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Strategic controlling and corporate governance in small and medium-sized enterprises - the practical integration between administration and accounting.

Strategic controllership and corporate governance in small and medium enterprises - the practical integration between administration and accounting

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Summary

The economic sustainability and operational longevity of Small and Medium Enterprises (SMEs) in a volatile market intrinsically depend on overcoming the empirical management model in favor of a data-driven approach and internal controls. This article proposes an exhaustive analysis of the integration of management tools and the normative rigor of Accounting Sciences as vectors of corporate longevity. The research is structured around thematic axes that dissect the implementation of controls, tax *compliance*, strategic cost management, in-depth analysis of key performance indicators (KPIs), and budget planning. To make the concepts tangible, the study presents a simulated practical case, demonstrating the application and direct results in the operation of a distribution company. It concludes by presenting an original methodology for managerial structuring, showing that the adoption of controlling practices not only mitigates insolvency risks but also acts as an irreversible catalyst for market value.

Keywords: Strategic Controlling. Corporate Governance. Key Performance Indicators (KPIs). Financial Management. SMEs.

Abstract

The economic sustainability and operational longevity of Small and Medium Enterprises (SMEs) in a volatile market depends intrinsically on overcoming the empirical management model in favor of an approach based on data and rigorous internal controls. This article proposes an exhaustive analysis of the integration of Administration tools and the normative rigor of Accounting Sciences as vectors of corporate perpetuity. The research is structured in thematic axes that dissect the implementation of controls, tax compliance, strategic cost management, in-depth analysis of key performance indicators (KPIs), and budgetary planning. To make the concepts tangible, the study presents a simulated practical case, demonstrating the application and direct results in a distributor's operation. It concludes by presenting an authorial methodology of managerial structuring, evidencing that the adoption of controllership practices not only mitigates insolvency risks but acts as an irreversible market value catalyst.

Keywords: Strategic Controllership. Corporate Governance. Indicators (KPIs). Financial Management. SMEs.

1. Introduction - global data and the challenge of professionalization in SMEs

Contemporary organizational management faces the challenge of operating with extreme agility. commercial aspects must be met while maintaining unwavering rigor in internal controls and tax compliance. In this highly competitive environment, Small and Medium Enterprises (SMEs) face... severe barriers to survival. In Brazil, data from the Brazilian Service for Support to Micro and Small Enterprises (SEBRAE) Small Business Support Service (Sebrae) indicates that the mortality rate of small businesses reaches approximately 30% in the first five years. In the United States, the *Small Business Administration* (SBA) It paints a tragically similar picture: around 50% of small businesses close their doors. in the first half-decade of life.



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The correlation of data between the two largest economies in the Americas reveals a pattern. globally, the *cause of death* for these companies is rarely the absence of commercial demand or the lack of The entrepreneur's effort. The collapse stems from a chronic inability to manage cash flow, to mitigate Hidden costs and establishing a solid management infrastructure. Accounting, historically perceived by many business owners as merely a bureaucratic tool for compliance with Tax obligations (*compliance*) is, in fact, the only universal language capable of translating the Operational complexity in concrete and measurable data. However, without a systemic view and the As a strategic compass for management, this data remains static and retrospective.

The problem that justifies this practical analysis lies in the lethal dichotomy observed in the management of Most SMEs: the company either has an aggressive sales management strategy without financial controls. that guarantee the net profit margin, or maintain a rigid accounting system disconnected from growth planning. The central thesis defended is that the implementation of a controllership A hybrid strategy creates a governance ecosystem capable of reducing information asymmetry. To mitigate risks and attract investment capital. This article dissects how internal controls and management... Cost management and indicator analysis cease to be isolated departments and begin to operate as advantages. sustainable competitiveness.

2. The practical integration between administration and accounting.

A deep understanding of modern management requires overcoming the view that treats Administration... and Accounting as areas that don't communicate with each other within the corporate organizational chart. Administration It focuses on planning, direction, and adaptation to the consumer market, looking primarily at for future opportunities. Accounting, in turn, is dedicated to recording and measuring. reliable account of the facts that alter the company's financial situation. The practical convergence of these The disciplines materialize in Controllership, which synthesizes accounting metric rigor with flexibility. of managerial decision-making.

