ISSN: 2047 - 0398
SPECIAL ISSUE – VII|4|N|12| May | 2015

A STUDY OF FINANCING DECISION IN BRAZILIAN ELECTRICITY SECTOR COMPANY ACCORDING TO LUHMANN'S SOCIAL SYSTEMS APPROACH

Karen Priscilla da Cunha Gavioli
Universidade Presbiteriana Mackenzie
Rua da Consolação, 896 - São Paulo – SP, Brazil
E-mail: karencgavioli@gmail.com

Johan Hendrik Poker Junior
School of Applied Sciences, University of Campinas – UNICAMP
R. Pedro Zaccaria, 1300 - Caixa Postal 1068, CEP 13484-350 - Limeira - São Paulo, Brazil
E-mail: johan.poker@fca.unicamp.br

ABSTRACT

This article analyzed financing decisions of a large, public company of the electricity sector, Elektro Eletricidade e Serviços S.A., answering questions related to the way financial theories, market information, policies of external agents, corporate structure, organizational culture and cognitive routines interact in the organization in order to reach a decision. For this purpose, we used the case study methodology, through a semi-structured interview, supported by a prior complementary secondary data research, and subsequently analyzed it with an approach adapted from Seidl & by Becker (2006) proposal, in which the organization can be seen as a Luhmannian social system. Resulting from this analysis, we identified different influence forms of the factors listed above in financing decision-making process, classified in decision-making premises in accordance with the model followed. We could find elements showing the simultaneous presence of trade-off and pecking order theories for the organization financing decisions, a particularity explained by the regulated nature of the sector of the company studied. As well as signaling framework and agency cost framework roles in the adoption of organizational decision-making policies.

Keywords: *capital structure, decision-making, Luhmannian social system.*

1. INTRODUCTION

Theories developed to guide and to support financing decision-making process in companies, particularly capital structure theories, contribute with a structured approach to the problem by the organizations. The focus of these theories has been to identify policies and practices that translate theories for application in the organizations. However, from experiences with theory application emerges the concern about the decision-making process of organizations, when applying policies and related practices. We mention the criticism, still actual, from Barton & Gordon (1988) to the fact that "... in the case of capital structure, financial economy should also provide a consensus about which factors affect the selection of a specific position of indebtedness".

Emerging issues in this vision include: (1) the way in which theories are incorporated in the organizations decision; (2) the way in which decisions are made; (3) the set of information on which decisions are based; and (4) the influence of external agents in this decision-making process.

Although rare in finance research, qualitative methodological approaches have gained space and proven relevant in case studies on the adoption of new policies and practices and their integration in decision-making process of organizations, being emblematic corporate governance studies. Given the broad nature and exploratory of the issues presented here, characteristics of qualitative studies, the methodological approach involved the use of semi-structured interview, with a finance department manager of a company in the electricity sector, Elektro Eletricidade e Serviços S.A., whose content was analyzed by the case study methodology.

For interviews interpretation, we adopted a vision of the organization according to the Luhmann's social systems theory, as proposed in Seidl & Becker's article (2006), in order to cover the whole influence of capital structure theories on decision-making of the organization. We analyzed the presence of indicative elements of capital structure theory in the decisions made by the organization, particularly the evidence of trade-off hypothesis, agency cost framework, signaling framework and pecking order hypothesis.

This study contributes to: (1) the application of an incorporation analysis of capital structure theories in financing decision-making process of a public organization of Brazilian electricity sector, Elektro Eletricidade e Serviços S.A.; (2) bring a structure proposal for future studies which consider financial theories impact on decision-making process of organizations through Luhmann's social systems; (3) the decision-making theory, when empirically applying Seidl and Becker's proposal (2006), that is, analyzing the organization as a Luhmannian social system, in which the decision shall be at the heart of the organizational studies.

2. CAPITAL STRUCTURE IN BRAZIL

In Brazilian market we can observe difficulties and risks in processes involving the mobilization of financial resources in the long term. For this reason, control and informational policies desired by strategic plans provide an alignment of activities of the financial area with objectives, values and mission of the organization and investors (SCHNORRENBERGER & PROCIANOY, 2004).

The capital structure study was developed based on the reasoning developed in Modigliani and Miller's study (1958). By incorporating the assumptions of the original model, a theory that has been called trade-off hypothesis was developed. In short, the organization must compare gains and potential risks (trade-off) of indebtedness, seeking a value in the index that maximizes shareholders return and not increasing risk of the business.

