

## **CONTROLLERS' INSTRUMENTS USED BY ENOGASTRONOMIC WINEMAKERS IN SERRA GAÚCHA, RIO GRANDE DO SUL, BRAZIL**

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### **ABSTRACT**

This study aimed to identify internal control instruments used by enogastronomic wineries in Serra Gaúcha, Rio Grande do Sul, Brazil. The research had a qualitative approach, data were collected through an interview with semi-structured questions. The interviews were recorded and then transcribed. The data collection by easy access, i.e., the interviews were conducted online, with the managers of 5 wineries from the fifteen existing in Serra Gaúcha, Rio Grande do Sul, Brazil, who were willing to participate in the research. As a result, one can see that cash flow and internal control auditing are the tools most used by the companies surveyed, after all, all of them stated that they use them, coming second the ROI return on investment, the budget and the financial economic indexes being used by 4 of the companies surveyed, only one does not, in third place was the ROE return on equity, 3 companies use it and 2 do not, while ROA return on total assets, EBITDA and internal control auditing is used by only 2 companies.

**Keywords:** Controllership; Planning; Wineries; Return.

**Date of receipt:** 16/01/2022

**Publication acceptance date:** 21/04/2022

**Date of publication:** 30/04/2022

### **1 INTRODUCTION**

## **CONTROLLERS' INSTRUMENTS USED BY ENOGASTRONOMIC WINEMAKERS IN SERRA GAÚCHA, RIO GRANDE DO SUL, BRAZIL**

According to Siqueira and Soltelinho's (2001) evaluation, within the Brazilian context, the controllership began to be discussed with greater vehemence after the mid 1960's, due to the addition of net foreign investment in Brazil initiated in previous years. The installation of numerous large multinationals in Brazilian territory occurred which, as a consequence, promoted domestic competition and, thus, boosted the search for the controller.

With the increase in competition, the development of technology, allied with the consumers' higher demands, among other factors, there was the need for a change in the companies' standards, which needed to adapt to this new environment. Therefore, they needed to have a good planning to help in the decision making process. This is where the controllership came in, to optimize the decision making process by giving adequate information to managers.

The European influence, brought to Brazil by immigrants, added to the investment in improvement, resulted in wines with originality. Each producing area developed its own specialty, elaborating labels with its own culture, typicity and accent. According to IBRAVIN (Brazilian Institute of Wine), Serra Gaúcha is the largest and most important wine region in Brazil, with 85% of the national wine production. Viticulture is qualified for being a producer of wines that present their own textures, flavors, and aromas due to the way they are cultivated from the creation to the final process.

The current crisis that Brazil has been facing in recent times, the high tax burden, caused by the lack of tax planning is a challenge to be overcome by managers.

This research considered the controllership tools such as Balanced Scorecard, internal control in accounting and administration, cash flow in the planned and actual; cost management and Management Information Systems in the strategic purpose; tactical and operational; return on assets, investment and equity; EBTIDA and internal control audit. Thus, this study aimed to identify internal control instruments used by enogastronomic wineries in Serra Gaúcha, Rio Grande do Sul, Brazil. SILVA, 2021)

In addition to the introduction, this article is structured with four other items, i.e., theoretical framework, methodology, presentation of results and final considerations.

## **2 THEORETICAL REFERENCE**

### **2.1 CONTROLLERSHIP**

For Figueiredo and Caggiano (2008), globalization has created the demand for better management practices, demanding from organizations performance never before experienced.

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Silva and Dandaro (2017) say that the controllership aggregates data from all the organization's departments and also from the external market, informing the management about what is happening and what measures should be adopted so that the set goals are achieved.

Padoveze (2012) defines controllership as the administrative unit responsible for the use of the entire set of Accounting Science within the company.

According to Catelli (2001, p. 344) supported by the Accounting Theory, the Controllershship as a branch of knowledge, is responsible for establishing theoretical and conceptual bases, which are extremely important for modeling, assembly and support of Information Systems and Economic Management Model

Slomski (2011), complements the definition of controllership as an organ that evidences convictions as a whole. Likewise, it plays the role of centralizing the entity's objective of preserving and enhancing profit before the set of productive and administrative sectors.

Lunkes and Schnorrenberger (2009) highlight three perspectives of development of the controllership, Business Management, responsible for accounting, accounting control, financial planning and budgeting, directed to the internal and external user; Economic Management, responsible for the management process and information system. Directed to the internal and external user; Strategic Management, coordinator of planning and control. Directed to the internal user.

The controller assists the different users in their decision making. The users of the controller are all those interested in the information it generates in relation to the company, divided into internal and external users. These users can be related to the company, the internal users, or not be part of it, the external users.

### **2.2 CONTROLLER**

According to Francisco Filho (2015), the Controller originated from the evolution of the function of the professional accountant. Thus, the accounting professional has added new functions to his role according to the needs of the company. In the past, the accountant worked exclusively in the operational sphere, but later he improved his techniques of managerial and economic analysis, directing his attributions towards corporate management. The Controller has a dynamic participation with the president and the managers of the organization, influencing the decision making processes.

