A COMPARATIVE STUDY OF CORPORATE GOVERNANCE

1 INTRODUCTION

In traditional economic theory, corporate governance seems to overlook "agency conflict", given the phenomenon of separation of interests between property and enterprise management. Relationships that are established between those parts use to affect organizacional performance of companies.

Although corporate governance concept has a similar meaning in different countries, when applied to companies of different nations its practices change accordingly their cultures.

Bobirca and Miclaus (2008, p. 80) point out that at least two contemporaries events were important factors in the increasing interest in corporate governance by emergent countries: the financial crises of 1998 in Russia, Asia and Brazil, and United States and Europe financial scandals, three years later.

It can be affirmed that one of the consequences of those scandals was Sarbanes-Oxley Act (SOX) promulgation in July 2002. This law rewrites corporate governance models, instituting routines and processes under direct supervision of companies' management and placing ethics as a priority corporate issue in the enterprise.

Thus, management practices and relationships affect companies differently, as much because of country and companies' culture, as well as because of SOX's influence observed in companies of different countries.

The research question that guides the present paper may be formulated as follows: what are the similarities and differences between corporate governance practices of companies located in Brazil, United States (USA) and Germany?

We assume that Brasil is a representative of an emergent country, Unites States is a representative of an Anglo-Saxon corporate governance system and Germany as a representative of the corporate governance germanic system.

It is known that companies that operate in different contexts follow corporate governance model of countries where they make businesses. This happen to enable the fulfillment of compliance and to handle conflict resolution among other reasons. Thus, given the supposed differentiation of corporate governance practices in different companies and countries, the purpose of this paper is to examine convergent and divergent corporate governance practices adopted by Brazilian companies, located in Brazil, United States and Germany.

The secondary purposes of this paper are: (a) To identify relevant characteristics in the development of corporate governance practices; (b) To describe corporate governance systems from Brazil, USA and Germany; and (c) to use statistical instrument to validate research procedures.

This paper intended to amplify the knowledge of three corporate governance systems by depicting their main characteristics and checking them statistically. Reaz e Hossein (2007, p. 169) wrote that “scholars have echoed their voice for four systems of corporate governance, such as Anglo-Saxon System, Germanic System, Latin American, and Japanese System”. In this study we will compare the three previous, focusing Brazil, particularly.

2 BACKGROUND AND PRIOR RESEARCH

Corporate governance

Iudícibus (2004, p.171) states that the most recent articles about corporate governance recognize that its mechanisms appear to correct existing imperfections in markets. Economic agents of companies have opposite interests when placing their personal interests as priority. These conflicts of agency follow the sprouting of corporate governance as an instrument to assure a return of investments, reducing the conflicts between suppliers of capital and the management. (SHLEIFER and VISHNY, 1998.).

It can be said that cultural, social and institucional diversity of each country contribute to the existence of several corporate governance models. If existed only one model to be adapted to all companies around the world, they will probably have problems since each corporation corresponds to an infinite set of interests.

Corroborating with the affirmation above, Bobirca and Miclaus (2008, p. 78) wrote that the corporate governance practices tend to differ in countries and companies.

Corporate Governance Models

Cultural, social and institucional diversities contribute to the existence of more than one model of corporate governance in the world.

The governance structure of a country has a particular and historical trajectory. The governance models had been developed based in the economic, historical, cultural particularities of each country.

The main characteristics of Anglo-Saxon, Emergent countries and Germanic corporate governance systems are summarized bellow.

Anglo -Saxon

This corporate governance model is based mainly on the governance practices of companies situated in countries of English language: United States, Canada, United Kingdom, New Zealand, Australia and others. The priority for these countries is the shareholders' wealth maximization (Weimer and Pape, 1999).

Companies of this system are managed by a composed board of internal and external members (non-executive). The last ones supervise and guide directors in decisions of strategical and operational politics, always aiming at the best interest of shareholders. Those countries have an active market of takeover market, as mergers, acquisitions and other restructuring operations. Share concentration is low, evidencing spraying of shareholding property. (Reaz and Hossain, 2007, p. 173).

According with estimate of OECD (1997), the five gest shareholders of United Kingdom and United States withheld an average of 20 to 25% of valid shares. Investors owned 51.4% of American public companies and 17.7% of United Kingdom companies, approximately.