However, between the premises of the original model, an item stands out as an impediment to approach by trade-off. This approach does not take into account agency costs arising from information asymmetry and intentions among participants agents of the process. From this limitation comes the proposition developed by Jensen & Meckling (1976), called agency cost framework. This contextualization contributes to the development of internal control policies in organizations, in order to align organizational behavior to the interests of investors.

Another significant contribution was the Ross-workers' study (1977), which exposed through signaling framework the difficulty of clearly conveying to external agents the reasons that led the organization to make certain decisions and, consequently, the risk of investors and financers to commit interpretative fallacies based on insufficient information.

As a result of this trajectory, another important collaboration was the study on pecking order hypothesis. Myers & Majluhf (1984) proposed in this theory that organizations can make a financing hierarchy at a lower cost due to signaling and information asymmetry. Thus, the higher the company profit, the less indebted by reserving cash for future operations, avoiding the need for loans or issue securities.

In Brazil, several studies have found negative correlations between profitability and indebtedness, such as Tedeschi (1997), Gomes & Leal (2001), Schnorrenberger & Procianoy (2004), Terra (2002) and Bastos & Nakamura (2009). Also in the study by Matsuo *et al*., (2006), it was observed the relationship between managers (insiders) and investors (outsiders) and their impact on capital structure, finding evidence of agency costs arising from information asymmetry. In this case, encouraging the pecking order theory, the organization, by maximizing the value of the company, should consider the signaling effects to the market and information asymmetry, in accordance with a dynamic model of decision.

3. DECISION-MAKING AND LUHMANNIAN SOCIAL SYSTEM PROPOSAL

Studies of decision-making processes are an important aspect of the development of organizational theories. Classical authors such as March & Simon (1958) and Simon (1965) among others, contributed to the decision-making studies. In these studies, the approach relates the individual as the key actors in decision-making.

There was a significant development of the theory in corporate strategy field, with authors such as Mintzberg (1976) and Nutt (1984, 1992 and 1998) who developed theories of strategic decision-making process, in which the decision was considered strategic by being, in Corbacho & Battaglia (2008) synthesis: "Important in terms of taken actions, committed resources or established precedents and by its decision-making process not being structured, that is, new, uncertain, it did not occur previously so there is no explicit and predetermined set of ordered answers in the organization".

The strategic decision-making process definition, as established in the strategic management theory, does not fit properly to financing decisions, as these, although important as taken actions, committed resources and even established precedents, can be considered structured decisions, even though uncertain and complex, thanks to financial theories existence to support them.

In addition to this financing decisions feature, when addressing the decision-making process as an individual reasoning application process for an action to be taken, the decision-making theory in the organizational theory

ISSN: 2047 - 0398
SPECIAL ISSUE – VII|4|N|12| May | 2015

and in the corporate strategy theory reduces the organization to its individuals. However it is possible to state that there are elements in financing decision-making process beyond this individual dimension, such as procedures and internal policies (programs), previous experience of the organization, financial theories that provide support and culture of the organization; without ignoring the cognitive routine influence of involved subjects in decision-making process.

As an alternative to incorporate this reality, it is possible to analyze organizations as a Luhmannian Social System, as suggested by Seidl & Becker (2006). When addressed by a social systems approach as Luhmann'stheory, the organizations can be seen as: "(1) processes that exist by constantly building up and rebuilding itself through the use of indicator distinctions of what is part of its domain and what is not; (2) organizational processes belonging to a *sui generis* social sphere, having its own logic, which cannot be identified as belonging to actors or human subjects; (3) a special type of social process characterized by a specific distinction type: the decision, which reveals what is specifically organizational about the companies as social phenomena" (SEIDL & BECKER, 2006).

By defining organizations as social systems, Seidl & Becker (2006) consider the last phase of Luhmann's work, who worked primarily with distinction theory (*re-entry*) of George Spencer Brown and the autopoietic theory. This vision of the organization as a Luhmannian social system, allows perceiving the company as a complex system, but whose essence is the decision, with no individual reductions proposed by the decision-making theory or the unique vision reduction of the organization, such as financial theories grounded in traditional economic theory.

