa.

The corporate governance movement began in the United States and in the United Kingdom, during the second half of the 80s, in response to rumors of financial scandals, leading to the pressure of shareholders, investment groups, pension funds and other interest groups. In 90 years, the international repercussions of financial scandals,

culminating in the Enron and WorldCom cases, earlier in the decade, showed the need to adopt new management practices, in order to ensure greater transparency, security and credibility in the capital market.

As far as Brazil is concerned, the movement for corporate governance began in 1995 with the creation of the Brazilian Institute of Directors Administration (IBCA), which in 1999 changed its name to the Brazilian Institute of Corporate Governance (IBGC). Besides the creation of IBGC, the effectiveness of that mobilization was based on institutional and governmental initiatives, such as the creation of the Code for Best Practice in Corporate Governance IBGC, the enactment of the Law No 10.303/01, which reformed the Corporation Law (6404/76) and the launching of the primer, recommended by the Securities and Exchange Commission (CVM) on Corporate

Governance in 2002. Another factor that spurred the movement was the creation of the "Novo Mercado" and the Levels of Corporate Governance "1" and "2", as well as the Stock Exchange (Bovespa) in the year 2000.

This was also aimed at strengthening corporate governance practices and the approximation of the capital markets by a larger number of companies, closed and open, as well as the Bovespa, which as from 2008 became known as Bovespa, therefore creating the segment "Bovespa Mais" – a market segment counter to companies that commit themselves to adopt governance practices beyond those legally required, with more flexible rules from the "Novo Mercado" segment and the Level 2. Although the quoted market already existed for some time, only one company was registered there by the end of this research, even with the benefit of IPO and the change of a limited partnership to a corporation, for example, accessing financial resources (either by capital inflow of new members or by obtaining financing at lower costs), which could facilitate the expansion and modernization of industrial parks, the use of advanced technologies, the conduct of international business and the internationalization of its own companies (Oliveira et al., 2010).

In this context, where the Bovespa has encouraged more and more IPO and additional shares as a form of business financing, considering that the corporate governance and its practices are presented to companies as means of generating value, along with the return on invested capital, thus, improving the pricing of its shares, the following question has arisen: What is the perception of directors from Brazilian companies traded and closed on the obstacles to the adherence of good corporate governance practices?

Seeking an answer to this question, it was defined as an objective to research the identity of perceptions in executives of Brazilian companies traded and closed on barriers to the adherence of good corporate governance practices. Specifically, this study aims at analyzing two groups, duly studied by comparing: 1) the ranking of obstacles; 2) determining the obstacles and 3) differing obstacles.

This is therefore an analysis of obstacles to the adherence of good corporate governance practices, whose relevance can be seen as bringing to the discussion of a new gym, trying to supplement the limited informations on the obstacles, determining adherence to good practices in corporate governance, both, in the perceptions of directors in publicly traded companies and privately held companies.

2 Good Corporate Governance Practices

It is believed that corporate governance began to stir interest, initially, from 30 years, with studies of Berle and Means (1987) in U.S. companies. After five decades of neglect, the subject regained importance, but this time, due to the wave of financial scandals in the United States and Europe in the '80s and '90s, culminating in the Enron, WorldCom in 2001 and in 2002, which highlighted the need for new management practices in order to ensure greater transparency, security and credibility to the capital market. It was in this period of almost three decades has developed a more concrete struggle for the strengthening and implementation of good corporate governance practices (De Oliveira et al., 2010).

Perhaps because of its magnitude - involving a loss of \$ 32 billion, with the drop in stock value, and a loss of \$ 1 billion from the pension fund for employees (Bergamini, Jr., 2002, p. 82) - Enron is one of the most talked about, both in academic journals, and in the press. Junior Bergamini (2002) reports that as much evidence to the Enron case is due to several reasons, including that: a) the Enron bankruptcy was the largest capital market in the United States. Being one of the largest U.S. corporations and retain a corporate image model, its demise caused a great impact on the credibility of the U.S. capital market, and b) there was clear evidence of the involvement of Arthur Anderson (independent auditor) in accounting fraud. Addressing the issue, Byrnes et al. (2001, p. 1) explains that "the finance team of internal Enron was run by former partners of accounting firm Arthur Anderson, or the accounting practices were limited to a simple action among friends."

Other cases where there was a lack of the basic principles of good practice were cited by Lodi (2000, p. 38), for example, the disclosure of a report by research group Investor Responsibility Research Center (IRRC), the second which, in only 25% of large U.S. companies the Board of Directors is formed by a majority of independent members, while many other companies maintain directors with terms immovable for several years beyond that in the U.S., 80% of companies where there council, the chairman is still up the presidency of the organization, which is not considered a good indicator of the independence of the Board of Directors.

In Brazil, some cases that were less evident, for example, the breakdown of large banks such as National, Economic, and Bamerindus Santos - all paid for under Central Bank because of serious problems involving shareholders and Boards of Directors. Lodi (2000, p. 37) explains that "one of the serious errors encountered was the fact that the National Bank bankrupt the entire Board was composed of persons of the same surname."