Abowd and Bognano (1995) state that the variable remuneration in United States, based in productivity, is a important part of management compensation, that corresponds to one third of the remuneration of a Chief Executive Officer, in 2002. The authors suggest that such systems are acquiring more importance in United Kingdom and Canada (Reaz and Ossain, 2007, p. 176)

The duration of economic relations is another characteristic of the Anglo-Saxon corporate governance system, where the transactions are of short-term period, unstable, normally a result of unrestricted markets of capital, job, goods and services, that assure fast adjustments to circumstances (Gelauff and Den Breeder, 1996).

According to Rosseti and Andrade (2004), the main characteristics of the Anglo-Saxon System are:

Main characteristics	Summary
Main financing source	Stock market is the main source of resources for corporations. Expressive part of pension funds' net worth is compounded by shares.
Property and shareholding control	Equities' structure is sprayed. This is the result of natural successory processes and the type of corporate financing. It is rare to find shareholder with more than 10% of total shares among the 500 listed companies in Stock Market. The cross participation of equities is low.
Property and management	Property and management are dissociates. Until 1980, CEOs predominated, they controlled corporations of weak owners. Corporate governance appeared as shareholders' reaction to wealth and self-granted benefits.
Agency conflicts	Agency conflict involves shareholders and managers, it incurrs in high costs.
Legal protection to minority interests	For legal disposal and regulation of market, it is high the protection to minority interests. The right to vote power is exerted at full.
Board management	Main form of internal control. Competent advisors and board eficcacy with tendency to structured valuations.
Liquidity of shareholding participation	Active stock markets and great number of companies listed in stock exchange - traditional corporations and emergent ones of great potential.
Control forces more ative	Agreed performance of external and internal forces (forces of Law and internal mechanism more emphasized).
Corporate governance	Good practice of corporate governance Code emitted by stock market institutions and by institucional investors. Such practices are analyzed and evaluated.
Range of corporate governance models	Little comprehensive. Pension funds have exerted pressures for consideration of multiple interests. They are the most interested in corporate social responsibility.

Table 1 – Main characteristics of Anglo-Saxon corporate governance system

Source: ROSSETTI, José Paschoal; ANDRADE, Adriana. **Governança corporativa**: fundamentos, desenvolvimento e tendências. São Paulo: Atlas, 2004.

Germanic

Reaz and Hossein (2007, p. 183) state that the Germanic system of corporate governance considers the corporation as an autonomous entity that values enterprise to stakeholders, instead of concentrating benefits to shareholders,

Reaz and Hossein (2007, p. 184) cite that Bleicher and Paul (1986), Edwards and Fischer (1994), and Kaplan (1995) to suggest that the majority of Germanic countries has a corporate governance system based on two advisor boards: management and supervision. The second one monitors management board and gives advices of corporation policies, besides having authority to indicate or fire their members (Weimer and Pape, 1999). The authors mention that, in companies with 2.000 employees or more, the Supervision board must have half of their components formed by representatives of employees.

Shareholders' influence is limited in taking decisions. On the other hand, German banks withhold considerable slice of management actions of participated companies. This situation is opposite in United States, where participation of banks in companies' capital is restricted (Weimer and Pape, 1999).

German stock exchange plays a less active role in circulation of resources than the Anglo-Saxon one. In German system the structure of assets' property may be responsible for the relative inactivity of their markets (OECD, 1997). The report indicates that 5% of shareholders in Germany withhold an average of 41% of companies' equities.

Projects of performance-based compensation are rare in Germany. (Abowd and Bognanno, 1995). Authors suggest that the economic relations between stakeholders are generally of long term.

Emergent countries

Corporate governance of companies from emergent countries started to attract the worldwide attention since Asian and Brazilian fianncial crises, in 1997/1998. Such events have placed in evidence the weakness of corporate governance systems of those regions (OMAN et al, 2003).

Nenova (2004) states that the main problem of corporate governance of companies located in emergent economies' is the transference of value from non-controlling shareholders and stakeholders to shareholders. Such practice became easier since power was frequently in the hands of some families. They have weak and inefficacious legal structure and practice inefficient disclosure of corporate information.

The corporative environment in Brazil is the result of great changes in economic and political environment, mainly in 1980 decade. Internal and external changes had propitiated a scenario lined up to the trends of a modified corporative world, with strategical and operational new features. Notwithstanding macro-ambient changes, Brazil arrives at the organizacional structures of adhesion to corporate governance models reproducing interaction relations of three corporate governance agents: shareholders, board management and executive directors.