The sociological theory of the organization as proposed by Luhmann turns the decision not into a mental process (and therefore individual), but in a communicative process. Without excluding the possibility, however, that individual mental operations assume a similar way. The decision, in Luhmann, takes the form of **communicative decision**, which will contain, in it, both the decision taken, as the alternatives. As such, communicative decisions are paradoxical by containing within it the alternatives that allow its refutation (SEIDL & BECKER, 2006).

To be successful, communicative decisions should be accompanied by communication provisions, whose function should constitute **decision-making premises** (SEIDL & BECKER, 2006). Decision-making premises act as **uncertainty absorptions**, as defined originally by March & Simon (1958):
"Uncertainty absorptions occur when inferences are developed from a set of evidences, and inferences, instead of evidences, which are notified".

For the specific purpose of financing decisions, theories interpretations and organization's prior decisions are a specific type of decision-making premise called **program**, corresponding to decision-making premises that define criteria for correct decision-making in the organization, for being grounded in evidence and for achieving desired results in previous situations. They can be of **conditional** type: "If-then", where the formulation is "if this is the case, then do it", or it can be of **target** type, as "increase the market value of the company."

Other decision-making premises include: **recruitment and staffing**, corresponding to the management team constitution criteria of the organization and assignment of their responsibilities; **communication channels** corresponding to the incorporation criterion of decision-making premises (organization of the organization), as hierarchical and/or matrix structures adopted in the organization and the power delegation policy adopted.

And a special group, premises that the organization has as a side result of decisions taken, called in the theory as **not-determined** decision-making premises, since they are not formally incorporated into the premises. These premises are composed of **organizational culture**, referring to the way the organization deals with its own decision-making processes and **cognitive routines**, corresponding to how the organization is conceptualizing the environment for and by its participants (SEIDL & BECKER, 2006).

For Luhmann's social systems theory, decisions are not made by "decision makers", but are consequences of previous decisions that made up decision-making premises, including among these premises the decision maker characteristics, which were part of a previous decision-making process of the organization. In this approach, the "decision maker" is an organization fiction to assign reasons for the decision, for example, considerations on rationality based in organizational motivations or personal career, which end up reflecting, ultimately, the decision-making premises of the organization (SEIDL & BECKER, 2006).

By analyzing the organization, employing the Luhmann's social systems theory, the expected effect is that emerging contents of the study are not restricted by reductions due to the individual or the organization approach.

4. FINANCING NEEDS IN THE BRAZILIAN ELECTRICITY SECTOR

Since 1995, with the Brazilian electricity sector restructuring, the importance of ensuring the generation of electricity has been discussed, in order to ensure the consolidation of national economic growth. This debate was intensified in the 2001 energy crisis and its consequences, as the rationing program.

With the establishment of the new regulatory framework of 2004, the control measures designed to bring functionality to the electrical system also brought the need to reduce the risks and uncertainties arising from the activity, since the sector is characterized by high complexity, high investments, long maturation time limit and financing needs of large magnitude (OLIVEIRA & BEYS, 2010).

In Brazil, according to Alves *et al.*, (2006), the electricity consumption has grown considerably – higher than the GDP (Gross Domestic Product) – and to meet this demand it is necessary to continually invest in new projects. Investment projects for the electricity sector are expensive, thus the companies in this sector require a large investment volume at affordable costs and long-term to achieve acceptable returns.

Given this context, the financing decisions study in the Brazilian electricity sector is of fundamental importance, both to assist in the survival and performance of organizations and for national economic development.

5. METHODOLOGICAL PROCEDURES

The methodology used in this article was an exploratory descriptive type, based on the collected data enabling the description of the social phenomenon studied. According to Richardson (2009), the qualitative approach is an appropriate way to understand the nature of a social phenomenon as the decision-making process, because in qualitative research there is a strong relationship between the researcher and the informant, thus enabling that more detailed information of the phenomenon studied is revealed. According to Godoy (1995), qualitative research has social environment as a direct source of data and the researcher as a key tool.

This type of research aims to understand the world of the interviewed, and elaborations used by him/her to substantiate his/her opinions and beliefs (SILVA *ET AL*., 2010). To Merrian (1988), the qualitative case study stands out in individual, heuristic and inductive character, enabling a description of a well-defined phenomenon. By using it, it is expected to achieve a method of looking at social reality (GOODE & HATT, 1968).

The survey was developed and applied in order to identify: (1) the way in which theories are incorporated in the organizations decision; (2) the way in which financing decisions are made; (3) the set of information in which decision-making is based; and (4) the influence of external agents in this decision-making process.

