

Corporate Governance – a focus on the human dimension of business

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Abstract

This article presents a study on the corporate governance of Perdigão, one of the largest food processors in Latin America, which prioritizes its human dimension focusing on the motivation of its main shareholders and the relationship between its board members and top executives. It was shown that, although Perdigão had a non-independent Board of Directors from 1994 to 2006 neither a committee supporting its board, this did not impair its governance quality, explained by the alignment of interests between minority and controlling shareholders, as well as the balance of power in Board-CEO relationships through these years. Perdigão's case is useful to illustrate the difficulty in using one specific governance variable or corporate governance index to take investment decisions without assessing the context and the specific conditions of the company related to corporate governance.

Introduction

Good corporate governance defines rules or guidelines that direct the relations between the different stakeholders impacted by the long-term performance of businesses. As mentioned by Fortuna (2007), governance encompasses several business areas, such as strategy, efficient allocation of duties, proper incentives, control systems, balance of conflicts of interest, transparency and adequate protection of the company's stakeholders. By supervising the top management and the proper organization of the company's operations, the board of directors plays a key role in corporate governance.

In Brazil, the control of listed companies is generally concentrated in groups that are either family members or a control group established under a shareholders' agreement working as a major shareholder, though its signatories are minority shareholders when considered individually.

Consequently, the main "agency conflict" faced by domestic companies is still between majority and minority shareholders.

The Brazilian literature on governance is not yet quite comprehensive. Most studies have sought to establish links between corporate governance practices and market value or business performance, electing questions that comprise a corporate governance index answered from public information about the companies.

Srouf (2002) noted that the Brazilian companies listed on the São Paulo Stock Exchange (Bovespa) under the *Novo Mercado* segment, which comprises those companies with high standards of corporate governance, were better assessed by the market than the others. The author studied periods when both the Brazilian and international capital markets faced serious hardships, such as the Asian crisis, the Brazilian currency devaluation and the September 11, 2001 attacks.

Di Miceli (2002) considered three governance variables: segregation of the CEO and board chairman roles, size and independence of the board to assess whether the companies that adhered to the provisions established by the Brazilian Institute of Corporate Governance (IBGC, 2002) from 1998 to 2000 achieved higher market value or better performance. Only the first variable showed a strong relationship with higher company valuations.

Zanardo-dos-Santos (2002) sought to identify whether there was any relation between the independence of the board and business performance by studying the structure of the board, and growth and profitability indicators of companies. The results showed no significant relations in this respect.

Silveira et al. (2003) used variables related to the board to investigate the relationship between value and performance of listed companies in Brazil. They found a positive relationship in cases when companies have different executives holding the CEO and board chairman positions.

Leal and Cravalhal (2004) defined a governance index based on 24 variables to assess the corporate governance of Brazilian companies in 1998, 2000 and 2002. These variables addressed transparency, composition and functioning of the board, ethics, as well as conflicts of interest and shareholders' rights. The authors concluded that scoring 1 point in the governance index translated into a 3.1% increase in the market value of companies.

The cited studies illustrated what the international empirical literature has shown, as pointed out by Bhagat et al. (2002 and 2007) - the effect of individual corporate governance mechanisms on business performance has not been systematically positive and is, at best, inconclusive. The referred authors also concluded that there is not a "best" measure of corporate governance: the most effective will depend on the context and specific circumstances of the company.

This case study sought to demonstrate the significance of assessing the motivations and the profile of controlling shareholders to understand the specific circumstances of Brazilian companies in regard to corporate governance. Such data can be obtained by means of interviews with current and former employees, executives or board members, as in the case of Perdigão, where the following four questions were addressed:

1. Are there characteristics of the business that motivate the company to maintain a good relationship with the capital markets?

2. Are the company's relevant shareholders motivated to ensure liquidity to their stake?
3. Is there a balance of power within the board and between board members and the CEO?
4. Are there values in the culture of the company (e.g. ethics and simplicity) that encourage the effective practice of good governance?

