SMALL INVESTORS: CHALLENGES AND BENEFITS OF IPO - A CASE STUDY IN A SMALL BUSINESS IN THE REGION OF THE CAPÃO REDONDO - SP

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ABSTRACT
This paper purpose to analyze the importance of knowledge of managers about the market capitals. A case study was conducted in a small business in São Paulo. The results shows that the small business is not well structured financially to accept the challenge of the market capitals.

Keywords: Market capitals, Case Study, Small business

INTRODUCTION
Brazil has been through a variety of transformations in the economic environment in decades and one of them has been the growth of SMEs (Small and Medium Enterprises) companies that each day has been increasing significantly in the economy and this makes them leverage their respective businesses in the country.
SMEs have helped in an accentuated way the Brazilian economy, as has been occurring through them increase production in various sectors such as trade, industry and services, and creating more jobs for the population, thereby increasing the income of the same. It is noteworthy that these companies also help in the growth of big business, which is that they come many products that large companies do not produce.
However many times these companies cannot be kept for long in the market, they eventually die within a short period by the lack of credit, lack of technical support, deficiency of adequate management and also the lack of qualified personnel to perform its function effectively (NAJBERG; PUGA and OLIVEIRA, 2000). Several companies have solved their financial problems through bank loans, which in fact led to the indebtedness thereby raising its default rate. This can bring an immediate solution, but in the long term can cause a lot of concern for managers, because debts are difficult to be resolved, also affecting the working capital of the company. To solve these financial problems, many companies have become corporation by opening its capital to increase their income, become more competitive, sustainable and also to build within the same Corporate Governance, which changes dramatically the organizational structure and form of management. Given the difficulties that SMEs are mainly in the financial sector to strengthen and consolidate itself in the market, a new strategy grows for the IPO of these companies market, and seeking a possible solution to these problems.

There is a benefit side and there are also challenges for a company to go public for the stock market, but this strategy may be favorable since the company knows the right moment to perform this action with a well-defined corporate structure and that it fits according to the rules of the CVM (Securities Council) following all the procedures that must be performed to IPO of an organization. The objective of this research is to show advantages and challenges of IPO by the methodology of case study with a small enterprise.

**STRUCTURE OF CAPITAL MARKET AND ITS IMPORTANCE**

Even before talk about the importance of the capital market is important to know its definition. According to Pinheiro (2012, p 174.) Capital markets can be defined as a set of institutions and instruments dealing with title and securities, aimed at channeling resources to buyers agents sellers agents. This statement shows the financial market dynamics in the sale and purchase of shares on the Stock Exchange which reinforces their resources for the organization to achieve mobility and liquidity of their securities with the help of institutions and instruments for trading. The capital market has emerged in Brazil in the 60s itself in 1964 when the government decided to revamp the financial system thereby creating laws to better structure to the Stock Exchange and authorized financial institutions (Available at: www.portaldoinvestidor.gov.br).

This was a milestone for the Brazilian economy, because from that moment on the capital market would have more coordination, transparency and clarity to the shareholders who invested in shares. This development was taking place so that the capital market to stay well organized allowing investors have more certainty and confidence to invest their capital by the creation of Law No. 4.728/65 - Law of Financial and Capital Market that actually are disciplined by the Conselho Monetário Nacional brasileiro and supervised by the Banco Central brasileiro (http://www.planalto.gov.br/ccivil_03/leis/l4728.htm.). This law backs up and protects the investor from possible irregularities and fraud within companies where they held their investments.

The creation of the stock market was based on the following principles (Pinheiro 2012, p 174.): Contribute to economic development, acting as a driver of capital for investment, encouraging the formation of private savings; Allow and guide the structuring of a pluralistic society based on a market economy, allowing the collective participation broadly in wealth and economic results. The principles that guide the creation of capital markets foster and encourage economic growth in the country, providing an opportunity for investors to participate in the development of it through
negotiations on the stock exchange, and these principles also stimulate a form of security and financial health for an organization which is private savings. The capital market consists of two parts, Primary and Secondary Market. Figure 1 shows this structure:

In the primary market stocks are traded by way of subscription, where organizations have to finance their projects. The secondary aims to provide liquidity to investors always allowing a buyer and a seller to so invigorate the primary market. And it is noteworthy that the secondary market should have the following attributes: Transparency, Liquidity and Efficiency. (Pinheiro, 2012) Knowing the structure and importance of the capital market is important for everyone, especially for investors who are interested to enter in the stock market and seeking more knowledge about the functioning of the Brazilian economy. It is worth emphasizing that the capital market has very important role in the economic development of the country. Importantly this research with investments in the stock market the organization seeks growth and sustainability in the market, which in turn will create more income generation for the population through employment, failing which by the way is one of the social problems in our society, which consequently cause other that often hinder the development of emerging countries such as Brazil. The entry of an organization brings to this market in financial results for the shareholders, be they positive or not. The damage to organizations, many of them sighted many difficulties and barriers to their inclusion in the furniture market, but this strategy can be very profitable for organizations to structure and prepare for this new challenge. Therefore the search for knowledge is essential for the new investor who longs to enter this market, knowing the structure, the benefits it brings to society and the economy and then do an analysis of how it acts directly on the lives of individuals and companies are required important for any investor to enter the stock market.
BENEFITS AND CHALLENGES OF IPO

This section will address some of the reasons that organizations decide to open its capital to the securities market and also will analyze the disadvantages of having shares on the Stock Exchange. Most organizations already passed or will pass a financial crisis, as there are many factors such as acquisition of machinery, investment in new projects, accumulation of losses and other reasons that make the same has large debts or expenses on tax charges that imposed by government, which cannot fail to be met for the operation and legality. For these and other reasons managers seeking strategies to reverse this situation and make the most profitable and established company in the market, thus reducing the possibility of their mortality. And a strategy that has been adhered to by many companies today is the opening of their capital in the stock market.

This idea is well placed as follows by Pinheiro: organizations must aim to make financing of its investment or even restructuring of its liabilities have the alternative of raising funds by securities also helped us with financing banks. (PINHEIRO 2012). The following figure 2 shows some benefits and challenges of opening the capital of a company.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase in cash in the case of a primary and / or liquidity for shareholders in a secondary placement issue.</td>
<td>• Relevant costs related to the IPO and maintenance of Listed Company.</td>
</tr>
<tr>
<td>• Creation of a currency exchange in the acquisition or incorporation with another company.</td>
<td>• Increase in recurring costs and compliance costs.</td>
</tr>
<tr>
<td>• Increased visibility, allowing for possible fusions, acquisitions or mergers.</td>
<td>• Need to establish a structure Investor Relations.</td>
</tr>
<tr>
<td>• Diversification of funding sources (including optimizing the profile of debt / equity) enabling effect growth strategies.</td>
<td>• Need for meeting specific standards regarding disclosure of information, including material facts that may affect the pricing of the action.</td>
</tr>
<tr>
<td>• Possibility of differentiated remuneration of staff through the purchase of company stock options, with the goal of retaining.</td>
<td>• Path of no return: close the capital of a public company is difficult and very costly.</td>
</tr>
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<td></td>
<td>• Less flexibility in decision making and performance pressure.</td>
</tr>
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<td></td>
<td>• Restrictions of negotiation with shareholders with privileges informations.</td>
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<td></td>
<td>• Vulnerability to hostile takeover attempts.</td>
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</tbody>
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Figure 2 - Benefits and challenges of IPO

By observing this comparison chart you can see that there is a significant number of disadvantages to going public of an organization so the inclusion of organizations in the stock market should not only be motivated to obtain funding, this action is very costly and bureaucratic to companies. For it is evident that analyze along with the benefits come responsibilities and obligations to be fulfilled. However despite many obligations and a high cost to keep the organization in the stock market is important to remember the advantages that the IPO may allow an organization. With this action she has more opportunities to compete with the competition making this opening a strategy which if managed effectively can bring positive results for organizations.
Moreover, with the IPO organizations start to incorporate corporate governance, which is defined as "the system by which organizations are directed, monitored and encouraged, involving relationships between owners, board of directors, management and control bodies " (Instituto Brasileiro de Governança Corporativa, IBGC, 2009).

The Corporate Governance allows for clarity and for monitoring its members leaving them abreast of what happens in the organization, thus the decisions taken by the managers should be based on compliance with good corporate governance practices, thereby avoiding financial scandals involving them, with these practices put into action there is an incentive for the organization to work with more professionalism through a transparent and ethical work.