McKinsey & Company (2002, p. 12) conducted a survey of 201 investors from 31 countries in Asia, Europe, Latin America, Middle East and North America, they applied an amount of about U.S. \$ 2 trillion, to collect views of these investors on the importance and benefits in relation to corporate governance. The survey revealed that 83% of respondents attribute varying degrees of importance (26%, somewhat important, 34%, important, and 23% extremely important) to corporate governance, while only 11% did not see it as important part in the development process nations.

Good governance is relevant to imagine that Enron might have been avoided by simply observed that it was one of the basic principles of good corporate governance: transparency. Thus, shareholders, employees and other stakeholders access to the accounts of the company, and their problems would be detected and perhaps even solved at birth (De Oliveira et al., 2010).

Thus, the goal of corporate governance is of great strategic importance, in that it works not only in order to ensure that corporate decisions are taken with the utmost interest to investors, to ensure that suppliers of capital to obtain the maximum return of their investment (Shleifer and Vishny, 1996, p. 2), but also goes toward ensuring equal rights among shareholders, as well as a better reconciliation of interests of owners with those of other agents for their decisions made.

Among the various initiatives to stimulate and improve the model of corporate governance in Brazil, we highlight the creation of the Novo Mercado by BM & F Bovespa, the Recommendations on Corporate Governance of the CVM and the Code of Best Practices IBGC.

In addition to these documents, the following legal framework also contributed to the advancement of KM in the country: the reform of the Corporations Law, by Law No And Law No 10.303/01 11638/07; Instruction CVM n. 457 of 07.13.2007 and No CVM 527 of 07.11.2007 (Oliveira et al., 2010).

Currently, several international organizations prioritize corporate governance, and thus encourage their adoption worldwide, is worth highlighting the initiative of the UN, which since 1989 has included in its agenda the topic of discussion, resulting in studies conducted in 2004 and 2005 on the status the implementation of KM, based on documents and TD/B/COM.2/ISAR/15 TD/B/COM.2/ISAR/30, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), the United Nations Conference on Trade and Development (UNCTAD).

Studies have proven the positive impact of the use of good corporate governance (La Porta, 1997, 2002, Stulz, 1999; Carvalho, 2003, Rogers et al., 2005, Andrade and Rossetti, 2006; Bridger, 2006;

Rogers, 2006 ; Cicogna, 2007; IBGC, 2006; Mello, 2007; Nardi and Nakao, 2006; Quental, 2007, Oliveira et al., 2010a) and the benefits arising from these practices, for example, reducing the cost of capital; positive effects on the value of companies, improving corporate image of companies, the easier access to credit and reducing the exposure of stock returns of firms to macroeconomic factors.

For Andrade and Rossetti (2006), good corporate governance practices to promote trust and contribute to corporate earnings are less volatile, leading to maximization of value creation and harmonization of interests, encouraging the channeling of resources to the capital market and, consequently, produces a virtuous cycle of macroeconomic impacts.

Besides all this evidence, one should add the position of the Organisation for Economic Co-operation and Development (OECD), which sees the implementation of good corporate governance practices in companies as an instrument of sustainable development in social, economic and social development in nations (OECD, 2004, p. 16).

Economic theory points to three basic factors that promote economic growth of nations, stimulating and reliable institutions, good macroeconomic fundamentals and availability of competitive resources. However, to cope with recent events that have shaken the corporate world, good corporate governance practices emerge as complements to one of three economic factors, forming an entity capable of generating a healthy business climate, preventing abuses of power and corporate fraud (Andrade and Rossetti, 2006).

Thus, it becomes possible to infer that there is a strong association between development of capital markets, economic growth and good corporate governance practices.

3 Obstacles To Compliance With The Good Corporate Governance Practices

One of the most studied and accepted truth on corporate governance, is with respect to the benefits that are aggregated for companies, making good use of corporate governance practices. Studies, both, national and international, as already mentioned in previous section, demonstrated the fact of albeit empirically.

In terms of theory, there is the assumption that a good system of corporate governance strengthening companies, is a factor for value creation, making results in less volatile stocks, and increasing confidence for investors in the stock market, consequently, strengthening the capital market and economic growth (Monforte apud Andrade and Rossetti, 2006; Bovespa, 2007a).

In Brazil, despite the positive outlook, as well as institutional and governmental initiatives that contributed to the improvement of governance

practices, for instance, the creation of IBGC and its Code of Best Practice for Corporate Governance, the creation of the "Novo Mercado", Law reform 6404/76 in 2001, the enactment of Law No. 10303/01, as well as the actions of the BNDES, encouraged companies with governance practices, with a limited use of best corporate governance practices by firms (Aragon, 2008).