Data collection was done through a single interview with an open and semi-structured questionnaire, with the main objective to understand the meanings given in the questions and also in related situations. From the collected data, it was possible to propose an organization decision-making model, in which were identified contexts of different moments when the company suffered change in its capital structure.

As for the exploratory part of the research, Silva *et al*., (2010) characterizes it by involving an almost analog proximity to the induction and the context in the organization, that is, it requires a greater amount of information to be collected in order to reduce the subjective interpretation. Because of this need, the work of collecting data primarily comprises in-depth research of articles and news about the company studied. At this stage of the research process, we developed a framework by which it was possible to understand the speech of the interviewed manager. We searched information regarding the corporate structure of the organization, its role in the industry environment and the main events of the company during the period analyzed (2005-2010). This data structure composed the environment in which the organization decided between its financing alternatives.

The information obtained by this first examination of secondary data was the basis to develop the semi-structured questionnaire used in the interview with the interviewed manager, and they were then analyzed.In this research we noted the organization as a Luhmannian social system, by employing in the interviews analysis the discourse classification within categories, encompassing the different decision-making premises, proposed in Seidl & Becker (2006) article.

6. ANALYSIS OF THE RESULTS

We collected as data for the preparation of this research financial and market information of the company Elektro Eletricidade e Serviços S.A. The information included its financial performance, its indebtedness evolution, its indebtedness composition and, finally, the main events that could indicate change in capital structure, as follows in Tables 1, 2 and 3, respectively.

ISSN: 2047 - 0398
SPECIAL ISSUE – VII|4|N|12| May | 2015

Table 1: Financial performance of Elektro Eletricidade e Serviços S.A. Source: Capital IQ

Annual Balance referring to	2005	2006	2007	2008	2009	2010
Currency (R$ Million)						
Gross revenue	2201.2	2277.0	2256.1	2512.5	3120.3	3368.9
Growth %	13.4%	3.4%	(0.9%)	11.4%	24.2%	8.0%
Gross profit	813.3	911.2	835.8	777.3	1011.7	909.4
Margin %	36.9%	40.0%	37.0%	30.9%	32.4%	27.0%
EBITDA	756.4	877.0	823.2	630.1	737.9	802.4
Margin %	34.4%	38.5%	36.5%	30.0%	27.9%	28.1%
EBIT	643.6	757.8	702.0	630.1	737.9	802.4
Margin %	29.2%	33.3%	31.1%	25.1%	23.6%	23.8%
Net Revenue	658.3	501.7	466.9	391.8	567.7	450.4
Margin %	29.9%	22.0%	20.7%	15.6%	18.2%	13.4%
Earnings per share	3.398	2.589	2.409	2.022	2.783	2.208
Growth %	41.7%	(23.8%)	(6.9%)	(16.1%)	37,70%	(20.7%)

Table 2: Capital structure and debt profile of Elektro Eletricidade e Serviços S.A.

Annual balance referring to	2005		2006		2007		2008		2009		2010	
Currency (R$ Million, %)												
Total debt	928.1	47.0%	919.0	46.4%	760.6	41.3%	906.1	45.1%	1108.9	45.4%	1095.5	44.5%
Total equity	1035.1	53.0%	1060.2	53.6%	1082.4	58.7%	1103.0	54.9%	1333.9	54.4%	1368.1	55.5%
Total capital	**1953.2**	**100.0%**	**1979.2**	**100.0%**	**1843.1**	**100.0%**	**2009.2**	**100.0%**	**2442.8**	**100.0%**	**2463.5**	**100.0%**
Bank loans	128.6	14.0%	121.1	13.2%	225.3	29.6%	307.3	33.9%	413.8	37.3%	555.9	50.7%
Notes and Debentures	789.5	86.0%	797.9	86.8%	522.1	68.6%	572.4	63.2%	670.6	60.5%	521.4	47.6%
Capital leasing	-	-	-	-	13.2	1.7%	30.0	3.3%	24.5	3.3%	16.7	1.5%
Total debt	**918.1**	**100.0%**	**919.0**	**100.0%**	**760.6**	**100.0%**	**909.7**	**100.0%**	**1108.9**	**100.0%**	**1094.0**	**100.0%**

Source: Capital IQ

Table 3: Main events that may impact on capital structure of Elektro Eletricidade e Serviços S.A. between 2005 and 2010

