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CORPORATE GOVERNANCE PRACTICES AND THEIR EFFECTS ON ORGANIZATIONAL PERFORMANCE IN SMALL COMPANIES

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ABSTRACT

The dynamism evidenced in the market of micro and small companies (MSEs) and the excessive competitiveness to which these companies are subject, demand that the management of these businesses is more and more professional, assuming more rational, modern and less personalized administrative practices. Thus, this research is relevant to small companies, since it proposes to investigate whether the use of good corporate governance practices by these companies, as a tool for professionalizing management, can cause effects on organizational performance of these companies. It is a study of multiple cases, whose data collection was carried out through the application of a mixed questionnaire to the owners of the examined small companies. Thereby,

Key words: Principles of corporate governance. Good practice recommendations. Business performance. Multiple case study.

1 INTRODUCTION

The economic, social and political changes evidenced over the 20th and 21st centuries have led to the emergence and growth of corporate governance (RIBEIRO; CORREA, 2012). The concept of corporate governance involves practices and the use of rights and duties in organizations, enabling transparent management and aligned with corporate strategy (MASSI, 2016).

The benefits arising from the adoption of good corporate governance practices can be seen through the improvement of business management, which tends to contribute to the growth of the organization's reliability and its image before creditors, suppliers, financial institutions and the government, as well as , enable the achievement of strategic objectives, in order to improve the company's decisions (INSTITUTO SUPERIOR DE ADMINISTRAÇÃO E ECONOMIA, 2014).

In micro and small companies (MSEs) corporate governance can be defined as a management approach, a way of managing resources so that the profits of shareholders or quota holders are maximized (CHAGAS, 2003). These companies have unique governance characteristics, such as the concentration of decisions in the hands of a few shareholders or even the family group (DOMINGUES; MURITIBA; MURITIBA, 2013). In order to align with the requirements of the economic-financial market through strengthening management, small companies are increasingly adhering to corporate governance practices (SANTOS, 2015).

Small companies do not fully fit into corporate governance practices. However, the guidelines can be adopted in a partial and simplified way, in order to obtain quality reports, provide accurate information about the company's financial and equity position, performance

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and cash flows. However, the lack of knowledge and training of small business managers about best practices can mean the loss of countless opportunities in virtuous moments of the economy, as well as a serious risk to business survival in times of recession. It is therefore necessary for managers to fully understand corporate governance and its results in adding value, as well as consistent business growth (SANTOS, 2015).

This research is justified, therefore, by its peculiarity in addressing the theme of corporate governance in the important context of micro and small companies, by the contribution generated to small companies, through the consolidation of the literature on the theme, traditionally focused on larger companies. size, as well as the relevant field study carried out, which contrasted different corporate governance practices and evaluated their effects on the organizational performance of small companies, in order to highlight the causal relationship between the variables involved.

The dynamism evidenced in the SME market and the excessive competitiveness to which these companies are subject, demand that the management of these businesses be increasingly professional, in order to assume more rational, modern and less personalized administrative practices. However, the reality of MSEs shows that the deficiency in business management still represents one of the main drivers of small business mortality, according to studies carried out by the Global Entrepreneurship Monitor (2009). In view of this, the driving question of this research arises, which seeks to investigate whether the use of good corporate governance practices by small companies, as a tool for professionalizing management, can influence the organizational performance of these businesses.

As a general objective, we sought to assess the possible effects of using good corporate governance practices on the organizational performance of small companies. With regard to specific objectives, the present research focused on: a) conceptualizing and selecting the corporate governance practices most applicable to the small companies examined; b) conceptualize and select the organizational performance indicators most applicable to the small companies examined; c) assess the level of adherence of small companies consulted to the proposed corporate governance practices; and d) analyze the results of the companies examined according to the main performance indicators applicable to small companies.

2 CORPORATE GOVERNANCE

The corporate governance theme does not have a definitive and exact definition, given that it emerges from the convergence of the thinking of several authors and institutions. Therefore, it is possible to understand the definition of corporate governance from the appreciation of several explanations on the topic. One of these explanations infers that corporate governance is a system, where, from it, it is possible to direct, monitor and encourage organizations, in order to involve the relationship between the partners, the board of directors, the executive board, the supervisory bodies and controllers, as well as all those who are interested in the organization directly or indirectly (INSTITUTO BRASILEIRO DE GOVERNANÇA CORPORATIVA, 2015).

When there is no confidence in the organization's corporate governance or when this system does not exist within the company, conflicts of interest arise. About this, Andrade and Rossetti (2012) affirm that conflicts usually arise when shareholders have their focus on financial decisions and on maximizing resources, at the same time that managers seek to highlight business decisions based on strategies and business knowledge. Such conflicts end up being costly to the organization that has them. Thus, it is possible to define corporate governance, according to Silveira (2010), as a set of internal and external mechanisms that have the ability to mitigate agency costs, resulting from conflicts of interest between the organization's shareholders and administrators.

It is the consensus of the theorists who produced knowledge about corporate governance that it arose from the need to regulate the organizational interaction between owners and administrators, aiming at the elimination of conflicts of interest between these agents, thus guaranteeing the attendance to the interests of the various stakeholders of the company. organization.