A survey conducted by Andrade and Rossetti (2006), proves the low uptake of traditional marketing companies in different segments. The authors of this study, found that in late 2005, most companies that migrated, were companies that went public, adhering to the "Novo Mercado", hence, for every ten companies listed in the traditional market, less than two distinct segments where adhered to.

According to research by Carvalho (2002), this poor compliance is related to factors such as the need for top secret information (low disclosure) and the high cost of maintaining a public company. Oliveira (2007) mentions that the cost of maintaining a public company may reach an annual average of one million U.S. dollars.

Mesquita and Vieira (2004) investigated the main causes that prevent companies entering the Brazilian Bovespa levels. Through a qualitative research, the authors listened to the analysts of companies listed in Bovespa's differentiated levels and capital market experts. The results revealed that the main obstacles are related to the highly restrictive rules in the Bovespa, such as the aversion to loss of control by company's proprietors, the low level of transparency and the little interest in accountability.

Fish (2003) conducted a survey seeking to identify the companies that are on a level of corporate governance effective plan to migrate to the New Market, directly or via a Level 2. Among the specific objectives mentioned and having seen which obstacles or barriers prevent companies from moving to higher levels of the market, the author identified four indicators which were considered obstacles, whereby three of which are linked to the dimension of governance, while one refers to the size of the company's control. Firstly, it stresses that the main obstacle mentioned by the respondents was to issue only common shares with 87.5%. Secondly, it pointed to the right of voting preferred shares in high-impact materials (61.9%). Thirdly, it listed the membership in the Chamber of Arbitration and tagged along, both, with 52.4%.

Regarding the main obstacle mentioned by the respondents, the "issue of common shares", is an indicator that reflects the fear in the loss of control, caused by the sharing of powers. The purpose of this research result, as shown in the Fish (2003), Gorga (2004), explains that attachment to ownership and control is linked to the informal rules of Brazilian culture and its traditional ways of maintaining power, as well as status, which can

hamper the development of capital markets in several ways.

Steinberg (2003) argues the culture of centralization and the manipulation of information, still occupies much of the space in Brazilian companies, at the expense of reliability and strategic decisions. To Gorga (2004), these characteristics lead to the Brazilian controlling shareholders, feeling as sole owners of companies, with a significant share of capital in the hands of minority shareholders. Therefore, the controlling shareholders feel that there is no reason to reveal their operations or "strategic plans".

In relation to culture, studies conducted in 2003 by KPMG & the Economist (2003) in several countries, and in 2004 by KPMG (2004) in Brazil, have duly investigated the main obstacles to the implementation of a model in corporate governance for companies. The results of both studies revealed a cultural resistance to measures aimed at ensuring greater transparency.

In relation to the voting rights by preferred shareholders on matters of high impact research in the second position, Fish (2003) with 61.9%, explained by the relationship with one of the main characteristics of Brazilian companies, which is the high rate of issuance of shares without voting rights (preferred). Permitted by law, this test serves as the principal mechanism of separation of ownership and the control of companies, increasing the incentive for expropriation of minority shareholders (Leal et al., 2002, p. 8). In the point of view of the entrepreneurs, this prerogative is a barrier to adherence in good corporate governance practices.

With regard to the tag along, being third in the poll, Fish (2003) with 52.4%, presented a barrier for the great difficulty of achieving them. According to Carvalho (2003), in order to facilitate privatization and to maximize the value of control by the State, Law 9.547/97 withdrew clauses and the tag along rights for the minority recess. In the author's view, increased protection for minorities is equivalent to reducing the value of the company's control (a decrease in private benefits of controlling shareholders), as it is the source of opposition groups made up of drivers, who hold high political powers and impose severe barriers in adoption legal reforms.

It is worth mentioning about other obstacles cited in the literature that may be limiting factors for the migration to different segments of Bovespa: a) free float of 25% - maintaining a minimum portion of outstanding shares, representing 25% of the capital; b) compliance with lock-up period rules; c) Board of Directors - at least one fifth of the members must be independent and d) Board of Directors with at least five members (Fish, 2003; IBGC, 2004, Bovespa, 2007b).

Under such circumstances and considering the above stated aspects, based on a review of the

theoretical exposed, the Figure 1 lists the main obstacles that may hinder access to different segments of Bovespa. These obstacles are divided into four categories, whereby three of which (Property, the Board of Directors and Management), are in line with the recommendations of the Code of IBGC and one (culture) based on the propositions found in the literature.

De Oliveira et al. (2010) undertook research in 2008 with the aim of identifying the main barriers in adoption the best corporate governance practices by the Brazilian companies. Therefore, a

questionnaire was supplied to the members of the Association of Investment Analysts and Professionals of the Capital Market (APIMEC), using the barriers presented in Figure 1. Among the thirteen main barriers mentioned in the literature, the analysts surveyed understood that all elements can be considered an effective ability to influence corporate decisions by not adopting the best corporate governance practices as for instance, the barrier "requirement of confidentiality in strategic decisions"/"tag-along", considering cultural resistance to measures aimed at ensuring greater transparency" which to the top three rankings.