It is recommended that the analysis of the above matters should be complementary to the analysis of the classical issues related to transparency, composition and functioning of the board, ethics, as well as conflicts of interest and shareholders' rights, as presented in Table 1 for Perdigão.

The quality of Perdigão's corporate governance based on classic parameters

From the 25 aspects presented in Table 1, five are in non-conformity with the consensus recommendations: 1) non-independent board; 2) non-complete board reshuffling; 3) absence of dividend policy; 4) absence of board advisory committees; and 5) absence of a top management succession policy. Some of these aspects, such as the top management succession policy and the implementation of board committees, were being addressed by the company when this study was carried out, in 2007.

Independence, constant reshuffling and implementation of advisory committees have been recommended as a way to ensure the proper dynamics of the Board of Directors. Between 1994 and 2006, Perdigão's shareholders agreement settled that the company's most important decisions should be made in a shareholders' meeting, and the board should follow these pre-board meeting decisions. With this kind of arrangement, we can not affirm that there was independence in Perdigão's Board in this period. Although the independence of the board can mitigate risks in many cases, its relevance will depend on specific conditions of the company that can vary through time. We proposed, in this article, that we can go beyond analyzing the compliance of the company to rules such as those presented in Table 1 and try, whenever possible, to deepen the understanding of the human aspects related to corporate governance, as carried out in this study for Perdigão.

Table 1: Analysis of Perdigão's Corporate Governance - December 2007.

1. Transparency	Description
1.1. <i>Quality of financial information</i>	<i>In 2005, the company won the ABRASCA prize for best annual report, with the highest score of the event to date (98.7 points).</i>
1.2. <i>Information disclosure policy</i>	<i>Since 2001, the company has been following an information disclosure policy, and since late 2004 it has an information disclosure committee.</i>
1.3. <i>Disclosure of shareholders' agreement</i>	<i>Since April 2006, the company no longer has a shareholders' agreement.</i>
1.4. <i>Disclosure of shareholders' list</i>	<i>The full shareholder list is available to everyone.</i>
2. Controls	
2.1. <i>Auditors' opinion</i>	<i>The company's financial statements have never had restrictions from its external auditors. Since 2005, the company has been following procedures to adhere to the SOX requirements, especially in regard to the regulations and control tests already implemented.</i>
2.2. <i>Fiscal Council</i>	<i>Perdigão has a Permanent Fiscal Council since 1995, with the participation of minority shareholders.</i>
3. Shareholders' Rights	
3.1. <i>Stock class</i>	<i>Since April 2006, after joining the Novo Mercado listing segment, the company has only common shares.</i>
3.2. <i>Qualified quorum for important decisions</i>	<i>The Novo Mercado segment requires a qualified quorum for important decisions, and, before that requirement, the shareholders' agreement already provided that.</i>
3.3. <i>Dividend policy</i>	<i>The company has no formal dividend policy, but it has paid on average 30% of net profits in dividends.</i>
3.4. <i>Tag-along rights</i>	<i>Since December 2002, the company ensures 80% of tag-along to minority shareholders. After 04/12/2006, the tag-along is 100% as required by the Novo Mercado rules.</i>
3.5. <i>Company's valuation requirement in case of de-listing</i>	<i>Since April 2006, as a requirement to join the Novo Mercado listing segment.</i>
3.6. <i>Company's valuation requirement in case of change in control</i>	<i>Since April 2006, as a requirement to join the Novo Mercado listing segment.</i>

Table 1: Analysis of Perdigão's Corporate Governance - December 2007 (cont.).