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According to Crepaldi (2017), it is necessary that the Controller contains knowledge in the accounting area, contemplating skills in the economic, financial and strategic interpretation of the company.

For Francisco Filho (2015), the role of the modern controller requires extensive experience in the administrative and accounting areas. Some of the controller's main attributions are: control and planning; internal reports; evaluation of external reports; preservation of assets; economic analysis.

Luz (2014), says that in order to achieve the desired results in organizations, the controller must produce information and manage it, the controller is something more than the accountant and something less than the main director.

For Padoveze (2016), the functions of the Controller are: work seeking to prepare all the financial information coming from the budget scenario and projections for the management stakeholders, ensuring that they can apply in the best way the use of company resources, following the market projections and highlighting political barriers that may oscillate on the goals and affect on the development of financial planning, also being cooperative with the management of losses, ensuring the maximization of equity, acting in the standardization and dissemination of internal control, thus monitoring and smoothing the veracity of management data.

### **2.3 BALANCED SCORECARD - BSC**

For Kaplan and Norton (1997), the BSC is an instrument that measures the company's performance in four perspectives (financial, customers, internal processes and learning/growth), this allows the company to follow the financial performance, and adjusting strategies.

According to Kaplan and Norton (2004), the financial perspective is the growth strategy. Its implementation will reduce costs, and consequently improve productivity, reflecting on the financial performance.

For Martins, Guindani, Reis and Luz (2014), in the customer perspective organizations identify the customer and market segments to which they wish to compete and in the internal processes perspective it is necessary to know what is most critical and what must be improved in the company, seeking excellence, in order to meet the objectives of shareholders and customers.

In Crepaldi's (2013) understanding, internal control can be defined as a system of an organization, which comprises the plan of the company, the duties and responsibilities, and all the methods and measures adopted in the company to safeguard its assets, verify the accuracy and fidelity of accounting data, developing efficiency in operations and stimulate the following of prescribed administrative policies."

#### 2.4 INTERNAL CONTROL AUDIT

Auditing is nothing more than an analytical and expert examination that monitors the performance of accounting operations expressed in a balance sheet within a company. For Attie (2006; 2011) auditing is an accounting specialization aimed at testing the efficiency and effectiveness of the asset control implemented. Auditing is an accounting technique, which seeks its practical standards within the postulates of Accounting, as a matter of hierarchy.

### 3 METHODOLOGY

To achieve the objective outlined in this study, an exploratory-level qualitative research was conducted with the application of five semi-structured interviews with the managers of five wineries in the Serra Gaúcha region of Rio Grande do Sul, Brazil (CRESWELL; CRESWELL, 2017). The interviews were applied in the month of July 2021 in a virtual way. After the interviews, the audios were transcribed in Microsoft Word for analysis purposes.

#### 3.1 DESCRIPTION OF THE COMPANIES PARTICIPATING IN THE RESEARCH

In the area of wineries and enogastronomy fifteen companies were identified and listed in Serra Gaucha by the site destemperados, which will be called: Company A, B, C, D and E.

Five wineries from the fifteen existing in Serra Gaucha participated in the research, whose characterization of each one is presented below:

##### 1. Company A

A started to manufacture its wines in 1929, in an artisanal way, in the basement of its house, which was only supplied for local community celebrations. Four decades after the beginning of production they decided to expand the business by founding Company A. The founder, always motivated and passionate about turning grapes into wine, seeks each year to improve the winery with equipment, technology and qualified staff, because without a professional team, the art of winemaking loses creativity and talent.

## **2. Company B**

It is located in the largest wine-growing region in Brazil, in the heart of the "Serra Gaúcha" and has a staff of 400 associated families, with an area of 32 thousand square meters of construction and a processing capacity that exceeds 20 million kilograms, using European technology and equipment for the production of wines and sparkling wines. This company has an outstanding identity, which has achieved consumer recognition for its excellent quality standards, and they are in the list of the five largest sparkling wine producers in the country; and today they produce one of the 100 best wines in the world.

## **3. Company C**

Created in 1974, Company C arose from a differentiated proposal that favors controlled production, and produces annually three hundred thousand bottles (225 thousand liters), the quality is controlled from the beginning of the vine until the final production, also maintaining a partnership with the producers through technical monitoring performed by two oenologists and an agricultural engineer from the winery.

## **4. Company D**

Started in the winemaking area since 1896 and to this day seeks to maintain the tradition of flavors and experiences in its wines to better serve its customers, the company believes that wine is not only a drink, but also a lifestyle that accompanies people in meals, celebrations, and thus mark lives.

## **5. Company E**

It started its history approximately in the year 1875, when they landed in Brazil, with the dream of rebuilding the flavors of Italy. This founder had 11 children and then started to cultivate and make wines, however, in 1960 the winery closed its activities for not being able to support itself with such a large family. After some time one of the sons decided to resurrect the family history and built his company and his family, today all follow the same dream, to make history through wines. Today, the fifth generation of the family is making the wines.

## **4 PRESENTATION OF RESULTS**

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This section presents the results obtained in the research whose objective was to identify internal control instruments used by enogastronomic wineries in Serra Gaúcha, Rio Grande do Sul, Brazil.