Date	Event
04-Aug-10	Issuance of debentures worth R$ 180 M
21-Dec-09	Extraordinary dividends (R$ 0.364)
05-Jan-09	Extraordinary dividends (R$ 0.365)
05-Jun-08	Investment of R$ 8.4 M
05-May-08	Stock split 1:2000
02-Jan-08	Extraordinary dividends (R$ 0.015)
03-Dec-07	Extraordinary dividends (R$ 0.167)
17-Apr-07	Investment of R$ 6.0 M
27-Dec-06	Investment of R$ 5.7 M
07-Dec-06	Investment of R$ 30.0 M
17-Oct-06	BNDES loan extension worth R$ 161 M
16-Aug-06	Investment of R$ 45 M
19-May-06	Investment plan worth R$ 220 M
20-Mar-06	Investment plan worth R$ 220 M
21-Sep-05	BNDES loan worth R$ 100 M

Source: Capital IQ

After secondary data analysis, we designed a semi-structured interview guide, in which can be highlighted groups of questions relating to: (a) relationship with the Elektro Eletricidade e Serviços S.A. controller during the period analyzed, the Spanish energy company Iberdrola S.A. and its main financial agent, BNDES (Brazilian National Development Bank); (b) financing decision-making processes in significant events for the company, both listed in Table 3 as perceived as relevant by the interviewed; (c) procedures, practices and hierarchical relationships; (d) organizational culture; (e) succession and management process structure; (f) objectives and strategic planning for the financial area; (g) influencing factors of the company's indebtedness profile.

ISSN: 2047 - 0398
SPECIAL ISSUE – VII|4|N|12| May | 2015

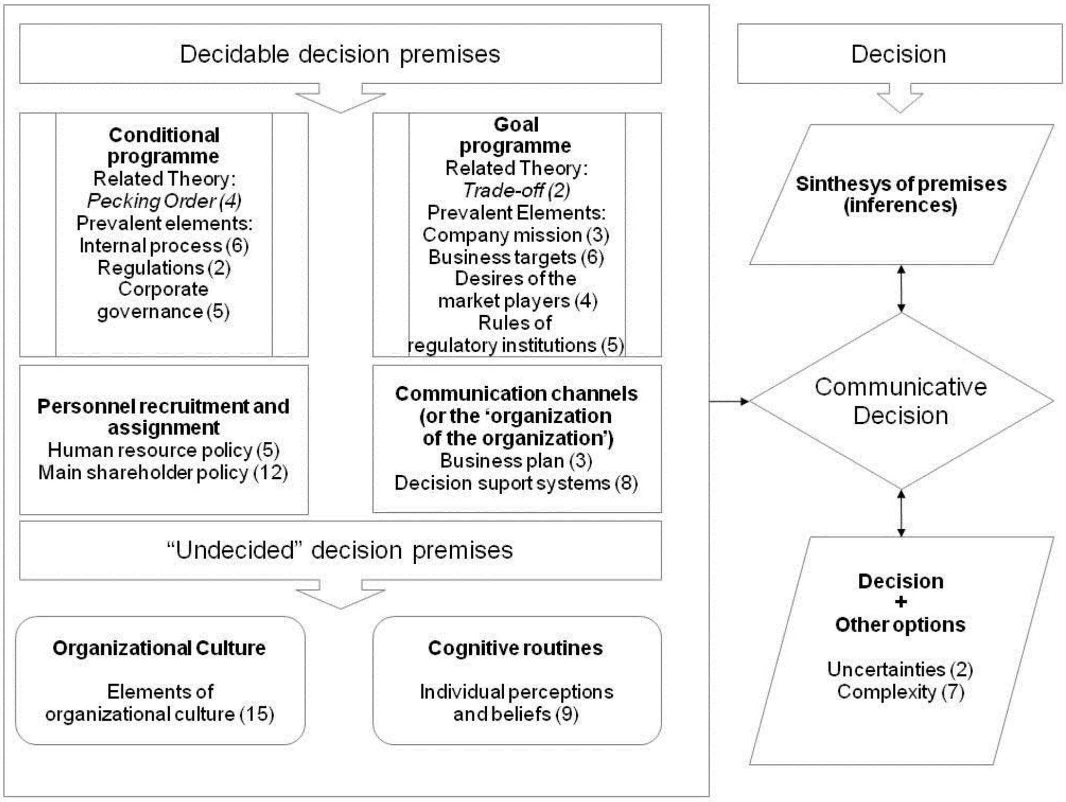
The interview answers were then classified into phrases, preserving their context, with emotion interjections, uncertainties and other feelings perceived, and they were grouped and categorized in a representative Luhmann's social systems structure, as proposed by Seidl & Becker (2006) to be used in organizations. In Figure 1, we can observe analysis proposition and record of the frequency of phrases whose meaning indicated relationship with the structured categories.