2.1 Principles of corporate governance

According to the Brazilian Institute of Corporate Governance (IBGC) (2015), the set of good corporate governance practices is guided by four basic principles that refer to: transparency in the disclosure of information by the organization, regardless of legal imposition; fairness in the treatment of all the organization's stakeholders, striving for equality among all those interested in the business; accountability for all the organization's activities, in order to assume the consequences for acts and / or omissions; and corporate responsibility for the organization's economic and financial viability, in order to consider the various capitals involved in the activity.

The Organization for Economic Cooperation and Development (OECD) published, in 1999, the first version of the “OECD Principles on corporate governance” with the purpose of developing a set of rules and guidelines for corporate governance for companies with publicly traded investments. In 2004, this version was updated, thus covering six main themes: a) legal and institutional framework for corporate governance; b) shareholders' rights and functions related to their exercise; c) equitable treatment of shareholders; d) the role of other subjects with relevant interests in corporate governance (stakeholders); e) disclosure of information and transparency; and f) responsibilities of the management body (SILVA et al., 2006).

According to the Australian Securities Exchange (ASX) and the Corporate Governance Council (CGC), through the “Corporate Governance Principles and Recommendations”, the principles of corporate governance must be structured in eight central topics, namely: a) to establish solid bases for management and supervision; b) structure the direction to add value; c) promote ethical and responsible decision-making; d) safeguard the integrity of financial reports; e) make the disclosure timely and balanced; f) respect the rights of shareholders; g) recognize and manage risks; and h) remunerate fairly and responsibly (AUSTRALIAN SECURITIES EXCHANGE, 2014).

2.2 Good corporate governance practices and their application in small companies

From the understanding of the principles that support the theory of corporate governance, the best practices emerge in order to materialize these premises and make their application in organizations feasible. According to Santos (2015), corporate governance practices are necessary for any company, regardless of the size or stage of development, since they provide transparency in management and guarantee the improvement of the organizational structure.

The application of the concepts of corporate governance by small companies can be carried out in a simplified way, in order to adopt all the fundamental principles of corporate governance, without necessarily having to use all the recommendations of good practices, since, these principles constitute a basis for carrying out any of the practices (SANTOS, 2015).

Radaelli (2010) infers that, in some cases, it may be possible to use some corporate governance practices generally adopted by large companies, in small companies, especially with regard to the use of boards of directors, internal audit, creation of the code of ethics and conduct. According to the author, among the possible benefits that the adoption of good corporate governance practices can bring to small companies, the following stand out: improvement in management; professionalization of the company and its processes; greater transparency; and lower risks and associated costs. However, small businesses are often afraid of disclosing their information, and transparency could provide greater stakeholder confidence,

In the present study, the following spheres of activity will be considered for the description of the best practices suggested for small companies, taking into account the limitations of this type of organization: board of directors; internal audit; and business and ethical sustainability (conduct).

2.2.1 Administrative Council

The board of directors has a fundamental role in the decision-making process of an organization, especially with regard to its strategic direction (INSTITUTO BRASILEIRO DE GOVERNANÇA CORPORATIVA, 2014). For Andrade and Rossetti (2012), the board of directors is responsible for control decisions, while the executive management is responsible for management decisions. When an organization implements a board of directors, consequently, it starts to signal a high degree of professionalism, since it is willing to separate strategic decisions from the management process (SANTOS; ARAGAKI, 2015).

The study developed by Santos (2015) sought to filter the corporate governance practices that may be applicable to small and medium-sized companies. According to the aforementioned research, the board of directors is considered applicable to small companies, however with reservations. In other words, the board of directors must be simplified, which must be composed of all partners, even the least active, some experienced employee and an external consultant, aiming at consensual decision-making by the board.

In order to enhance the performance of the board of directors in organizations, the IBGC proposed some recommendations, which were selected only those judged to be applicable to small companies, and which will be detailed below (INSTITUTO BRASILEIRO DE GOVERNANÇA CORPORATIVA, 2014): 1) Every organization, regardless of its size, must take into account the creation of an autonomous and active board of directors; 2) It must be the responsibility of the board of directors to define the organization's principles and values, as well as, the zeal for its due compliance; 3) The board of directors must strive for alignment between the organization's decisions and actions and its principles and values, in order to control and act in case of deviations; 4) The board must seek to ensure that each stakeholder receives the benefits to which they are entitled, taking into account the type of link and the risk to which they are exposed; and 5) The board of directors should monitor the organization's financial and operational performance.

2.2.2 Internal Audit

Flozino and Silvério (2014) defined auditing as an accounting technique responsible for assessing the veracity of company documents and information and assessing whether they comply with current rules and legislation, and which should therefore be conducted by a specialized professional. Internal audit assists all levels of management with regard to the monitoring and surveillance of predetermined activities, in order to assess and recommend improvements to production processes and procedures, in order to mitigate the risks to which it is exposed (BISCALQUIM; VIEIRA, 2015).

Small businesses have operational procedures and administrative routines that are often prone to failure. However, small business owners end up not understanding that many internal audit techniques can be used in the company without high investments and managed by the owner or administrator, aiming at creating unique opportunities for planning an internal control system (LORENZONI; VIEIRA, 2013). The study by these authors revealed that there is the possibility of implementing internal control and audit systems in small companies, adapting them to the reality of these companies, and that this act can influence organizational success, especially with regard to the reliability of accounting information and the security in decision-making processes.