Corporate governance has principles that guide them, they are: Transparency, which may help promote feelings of confidence both internally and with third parties. Concerns information to guide management actions and collaborate to create value; Equity, to treat fairly all partners and stakeholders; Accountability, provided by agents of governance, which assume all the consequences that their actions may have; Corporate responsibility, sustainability of the organization must be preserved by the agents of governance, aiming his longevity in the business definition incorporates considerations of social and environmental issues (IBGC, 2009).

These principles were suggested by IBGC for a more effective and transparent within organizations that open their capital management, thus enabling an alignment of interests making the same manager to make decisions favoring shareholders and not their own interests. If indeed these principles are put into practice the organization may have more longevity in the market becoming increasingly sustainable and consolidated. The challenges to go public in the stock market are different even for large companies, but small investors should start thinking strategically forward thinking, innovation and sustainability analyzing the potential and possibilities of opening their resources for shareholders an interest in their respective companies.

THE IMPORTANCE OF SMES IN BRAZILIAN ECONOMY

As already stated in the introductory section of this research, SMEs have a relevant role in our society, because they have grown quite significantly help in the economic growth of the country, so it’s important to know as it has been this development. Recognizing that these companies leverage the development of the economy is important that they are consolidated in the market and it is necessary to adopt strategies so that it does not fall in mortality. And to emphasize the importance of SMEs in the Brazilian economy SEBRAE highlights via IBGE (Brazilian Institute of Geography and Statistics) surveys the significant number of small and midsize businesses.

Table 1 shows the size, the branch of activity and quantity that there are legal firms in Brazil comparing the years 1996 to the latest survey published in 2002.

<table>
<thead>
<tr>
<th>Size</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>81.923</td>
<td>116.287</td>
<td>7.177</td>
<td>8.282</td>
<td>1.473</td>
</tr>
<tr>
<td>Commerce</td>
<td>1.608.521</td>
<td>2.337.889</td>
<td>68.411</td>
<td>105.891</td>
<td>4.376</td>
</tr>
<tr>
<td>Service</td>
<td>934.256</td>
<td>1.712.418</td>
<td>78.516</td>
<td>122.609</td>
<td>8.303</td>
</tr>
</tbody>
</table>

Source: IBGE – Registration of Statistical center of enterprises – CEMPRE.
Table 1 clearly shows the development of small enterprises in Brazil from 1996 until 2002, primarily micro businesses, the numbers show that these companies have much growth potential thereby helping the country's economic development and providing opportunities not only for investors and shareholders, but also for people generate income through their work. This growth comes to reflect the economic reality presently lived in Brazil. It is a developing country with people who want and need to achieve financial independence, thus associating with a partner or even a family company and consolidating new business ventures as a means of sustenance of life formulating and also reaching personal goals and accomplishments.

METHODOLOGY

This research aims to a survey applied by Andrade (2005, p 122.) that define aims to practical applications, in order to meet the demands of modern life. The theme fits with this definition, because it is part of economic problems currently experienced. Andrade (2005, p.123) also set to resume the subject which is defined as, based on more advanced work, published by authorities in the subject, and that is not limited to simply copying ideas research. This article was based on previous studies on the subject, defined as a review article, because it does not bring any new idea, but adds further knowledge to the researcher.

The source used for the basis of the same was the literature which in turn is developed based on material already prepared, consisting mainly of books and scientific papers. (Gil, 2002, p 44). Beyond this material were also used institutional sites that helped with the research with updated information about the studied subject.

To achieve its objectives, the present study used an approach of investigation that is constituted as a case study. This approach was well established by Yin says that in his writings the same as a method of empirical research that investigates a phenomenon, usually within a real contemporary context, when the boundaries between phenomenon and context in which it inserts are not clearly defined (Yin, 2001).

This method allows the researcher to make an analysis of a real situation with a certain phenomenon, allowing him to clarify the distance between the phenomenon and context. Field research through interviews with open questions to the Director of a small business in the trading business in the region Capão Redondo in São Paulo was performed to assess your knowledge of the topic proposed in this study. The company was chosen randomly by the availability thereof. Only requirement was satisfied the company fit in small or medium-sized item, as the focus of this research is to know more about the IPO these companies. This organization is already well established in the market as it has been operating for 40 years in Capão Redondo / SP region, offering their products to the welfare and health of its customers, who value a more healthy diet and natural.