Fig. 1. Obstacles to the adherence of good corporate governance

Category	Obstacle	Author
Property	Issuance of common shares only	Peixe (2003); IBGC (2004); Bovespa (2008c); De Oliveira et al. (2010)
	Right to vote on preferred shares of high relevance	Peixe (2003); Bovespa (2007c); De Oliveira et al. (2010)
	Joining a chamber arbitration for the resolution of corporate disputes	Peixe (2003); Bovespa (2007c); De Oliveira et al. (2010)
	Tag along	Peixe (2003); Bovespa (2008c); IBGC (2004); De Oliveira et al. (2010)
	25% free float - the maintenance of a minimum number of outstanding shares, representing 25% of the	Bovespa (2007a); IBGC (2004); De Oliveira et al. (2010)
	Restrictions on stock trading by managers and controlling shareholders - compliance with the rules of the lock up period	Bovespa (2007a); Peixe (2003); Andrade and Rossetti (2006); IBGC (2004); De Oliveira et al. (2010).
Board of Directors	Board of Directors - at least one fifth of the members must be independent	Bovespa (2007c); IBGC (2004); De Oliveira et al. (2010)
	Board of Directors with at least five members	Bovespa (2007c); IBGC (2004); De Oliveira et al. (2010)
Management	Rising costs	Carvalho (2002); Oliveira (2008); De Oliveira et al. (2010).
	Need for confidentiality in strategic decisions	Carvalho (2002);Gorga (2004); De Oliveira et al. (2010)
	Financial statements using international standards (IAS/IFRS)	Peixe (2003); Andrade and Rossetti (2006); Bovespa (2008c); De Oliveira et al. (2010)
Custure	Culture resistance to measures aimed at greater transparency	KPMG (2003); Gorga (2004); The Economist (2004); De Oliveira et al. (2010)
	Attachment to the property control in order to maintain power and status	Gorga (2004); De Oliveira et al. (2010)

Source: the authors.

4 Research Methodology

The goal of a descriptive and design, a survey which used a questionnaire to collect data with the directors from 157 publicly traded companies, listed in the differentiated segments of the BM & F Bovespa ("Novo Mercado" and Levels 1 and 2), reference date: February, 2010 - and the 359 largest and best privately held companies in Brazil (the database provided by the Research Institute of Actuarial and Financial Accounting (Fipecafi), University of São Paulo (USP) (base date: January 2010), totaling 516 companies.

Upon having defined the companies to be effectively researched, telephone contacts were made to confirm the e-mail addresses of people who would answer the questionnaires for these companies. Initially, the respondents, as members of the executive board (president / directors) and

managers, were contacted by telephone, since the call was to clarify the purpose and procedures of the said research.

We adopted the questionnaire already in use and validated in the study of Oliveira et al. (2010), which consists of a block of 13 closed questions, ie, thirteen obstacles (identified in the literature), to be evaluated according to their degrees of importance using a five-point Likert scale (0. No importance, 1. Insignificance, 2. moderate importance, 3. strong position and 4. extremely important). It is a scale used in social research, by presenting easy viewing application and analysis.

As the collection data instrument used had been pre-tested previously, and not thought to be necessary for having a new pre-test. It appears to follow the process of pre-testing in the research of De Oliveira et al.(2010). The aforesaid questionnaire was submitted to five experts and the

selection of these experts took into account the following requirements: a) a member of the Association of Analysts and Professionals of the Capital Market (APIMEC), b) having a minimum experience of five years in the capital markets and c) be acting in the area. Then, the research instrument was applied to the gathering of open and closed questions; the open questions concerning the identification of respondents indicating barriers (attempt to corroborate the barriers identified in the literature, spontaneously), the experts indicated that the instrument was ready with no need for improvement.

The questionnaire was sent via electronic mail (e-mail), along with an invitational letter, which explained the relevance of the topic and research as well as academic and managerial contributions that flows from it. Respondents had the option to respond in the same e-mail or via a website, into which they have access through the link from the invitational letter.

Aiming for a greater range of return from the questionnaires, it was not asked to identify names of the respondents and companies, however, it was possible to identify the company when it was open or closed, since they were created with two distinct links.

The collection effort was undertaken from March till November 2010. We obtained a total return of 83 questionnaires, which were sent to 157 directors of companies, invested in the relationship with different segments of the corporate governance in the BM & F Bovespa ("Novo Mercado", Level 2 and 1), equivalent to 53%. In the case of directors in the largest and best privately held companies in Brazil, we obtained a total of 74 questionnaires sent to 359, which is equivalent to 21%. Overall, we obtained a 30% return of questionnaires.

The collection and analysis of the data was structured from the subcategories, identified from the analysis of the theoretical, as shown in Figure 2.