The recommendations of good corporate governance practices for internal audit activities are summarized in three and can be used by small companies to strengthen their internal controls: 1) There must be a strategic alignment between the organization and the internal audit practices ; and 2) It is the function of the internal audit to monitor the compliance of the governance agents with the applicable rules, as well as the due recommendation of the improvement of the internal controls, rules and procedures.

2.2.3 Conduct

According to the code of good practices developed by the IBGC (2015), organizations need to promote ethical principles and actions, sustained by responsibility, respect and concerns of a social and environmental order, aiming at enhancing identity and strengthening organizational culture.

IBGC (2015) defends the use of some resources for the development of an organization's conduct, which are: code of conduct, channel of complaints and committee of conduct. MSEs are faced with ethical issues of various types. However, managers' misconduct, tax evasion, corruption, questionable relationships with customers and suppliers are judged to be the most frequent in these types of companies (SROUR, 2013). In this way, the creation of a code of ethics by small companies can contribute to attracting and retaining talent in these organizations, for increasing the confidence of customers and suppliers, for reducing the risks of fraud, as well as for increasing access. from companies to financing,

According to the study developed by Teixeira, Bezerra and Almeida (2017), the implementation of a code of conduct in a small company can achieve significant results in the standardization of work, in encouraging the moral behavior of employees and managers and in teaching how to act in the face of unethical situations, thus helping to build an ethical identity for the company. The study also concluded that small companies, as they have a low administrative background for correct management, should seek tools that enable the improvement of their administration, with the code of conduct being an essential instrument for creating a foundation in the management of companies. .

The main recommendations of the IBGC (2015) for the way in which organizations develop their conduct, conditioned to the reality of small companies, according to the principles of corporate governance, can be summarized in: 1) The ethical principles and values supported by the organization must guide the development of the code of conduct; 2) The code of conduct should strive for transparency, mediation of conflicts of interest, protection of the organization's material and immaterial assets, regulation of internal and external relations and consolidation of good corporate governance practices; 3) The code of conduct should cover the actions of administrators, partners, employees, suppliers and other stakeholders, and should also be applied to the relationship between them; 4) The organization must create and foster an ethical and responsible organizational culture and values; 5) The code of conduct must be posted on the company's website, in order to facilitate access by all involved; and 6) Organizations should develop communication channels that assist in the realization and receipt of opinions, criticisms and complaints.

3 ORGANIZATIONAL PERFORMANCE

Analyzing organizational performance is of fundamental importance for the administration of an organization, being considered one of the main managerial elements. Through this analysis it is possible to monitor, compare and correct organizational performance, thus being fundamental for the organization's survival in the current competitive environment. In a context of globalization and market opening, where competitiveness is a determining factor for success, performance measurement systems have become indispensable (MACEDO; CORRAR, 2012).

Kaplan and Norton (1997), through the Balanced Scorecard (BSC), focus on organizational performance from four perspectives (dimensions): financial; client; internal processes; and learning and growth. The indicator system affects the behavior of people inside and outside the company. Therefore, it is of utmost importance to use the management and performance measurement systems derived from the strategies and capabilities for the survival and prosperity of companies. However, many companies advocate strategies based on customer relationships, core competencies and organizational capabilities, while motivating and measuring performance with financial measures alone.

Macedo and Silva (2004) affirm that the methods that consider financial and non-financial aspects are of paramount importance, considering that the performance can be affected by variables of both natures. Bonfim (2003) adds that there is a tendency to combine financial and non-financial indicators, also incorporating social and environmental indicators.

According to Rebehy (2001), small companies find it difficult to implement certain performance indicators, due to factors such as: lack of data; lack of information system; lack of people responsible for collection; lack of people with a view to processes; and lack of strategic planning. According to Souza and Arpino (2011), it is characteristic of small companies that they are unaware of the existence of performance indicators that allow monitoring the actions of companies, as well as they may be affected by the use of their suppliers, customers, competitors and even the government.

3.1 Non-financial performance indicators

In his study, Milost (2013) highlighted that non-financial performance indicators have advantages in comparison with financial performance indicators, given that it allows the explanation of certain relationships and situations that are not evidenced in the financial statements.

Nunes (2008) states that financial measures should not be overlooked during the evaluation of results and performances, as they are concrete evidence of the effects of all other measures. It also highlights that, in the past, companies made decisions based only on financial information, obtained through accounting. However, currently, decisions involve a greater number of variables, requiring managers to be very concerned with other non-financial indicators, among which we can mention: customer satisfaction; product quality; market share; customer retention; customer loyalty; innovation; and strategic skills.

According to the research conducted by Souza and Correa (2014), small companies tend to make little use of performance indicators. However, non-financial indicators are even less used by them when compared to financial ones. According to the aforementioned study, the most widely used non-financial performance indicators relate to production and the least employed are linked to social and environmental responsibility.

The sustainability index was proposed in order to be a self-assessment tool for MSEs, using the main sustainability indicators and indices present in the literature to define the variables of environmental, social and economic aspects of the sustainability of an SME (LEONETI; NIRAZAWA ; OLIVEIRA, 2016).