The disconnect between "accounting for the tax authorities" and "management for the owner" has created a information gap in SMEs. As Ludícibus (2010) argues, accounting is the main Management information system; trying to run a business without this support is like... Piloting an aircraft without instruments in the midst of a storm. The contemporary manager. One needs to interpret a Balance Sheet not as a bureaucratic task, but as a roadmap to liquidity. and the capital structure of your business.

This integration is critical in day-to-day management. Administrative decisions, such as extending Payment terms aimed at attracting customers instantly impact accounting indicators. Liquidity and solvency. Managing the Operating Cycle and the Financial Cycle requires a fusion between them. The accountant's data and the administrator's negotiations. A failure in the cash flow projection.



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This can force SMEs to raise costly funds, destroying shareholder value.

For this mechanism to function, corporate governance in SMEs must begin with...

Strict implementation of the Entity Principle. The commingling of assets between the partners' assets and the

The company's cash flow is the fundamental error that renders any analysis impossible. The administrator must

to segregate expenses, establish pro-labore payments compatible with the market, and measure the viability of

Business operated independently. Supported by integrated management systems (ERP), accounting

It ceases to be an autopsy of the past and becomes a real-time projection of the business's future.

3. Internal controls, tax compliance and risk mitigation

The structuring of a comprehensive system of internal controls forms the foundation.

irreplaceable in corporate governance, acting as a proactive mechanism for preserving the

According to COSO methodologies, controls should permeate all levels of assets.

Operation, establishing barriers against fraud, operational errors, and ethical misconduct. In SMEs, where

A lean organizational structure makes it difficult to segregate duties and implement work-life balance strategies.

Daily banking and rotating inventories become imperative. The absence of clear processes in

Accounts payable and receivable open flanks for a silent financial hemorrhage that destroys the...

profitability.

Tax compliance, organically integrated into these controls, represents one of the most important pillars.

Sensitive to competitiveness in highly complex jurisdictions. Lawful tax planning.

It is not a questionable maneuver, but a strategic obligation of the diligent manager to reduce the

The onerous nature of the operation. The choice between tax regimes (such as Simples Nacional, Lucro).

Presumed Profit or Actual Profit in Brazil, or *LLC* and *S-Corp* structures in the United States) never

It should be based on informal trends. It should derive from rigorous accounting simulations that

Measure the exact impact of the tax rate on the formation of the selling price and free cash flow.

In addition to protection, internal controls standardize operations, ensuring efficiency.

The success of the delivery should not depend solely on the memory or individual talent of a collaborator.

documentation through Standard Operating Procedures (SOPs) and the adoption of ERP systems.

They force the team to adhere to the designed process, allowing for the surgical identification of

bottlenecks. As Padoveze (2010) emphasizes, the comptroller's office acts as an intelligence unit,

Continuously monitoring whether resources are being consumed with the planned efficiency.

Corporate risk management requires this holistic view. Customer credit analysis or

Assessing the delivery capacity of critical suppliers requires rigorous accounting techniques.

combined with business intelligence. In short, effective internal controls transform the SME into a

A transparent organization dramatically increases its credibility with banks and global partners. It is vital, however,

that these controls evolve dynamically with the growth of...



company, preventing them from becoming bureaucratic obstacles that paralyze business agility.

4. Strategic cost management and competitive pricing

The ability to track and optimize resource consumption represents the ultimate frontier of Competitiveness. Unlike traditional cost accounting, strategic cost management, Theorized by Shank and Govindarajan (1993), it uses data to identify strategies that create Sustainable competitive advantage. This requires abandoning arbitrary allocations based solely on... volume, adopting methodologies that adhere to operational reality, such as Cost Based on Activities (ABC). The ABC method reveals which products, distribution channels, or customers are Which ones are effective at generating profit and which ones destroy the organization's wealth.