The 90's decade was followed by a reduction of distances between countries and markets. . A gap was observed between the necessity to follow worldwide trends (global insertion, economic opening in addition to the collapse of market reserves, privatizations, elimination of monopolies etc). But it remains chains of nationalism and collectivism of the state-entrepreneur. This contradiction makes Brazil to lined up with global changes. Privatizations of state-owned companies brought structural impacts with new private groups and pension funds in economy.

Brazilian stock markets reconfigure themselves since the entrance and liberalization of foreign capitals in stock exchanges. Companies had launched programs of American Depositary Receipts (ADR) in United States and several companies set up programs to get into new internacional markets. But, only in the turn of XXI century, it was possible to observe that Brazilian corporative system adjusts itself to international conditions.

The creation and strengthening of the Brazilian Institute of Corporate Governance (IBGC) and the development of the stock market (Sao Paulo Stock Exchange - Bovespa) come to sight a new classification of healthy companies. They were grouped in three differentiated levels of corporate governance conditions.

Generally, Brazilian public companies are shaped with a concentrated capital. The acceptance of management controls with a minimum of personal influences is what companies search for. Steinberg (2003, p.23) wrote that the challenge of controllers to weave relations and to act with confidence and transparency implies more than fulfillment contracts and regulations, or to make performance demotivation.

Another important characteristic of corporate governance strengthening in Brazil is the promulgation of the company's laws reform, 10.303/91 and the 11.638/07. The first one establishs new rules for public companies, detaching the protection of minorities stockholders, and the second with norms for elaboration of financial statements in convergence with the International Accounting Standards Board.

The main characteristics of corporate governance model commonly adopted by Brazilian companies are described in Table 2.

CHARACTERISTICS	OCCURRENCES	SYNTHESIS
Predominant financing	Debt and cash generation	The stock market is little expressive. In 2003, the market value of a company listed in the stock exchange was of 39.9% of the GIP. Long term period for debt and proper cash generation . Large companies have been accessed external sources of funds from equities (ADR'S).
Property and shareholding control	High concentration	Shareholding property is concentrated. In great part of companies, the three biggest shareholders withheld 80% of the total voting shares and the gest one more than 50%, individually. Familiar companies predominate.
Agency conflicts	Majorities - minorites	The predominant conflict is between majorities and minorities shareholders. Agency conflicts shareholders-management are less expressive.
Legal protection to minorities	Weak	Law admits launching of 50% of preferential shares. It is guaranteed dividends distribution of net profits and the equality distribution of the remaining slice of the profit between controllers.
Liquidity of shareholder participation	Speculative and rocking	The high liquidity of a company is affected by the predominance of ownership of blocks of shares of control.
Property and management	Superposition	As result of high concentration of shareholding property, the degree of involvement of controllers in the management is also high. There is a clear separation of functions beteween boards and executive management.
Management board	Low effectiveness	Management board is compulsory by law for the public companies. It is rare high effectiveness management boards.
Control forces more actives	Internals	The pressure of external forces is increasing in company laws, as well as of corporate governance listing levels, activism from pension funds and other institutional groups. Internal forces take advantage of the shareholding property.
Corporate governance	Gradual development	The structural characteristics of corporate world still keep the best governance standards far from the best corporate governance practices. But it may observe some evolution resulted of external and internal pressures on the effective model.
Range of governance models	In transition	The predominant model is the concentration of capital supported by the incipient power of external forces. It is expressive the number of companies which publish statements of external reach (social and ambiental).

		But the dominant enterprise culture is still refractory to the models of multiple interests.

Table 2 – Characteristics and occurrences of a common Brazilian corporate governance model
Source: authors

3 METHOD

This paper is a documental research that uses "secondhand research" (GIL, 1999, p. 66) as financial statements available, annual reports and explanatory notes of companies. It uses an inductive approach through comparison of sample companies, without making generalizations to other companies.

This research uses the comparative method and statistical procedures to answer the research question. It is a descriptive research, therefore it describes characteristics of companies, searching to establish a relationship between corporate governance variables.

The population of this research is composed by 101 corporate governance companies listed in Sao Paulo Stock Exchange – BOVESPA, in Brazil –, 3.657 companies listed at New York Stock Exchange – NYSE – in United States, and 348 companies listed at Deustche-Böurse, in Germany. The sample is not probabilistic, therefore it was selected for interest and convenience of researcher. 30 (thirty) companies were chosen randomly to investigate traces of corporate governance demanded by Brazil, USA and Germany' stock markets. This research does not make inferences, but discloses main differences between corporate governance models.