4. Board of Directors	
4.1. Number of independent directors	<i>Before April 2006, the shareholders' agreement provided that the most important decisions were made in a pre-meeting with the shareholders, which should then be followed by the board members, thus meaning that there was not an independent board.</i>
4.2. Number of directors with a finance background and experience as executive directors	<i>All board members have a finance background and experience as executives.</i>
4.3. Frequency of board meetings	<i>Board meetings are held on a monthly basis.</i>
4.4. Committees	<i>The board has no special advisory committees, but an Executive Committee is expected to be created with specific roles to support the board.</i>
4.5. Relationship between CEO and board chairman	<i>The company's CEO and the board chairman are not the same person.</i>
4.6. Board reshuffling	<i>Mr. Eggon has been Board Chairman since 1993.</i>
4.8. Participation of the company's chief executive in board meetings	<i>Nildemar Seches, the company's CEO, plays an active role in board meetings, and private sessions are available if necessary.</i>

5. Top Executives	
5.1. Succession plan for top executives	<i>In early 2007 the company began a succession planning process.</i>
5.2. Compensation using Economic Value Added (EVA)	<i>Since 2004, EVA has been used as a metric for performance and assessment of top executives.</i>

6. Ethics and Conflicts of Interest	
6.1. Segregation between personal and corporate assets	<i>Since 1994, after pension funds became shareholders.</i>
6.2. Implementation of rules addressing related-party issues	<i>Since 1994, after pension funds became shareholders.</i>
6.3. Prohibition of granting loans to controlling shareholders or other related parties	<i>Since 1994, after pension funds became shareholders.</i>
6.4. Implementation of code of ethics	<i>Perdigão has a code of ethics since 1996, which was revised in 2001.</i>

Shareholders' motivation regarding their interest to ensure cheap capital access to Perdigão

This section intends to investigate whether there are business-inherent risks that encourage the company to maintain a good relationship with the capital markets.

In 2007, 80% of Perdigão's income resulted from the production and sale of meat-based foodstuffs, mostly poultry. Nearly half of this income derived from exports, which contribute to place Brazil as the world's largest meat exporter since 2004. Brazilian meat exports accounted for 29% of global sales in this market in 2007, while this percentage amounted to 16% in 2001.

Brazil joins several comparative and competitive advantages in the global meat industry, such as: 1) favorable weather; 2) large area to grow animals; 3) access to plenty and high-quality raw material; 4) large domestic consumer market; 5) technological update; and 6) low labor costs. Brazilian meat exports also benefited from the avian flu, which has hit some competitors since 2003.

In the domestic market, the company has also benefited from the higher per capita poultry and pork meat consumption, as shown in Figure 1, and from the improving product mix with a higher contribution of processed meat, the latter encouraged by changing consumer habits associated to the increasing number of women in the marketplace, among other factors. After 2003, the company has been profiting from the increase in Brazilians' income, which accelerated the growth of processed food consumption, though the per capita poultry consumption has been stable. The income decline before 2003 led the lower-income population to replace fresh beef with some cheaper processed poultry and pork meat.

Forecasting the consumption growth rate of poultry meat arising from higher income by the Brazilian population is not easy. Such growth can be mitigated by the possibility of replacing poultry meat with beef, by the offer of other products to consumers (such as mobile phones), by the increasing interest in healthy/natural products and by the possibility of avian flu incidence around the globe. To soften these risks, Perdigão has been increasingly operating in the market as a food company, without limiting its activity to the meat business. In March 2005, the company revised its mission to: "Participate in people's lives, offering tasty foodstuffs, with high quality and affordable prices, anywhere in the world."

Table 2 depicts Perdigão's main financial results which showed a significant improvement from 1998, with the large increase in exports and the higher contribution of processed/finished products in its revenues. In 1998/1999, the company's debt amounted nearly to 4x its EBITDA, vis-à-vis its current debt ratio of 1x EBITDA. Even after the improvement in the company's results as from 1999, its financial figures registered some volatility given the risks related to sanitary issues. For instance, in 2002, Perdigão's exports to Europe were forbidden because of contamination problems with nitrofurans, an antibiotic that is long forbidden in Europe and, since 2002, in Brazil, because of its carcinogenic suspects.

It can also be noted that high investments, whether in working capital or industrial plant renovations, are required, given the constant need to launch new products.