Fig. 2. Categories and subcategories of analysis

Category	Subcategory (obstacles)	
Property	B1	Issue of common shares only
	B2	Right to vote on preferred shares of high relevance
	B3	Accession to the chamber arbitration for the resolution of corporate conflicts
	B4	<i>Tag along</i>
	B5	25% free float - the maintenance of a minimum number of outstanding shares, representing 25% of capital
	B6	Restrictions on shares trading by managers and controlling shareholders - compliance with the rules of the lock up period
Board of Directors	B7	Board of Directors - at least one fifth of the members must be independent
	B8	Board of directors with at least five members
Management	B9	Rising costs
	B10	Need for confidentiality in strategic decisions
	B11	Financial statements using international standards (IAS / IFRS)
Culture	B12	Culture resistance to measures aimed at a greater transparency
	B13	Attachment to the property control in order to maintain power and status

Source: De Oliveira et al. (2010).

Techniques were used in the statistical measures of central tendency (mean) and measures of dispersion (frequency distribution and standard deviation) (Mattar, 2005), in addition to the normal distribution (Stevenson, 2001), counting on the support of SPSS software (version 16.0) and Microsoft Excel (version 2007). We also conducted tests of equality in sample means for each of the obstacles duly investigated. Thus, there were thirteen non-parametric tests, using the Mann-Whitney model, which formulated the following hypotheses for each of the obstacles properly investigated:

H0: means the amounts allocated to the obstacles by the directors of companies from different segments of the corporate governance, which are equal to those assigned by the directors of the largest and best privately held companies;

H1: The average amounts given to the obstacles by the directors of companies in different segments of corporate governance, are different from those assigned by the directors of the largest and best private companies.

5 Preparation, Results and Interpretation

After the application of descriptive statistics, we did set up a ranking of obstacles to the adoption of good corporate governance practices, as perceived by directors of listed and closed companies. Considering that there could be different perceptions among the directors, depending on the type of company, rankings were prepared by treating the two groups separately.

It should be noted that the rankings were calculated by considering the averages and had tie-

breaker as a standard deviation, which was not the case in the application.

In order to facilitate the visualization of results and comparative analysis of the perceptions of the

two groups of directors, details of the investigation were in 13 obstacles arranged in a paired format (Table 1).

Table 1. Ranking of barriers to the adherence of good corporate governance practices in the perception of the directors in traded and closed Brazilian companies

		Variable	publicly trade companies	closed companies
	Code	Obstacle	Position	Position
Property	B1	Issue of common shares only	8 ^a	9 ^a
	B2	Right to vote on preferred shares of high relevance	10 ^a	12 ^a
	B3	Accession to the chamber arbitration for the resolution of corporate conflicts	7 ^a	7 ^a
	B4	Tag along	5 ^a	5 ^a
	B5	25% free float - the maintenance of a minimum number of outstanding shares, representing 25% of capital	2 ^a	11 ^a
	B6	Restrictions on shares trading by managers and controlling shareholders - compliance with the rules of the lock up period	4 ^a	3 ^a
Board of Directors	B7	Board of Directors - at least one fifth of the members must be independent	1 ^a	4 ^a
	B8	Board of directors with at least five members	6 ^a	6 ^a
Management	B9	Rising costs	11 ^a	8 ^a
	B10	Need for confidentiality in strategic decisions	3 ^a	2 ^a
	B11	Financial statements using international standards (IAS / IFRS)	9 ^a	1 ^a
Culture	B12	Culture resistance to measures aimed at a greater transparency	12 ^a	10 ^a
	B13	Attachment to the property control in order to maintain power and status	13 ^a	13 ^a

Analyzing the ranking of obstacles (Table 1), one notes that up to the seventh place obstacle, are repeated in the perceptions of two groups, although some do not present the same position, as two exceptions: the obstacle B5 - free float of 25 % - maintaining the minimum portion of shares outstanding, representing 25% of the capital, as perceived by directors of public companies, being one of the most crucial obstacles (2nd position) among the 13 surveyed, while the directors of private companies do not have the same perception, resulting in the 11th place, and the B11 - the financial statements using international standards (IAS / IFRS), which is the perception of the directors of public companies, being one of the less decisive obstacles (9th position), while the perception of directors of privately held companies is ranked in the 1st position.

The high degree of importance assigned by the directors of privately owned businesses, the obstacle B11 - financial statements using international standards (IAS / IFRS) suggests that the usage of international standards for preparing financial statements is still a difficulty in Brazilian companies. It should be noted that the country faces a new reality with respect to accounting

standards. As an example, one can mention the passing of the Law No 11,638, of 28/12/2007, which aims to promote harmonization in the Brazilian accounting standards with international standards (Papell, 2008). Its application, however, faces difficulty in adapting business, because of the lack of qualified professionals.