Among Brazilian companies' population (101), 10 of them were selected of the Bovespa group, representing a sample of 10%. They are special companies that adopt corporate governance procedures. The population is composed by Level 1 (36), Level 2 (15) and New Market (50). The sample is composed by Level ' (4), Level 2 (2) and New Market (4) companies.

The sources of data include annais, articles from specialized periodic publications, dissertations, thesis and informations from internet specialized sites. Information system 'Divext' was used jointly with Bovespa's documents. Informations from companies listed at Nyse and Deutsche-Börse Group were picked up from annual reports, corporate governance reports, Form-K, "Section 14" of Nyse Proxies & Info Statements and in Section 161 of AktG (German Stock Act Corporation).

Informations on corporate governance models and the pertinent characteristics of governance practices were analyzed. They were picked up of Annual Reports published in 2006 that contain 2005 financial data.

Data collection instruments used were: systematic observation and interviews carried through with corporate governance specialists from sample companies.

Variables used in this research are:

Dependent (Y): corporate governance models.

Independent variables (X):

X1: Separation between attributions of chairman management board and the main executive;

X2: Audit committee;

X3: Size of management board

X4: Independence of the statutory audit committee.

The external validation of results was lead by appreciation of three corporate governance specialists who had approved variables chosen. The convergent and divergent relations between models were classified on a 5-point Liekert scale where (1) strongly disagree and (5) strongly agree. After this individual classification for each country, a correspondence multivariate analysis was made through Coefficient Alpha Reliability or Kuder-Richardson 20 Reliability. This method presents the following formula:

$$KR_{20} = r_{xx} = \frac{k}{k-1}\left(1 - \frac{\sum pq}{S_o^2}\right) \text{ , where}$$

r = coefficient of reliability

k = number of itens

Σ = sum of variance

p = set right the item

q = mistook the item

S_0 = variance of scores

The formula above is valid only for nominal data. For data with intervalar level of mensuration and in planning with repeated measures, the calculation of Alpha is given by:

Alpha = k/k-1 (1 - ΣVar (C) /Var (L_1....L_r), where

L_1 = total of line

C = (x_{1j}, x_{2j}, ...Cr): answer values, j, j=1,2,...k and Var (y)= Σy_2 - (Σy)$_2$)/n/(n-1)

4 RESULTS

It was verified that Bovespa “Level 1” companies did not present conclusive information about independent variables considered. These companies approached superficially the following issues: elaboration of internal regulation of management board; efforts to Sarbanes-Oxley Act compliance and; the concern with risk management. Only one company had Audit Committee. Other variables had not been cited (separation between chairman of management board and the main executive's attributions, management board size, statutory audit committee independence).

Bovespa “Level 2” companies divulged information on Board of Administration's composition but it was not clear if exist formal separation between CEO and the chairman of the Board of Administration Both companies have Auditee Committee.

Bovespa “New Market” companies are known by their focus on transparency and spreading of information. These companies evidenced the separation between chairman and CEO's attribution and the dilution of power inside companies. Of the four companies analysed, two possess Auditee Committee, and the other two Statutory Audit Committee. The Board of administration was formed by at least five members and it was possible to identify one company that does not have an independent Board.

With the reading of financial reports, it is possible to calculate the reliability index, the Cronbach's Alpha for each item and all itens for validation of the employed methodology. In Table 1, it presents the average and percentage of answers "4+5" for Brazilian companies in Brazil, U.S.A. and Germany by each corporate governance item.

The 20 (twenty) itens listed in Table 1 are: (1) separation between chairman of board of administration and CEO; (2) existence of audit committee; (3) code of behavior; (4) independence of statutory audit committee; (5) legal protection to minorities; (6) differentiated corporate policies; (7) transparency; (8) fairness; (9) accountability; (10) ratio of managers shareholders; (11) ratio of independent directors; (12) amount of shares owned by directors; (13) constitution of technical committees of aid, monitoring and management evaluation; (14) constitution of arbitration chambers; (15) effective actions on conflicts and costs of agency; (16) financial statements in convergence within international patterns; (17) remuneration of directors and executives; (18) disclose of operational performance; (19) social responsibility; e (20) attachment to Sarbanes-Oxley Act.

Table 1 shows that if considered all twenty itens jointly, Cronbach's Alpha (0,6995) changes discretely in relation to each item. Cronbach's Alpha Relibility Coefficient is a reasonable measure of reliability, according to Pedhazur (1991).

Observing Table 1, Cronbach's Alpha is calculated by each item when this is removed of the instrument. Therefore, each item does not have decisive importance in relation to the rest, so all of them have the same importance.