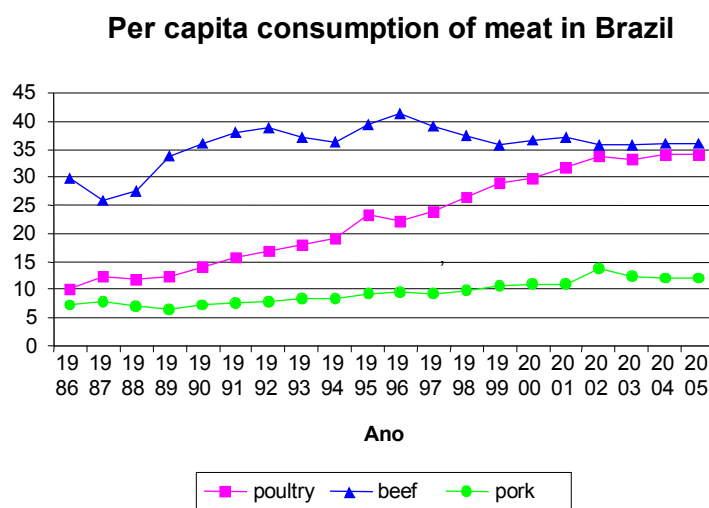
The company has been investing aggressively in recent years based on the following strategy to:

- 1) Tap and grow in the export-driven beef segment;
- 2) Add higher value to exported products with larger investments in their internationalization process;
- 3) Keep maximizing its brand value in the domestic market;
- 4) Maximize profits and most recent business volumes, such as dairy products, which are placed in the market supported by one the country's best refrigerated logistic networks.

Following its strategy, in 2006 Perdigão acquired a 51% stake in Batávia, a milk-derived products producer. In November 2007, the company purchased the remaining 49% stake for US\$ 82 million. Perdigão also bought Eleva, a Rio Grande do Sul-based company that owns the Avipal (poultry business) and Elegê (milk producer) brands, in a transaction amounting to US\$ 1,1 billion involving 46% paid in cash and the rest to the incorporation of shares. Such moves placed Perdigão as the country's leading food company, ahead of Sadia.

In view of the risks inherent to Perdigão's business and the high capital volume required by the company's regular operations and growth strategy, keeping a good relationship with the capital markets is a distinguishing feature for the company.

Figure 1: Evolution of meat consumption in Brazil.



	Brazil	US	EU
Poultry	38,1	45,1	15,5
Beef	36,8	42,6	16,3
Pork	11,7	29,8	40,4
Turkey	1,4	8,0	3,3
Total	88	125,5	75,7

Table 2: Evolution of Perdigão's main financial results .

In US\$ x 1000.000	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	CAGR 1998- 2007
Net Revenues	1.031	874	980	1.014	1.006	1.234	1.684	2.144	2.393	3.402	14,20 %
Exports (% rev)	22%	29%	25%	37%	36%	42%	49%	48%	40%	41%	
Ebit	76	89	60	150	74	93	172	228	88	258	14,50 %
Ebit Margin	7%	10%	6%	15%	7%	8%	10%	11%	4%	8%	
Net Profit	50	26	25	70	3	40	102	150	54	165	14,10 %

Net Margin	4,9%	3,0%	2,6%	6,9%	0,3%	3,2%	6,1%	7,0%	2,3%	4,8%	
Net Debt	322	377	316	337	75	71	313	357	328	252	
Equity	402	291	308	280	233	246	335	509	967	1.654	17,00 %
Investments	111	106	120	55	35	23	38	117	293	440	16,50 %
Market Capital	220	334	309	253	172	338	877	1.259	2.284	4.221	38,90 %
Firm Value	557	734	670	625	463	689	1.144	1.578	2.612	4.473	26,10 %
Firm Value/Ebitda	5,4	6,6	7,5	3,6	4,5	5,5	5,5	5,7	13	10,9	

¹CAGR=Compound Average Growth Rate.