For SMEs to make sound decisions, the technical distinction between fixed costs and... Variables are non-negotiable. The central concept of this dynamic is the **Contribution Margin (CM)** — defined as sales revenue minus variable costs and expenses. The MC reveals how much Each unit sold contributes to paying for fixed costs and generating net profit. The manager who masters The Contribution Margin forms the basis for calculating your company's **Break-Even Point (BEP)** . Setting minimum revenue targets based on mathematical science, not on wishes. Subjective factors. The analysis of this margin underpins crucial decisions, such as the acceptance of special requests, Outsourcing strategies (*make or buy*) and the discontinuation of unprofitable products.

Strategic pricing is the culmination of this intelligence. In highly competitive markets In globalized environments, the price is often dictated by the relationship between supply and demand (*price-taker*). making rigorous cost management the main variable under the company's control to ensure Profitability. The selling price cannot be a mere blind *markup* on the historical cost. It must... Consider the customer's perception of value, the elasticity of demand, and the corporate strategy. Accounting provides the "floor" (minimum limit to avoid losses), while the market defines the... "ceiling"; the art of pricing lies in navigating this range to maximize value capture.

Value chain analysis, introduced by Porter (1989), expands cost intelligence. Beyond the company walls, seeking integrated efficiencies with suppliers and distributors. The understanding that a larger initial investment in quality raw materials can reduce The drastic reduction in hidden technical support costs (costs of non-quality) is essential for To optimize the system as a whole, the cost system must therefore be designed to provide total efficiency. support for the strategy chosen by the company (whether cost leadership or differentiation), becoming a proactive tool for modeling economic viability.



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5. Key Performance Indicator (KPI) Analysis, the ROI Ecosystem, and the Budget

The ability to transform a vast volume of operational and accounting data into Actionable intelligence is the differentiating factor that separates high-performing companies from those that... decline. This transformation occurs through the disciplined adoption of Key Performance Indicators. (KPIs). The mandatory financial statements (Balance Sheet, Income Statement, Cash Flow Statement) provide the raw material, but they require a refined interpretation to generate accurate diagnoses about Liquidity, debt, and company activity.

Within this analytical scope, a detailed understanding of the family of profitability indicators is fundamental for entrepreneurs to manage their SMEs from the perspective of a corporate investor.

- **Average Ticket:** Represents the average revenue generated per transaction or customer. Optimizing it through cross -selling maximizes the return on sales efforts without increasing customer acquisition costs.
- **EBITDA:** Reflects the company's true operational cash generation capacity, isolating the effects of bank financing, taxes, and accounting maneuvers (depreciation). It is the clinical testament to the driving force of the business.
- **ROI (Return on Investment):** Measures the efficiency of each real or dollar invested in the company, whether in the acquisition of equipment or in marketing campaigns, determining if the financial effort compensated for the risk assumed.
- **ROE (Return on Equity):** The ultimate metric for shareholders. It measures profitability exclusively on the capital invested by the owners. If the ROE is structurally lower than the return on low-risk investments (such as government bonds), the operation is destroying equity value.
- **ROA (Return on Assets):** Shows the efficiency of management in utilizing all of the company's infrastructure. company (inventory, real estate, cash) to generate net profit.
- **EVA (Economic Value Added):** One of the most robust controlling tools, EVA reveals whether the operation generated sufficient residual profit to pay all its costs and still remunerate the opportunity cost of the invested capital.
- **DuPont Analysis:** To avoid superficial assessments, the DuPont model breaks down ROE into three management levers: Net Margin (cost efficiency), Asset Turnover (sales efficiency), and Financial Leverage (strategic use of debt). This allows managers to discover exactly where the strength or the "bleeding" of corporate profit lies.