Regarding biodiversity, Leoneti, Nirazawa and Oliveira (2016) say that the consumption of local resources contributes to the development of the region in which the company operates, as well as defending the preservation of the environment, assessing and addressing the risks that companies offer to the ecosystem. According to them, the sustainability index indicates that it is possible to develop friendly and easy-to-use performance indicators for small companies, given their prominent role in the national economy. The sustainability index for MSEs was created based on the conceptual model recommended by Delai and Takahashi (2008). The model in question proposes a reference for measuring corporate sustainability,

3.2 Financial performance indicators

The main objective of private companies is to measure profit and distribute it to the partners responsible for investing in the business. Through the analysis of the financial statements it is possible to carry out the calculation of indices, in order to evaluate the past, present and projected performance of the organization, either in comparison with standards of its field of activity, or in a time series analysis (BLATT, 2001). The main financial indices used can be separated into five groups, namely:

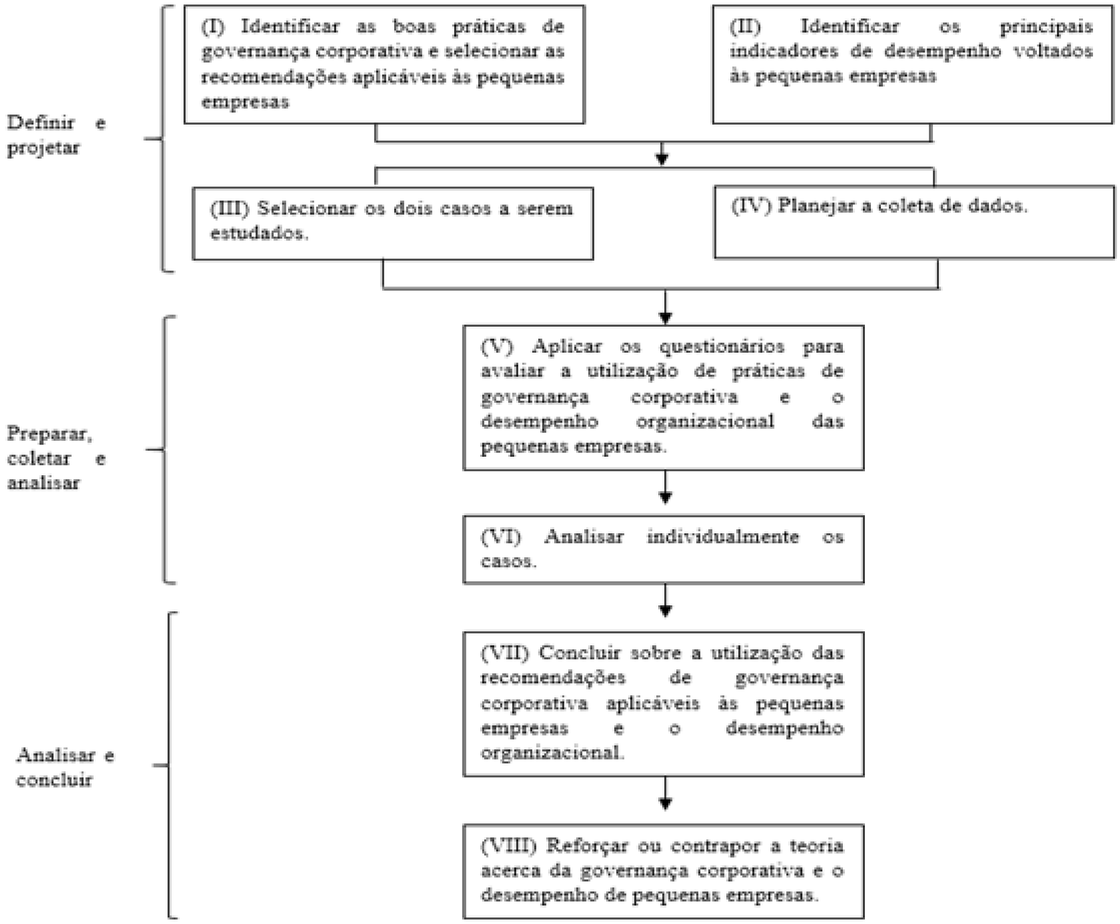
a) Capital structure indexes: these are financial indicators that demonstrate the company's level of indebtedness, informing whether the company uses more of its own resources or of third parties' resources (BLATT, 2001). They show the proportion between equity and third party capital (RIBEIRO, 2001);
b) Liquidity or solvency ratios: demonstrate the basis of the company's financial situation, being a sign of the organization's ability to pay (BLATT, 2001), showing the degree of solvency of the company due to the existence or not of financial strength (RIBEIRO , 2001);
c) Profitability or profitability indexes: they serve to measure the economic capacity of the organization, showing the degree of economic success obtained by the invested capital (RIBEIRO, 2001; MATARAZZO, 1995);
d) Rotation or activity indexes or average terms: they are obtained by comparing the elements of the statement of income for the year (DRE) with elements of the balance sheet (BP), showing the time required for the renewal of the asset elements (RIBEIRO, 2001). Measures the organization's efficiency in managing its assets, such as accounts receivable, accounts payable and inventory turnover (BLATT, 2001);
e) Working capital need (NCG): it is obtained by the joint analysis of average terms, revealing the organization's financing, growth and profitability strategies (MATARAZZO, 1995), showing the excess or lack of operating current assets (ACO) in relation to current operating liabilities (PCO), focusing on purchases, their processing and storage, their sale, the receipt of duplicates and the payment of suppliers, salaries, taxes and other operational charges (BLATT, 2001).

