CORPORATE GOVERNANCE FOR FINANCIAL MANAGEMENT

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SUMMARY
The objective of this paper is to highlight the importance of corporate governance for the financial management of business organizations. In this sense, a bibliographical research was chosen as the methodology. Corporate governance gives credibility to organizations by providing financial information that determines the decision-making of their internal and external clients. In this case, the financial manager who practices it as a form of governance needs to demonstrate characteristics and skills focused on ethics and transparency so that the financial performance of the organization is achieved through a systemic vision and correlated to the internal and external sectors of the companies, permeated both by good governance practices and by increasing investment capital. In this way, corporate governance plays an important role in contributing to organizations in minimizing risks, debt and increasing the market value of the companies that practice it, as they see it as a factor of respect for those who invest their capital in a business aiming at the profitability of their investment.
Keywords: Corporate governance, Financial management, Risks.

1 INTRODUCTION

It is a fact that, regardless of the industry, risks, debt and a drop in market value always affect organizations due to their heterogeneity, which influences performance. However, there are specific management strategies that can minimize them and increase financial performance. One of these strategies, Corporate Governance (CG) for Financial Management (FM), is extremely important in this regard.

Also addressed in Brazil, GC is a good governance practice because it strengthens ties between controlling managers and investing managers, allowing transparency and ethics that make investors want or not to participate as shareholders in companies and, in this way, increase the investment capital of emerging companies (Silva*et. al.*, 2017) and developing countries (Nascimento*et. al.*, 2018).

Thus, the objective of this work is to highlight the importance of GC for the FM of business organizations. Based on a bibliographical research, the work was developed in order to understand the importance of Global Financial Management for decision making, to perceive the characteristics of the*Chief Financial Officer*(CFO), understand the dynamics of GC and analyze the influence on the treatment of data and information for operations in the financial market and, finally, outline the conclusions of this study.

2 CORPORATE GOVERNANCE

Different constructs are created according to the needs of the market marked by economic crises. Among these constructs, Corporate Governance (CG) is a theory that dynamizes tangible and intangible resources of organizations. Roughly speaking, it is equivalent to a “[...] new way of organizing relations between companies and the financial market” (Grün, 2003, p. 139).

Melo*et. al*. (2013) also highlight this relationship between tangible and intangible resources in which GC establishes a link with the company's performance. Considering that this strategy is intrinsic to previously competing theories in the area of Administration, the author considers that they currently generate the contribution of these theories and add GC as a form of strategic management based on the Theory of Dynamic Competences, due to [...] its role in coordinating the interdependence of the firm's tangible and intangible resources (Melo*et. al*., 2013, p. 84). In other words, the dynamics of GC consist of the fact that companies must adopt a management model that highlights their accounting situation and respect for minority shareholders so that disadvantageous market situations are considered with regard to changes in the business sector or in the investment region, as a dimension based on shareholder rights, ethics and transparency between managers and shareholders.

Because, Birth*et. al*. (2018) highlight that this conception of governance has a positive relationship with the company's value in the market. In their study from the perspective of the relationship between CG, risk and debt and the impacts on the financial performance and value of Brazilian organizations listed on the BM;FBOVESPA, between 2013-2015, Nascimento*et. al*. (2018, authors' emphasis, p. 168) highlight that, with regard to larger companies, there is a relationship between CG and “'Indebtedness' and 'Market Value', 'Risk' and 'Financial Performance' and between 'Governance' and 'Market Value'”. Whereas, for smaller companies, this relationship occurs between 'Risk' and “'Market Value', 'Governance' and 'Financial Performance' and between 'Governance' and 'Risk'” (Nascimento*et. al*., 2018, p. 168).

In line with the size variable for evidence of good CG practices, that is, management based on “[...] transparency, equity, accountability*(accountability)*and corporate responsibility [...]” (IBGC, 2015 as cited in Silva*et. al*., 2017, p. 55), which influences these variables regarding the size of the organization, Silva*et. al*. (2017) consider, as a result of their research, that larger companies tend to maintain them due to the fact that these organizations are susceptible to external investors. Therefore, these practices demonstrate a global financial management for decision-making that is not permeated by conflict of interests of its internal and external customers, who, in turn, aim at the profitability and survival of the organization.

Second Birth *et. al*. (2018), another variable that contributed to the analysis between GC, risk, debt and market value, is time, in which the control of the year demonstrated political and economic instability.

In this case, it can be seen that, as the authors consider, size and time are variables that need to support the relationship between GC and factors that are important for the survival of organizations and their investors. This occurs based on a systemic view of what GC is, requiring specific actors and actions based on a critical analysis of its processes.

2.1 CHARACTERISTICS AND COMPETENCIES OF THE *CHIEF FINANCIAL OFFICER*

Responsible for all financial actions, the CFO contributes and participates in decision-making and manages an organization's expenses and revenues, and has occupied a place of substantial importance in the organizational hierarchy in recent times.

Their characteristics and skills encompass aspects involving forecasting and analysis for risk management in guiding decision-making regarding investments made by, for and in the company in the accounting, administrative and economic spheres. Experience in one of these specific areas of academic training can contribute to expanding the performance of a CFO. For example, the exceptions found in Campelo's research *et. al*. (2011) regarding the time of experience and forecast related to the degree of understanding of financial managers of companies in the electricity sector regarding qualitative accounting information for decision-making that, above all, give rise to characteristics of this professional regarding predictive value and value of *feedback.* Given the market transformations that have taken place, it is therefore important to add that there are other characteristics and skills to be demonstrated and developed by the CFO in addition to risk management and the talent to guide decisions based on experience and academic training, as pointed out by Campelo. *et. al*. (2011): mastery of technology, ability to manage people, ability to establish strategies and ease of adaptation[58].

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[58] Available at: https://syhus.com.br/2018/01/25/cfo-do-futuro-6-caracteristicas-e-habilidades/. Accessed on: 21 Mar. 2021.

2.2. GLOBAL FINANCIAL MANAGEMENT FOR DECISION MAKING

As highlighted, GC is developed by management mechanisms that foster the intrinsic relationship between the interests of managers and shareholders. These interests, once in conflict, allow situations of business risk to arise in organizations.

Economic and financial management with good CG practices, based on providing information to its users so that decision-making is permeated by it. This mechanism considers internal and external customers, minimizing risks.

In this sense Santos, Vasconcellos and De Luca (2015, as cited in Silva*et. al*. 2017, p. 56) consider the “[...] risk associated with conflict of interests and the risk of information asymmetry as the two main types of risks arising from internationalization and which tend to increase companies’ transaction costs”.

In this way, both controlling managers and investing managers can, based on the information, plan and project their finances and investments based on the profitability, return and survival of their businesses.

FINAL CONSIDERATIONS

In a competitive and informational market, GC contributes to ensuring that the credibility of organizations is evidenced based on financial data that determines decision-making by both controlling managers and investing managers.

Since the CFO contributes to decision-making in organizations, with practices of this type of governance, based on the financial and investment sector, its characteristics need to be focused on ethics, transparency and also on shareholders' rights so that financial performance is achieved based on systemic and correlational analysis between these internal and external sectors of the organization. The main actor in this process, the CFO, uses important good governance mechanisms both to demarcate good governance practices and to increase shareholder capital in companies and, consequently, in the country where these companies are located.

This observance contributes to minimizing risks, debt and increasing the market value of companies that practice GC mechanisms, as they allow investments to increase the economy and survival of organizations that observe it as a factor of respect for those who invest their capital in a business aiming at the profitability of their investment.

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