### **4.1 CHARACTERIZATION OF THE RESPONDENTS**

In this study it was found that the professionals who perform controllership functions in the enogastronomic wineries in the Serra Gaúcha. Most professionals are female, i.e. 60%, and 40% are male.

Regarding the length of service in the company, 80% of the respondents have up to 20 years of work, and 20% have between 0 and 20 years in the range of 21 to 30 years of experience. Thus, it can be concluded that the commitment of employees is relevant and that there is a low turnover.

It was also observed that the companies surveyed have an average of 42 years in the market, which demonstrates the commitment to their work. The company that has been in the market the longest is 88 years old, and the company that has been in the market the shortest is 7 years old.

The five companies generate around 372 jobs, the company with the largest number of employees is company B which has been in the market for 88 years and the company that presents the smallest number of employees is company D which has been in the market for 21 years.

It was verified that among the companies surveyed only one of them has a professional in the controller area, the other four companies have their controller activities performed by professionals from other areas.

### **4.2 CATEGORIZATION IN RELATION TO THE CONTROLLERSHIP**

As advocated by Silva (2013), the controller is an area that enables and drives managers in the standardization and improvement of operations. Likewise, it manages the primacy and functionality in all departments, with the effect of instituting transparency in the results through ethics and current legislation. In addition, it accompanies and analyzes the outlining, execution, and control of expenses and revenues, preserving the management of assets.

To conclude the interviews, we sought to verify the options to the use of the controllership or organizational sector: financial economic planning, strategic planning,

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managerial reports to support the decision making process, system reliability, Balanced Scorecard and internal controls.

In relation to financial economic planning, most respondents ratify the use of planning, only companies C and D responded that they do not use it. However, all respondents emphasized the importance of PEF.

Considering that strategic planning is an important tool that makes it possible to use several pieces of information, companies A, B and E affirm that they use it, while companies C and D do not use it.

According to the respondents, strategic planning is an important tool to assist the company's strategies, to assist decision making, and also to assist the vision of return on investments in the short and long term.

When asked about the use of management reports, only companies A, B, and C ratified that they use them, while companies D and E do not use them, and added that they only use comparisons from one year to the next and look for typical management manuals.

Thus, it can be seen that a minority of the companies use these management reports, and mentioned that they use the indicators and targets.

The interviewees were asked about the reliability of the system that generates the information. Company A confirms the importance and also added that besides the information that users demand, the system also allows simulations and observes the trends that the database provides.

Company B also ratifies, according to the interviewee, that in addition to a long term system, they also have an intelligent resource that can put information in a managerial manner for decision making.

Company C believes that information is generated, but that it is not always reliable and that to be reliable or not depends a lot on the people who will use this system to generate information.

Company D answered only that yes, they can get information, and Company E answered yes and also explained that a new system was implemented that registers indicators per product in percentages over the profit, elaborating how much each product represents in percentages over the profit, that can generate graphs monthly and annually and comparisons with the previous period, and also mentioned that these reports help the management.

The Balanced Scorecard is a new tool that counts on the perspectives of learning, customers, market and internal processes, which offer clear information about the company's

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situation in the internal and external environment. When questioned, the companies revealed their lack of knowledge about the BSC, and all of them stated that they do not use it, so if they do not know about the tool, they do not use it.

The internal accounting and administrative control is an auxiliary instrument for the controllership, generating daily information about the company. The interviewees were asked about which internal control is used by the controller and which sector is responsible for elaborating, executing, implementing and maintaining these controls.

Company A stated that internal control is done by the consortium system, financial, commercial, PSP and IT, and that there are several monthly and comparative controls related to the analysis and interpretation of the statement of income for the year, equity variations, sales, inventory and cash flow; Company B has no internal control; Company C replied that those responsible were from the administrative and accounting areas, but when questioned about which control was used they stated that they did not have any; For Company D, internal control is carried out by the administrative area, and they use register control, annual comparisons, entries and exits, and cash flow; Company E stated that internal controls are carried out by management in general, and that the internal control is the indicators.

It can be seen that most companies have internal control and reveal its importance in the administrative and accounting areas.

The cash flow and the internal control audit are the tools most used by the companies, after all, all of them said they use them, being in second place the ROI return on investment, the budget and the financial economic indexes being used by 4 of the surveyed companies and only one not, in third place was the ROE return on equity being used by 3 companies and 2 not, ROA return on total assets, EBITDA and the internal control audit is used by only 2 companies.

The auditing tool that stands out most negatively is the BSC, a tool developed since 1994 by Kaplan and Norton with four perspectives that are of great help to companies. The interviewees, when asked about its use, all of them revealed not knowing what it was about or even not knowing the name of it.

### **5 FINAL CONSIDERATIONS**

The main objective of this work was to study and research which control instruments are used by the controllership in the wine-growing and food-processing companies in the Serra Gaucha region. This study identified limitations, such as the difficulty in obtaining answers and the respondents' little knowledge about controllership and internal controls.

Finally, it is concluded that the controllership is an essential tool for any company, whether small or large, as it demonstrates support to remain in the current market, generating internal and external strategies in decision making and in the generation of useful and reliable information to managers.

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