4 METHODOLOGY

In this work, we chose to use the case study method, which, Yin (2015) characterizes as a deep and exhaustive study of the object of investigation, allowing a wide and detailed knowledge of the reality and the researched phenomena. As understood by Yin (2015), the current research is classified as a multiple case study, given that two companies, classified as small companies (EPP), were selected to carry out the investigation in question. The choice of the two participating companies was based on Yin's proposal (2015), which suggests that each case be carefully selected so that similar results can be predicted (literal replication) or can produce contrasting results, but for previously known reasons (replication) theoretical). Like this, the companies selected in this research differ from the point of view of corporate governance practices and organizational performance and were chosen with a view to comparing the different cases. Therefore, according to the classification of Yin (2015), the present research is a study of multiple cases with theoretical replication. This time, after a careful selection of the cases to be studied in the present work, two contrasting companies were selected in terms of the use of corporate governance practices and organizational performance. Hereinafter referred to as Company A and Company B. the present research is a study of multiple cases with theoretical replication. This time, after a careful selection of the cases to be studied in the present work, two contrasting companies were selected in terms of the use of corporate governance practices and organizational performance. Hereinafter referred to as Company A and Company B. the present research is a study of multiple cases with theoretical replication. This time, after a careful selection of the cases to be studied in the present work, two contrasting companies were selected in terms of the use of corporate governance practices and organizational performance. Hereinafter referred to as Company A and Company B.

The research model adopted used the recommendations of Yin (2015) for studies of multiple cases with theoretical replication. Thus, in the initial moment, it was sought to develop the theory involved in the research, which comprises the themes of corporate governance and its main recommendations for good practices (I), as well as the study on organizational performance and its indicators (II), directed to the reality of small businesses. In the next step, a thorough selection of the cases to be studied was carried out, in order to meet the theoretical replication approach. Therefore, two contrasting cases were chosen regarding the use of corporate governance practices and organizational performance (III).

Figure 1 - Methodological flowchart of the research



Source: Adapted from Yin (2015)

The later stage started with the conduct of the case studies. For this, the questionnaire (IV) was elaborated, according to a Likert-type scale. After that, in each company studied, the questionnaire was applied to the maximum managers in order to evaluate the use of corporate governance practices by the small companies consulted and the organizational performance of these companies (V). Subsequently, the data collected were analyzed individually, in order to identify the position of the companies studied in the light of good corporate governance practices and their environmental, social and economic performance (VI). Then, it was sought, from the preparation, collection and analysis of the extracted data,

4.1 Data collection instruments

In the data collection, the interview method was used, through the application of a mixed questionnaire (open and closed questions) to the owners of the companies consulted. The questionnaire in question was made up of a data collection form for the company and the manager, followed by 28 questions. It was built following Likert's recommendations, using a 4-point scale of possible answers, and freedom to argue the chosen answer. The application of the questionnaire in the companies surveyed aimed to collect data from companies and managers, as well as identifying how adept the companies studied were in relation to corporate governance practices, as well as identifying the position of these companies before the indexes performance targets.

Table 1: Theoretical basis of the corporate governance questionnaire

GOOD CORPORATE GOVERNANCE PRACTICES		
QUESTION	THEORETICAL FOUNDATION	REFERENTIAL
Q1	When implementing a board of directors, the company consequently starts to signal a high degree of professionalism. The board of directors is considered applicable to small companies, however with reservations. The board of directors for small businesses should be simplified.	Santos (2015); Santos and Aragaki (2015).
Q2	It is necessary to use some resources for the development of an organization's conduct, which are: code of conduct; reporting channel; and conduct committee.	Srour (2013); IBGC (2015).
Q3	Accountability is part of the list of corporate governance principles. Accountability, through accounting reports, provides security and transparency to stakeholders, in order to assume the consequences for acts and / or omissions.	IBGC (2015).
Q4 and Q5	Transparency in the disclosure of information by the organization must be achieved regardless of legal imposition. The disclosure of information and transparency must be carried out by any company.	IBGC (2015); Silva et al (2006); ASX (2014).
Q6	Internal audit assists all levels of management with regard to the monitoring and surveillance of predetermined activities, aiming to mitigate the risks to which it is exposed. Small businesses have operational procedures and administrative routines that are often prone to failure. However, small business owners end up not understanding that many internal audit techniques can be employed in the company without high investments and managed by the owner or administrator, aiming at creating unique opportunities for planning an internal control system.	Biscalquim; Vieira (2015); IBGC (2015); Lorenzoni and Vieira (2013).
Q7 and Q8	The code of conduct, whistleblowing channel and conduct committee are resources used to develop the conduct of an organization. MSEs are faced with ethical issues of various types. However, misconduct by managers, tax evasion, corruption, questionable relationships with customers and suppliers are seen as more frequent in these types of companies.	IBGC (2015); Srour (2013); Instituto ethos (2013); Teixeira, Bezerra and Almeida (2017).