We performed a pre-analysis stage, considering the linguistic materiality of the interview, where it was considered the empirical conditions of the text, to decode the most important indicators present, which are connected to the decision social system, such as: different situations, words, verbs and intentions. These indicators helped us to classify the phrases, which were then grouped and summed by their frequency.

Conceptually, the decision-making premises act by absorbing decision-making process uncertainties, without, however, eliminating all uncertainties present in financing business activities, as shown in Figure .1 In the components of Communicative Decision, some uncertainties remain. Additionally, we identified frequent mentions regarding the complexity of the financing process, as we can observe in the interview: "We share with Iberdrola S.A. only high-value decisions, above the determined, or when the project is Elektro Eletricidade e Serviços S.A. initiative," "When a project is approved, it goes through the executive management, which has a cell that assess which financial institutions have lower cost" and also "In moments that decisions are out of planning they are the board responsibility." Both events demonstrate the phenomena described by agency cost framework and by the signaling framework.

It can be observed in Figure 1 the identification of elements that go beyond the capital structure theories in the literature. In particular, classified as not-determined decision-making premises, there are elements of the discourse that reveal the non-structured influence of the environment where the interviewed is inserted into his/her decision-making process, as various elements of organizational culture, an element which lack studies on its implication in the capital structure, perceptions and beliefs of individuals.

Figure 1: Financing decisions as communicative decisions



Source: elaborated by the authors, (num) stands for frequency of assertions

Regarding organizational culture, during the interview it was highlighted that Elektro Eletricidade e Serviços S.A. has "a lot of autonomy in decision-making", a mature management, making clear all the processes, which generates confidence to its investors. Regarding the interviewed, we could identify beliefs such as: "Processes are not bureaucratic, they are well formalized in order to be documented," "The argument, to be presented to the shareholder, must be better structured, otherwise it is not accepted."

It is relevant to consider the not-determined decision-making premises definition on this interpretation, where these factors are derivations of previous decisions taken by this or others individuals in or outside the organization, which composes the individual decision framework.

Back to the proposals of the study, in the analysis of the classified elements and presented in Figure 1, there are arguments to assume that:

1 - Capital structure theories (pecking order and trade-off) are incorporated in a conscious way in the organization decision, as programs. Although the theories are mutually excluder, both are mentioned directly in the interview, while characteristics of both are implied in processes, objectives, standards and regulations. This phenomenon is explained by the conflict between the decision-making premises of different origins, in this case, the controller, wanting to maximize its return within the risk parameters, and the regulator agency of the ANEEL sector (Brazilian Electricity Regulatory Agency), whose objectives for operators of the system include an arbitrary indebtedness ceiling of no more than 50% of Total Capital. The importance of theories in the decision-making process in the discourse studied is significant, characterizing the decision-making capital structure as a structured process, whose decision has deep consequences on the company performance, causing reduction in uncertainty and complexity, although not eliminated by structuring the decision, as shown in Figure 1;

2 - Financing decisions are taken in a structured way, based on previous experience and relying on financial theories and market rules and regulations, corresponding to programs (conditional and objectives). As conditions in the procedures and objectives, Elektro Eletricidade e Serviços S.A. tries to be below the ANEEL maximum level, while maintaining a healthy level, besides, debts are limited with restrictions, such as EBITDA net debt cannot be higher than 2.5, and in case it occurs it is necessary to require creditors' approval. Although there is influence of cognitive routines and, especially, organizational culture, the latter, called not-determined decision-making premises, can be considered both as evidence of agency cost framework as evidence of possible cognitive biases acting on indebtedness decision, encouraging behavioral finance and cultural influence studies in this area;