Through analysis of Table 1, it is possible to detach that American companies (56,5%) used more corporate governance principles whereas Brazilian companies (37%) used less those principles. .

It observed that American companies accept unanimously 2, 4, 9, 10, 11, 15 e 18 itens. All countries present high agreement in 15, 16 and 18 itens. All countries present high agreement in itens 15, 16 and 18.

Table 3– Cronbach's Alpha corporate governance characteristics

Item	*Cronbach's Alpha*	ALL		BRAZIL		USA		GERMANY	
		Média	%(4+ 5)	Média	%(4+ 5)	Média	%(4+ 5)	Média	%(4+ 5)
1	0,7461	3,60	50,0	4,20	80,0	3,20	20,0	3,40	40,0
2	0,6572	3,70	59,0	3,90	80,0	5,00	100,0	2,20	0,0
3	0,6804	2,57	10,0	2,70	30,0	2,90	0,0	2,10	0,0
4	0,6523	3,77	73,3	3,20	40,0	4,30	100,0	3,80	80,0
5	0,6976	3,30	27,3	3,10	20,0	3,30	30,0	3,50	50,0
6	0,6905	2,97	6,7	2,90	20,0	3,00	0,0	3,00	0,0
7	0,6616	3,33	50,0	3,60	60,0	3,90	90,0	2,50	0,0
8	0,681	3,63	63,3	3,50	50,0	3,80	80,0	3,60	60,0
9	0,6829	3,87	83,3	3,70	60,0	4,00	100,0	3,90	90,0
10	0,6675	3,63	63,3	3,00	0,0	4,00	100,0	3,90	90,0
11	0,6689	3,63	63,3	3,10	10,0	4,00	100,0	3,80	80,0
12	0,6845	2,97	3,3	3,00	0,0	3,10	10,0	2,80	0,0
13	0,6888	2,93	0,0	3,00	0,0	3,00	0,0	2,80	0,0
14	0,6771	3,00	6,7	3,00	0,0	3,20	20,0	2,80	0,0

15	0,6369	4,47	96,7	3,90	90,0	5,00	100,0	4,50	100,0
16	0,7209	3,87	83,3	3,90	90,0	3,70	70,0	4,00	90,0
17	0,7134	3,73	63,3	3,10	20,0	3,70	70,0	4,40	100,0
18	0,6415	4,20	83,4	3,50	50,0	5,00	100,0	4,10	100,0
19	0,6718	3,20	26,7	3,30	30,0	3,50	50,0	2,80	0,0
20	0,6752	2,97	6,7	2,90	0,0	3,10	10,0	2,90	10,0
All	0,6995	3,47	46,3	3,32	37,0	3,74	56,5	3,34	44,5

Source: authors

According to Table 4, it can be observed that 45.663% of 20 the answers's variability are explained by F1 and F2 factors. These factors represent both dimensions of corporate governance.

Factorial analysis identifies complex relations between sets of variables, grouping them by their correlations. Thus, when a researcher uses factorial analysis, probably he is interested in variable behavior or group of them in correlation with others.

The objective of factorial analysis is the parsimony and agglutination of variables in factors, to define the relationship between those variables in a simple way, using a lesser number of factors than the original number of them.

The meaning of the F1 and F2 factors may be understood through Table 4. The test of Bartlett' sphericity can be used to test the hypothesis that the matrix correlation is a identity matrix, consisting of the chi-square transformation of the determinant of correlation matrix. Another form to verify the factorial analysis adequacy is through the measure of Kaiser-Meyer-Olkin (KMO) index. It compares correlation coefficients values with partial correlation coefficients. (Scheider & Waquil, 2001).

The test of Bartlett's sphericity allows the use of Factorial Analysis and the value of KMO shows itself excessively low due to small quantity of companies.

Table 4- Statistical measures for Factorial Analysis validation of corporate governance itens – Factorizng of Main Axles (PAF = Main Factoring Axis).

Factors	**Autovalues**	**% Explained variation**	**% Accumulated variation explained**
Factor 1 (F_1)	4,965	24,827	24,827
Factor 2 (F_2)	4,167	20,836	45,663
Bartlett's sphericity		Statistic	435,525
		P-vakue	0,000
Cronbach's Alpha			0,6995
Kaiser-Meier-Olkin (KMO)			0,557

Source: authors

Factorial analysis identifies complex relations between sets of variables. It groups them by their correlations. The meaning of F1 and F2 can be understood through Table 5

The comparative result points with respect to two dimensions, D1: Transparency and D2: Relationship owner-managers, corroborating with the interconnection of the three techniques.