Source: The authors of this work

To guide the making of the questionnaires applied to the companies consulted, concepts were used in detail presented in the theoretical basis of this study, which were summarized in Tables 1 and 2.

Table 2: Theoretical basis of the performance indicators questionnaire

PERFORMANCE INDICATORS		
QUESTION	THEORETICAL FOUNDATION	REFERENTIAL
Q9	The liquidity ratios demonstrate the basis of the company's financial situation, being a sign of the organization's ability to pay.	Blatt (2001); Ribeiro (2001).
Q10 and Q11	Profitability indices are used to measure the economic capacity of the organization, showing the degree of economic success obtained by the invested capital.	Ribeiro (2001); Matarazzo (1995).
Q13 and Q14	Indebtedness indices are financial indicators that demonstrate the company's level of indebtedness, informing whether the company uses more of its own resources or third party resources.	Blatt (2001); Ribeiro (2001).
Q14 and Q15	Activity index with regard to the average term for receiving sales, financial cycle and cash generation.	Blatt (2001); Ribeiro (2001).
Q16	The education, training and development of employees has the purpose of increasing performance, enabling them to exercise new and future career positions, in addition to training them for life.	Delai and Takahashi (2008)
Q17 and Q18	Remuneration aims to motivate, attract and retain talent. Motivated and satisfied employees tend to perform better, impacting the organization's profitability.	

Q19	The organization must be concerned with the health and safety of employees, in order to minimize the occurrence of accidents, occupational diseases, as these factors impact productivity.	
Q20 to Q23	Many companies advocate strategies based on customer relationships, such as degree of satisfaction, retention, loyalty and winning new customers.	Kaplan and Norton (1997); Nunes (2008); Delai and Takahashi (2008).
Q24	The good company-government relationship helps to protect the organization, in addition to minimizing possible financial losses (fines) and reputation problems. Compliance with tax obligations is crucial to the company's long-term sustainability.	Delai and Takahashi (2008)
Q25 and Q26	The use of materials efficiently, with waste reduction, results in a reduction in material, processing and disposal costs. The greater the reuse or recycling of materials, the less waste is generated and the consequent impact of the organization of natural sources.	
Q27	More efficient equipment can generate greater savings in energy consumption.	Leoneti, Nirazawa and Oliveira (2016)
Q28	The consumption of local resources contributes to the development of the region in which the company operates	

Source: The authors of this work

5 ACCESSION OF SMALL COMPANIES TO CORPORATE GOVERNANCE RECOMMENDATIONS

The results obtained from the data collection made it possible to highlight the positioning of the companies consulted regarding the recommendations of good corporate governance practices. Thus, it was found that companies have different behaviors in most of the points proposed by the governance theory applicable to small companies. Thus, it was found that, regarding the use of a simplified board of directors that helps in making important decisions of the organization, signaling a high degree of professionalism (SANTOS, 2015; SANTOS; ARAGAKI, 2015), company A showed itself more in line with the recommendation. Company B, however, does not have technically qualified professionals in its staff, nor a board formed for joint decision-making.

Table 3: Behavior of small companies regarding good corporate governance practices

ITEM	RECOMMENDATION	BEHAVIOR	
		COMPANY A	COMPANY B
Administrative Council	Implement a simplified board of directors, formed by partners, qualified and experienced professionals, who assist in the company's decision making.	Its staff is technically qualified professionals for decision-making in a consultative and joint manner.	There are no joint decision-making, which is at the discretion of the business owner.
Organizational principles and values	Use practices that promote the development of solid organizational principles and values in the company, through formal instruments and widely disseminated throughout the company.	It has internal regulations that determine the principles and values of the company, frequent guidelines for aligning employees aiming at the dissemination of the principles and values defended by the MPE.	It does not have practices aimed at defining and disseminating the company's principles and values.

Accountability	Perform the frequent rendering of accounts, professionally, through accounting and management reports.	It has a computerized system that performs the financial, accounting and managerial control of the company, generating reports that enable informed decision making.	It does not have professionalized financial control, which makes due accountability impossible.
Transparency	Usually disclose to stakeholders relevant information about the company's situation in the various spheres, regardless of legal imposition.	It does not have practices for disclosing information to stakeholders. However, it provides reliable information to financial institutions.	It does not have practices for disclosing information to stakeholders. However, it provides reliable information to financial institutions.
Audit and internal controls	Employ simplified techniques and professional internal auditors for frequent monitoring of the company's results and internal procedures.	It has the practice of frequently monitoring its processes through the computerized system and regularly supervises its internal procedures.	It does not have the practice of professionally monitoring its accounts and internal procedures.
Ethics and Organizational Conduct	Create procedures that promote the defense of the organization's ethics and conduct.	It has the practice of holding internal meetings between management and employees.	It does not have procedures aimed at defending ethics and organizational conduct.