This research is qualitative, which in turn, makes use of description, understanding and interpretation of facts and phenomena to be analyzed deeply and intensely. (MARTINS & Theóphilo, 2007). Through this type of analysis is possible to learn more about the reality of the company searched through the Director of the same opinion.

ANALYSIS AND INTERPRETATION OF DATA

This research was conducted through interviews with the Director of a company from the commercial sector in the region Capão Redondo in São Paulo. To achieve the proposed
objectives at the beginning of this study a questionnaire that contains nine open-ended questions to assess the knowledge and perception of the interviewee about capital and aspects that influence directly in the same market was prepared. The questions asked along with the answers were as follows:

1. Have you ever been heard about capital market?
The respondent showed his knowledge in capital market stating that knows the stock market, the stock exchange and also stated that since time signature of DCI to accompany various issues related to the economy. Through this response can be noted that the manager and Director of this company have knowledge of the stock market and sought this knowledge by DCI (Daily Trade Industry and Services) which aims to inform entrepreneurs about economics, politics and other issues that interest the entrepreneur. As shown in this research, it is extremely important that investors and managers of organizations to seek information about the economy and also knowledge about the stock market, to have a good foundation when deciding to enter this market.

2. What kind of benefits do you think the capital market can bring to the economy?
In the opinion of the interviewee invest in the stock market can be a risk, where the entrepreneur can lose or gain. But the manager can be successful if you do constant monitoring of its investments necessary to control because of market fluctuations. The answer of the respondent shows that the stock market can offer advantages and disadvantages for the investor, and the gain is only possible by means of control. The stock market can bring risks to the investor, but its true performance is positively oriented society, because as mentioned in this study, through investments of companies there is a greater propensity for economic development, Pine confirms this idea in his work talking that the capital market's principle: "to contribute to economic development, acting as a driver of capital for investment, encouraging the formation of private savings" (PINHEIRO, 2012, p 174.).

3. Do you think it interesting that small investors have a savings or some sort of investment banking with CDB?
The respondent stated that it is important that the company has a reserve for emergencies, and that this reservation need not necessarily be a savings. He also knows the CBD, but not found very advantageous to your business, but rather invest in cash purchases, which gives more profitability for your company. It is true that having a financial reserve for possible emergencies is a form of prevention in times of financial distress of a company. Pinheiro (2012, p. 74) states that the capital market has also the function of stimulating the formation of private savings. Investments may also provide provision when necessary. But for some managers is more interesting to invest in the purchase of goods to the view that in fact give rise to a higher discount giving him the opportunity to make more profit.

4. Have you heard of IPO? If you could open up your capital do you believe it would be interesting for your business?
The Director of the company interviewed shown to have knowledge about IPO and said it would not be interesting for your company to go public because she does not have enough structure to
emerge in this strategy. He also pointed out that if the company is medium or large opening this can work. The insight gained in this response it is clear that some small investors still fear to invest in the stock market, even by structural problems facing the company, and the fact that this strategy has risks, but he agrees that the best companies structured as medium and large ones may think about the possibility of opening its capital to improve your business. This thought of the interviewed can be based on the obligations to be fulfilled by CVM regulations, onerous fees and even risks. This shows the challenges that every investor faces when you insert your company on the Stock Exchange. However there are various institutions that assist in reducing this impact by giving advice and information in this field as the BMF & BOVESPA, Bovespa Mais among others.

5. What opportunities and difficulties do you think can happen when a company goes public on the stock exchange?
The interviewee has mention the answer of question 2, showing that investing in stocks can be a risk, where the company or investor can benefit or not, but it noted that an ongoing study on the market for not to succeed in this field is required take damage. Investing in the securities market is not trivial, it is necessary analysis, observation and to much study to obtain good results. There are many challenges in the context of BMF & BOVESPA mentioned in the theoretical framework on the post and cons of going public is evident that the disincentives for this opening are higher, but if the control actions are managed efficiently this strategy can bring results favorable for organizations through study and control.