It can be observed in Table 5 that initial and final commonalities are above 0,30, collaborating for the decision that the evaluation instrument of corporate governance was adequately chosen. So it does not have necessity to substitute or to eliminate any item.

Therefore, the commonalities and the measure of Cronbach's Alpha Reliability Coefficient contribute to the credibility of the instrument. The external validation was lead by the appreciation of three specialists in corporate governance who emitted favorable opinions to the fact that selected itens represent the knowledge of corporate governance.

Table 5 – Fatorial loads (F_1 e F_2), Initial and final commonalities, allocation of itens in two dimensions: D_1 and D_2).

Item	**Factors**		**Commonalitiess**		**Dimension**	
	F_1	F_2	Inicial	Final	D_1	D_2
1	-0,646	0,008	0,872	0,931	1	
2	0,137	0,842	0,860	0,846		2
3	0,051	0,468	0,702	0,671		3
4	0,726	0,085	0,846	0,767	4	
5	0,428	-0,370	0,877	0,794	5	
6	0,220	0,064	0,476	0,368	6	
7	0,011	0,801	0,855	0,729		7
8	0,440	-0,024	0,743	0,506	8	
9	0,415	-0,044	0,685	0,787	9	
10	0,889	-0,137	0,955	0,950	10	
11	0,796	-0,101	0,921	0,929	11	
12	-0,145	0,752	0,870	0,915		12
13	-0,277	0,650	0,870	0,788		13
14	0,004	0,754	0,896	0,835		14
15	0,826	0,235	0,934	0,952	15	
16	-0,291	-0,199	0,826	0,576	16	
17	0,480	-0,336	0,818	0,766	17	
18	0,786	0,310	0,931	0,921	18	
19	0,107	0,554	0,777	0,584		19
20	0,330	0,196	0,834	0,609	20	

Source: authors

The score associated with the level of corporate governance practised by each company was got with the sum of the 20 (twenty) itens. The model of Analysis of Variance (ANOVA), with classification (oneway), was used to effect the comparison of medium scores between countries. In Table 6, it is observed that p-value F is significant (p-value<0,05) assuring that corporate governance presents differences between countries. To determine the group of countries that behave of similar form, of Scheffé's test (multiple comparisons) was performed.

Table 6 - ANOVA table with one factor for corporate governance score

Source of variation	Sum of squares	Degree of freedom	Mean square	F-ratio	P-value
Country	432,467	2	216,233	31,695	0,000
Error	184,200	27	6,822		
Total	616,667	29			

Source: authors

In Table 7, it observes that the corporate governance model shows more similarity between Brazil and U.S.A's companies than between Brazil and Germany's ones. Germany differentiates itself excessively in terms of corporative governance, getting the greater medium score (74,7).

Table 7 - Homogeneous countries by their medium scores of corporate governance

Comment [1]: <!--StartFragment-->

País	Corporate governance medium score	
	1	2
Brazil	66,5	
USA	66,8	
Germany		74,7

Source. authors

CONCLUSION

The internal environment of Brazil's corporate governance is predominantly of shareholding property, high concentration in the control structure (common shares in the majority hands), conflicts of agency, weak legal protection to minorities, low effectiveness of boards. The adopted model is similar to that applied in United States (shareholder oriented) and there is a convergence to Sarbanes-Oxley Act. Brazil's companies practised a shy corporate governance, but models are in evolution.

The corporate governance model adopted in United States is considered shareholder oriented strongly guided to market and by him oriented. It is characterized by the spraying of shareholding control and the separation of property and management. Companies are financed by stock market and it is great the influence of institutional shareholders, as pension funds. The basic conflict is between shareholders and managers, and it is strong the legal protection for minority stockholders. Boards are formed by independent members, and this is what make attributions clear and straight. It does not have overlapping between functions.

The German model is classified as stakeholder oriented, strongly driven by financial institutions, which also are the largest source of financing for companies. Stock market has little expressiveness and the patrimonial structure is concentrated, but the management of the enterprise is a collective task. Employees' participation through trade unions is frequent and compulsory by law. Companies use to have conflicts between shareholders and creditors. It does not have convergence to Sarbanes-Oxley Law.

This paper answered the research question as well as reached its general and specific purposes.

The results of this paper value only for companies of sample. This paper had pointed and validated congruences and dissimilaridades between corporate governance models and applied Factorial Analysis. The reduced number of companies limit severely its results. Other researches should be made to enlarge the knowledge about the issue.

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