The position occupied by the obstacle B10 - The need for confidentiality in strategic decisions, as perceived by directors of both groups of companies (3rd and 2nd position), is in the position occupied by this obstacle in the research of De Oliveira et al.(2010), in which it had the highest degree of importance among all thirteen obstacles surveyed, 40.8% of respondents giving it the utmost importance, therefore, occupying the No. 1 spot in that ranking.

It is worth noting that the result of obstacles B12 - Cultural resistance to measures aimed at greater transparency and B13 - Clinging to the ownership and control, maintenance of power and status - in the category Culture - occupying positions 12 and 13th in the perception of the Directors of public and companies and positions 10 and 13th in the perception of the directors of private companies, respectively, will meet the studies in the

country and abroad, which reinforces the idea that culture is a factor that strongly influences most of the entrepreneurs regarding the implementation of good governance practices, creating resistance to measures, ensuring greater transparency, especially regarding the need for secrecy and centralize information (Carvalho, 2002, p. 21; Steinberg, 2003, p. 33, The Economist & Kpmg, 2003, p. 24; Kpmg, 2004, p. 10; Gorga, 2004, p. 320).

To set up among the obstacles 13, whose determinants of adherence to good corporate governance practices, were applied to the data in the technique of normal distribution. The technique is to be used in the data of the arithmetic means and the standard deviation of the obstacles, indicating a value that allows you to make cuts.

Table 2. Obstacles in the determining adherence to good corporate governance practices for the perception of the directors in Brazilian companies traded

	Obstacle	Average	Standard Deviation
B7	Board of Directors - at least one fifth of the members must be independent	3,30	1,112
B5	25% free float - the maintenance of a minimum number of outstanding shares, representing 25% of capital	3,29	1,110
B10	Need for confidentiality in strategic decisions	3,20	1,286
B6	Restrictions on shares trading by managers and controlling shareholders - compliance with the rules of the lock up period	3,17	1,248
B4	<i>Tag along</i>	3,16	1,348
B8	Board of directors with at least five members	3,11	1,344
B3	Accession to the chamber arbitration for the resolution of corporate conflicts	3,08	1,345
B1	Issue of common shares only	2,88	1,525

Adopted as cutoff values that were below the value 2.768, which was obtained by summing the average of the mean plus (+) average from one standard deviation. The process resulted in the identification of eight determinants in the perception of obstacles in the directors of investor relations with listed companies of different levels of BM & F Bovespa, as shown on Table 2.

On Table 3 - visions of directors from the largest and best privately owned businesses - were adopted as cutoff values that were below the value 3.035, which was obtained by summing the average of the mean plus (+) one standard deviation. The process resulted in the identification of four major obstacles to the adherence of good corporate governance practices by Brazilian companies.

Table 3. Obstacles for determining adherence to good corporate governance practices, as perceived by directors of privately held companies in Brazil

	Obstacle	Average	Standard Deviation
B11	Financial statements using international standards (IAS / IFRS)	3,53	0,780
B10	Need for confidentiality in strategic decisions	3,19	1,094
B6	Restrictions on shares trading by managers and controlling shareholders - compliance with the rules of the lock up period	3,14	0,849
B7	Board of Directors - at least one fifth of the members must be independent	3,04	1,039

The following are some comments in obstacles considered highly relevant by both groups of directors (Table 2 and 3). The indication of the obstacle B10 - Need for secrecy in the strategic decisions of the two groups (Table 2 and 3) corroborates the claims of Steinberg (2003), in which the culture of centralization and manipulation in information, still has plenty of room in Brazilian companies at the expense of the reliability in strategic decisions.

The obstacle B4 - Tag-along, was identified only by the directors of public companies (Table 2), as one of the most important, averaging 3.16. This

position is justified by the difficulty of their acceptance by many Brazilian entrepreneurs. It is known that the tag-along is a clever mechanism that provides a greater security to the minority shareholders (Santos Junior, 2006, p. 332). However, according to Carvalho (2002), increased protection for minorities, is equivalent to reducing the value of a company's control (a decrease in private benefits of controlling shareholders), therefore, a source of opposition groups made up of drivers who have high powers, imposed severe political and barriers to the adoption of legal reforms. It is noteworthy that

despite this obstacle, not being on the list of the most decisive in the perception of directors from privately held companies, it occupied the 5th position in the ranking, being the same position indicated by the directors of publicly traded companies.

In order to identify among the thirteen obstacles, which had conducted major discrepancies, a test was determined if the differences between the averages of the sums allocated by the groups are statistically significant. This equality test was conducted between sample means for each of the obstacles duly investigated. Thirteen obstacles were performed as non-parametric tests, using the Mann-Whitney model, being a comparison of the amounts allocated by the directors of companies in different

segments from the BM & F Bovespa with the sums allocated by the directors of the largest and best privately held companies in Brazil, formulating the following hypotheses for each of the obstacles investigated:

H0: means the amounts allocated to the obstacles by the directors of companies from different segments of the corporate governance, are equal to those assigned by the directors from the biggest and best privately held companies;

H1: The average amounts given to the obstacles by the directors of companies in different segments of corporate governance, are different from those assigned by the directors of the largest and best private companies.