6. Have you already received or sought guidance SEBRAE about IPO?
The interviewee responded positively, saying he received guidance SEBRAE about capital market and other matters. But he was not interested, because in his view SEBRAE provides guidance only for the professionalization of the staff and not to direct advisory company. SEBRAE existed since 1972 and aims to give support to Micro and Small Enterprises and intended to promote competitiveness and sustainable development of small and medium enterprises. This service is well established and well known in Brazil for the support it gives to micro and small enterprises. In view of respondent SEBRAE is good and gives various information for organizations, but it focuses more on personal relationships and not the companies themselves, thus helping it more narrowly.

7. In the economic context in which we live, how do you see the importance of small and medium enterprises to the country's economy?
According to the respondent SMEs give much profit to the government through the taxes they impose, he emphasized that the government should implement a single tax rate to encourage the longevity of companies. The interviewee's answer clearly shows that SMEs move large part of the economy, as they have grown more each day, especially micro enterprises according to the survey exposed in this study in Table 1. And when talking about growth consequently thinks of taxes that are obliged not only for businesses but also of individuals.
The opinion of the manager on a single rate may be feasible in the sense that the result of this action is that these companies become more sustainable in the market and lower your mortality rate by several factors and mainly financial.

8. Have you ever heard in Corporate Governance? How these practices could help the management of your company?
The interviewee reported that still does not know this term, but know this management structure. But he does not believe that this administration would be interesting for your company. As mentioned in previous issues the manager does not find it interesting to go public and therefore this style of management is not interested in the same. Corporate governance is present in the management of the corporation companies, because through this practice exists reliability and clarity for investors. IBGC makes clear that there is a relationship between owners, board of directors, management and control bodies for this management is actually participatory and transparent.

9. With the economic difficulties experienced by the country, do you believe that small and medium-sized businesses may find the stock market a possible solution to their mortality and financial problems?
According to respondent, the IPO is not a good idea for sustainability of a small or medium business. By the risks that it can run. To him one of the strategies that can be taken is to make a provision of that will be spent by the company through planning, and also a government plan to reduce taxes thus creating a single-rate form of taxation. For the analysis of this interview and the basis of our study it can be seen that there is a barrier at the opening of capital, mainly because of the risks. The investor said during the interview that small businesses do not have to open its capital structure, this is possibly the reason why he believes the IPO does not solve the financial difficulties and these companies but lower taxes. There are two situations in the IPO, which are the opportunities and disadvantages, therefore it is important to note that, before entering in this market is necessary to managers to evaluate which situation the company is now and what is the right occasion for this new challenge that will change significantly the structure of your business, no longer being driven by a person and becoming a corporation.

FINAL CONSIDERATIONS

The the current economic environment has been changing every day, there is a major market dynamics, where only survive organizations that adapt to economic reality, so it is essential that organizations seek consistent and innovative strategies to stabilize and consolidate the market thus making it sustainable preserving their longevity.
There are many factors that lead firms to leave the market, however, there is a crucial factor for many of them, which is the financial issue, the lack of resources or poor management of it, leads firms to collapse causing them close, and even often with towering debts that created many problems for the investor.
With this the organizations started to formulate strategies intended to expand their business. One strategy adhered by large companies is the IPO market furniture, but currently this strategy is not only large companies, some SMEs have adhered to this strategy, which if managed effectively can bring good results favorable to organizations. 
The IPO is costly and bureaucratic, this fact was evidenced by the interview with the Director of the company interviewed. The main difficulty faced by the company was the risk, although the theory shows the positive points of this strategy, we note that in practice the negative points are very relevant. However it is worth remembering that the organization adopts this measure can become more competitive, creating new policies and a more open way of managing your business.

Knowledge and innovation should be a form of survival for companies wishing to consolidate in the market. And the manager who has no motivation for these two items may lag in this increasingly competitive market, currently there are several strategies for companies to be consolidated and one that can be viable is IPO. To develop this action much study, dedication and a mind focused on innovation, and overcoming challenges is necessary, because without challenges is unlikely whether a strategy can succeed or not.

Therefore this research has achieved its goals, because it showed the advantages and disadvantages of the small investor to enter the furniture market. This study does not limit the new research on the subject, it is important that we continue to examine the opinions of small investors on IPO to obtain greater depth on this subject thus analyzing its pros and cons.

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