Shareholders' motivation regarding their interest to ensure liquidity to their stake

The purpose of this section is to assess whether the company's major shareholders are interested in ensuring liquidity to their stake, considering that it is not their intention to permanently hold their participation.

Analyzing this matter makes it necessary to understand Perdigão's background, particularly in terms of its capital structure. The company was founded in 1934 by two Italian families – Brandalise and Ponzoni – focused on pork trade and processing. Only in 1954 did it start its activities in the poultry market after the acquisition of a poultry farm. The 70s and 80s were marked by a sharp growth of the company's activities, without following a strategic planning framework. According to Uller (2002), from 1973 to 1985, Perdigão experienced 21 expansion moves (five internal developments and 17 acquisitions). In the late 80s, the company's businesses encompassed, besides the pork and poultry markets, the production of animal feed, tannery operations, wood, as well as the beef market with the acquisition of a cold storage warehousing in 1986. In 1981, the company went public, listing on the stock exchange, encouraged by the incentives provided by Brazilian development banks.

In 1986, WEG, a Brazilian electric motor manufacturer, acquired 10% of Perdigão's common stocks and 7.5% of the total capital. WEG SA is Latin America's largest electric motor manufacturer and is present in more than 50 countries. It was founded in 1961 by Eggon João da Silva, business administrator, Werner Ricardo Voigt, electrician, and Geraldo Werninghaus, mechanic, with a firm value of US\$ 7,5 billion in December 2007, after 70% appreciation in 2007. WEG's investment in Perdigão was part of a diversification project, encouraged by a severe crisis faced by the motor business from 1981 to 1984 and by the large growth potential expected for the food sector in Brazil and

globally. At that time, Perdigão sent efficient signs to the market by terminating its fruit, supermarket, gas station and sawmill activities; already had 6,000 employees; set a strong brand in Brazil; and seemed on track to recover from a severe crisis. WEG received dividends from Perdigão in the first year of the investment. Nevertheless, in 1988 and 1989, two stock issues were made, which were not welcomed by the market, and only the Brandalise made a capital increase in the company, causing a dilution for the remaining shareholders. The problems worsened in 1990 with the sharp recession arising from *Plano Collor*. As a result, in 1992, the Brandalise family, under the strong pressure by minority shareholders and lenders, hired a consulting company to assist Perdigão in building a professionalization project.

In January 1994, Banco Garantia, hired to assist the Brandalise family in selling the company, carried out a sales agreement to Banco JP Morgan (Bunge's partner), which was refused by Perdigão's Board of Directors. Mr. Eggon, Board Chairman, after conversations with representatives of some pension funds, which held debentures of the company since 1992, advised the sale of Brandalise's stake in Perdigão to the pension funds, and the process was wrapped up in a little more than one month.

In September 1994, the company's controlling stake was sold to eight pension funds for US\$ 150 million. From this amount, US\$ 70 million were booked as a capital increase in the company, and US\$ 80 million were used to settle the company's debt with the old controlling shareholders.

From 1994 to 1997, the company underwent a serious corporate, financial and administrative restructuring, which gave birth to a sole listed company, Perdigão S/A, and a sole operating company, Perdigão Agroindustrial S/A. In addition to the corporate restructuring, the 1994-97 period was marked by thorough changes in the company's management processes. After 1997, the results of the growth strategy implemented by the company started to emerge. Such strategy was concentrated in maximizing profits and minimizing risk factors based on the migration to less commoditized products in the internal market and expansion of its international activities.

In 2002, a purchase agreement was presented to the controlling shareholders, offering US\$ 5/share, when its market cap amounted to US\$ 3/share. The share's market cap was strongly discounted by the poor results disclosed by the company, arising from the ban on exports to Europe because of sanitary issues. The company maintained its growth strategy and invested nearly US\$ 180 million in the Rio Verde (GO) project from 1997 to 2004, corresponding to Perdigão's net worth at the time of the investment. The Rio Verde complex, located in the Brazilian Midwest, with lower costs and higher raw material quality, is an important competitive advantage to Perdigão.