Source: The authors of this work

With regard to the recommendation to create a code of ethics and / or conduct that promotes ethical principles to be followed by everyone in the organization and raises the level of internal and external trust in the company, increasing the value of its image and reputation, as well as, the implantation of a denouncement channel that allows the reception of opinions, criticisms, complaints and denunciations of the collaborators (INSTITUTO BRASILEIRO DE CORPORATE GOVERNANCE, 2015; SROUR, 2013; ETHOS INSTITUTO DE EMPRESAS E SOCIAL RESPONSABILIDADE, 2013; TEIXEIRA; BEZERRA; ALMEIDA, 2017), the companies showed different behaviors regarding this advice. Company B was distant from these recommendations, while company A adheres to the recommendation in question with greater intensity,

6 ANALYSIS OF AEB COMPANIES 'PERFORMANCE INDICATORS

With regard to the liquidity index and the ability to pay against corporate bonds (BLATT, 2001; RIBEIRO, 2001), company A presented a satisfactory result, having full conditions to honor all obligations. While company B presented an unsatisfactory result, not being able to comply with its obligations, frequently delaying payments from suppliers and employees, in addition to tax obligations.

Table 4: Performance of small companies according to financial indicators

INDICATORS		EXPECTED PERFORMANCE	PERFORMANCE PRESENTED	
			COMPANY A	COMPANY B
Financial indicators	Liquidity ratios	The company is expected to have the capacity to honor its obligations.	It has full conditions to honor with all obligations.	Unable to honor with all your obligations.

	Profitability ratios	The company is expected to make a profit at the end of each period.	It presented satisfactory results in the last financial years.	It presented unsatisfactory results in the last financial years.
	Capital structure indexes	Most of the assets are expected to be financed by equity. Or that the debt is contracted for investment in capital goods, technology.	Estimates the use of 50% of third party capital and 50% of own capital for investments and financing of assets.	Most of its equity is used to finance its assets.
	Activity indexes	The average term for receiving sales is expected to be sufficient to honor the company's obligations.	The deadline for receiving sales is sufficient to comply with obligations.	The deadline for receiving sales is sufficient to comply with obligations.
		It is expected that the deadline for payments from suppliers is longer than the deadline for receiving sales and inventory turnover.	The volume of sales made in the period in question is enough to pay the suppliers.	The volume of sales made in the period in question does not allow to honor the company's obligations within the established term.

Source: The authors of this work

As for the profitability indexes evidenced in the company's profit and possible return on invested capital (RIBEIRO, 2001; MATARAZZO, 1995), the manager of company A was satisfied with the performance of his company, which ended the last financial years with a positive balance, ratifying the decision to invest in its business, considered as profitable, which justifies all the investments made over the years. Company B, in turn, was dissatisfied with the performance presented in the last financial years, due to the difficulty found in honoring its commitments, justified by the decline in its sales revenue since 2015, ending the years with numbers below than expected.

Table 5: Performance of small companies according to non-financial indicators

Non-financial indicators	Work practices	The company is expected to conduct training with its collaborators.	The company conducts training for its collaborators.	The company does not train its employees collaborators.
		It is expected that the company does not present significant problems with the attendance of employees.	The company has no problems with employee attendance.	The company has no problems with employee attendance.
		The company is expected to act in accordance with applicable laws labor.	The company acts in accordance with the laws labor.	The company does not comply with the laws labor.
		The company is expected to have no problems significant changes in occupational health.	The company has no problems with occupational health.	The company has no problems with occupational health.
	Customer relationship	The company is expected to win new customers.	The company is satisfied with the conquest of new customers.	The company is dissatisfied with the conquest of new customers.
		The company is expected to retain its active customers.	The company is satisfied with customer loyalty customers.	And the company is very satisfied with customer loyalty.
		It is expected that the company will be able to respond to complaints and	The company responds to customer complaints and suggestions.	The company answers complaints and suggestions.

		suggestions.		
		It is expected that data from customers are preserved.	The company preserves customer data	The company preserves customer data
	Public sector	The company is expected to comply with all its tax obligations.	The company complies with all its tax obligations.	The company does not comply with all its tax obligations.
	Tailings and waste	The company is expected to have a collection policy selective waste collection and separate waste for recycling.	The company does not perform selective collection and does not separate waste for recycling.	The company does not perform selective collection and does not separate waste for recycling.
	Energy	The company is expected to use more energy-efficient equipment.	The company uses more energy-efficient equipment.	The company uses more energy-efficient equipment.
	Biodiversity	The company is expected to use resources from the region in which it operates.	The company does not use resources from the region in which it operates.	The company uses resources from the region in which it operates.

Source: The authors of this work

As for the sustainability indexes, social performance indicators were used through the variables: practices at work; relationship with clients and the public sector; in addition to environmental performance indicators by means of the waste and waste, energy and biodiversity variables. Company A, in terms of work practices (DELAI; TAKAHASHI, 2008), presented a very satisfactory result, since it conducts training of its employees, does not present problems related to attendance, acts in compliance with labor laws, standing out that all employees have a formal contract and receive all the rights provided for in the current legislation, in addition to not having any problems with occupational health. Company B, in turn, in terms of work practices, it presented satisfactory results regarding the absence of problems with occupational health, as well as the attendance of employees. However, it presented unsatisfactory results with regard to employee training, having no training policy.