The results of the hypothesis tests are presented on Table 4.

Table 4. Hypothesis test Mann-Whitney U

Obstacle	Teste Average			Results
	Sig	Z	Mann-Whitney U	
B1 Issue of common shares only	0,020	-2,327	2439,500	Reject H0
B2 Right to vote on preferred shares of high relevance	0,000	-3,658	2145,000	Reject H0
B3 Accession to the chamber arbitration for the resolution of corporate conflicts	0,008	-2,636	2365,000	Reject H0
B4 <i>Tag along</i>	0,022	-2,298	2470,500	Reject H0
B5 25% free float - the maintenance of a minimum number of outstanding shares, representing 25% of capital	0,000	-5,317	1635,000	Reject H0
B6 Restrictions on shares trading by managers and controlling shareholders - compliance with the rules of the lock up period	0,116	-1,571	2659,000	Not reject H0
B7 Board of Directors - at least one fifth of the members must be independent	0,022	-2,291	2481,500	Reject H0
B8 Board of directors with at least five members	0,070	-1,813	2596,500	Not reject H0
B9 Rising costs	0,000	-6,999	1177,000	Reject H0
B10 Need for confidentiality in strategic decisions	0,291	-1,056	2807,000	Not reject H0
B11 Financial statements using international standards (IAS / IFRS)	0,000	-8,296	850,000	Reject H0
B12 Culture resistance to measures aimed at a greater transparency	0,000	-6,143	1387,000	Reject H0
B13 Attachment to the property control in order to maintain power and status	0,000	-4,511	1838,000	Reject H0

Examining the data presented on Table 5, it appears that for the ten obstacles investigated, the result of the Mann-Whitney test indicates a rejection of the null hypothesis in equal average amounts allocated to the obstacles for the two groups of directors. Hence, it can be stated that for the level of significance $\alpha = 5\%$, the sample evidence favors the hypothesis that the degree of importance attributed to barriers B1, B2, B3, B4, B5, B7, B9, B11, B12 and B13 by the directors of companies in different segments of

corporate governance, is different from the degree of importance attributed by the directors of the largest and best privately held companies in Brazil.

Observing in general that obstacles occupy low positions in ranking, in both groups or in another group, except the obstacles B3, B4 and B7, that had very different positions in one or in another group, such as the obstacle B5, which was in the 2nd, 11th position and B11, which was in the 9th and 1st position respectively, in public and private companies.

Table 5. Obstacles to reject the null hypothesis (H0)

Code	Variable Obstacle	Publicly trade companies			Privately held		
		Position	Average	Standard Deviation	Position	Average	Standard Deviation
B1	Issue of common shares only	8 ^a	2,88	1,525	9 ^a	2,70	1,003
B2	Right to vote on preferred shares of high relevance	10 ^a	2,01	0,930	12 ^a	2,50	0,969
B3	Accession to the chamber arbitration for the resolution of corporate conflicts	7 ^a	3,08	1,345	7 ^a	2,92	0,856
B4	Tag along	5 ^a	3,16	1,348	5 ^a	3,00	0,951
B5	25% free float - the maintenance of a minimum number of outstanding shares, representing 25% of capital	2 ^a	3,29	1,110	11 ^a	2,59	0,810
B7	Board of Directors - at least one fifth of the members must be independent	1 ^a	3,30	1,112	4 ^a	3,04	1,039
B9	Rising costs	11 ^a	1,46	0,941	8 ^a	2,91	1,161
B11	Financial statements using international standards (IAS / IFRS)	9 ^a	2,18	0,783	1 ^a	3,53	0,780
B12	Culture resistance to measures aimed at a greater transparency	12 ^a	1,29	1,153	10 ^a	2,64	1,223
B13	Attachment to the property control in order to maintain power and status	13 ^a	1,18	0,952	13 ^a	2,15	1,392

Different position of the obstacle B5 - Maintaining the minimum number of outstanding shares, representing 25% of the shares (free float), occupying the 2nd position in the perception of the directors in publicly traded companies and 11 th in the perceptions of directors of public closed companies, can be said that for publicly traded companies, having shares with a minimum monthly circulation, is setting up a great challenge for the privately owned businesses, is being more challenging in obstacles before they have the shares.

Different position of the obstacle B11 - Financial statements using international standards (IAS / IFRS), occupying the 9 th position in the perception of the directors of public companies and a third position in the perception of directors of privately owned businesses, can be understood that it is not as large as a challenge for the public companies to use international accounting standards, and this can not be said for privately owned businesses. Concerning this, one can still say that this result is not surprising for the novelty of this subject in the world, especially for smaller companies, given the urgent need of qualified professionals in this new reality of accounting.