3 - The information on which decisions are based includes all varieties of decision-making premises and not-determined premises, and the higher frequency of mentions in the interview indicates preponderance of decision-making premises, particularly programs, of both objectives and conditions. Among the not-determined premises, higher frequency of organizational culture mentions stands out, an element that exposes the presence of non-formalized and collateral policies to decision-making premises of the organization, which can be a factor of influence in financial decisions. For example, Elektro Eletricidade e Serviços S.A. has an initiative in which, in fundraising projects, frequently forwards the decision for shareholders to formalize the process. However, according to the interviewed view, these are necessary measures to ensure that the procedure keeps stable;

4 - Financing decisions are made with the direct and indirect participation of various agents of the organization and outside the organization. Direct holding includes both the objectives and conditions, while indirect holding involves the description of assignments and team selection and decision support. Among the objectives there are contradictory objectives such as required by the regulatory agencies and by the financial result objectives, making the financing decision for the electricity sector, in general, and specifically for Elektro Eletricidade e Serviços S.A., into a complex and non-trivial activity. Agencies also impose objectives to the electricity sector, and all the financial planning needs to be suitable for these objectives. We observed this issue in the case of sale of shares to the controller Iberdrola S.A.; BNDES did not approve it due to rules of not funding controller exchange, therefore it was necessary Elektro Eletricidade e Serviços S.A. to pay all the debt with BNDES to complete the sale.

7. FINAL CONSIDERATIONS

Analyzing the organization as a Luhmannian social system and structuring it according to the model proposed in Figure 1, we found among the decision-making premises the theoretical basis arising from capital structure theories, both as objectives and as conditions, and the statements relating to objectives resorted to the argument lined to trade-off theory, while the conditions established for financing attributed to the decisions premises of pecking order theory.

In addition to policies and practices recognized in capital structure theories, we identified other **objectives** influencing financing decision: organizational objectives, references taken from market agents and objectives determined by regulator organs. Except electricity sector particularities present in objectives determined by

ISSN: 2047 - 0398
SPECIAL ISSUE – VII|4|N|12| May | 2015

regulator organs, other objectives indicate that for the studied company, the alignment of capital policy practices with strategic planning is intense.

In **conditions** observed in the case study, we identified decision assumptions as processes, standards and corporate governance policies that affect the financing decision-making process, most of these cases demonstrated managers' concern in mitigate agency costs by making formal, known and uniform the adoption procedures of the different forms of financing.

In turn, we identified at various moments the importance of **activities assignment** on the team responsible for financing decisions; distribution of tasks was described as following technical competence criteria, hierarchy and validation mechanisms of the identification processes of financing sources, need and time, all approved ultimately by the controller. A clear description of responsibilities and assignments according to hierarchical and technical level aims minimizing agency costs and market signaling which are present in the mechanism of monitoring the managers' activities responsible for the financing decision.

When analyzing the elements present in **communication channels**, a component in the model responsible for the review of what should or should not be in the decision-making premises, we identified at least two ways to review the premises: by organization revisions of the strategic planning, but also by the decision support mechanisms, that is, the decision-making premises are implemented by reference to specialists (market and academy), electronic systems, training and scientific and technical articles.

In this study, we identified elements of what is classified in the Luhmannian social system conception of **not-determined decision-making premises**. Among elements of this category that were present in the analyzed interview, there were organizational culture and cognitive routines, aligning to the category definition, although they have not been formally introduced in decision-making process, were among the decision premises with potential to modify the decisions made. Thus, we observed that despite financial theory has a structuring decision role, it is not alone in weighted factors when making a decision, leading to the need to study further the roles of organizational culture and individual values and beliefs in capital structure decision.

We obtained evidence of consistent policies in the studied organization, highlighting the adoption at various moments of pecking order hypothesis and trade-off hypothesis elements, inserted in financing decision-making premises of the studied organization. Identification of the influence of both theories in decision-making was only possible when addressing the situation using Seidl & Becker's proposal (2006), adapted.

With this research we could understand how the financial theories, market information, policies of external agents, corporate structure, organizational culture and cognitive routines interact in a complex and dynamic way in financing decision process of a large, public company. This understanding brings elements that can be applied to new studies, with the prospect of getting elements non-privileged by theory previously, nevertheless present in the decision dynamics of organizations and may be the embryo of a systemic model for capital structure studies.

REFERENCES

Alves, D. L.; Ribeiro, K. C. S.; Mantese, F. A. O. (2006). Governança corporativa e o desempenho das ações de empresas do setor elétrico. *UFB.*

Barton, S. L.; Gordon, P. J. (1987) *Corporate* Strategy: Useful Perspective for the Study of Capital Structure? *The Academy of Management Review*, Vol. 12, No. 1 (Jan.), pp. 67-75.

