

Companies Face the Fire:

Transparency in Information Disclosure and Respect for Shareowners are Differentiators to Attract Investment in Times of Scarce Resources

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Even though the future ramifications of the recent international financial crisis are not fully known, one thing is already certain: investors, throughout the world, are becoming more demanding in their selection of assets. And this selection will depend in large part on the standards of corporate governance adopted by companies. “There is a more selective atmosphere, which makes corporate governance more relevant”, highlights Mike Lubrano, director of Cartica Capital, an investment fund manager based in Washington. “Companies that want to create value through corporate governance will offer higher returns to investors”, he asserts.

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Without credit to finance and modernize its operations, a firm will gradually lose competitiveness. It is an observation that explains the increasing pressure on companies to adopt or improve their corporate governance practices. “If there isn’t competition in the markets, there isn’t competition for resources”, emphasizes Cartica Capital’s Lubrano. “The size and competitiveness of the Brazilian market is responsible for its having more advances in corporate governance than other countries in the region.”

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If the trend in Latin American companies is to adopt new concepts of business conduct, there are also political obstacles. Experience has shown that corporate governance closely follows the opening of economies and democratization. “If there are government monopolies, there won’t be competition in the private sector,” according to Lubrano. “The more open the economy, the more favorable will be the atmosphere and the more demanding will be the rules relating to corporate governance”, he affirms.

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Throughout the region – Brazil included – family firms predominate. Even in these cases, experience has shown that corporate governance can be a tool to generate value. “There is no contradiction between family business and a well-run company”, insists Lubrano. “What is important is that the family understands its correct role in the business and administers it professionally”, he highlights.

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