In 2006, the company joined Bovespa's *Novo Mercado* listing segment, adopting, in its bylaws, a hedging mechanism against the risk of selling a more than 20% stake in the company for a too low

price, harming the current shareholders. If one shareholder buys more than 20% of Perdigão's shares, a public offering shall take place immediately, and the shareholders shall be paid the highest amount of the following: 1) 35% overpayment on the average price for the 90 days prior to the public offering; 2) company's economic value based on a renowned institution; or 3) 135% of the amount of the most recent capital issue made by the company in the past 24 months.

In July 2006, the pension funds and Weg Participações refused a hostile takeover bid by Sadia for US\$ 1.76 billion (the market cap on the day before the bid was US\$ 1.39 billion).

In October 2006, Perdigão raised US\$ 372 million by issuing primary shares in the market. The company's pre-funding market cap amounted to US\$ 1.55 billion. The funds have been used in expansion projects to other business segments, such as beef meat and dairy products.

In March 2006, WEG distributed the Perdigão shares under its ownership to its shareholders, proportionally to their stake. WEG Participações, as a shareholder of WEG SA, started to own a 5.45% stake in Perdigão, but in November 2006 it no longer had a major participation in the company. In December 2007, Perdigão's firm value totaled US\$ 4,5 billion, and most pension funds still held their stake in the company, with little changes (Table 3).

Given the lacking synergy between Perdigão and WEG, the latter was naturally interested in appreciating and improving the liquidity of Perdigão shares, in order to create an alternative to sell its investment via capital market, which was eventually a positive initiative for all the shareholders of Perdigão. This motivation, also shared by the pension funds, proved to be very much relevant to the corporate governance of Perdigão.

Table 3: Perdigão's corporate structure

Shareholders	December 2003	April 2006 ¹	December 2006	December 2007
PREVI – Banco do Brasil Pension Fund	15,3%	15,3%	15,7%	15,7%
PETROS – Petrobras Pension Fundl	9,3%	11,6%	11,8%	12,3%
SISTEL – Telebras Pension Fund	7,4%	6,4%	5,2%	4,5%

BNDES – FAPES - Pension Fund	7,7%	4,6%	3,7%	0,0%
VALIA – Vale do Rio Doce Pension Fund	4,1%	4,1%	4,1%	4,1%
Real Grandeza Pension Fund	3,5%	3,5%	2,9%	2,4%
PREVI – BANERJ - Banerj Pension Fund	1,5%	1,5%	1,2%	0,0%
Pension Funds Subtotal	48,9%	47,0%	44,6%	39,0%
Weg SA	7,5%	7,5%		
Treasury	0,3%	0,2%	0,3%	0,2%
Others	43,3%	45,3%	55,1%	60,8%

¹ Before 04/12/06, when Perdigão joined Bovespa's *Novo Mercado* listing segment, starting to hold just common shares.

Relationship between board members and between board members and the company's CEO

The good functioning of the Board of Directors is essential to effective corporate governance. It depends on power-balanced relationships between board members, and between board members and the company's top management. According to Montgomery and Kaufman (2003), the quality of such relationships is often threatened by the following: strong persuasion ability of the CEO, whose role strongly depends on actively engaging people in projects; CEO's large and thorough knowledge about the business; and natural inertia of the board that usually encourages a new board member to adhere to the existing framework, rather than building something new.

The purpose of this section is to assess the relationship between the board and the company's top executives to qualify the board dynamics. In the period analyzed, 1994 to 2007, the key relationship identified in the board dynamics was between Eggon da Silva, Board Chairman, and Nildemar Sechs, company's CEO since 1994.