Regarding environmental performance (DELAI; TAKAHASHI, 2008), companies A and B presented a similar result, based on the variables of waste and waste, companies A and B presented unsatisfactory performance, both do not perform selective garbage collection, as well as , do not separate waste for recycling. Tables 4 and 5 summarize and compare the performance of the surveyed companies against the financial and non-financial performance indicators applicable to small companies.

7 FINAL CONSIDERATIONS

After the analytical stage, the present study suggested the possible existence of a causal relationship between the use of good corporate governance practices by small companies, as a tool for professionalizing management, and their organizational performance, answering the main question of this research. As for the possible effects of using good corporate governance practices on the performance of small companies, the present study observed that it is possible that adherence to the governance recommendations proposed by this research has a positive influence on most of the performance indicators analyzed. Such indication was inferred from the individual analysis of good corporate governance practices and the performance of the indicators that are linked to the recommendations.

In compliance with the general objective of this study, which sought to assess the possible effects of the use of good corporate governance practices on the organizational performance of small companies, the most applicable corporate governance practices to small companies were conceptualized and selected, which, the board of directors, organizational principles and values, accountability, transparency, audit and internal controls, as well as ethics and organizational conduct. Similarly, the organizational performance indicators most applicable to small companies were conceptualized and selected, divided into financial indicators, composed of the liquidity, profitability, capital and activity structure indices, and the non-financial indicators, formed by the practice indices. of work,

When assessing the level of adherence of companies consulted to good corporate governance practices, it was possible to conclude that company A was more adept, given that it adheres, even in a simplified way, to the recommendations regarding the board of directors, principles and organizational values, accountability, auditing and internal controls, as well as ethics and organizational conduct, not complying only with recommendations regarding transparency. Company B, in turn, had a lower level of adhesion, considering that it does not follow any of the guidelines for good corporate governance practices.

After analyzing the results of the companies examined, according to the main performance indicators applicable to small companies, it was found that company A outperformed company B in financial indicators, specifically in liquidity, profitability and activity indices, as well as in non-financial indicators, through the indices of work practices, customer relations and the public sector. Company B, in turn, performed better than company A in the financial indicator that refers to the capital structure index, as well as in the non-financial indicator referring to the biodiversity index.

In this tuning fork, considering the due reservations and limitations, it was possible to suggest that adherence to the recommendations of good practices for the board of directors can generate positive effects in all indicators, financial or not, and it is pertinent to conclude that the implementation of a board of directors , even if simplified, can enhance the financial and non-financial indicators of a small business. Similarly, it is assumed that adherence to recommendations concerning organizational principles and values and organizational ethics and conduct, may have acted as a factor inducing the good performance of non-financial indicators, specifically on the indices of work practices, public sector and relationship with customers,

Likewise, it was found that adherence to good practices with regard to accountability and audit and internal controls, may have contributed to the performance of company A's financial indicators, since, for measuring liquidity financial ratios, profitability, indebtedness and activity, it is necessary to frequently render accounts, professionally, through accounting and management reports.

Figure 2: Effects of adherence to good corporate governance practices on performance

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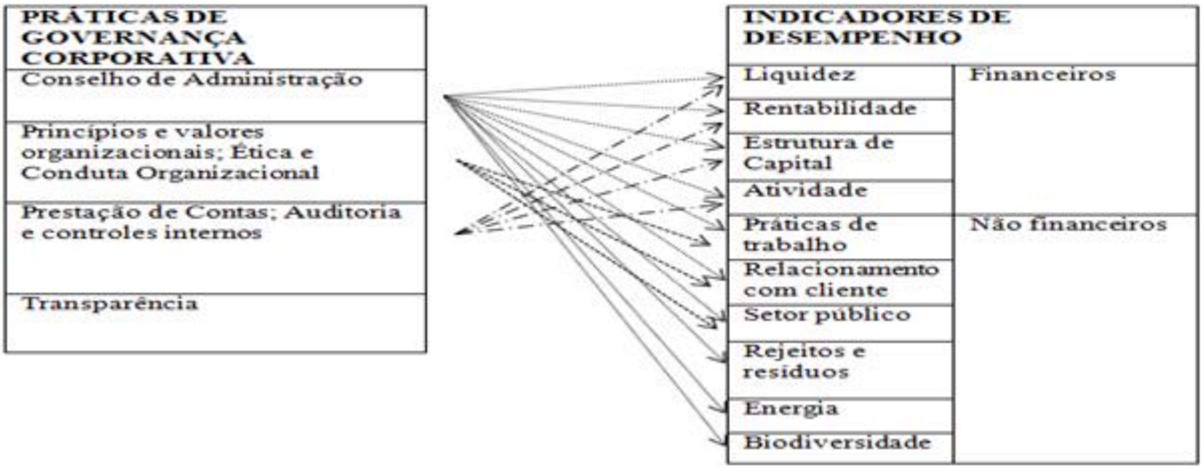

Source: The authors of this work

On the other hand, it was not possible to identify the direct effects of the recommendations of good governance practices regarding transparency on the performance of the financial and non-financial indicators of the companies consulted, given that both companies had the same behavior regarding the adherence to that practice. That said, the importance of the present study stands out, especially with regard to the selection of the main recommendations for good corporate governance practices that, when used by small companies, can result in performance enhancement. This time, the present research was able to offer theoretical and practical tools capable of assisting in the development of the literature about the professional management of small companies.

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