Noteworthy, are the obstacle B13 - Clinging to the ownership and control in order to maintain power and status, with the lowest average in the two groups going against the thought of Gorga (2004), about the strong cultural influence of the Brazilian business community, regarding the

relation in properties, whereby the concentration of control hinders the adoption of good corporate governance practices and may even hinder the development of capital markets. One can have two readings of this fact: Firstly – indeed being the commitment to ownership and control, no longer a barrier to adherence of good corporate governance practices, and secondly - respondents may be unwilling to expose themselves reviewing this type of obstacle.

6 Conclusion

This study chose as its central objective, the identification of the perceptions with directors in Brazilian companies, traded and closed on barriers to adherence for good corporate governance practices. The research included the participation of 83 directors from 157 companies, listed on the “Novo Mercado” and Levels 1 and 2 of Bovespa, as well as 74 directors out of the 359 largest and best privately held companies in Brazil.

For the development of the research, we used similar methodology to that applied by De Oliveira et al. (2010), which ranked 13 barriers to the adoption of the best corporate governance practices, according to the perceptions of 71 analysts in capital markets and the members of the Northeast Apimec.

We also prepared a ranking of 13 obstacles in the perception of the directors in two groups of companies, which provided evidence that even the

seventh position, almost repeated obstacles, although some do not present the same position. Except for the obstacles B5 - free float of 25% - maintaining a minimum portion of outstanding shares, representing 25% of the capital, as perceived by directors in public companies, is one of the most decisive (2nd place) among the 13 surveyed, while the directors of private companies do not have the same perception, due to their responses as a result in the classification of their 11th position, and the B11 - Financial statements using international standards (IAS / IFRS), which is in the perception of the directors of public companies, being a less decisive obstacle (9th position), while perceptions of directors in privately held companies, is the most decisive, ranked in 1st position.

To set up among the obstacles 13, whose determinants of adherence to good corporate governance practices applies to the data of technique in normal distribution. In the perception of the directors with public companies, this technique indicated the existence of eight major obstacle, listed in a descending order of importance: B7 - Board of Directors - at least one fifth of the members must be independent; B5 - free float of 25 % - maintaining a minimum portion of outstanding shares, representing 25% of the capital; B10 - The need for confidentiality in strategic decisions; B6 - Restrictions on share trading by managers and controlling shareholders - compliance with the rules of the lock up period, B4 - Tag along, B8 - Board of directors with at least five members, B3 - Accession to the chamber of arbitration for the resolution of corporate disputes, and B1 - Issuance of common shares only.

In the perception of the directors in private companies, indicates that four technical obstacles are the most determinants of non adherence to good corporate governance practices, listed below in a descending order of importance: B11 - Financial statements using international standards (IAS / IFRS); B10 - The need for confidentiality in strategic decisions; B6 - Restrictions on share trading by managers and controlling shareholders - compliance with the rules of the lock up period; B7 - Board of Directors - at least one fifth of the members must be independent.

To identify obstacles leading to conflicting tests of equality in samples, means that each of the obstacles were investigated. The result of the Mann-Whitney test, indicated the rejection of the null hypothesis in equal average amounts allocated to the obstacles for the two groups of directors in ten obstacles. Thus, one can conclude that for the level of significance $\alpha = 5\%$, the sample evidence favors only the hypothesis with the degree of importance attributed to the obstacles-B1 Issue of common shares; B2 - Voting rights to preferred shares in the field of great importance; B3-

Accession to the chamber of arbitration for the resolution of corporate disputes, tag-along B4; B5-Maintenance of a minimum number of outstanding shares, representing 25% of the shares (free float), B7-Council administration at least with one-fifth of the members; B9-Rising costs, B11-financial statements using international standards (IAS / IFRS), B12-cultural resistance to measures aimed at greater transparency, and B13-attachment to property control for the maintenance of power and status, whereby the directors of companies in different segments of corporate governance is different from the amounts allocated by the directors of the largest and best privately held companies in Brazil.

It is also worth mentioning that some results surprised. Although there is an empirical evidence that the high cost of running a public company, is because of its greater complexity. This obstacle (B9) was shown in a secondary position by privately owned businesses. It is noticed that, apart from the obstacles related to the stock market (free float, tag along rights, shareholder disputes, common shares), determining the obstacles are similar in both types of companies: publicly traded and closed with the differential (differing obstacles) of the obstacle with the Board of Directors, which opened in the capital stood at first place and the privately held in the last place, and the obstacle to international standards, which is for the privately held positioned in the first place, however it was not cited as a critical point for the publicly traded companies, which suggests the difficulty of private companies in adapting to these new rules, therefore, indicating a difficulty in the advancement of good corporate governance and the private companies having a long way to go on the road to Corporate Governance.

We concluded that the perceptions of executives in Brazilian traded and closed companies, differ in respect to the amounts allocated in most of the obstacles (ten of thirteen), adhering to good corporate governance practices. It can be explained by the fact that a group has already gone through this process, and /or have already joined the practice, as well as not suggesting to a complement in this study by research companies in other countries.

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