Eggon da Silva, WEG's CEO up to 1989, joined Perdigão's Board of Directors in 1992, and a new shareholders' agreement made him Board Chairman in March 1993, representing a landmark in the company's professionalization process. In March 1993, an executive appointed by Bradesco, a Perdigão's lender at the time, took over as CEO, remaining in office for just 7 months and, in October 1993, Mr. Eggon became Perdigão's CEO on an interim basis, motivated by the possibility of rebounding the company, which involved nearly 30,000 families, including 12,000 families of employees, as well as families of integrated producers, suppliers and transportation service providers. At this time, WEG had already implemented a succession process and Mr. Eggon was a member of WEG's Board of Directors only. Perdigão's Board agreed that, up to December 1993, the controllers Brandalise should remodel the company's debt structure, considering the disposal of assets for this purpose.

In 1993, as Perdigão's CEO, Mr. Eggon, together with the company's directors, resumed the implementation of strategic planning actions, which were discontinued with the constant and severe crisis faced by the company.

In November 1994, with the assistance by a recruiting company, Nildemar Sechs was hired to take up as Perdigão's Director. Mr. Sechs – engineer, long-term employee at BNDES where he was Director of the institution, and former Ioché Maxion's Managing Director – took up as the company's CEO in March 1995 and, in late 1995, he hired a new CFO, Wang Wang, who had worked at Citibank and had been Mr. Nildemar's colleague in a master's degree course in PUC-Rio, in 1974. The other directors and employees were kept.

Based on interviews with Perdigão's current and former board members, executives and employees, it can be concluded that the operating dynamics of the company's Board of Directors is positive allowing for thorough and committed discussions based on significant and comprehensive data, previously presented to the company's board members. These dynamics were highly influenced by the mutual respect and admiration between Eggon da Silva and Nildemar Sechs.

Mr. Nildemar has been a member of WEG's Board of Directors since 1997 and, in October 2004, he was elected Board Chairman, replacing Mr. Eggon, who was 75 years old in that year, the maximum age allowed for a board member in WEG. This shows that, throughout the years, a mutual respect and admiration relationship was built between Mr. Eggon, Board Chairman, and Mr. Nildemar, Perdigão's top executive. The respect for the work performed by Mr. Nildemar, who was elected by business counterparties the best executive in the meat segment in 2004 and 2005, is also shared by the pension funds that own a stake in the company. Such funds played a major role in Perdigão's accomplishments in terms of corporate governance, keeping a good relationship with the company and supporting it to keep focus on and discipline in its growth strategy. They supported aggressive investments made by the company, which were made to the detriment of higher dividend distribution.

From the mentioned interviews, we also identified that principles such as ethics, simplicity, cost discipline and result-driven focus, enforced by Mr. Nildemar and Mr. Eggon, have been transferred to the company's culture and translated into internal processes, thereby minimizing the risk that the quality of Perdigão's corporate governance be menaced by the ongoing succession process.

7. Conclusions

This study assessed the quality of Perdigão's corporate governance based not only on formal aspects related to transparency, shareholders' rights, controls, quality of the board and executives, but also –

and mainly – on the controlling shareholders’ motivation in regard to quality of the business and liquidity expectations for their stake, as well as quality of top management and their relationships in guiding the company’s operations. The main conclusion of this study on Perdigão is that its renowned corporate governance quality arises from:

- Convergence in motivation of Perdigão’s controllers and minority shareholders. Though lacking short-term demands related to their investment, they did not intend to keep their stake forever.
- The volatility of the company’s results, coupled with the high working capital need of the business, encourages the search for cheap capital.
- The respect and admiration between Perdigão’s top executive and board chairman, developed during a long-term relationship, allowed for a good dynamics in board meetings, which became part of the company’s culture.
- The ethics, simplicity, cost discipline and result-driven focus of Perdigão’s top management have been transferred to the company’s culture, representing a competitive advantage and mitigating the dependence on its key executives.
- Although Perdigão, up to December 2007, did not follow the provisions set forth in governance guides concerning the independence of board of Directors, its reshuffling and the implementation of board advisory committees, this has not negatively affected the quality of Perdigão’s corporate governance, strongly influenced by the motivations and the profile of the company’s executives that are key to its governance.

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