Bastos, D. D.; Nakamura, W. T. (2009) Determinantes da estrutura de capital das companhias abertas no Brasil, México e Chile no período 2001-2006. *Revista Contabilidade & Finanças - USP*, São Paulo, v. 20, n. 50, p. 75-94, maio/ago.

Corbacho, V.; Bataglia, W. (2009) O processo decisório em redes de parcerias colaborativas na indústria farmacêutica do estado de São Paulo. *Anais do ENANPAD*.

Gomes, G.L.; Leal, R.P.C. (2000) Determinantes da estrutura de capitais das empresas brasileiras com ações negociadas em bolsas de valores. In: LEAL, Ricardo P.C. *et al*. *Finanças Corporativas. Coleção Coppead de Administração*. São Paulo: Atlas.

Godoy, Arilda S (1995). Introdução à pesquisa qualitativa e suas possibilidades. São Paulo: *Revista de Administração de Empresas - RAE*, v.35, n.2, pp. 57-63.

Jensen, M.; Meckling, W. (1976) Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. New York, *Journal of Financial Economics*, v.3, pp. 305-360.

March, J. G.; Simon, H. A. (1958) Organizations. New York, NY: John Wiley.

Matsuo, A. K., Rochman, R. R., Eid Júnior, W. (2006) Estrutura de capital no Brasil: uma revisão dos estudos de 1998 até 2005. São Paulo: EAESP/FGV.

Merrian, S. B. (1988) Case study research in education. A qualitative approach. San Francisco (CA): Jossey-Bass.

Mintzberg, H.(1976) Planning on the left side and managing on the right. *Harvard Business Review*, July/August, p. 49-58.

Modigliani, F.; Miller, H. M. (1958) The cost of capital, corporation finance and the theory of investment. Nashville: *American Economic Review*, 48, pp. 261-297.

Myers, S., Majluf, N. (1984) Corporate financing and investiment decisions when firms have information that investors do not Have. San Francisco: *Journal of Financial Economics*, v. 13, n. 2, jul.

Nutt, P. C. (1984) Types of Organizational Decision Processes. *Administrative Science Quarterly*, 29, p. 414-450.

Nutt, P.C. (1992) Formulation Tactics and the Success of Organizational Decision Making. *Decision Sciences*, vol. 23, 519-540.

Nutt, P.C. (1998) *How* Decision Makers Evaluate Alternatives and the Influence of Complexity. *Management Science*, vol. 44, no. 8, 1148-1166, Aug.

Oliveira, L. R.; Beys, F. N. (2010) Análise das práticas de governança corporativa em empresas do setor de energia elétrico brasileiro. *Anais do ENANPAD*.

Richardson, R. J. (2009) Pesquisa Social. São Paulo: Atlas, pp. 79-102, 3.ed., 10. reprint.

Ross, Stephen A. (1977) The determination of financial structure: the incentive-signaling approach. CA, Santa Monica, *Bell Journal of Economics*, v.8, n.1, pp. 23-40.

Schnorrenberger, A., Procianoy, J. L. (2004) A influência da estrutura de controle nas decisões de estrutura de capital das companhias brasileiras. Rio de Janeiro: *Revista Brasileira de Economia* v. 58, n. 1.

Seidl, D., Becker K. (2006) Organisations as distinction generating and processing systems: The contribution of Niklas Luhmann to organisation studies'. *Organization* 13: 9–35.

Silva, A. B.; Godoi, C. K.; Mello, R. B. (2010) Pesquisa qualitativa em estudos organizacionais: paradigmas, estratégias e métodos. São Paulo: Saraiva, 2.ed.

Simon, Herbert A. (1965) Comportamento Administrativo: Estudo dos Processos Decisórios nas organizações administrativas. Rio de Janeiro: Aliança para o Progresso.

Tedeschi, P.(1997) Estrutura de Capital: Uma Investigação sobre seus Determinantes no Brasil. São Paulo. Doctoral Thesis (Doctoral Degree in Business Administration) – *São Paulo School of Business Administration*, Fundação Getúlio Vargas.

Terra, Paulo R. S. (2002) An Empirical Investigation on the Determinants of Capital Structure In Latin America. *Anais do ENANPAD*.