Budgetary planning works in perfect sync with these KPIs. It materializes Numerically, the long-term strategy functions as a coordinated management contract. across all departments. The adoption of methodologies such as Zero-Based Budgeting (ZBB) challenges Organizational inertia requires each manager to justify all projected expenses. Each new cycle efficiently eliminates entrenched inefficiencies. The integration of all these... Metrics, through the *Balanced Scorecard* (BSC) methodology of Kaplan and Norton, translate the mission. of the company in tangible measures (customers, processes and finances), transforming the controllership into A strategic brain that guides the organization in an assertive way.



6. Practical case study: the restructuring of the "new era distributor"

To demonstrate the real effectiveness of administrative-accounting convergence, the following study is presented. A practical example from "Distribuidora de Alimentos Nova Era," a wholesale SME that accurately illustrates the operational pains of the global economy.

The Initial Scenario (The Problem): The distributor maintained a solid revenue of R\$ 400,000.00 monthly, but systematically operated with a cash flow deficit, depending on onerous bank credit limits. Management was based exclusively on empiricism: the owner centralized decision-making and used the company's bank account to settle debts. Personal expenses, directly violating corporate governance and the Entity Principle. Furthermore, the pricing of the 50-product line was based solely on the price list of regional competitors, without measuring their own operational cost structure.

The Application of Controllership (The Intervention): Faced with imminent illiquidity, a strategic controlling took over the restructuring and applied a diagnostic protocol based on data:

- 1. Compliance and Internal Controls:** The rigorous adoption of a unified ERP system was imposed. The cash flow was segregated, stipulating a non-negotiable administrative fee for the founding partner.
- 2. Cost and Margin Mapping:** The accounting analysis identified a fatal flaw: three of the products with the highest inventory turnover showed a **negative Contribution Margin** after absorbing freight and indirect taxes. In practice, the company was subsidizing its customers' purchases.
- 3. Break-Even Point (BEP) Calculation:** The diagnosis revealed the existence of uncontrolled and overlapping fixed costs. The mathematical calculation demonstrated that the SME needed to bill R\$ 380,000.00 exclusively to reach its Break-Even Point, leaving no margin for the generation of Economic Value Added (EVA).
- 4. Sales Evaluation and Average Ticket Value:** The data showed that the average ticket value was stagnant at R\$ 200.00 per invoice, indicating a sales team focused on passively "taking orders," without applying combined sales strategies (*cross-selling*).

The Result (The Strategic Impact): Guided by the precision of the KPIs, management acted surgically. The pricing of the loss-making products was readjusted; the items that did not withstand the market adjustments were discontinued from the sales pipeline. Through the Base Budget Zero (OBZ), logistics and operational contracts were renegotiated, drastically reducing the Point From equilibrium to a safety zone of R\$290,000.00 per month. Simultaneously, the training of the sales force's efforts, coupled with aggregate revenue targets, raised the average ticket price to R\$ 280.00. In a span of just seven months, the Distributor reversed its liquidity deficit and consolidated... a substantially positive **EBITDA** and began operating with predictability and accounting profit. real financial.



7. Conclusion: the KAM framework for integrated controlling

The investigative journey undertaken throughout this study allows for the consolidation, in a way... It is irrefutable that the long-term management of Small and Medium Enterprises in today's complex economy is... unfeasible without the symbiosis between the entrepreneurial vision of Administration and the metric rigor of the Sciences. Accounting. It has been demonstrated that managerial empiricism and decisions based solely on intuition... They represent a lethal risk to corporate survival. Accounting, when assumed to be the True information and control science provides the essential auditable database for that management achieves value maximization.

The implementation of strict internal controls, governance, and tax *compliance* does not These are not passive bureaucracies, but strategic investments that protect the assets of SMEs. and ensure the attraction of investment capital at much more attractive rates. Analytical capacity Using key performance indicators (KPIs) and matrix budgets acts as the navigation tool. indispensable for anticipating adverse macroeconomic scenarios and reversing latent symptoms of Preventing insolvency before it degenerates into irreversible crises. Technology (ERPs, RPA, BI) accelerates this process. This professionalization is growing exponentially, but the leader with multidisciplinary training continues... being the driving force that mobilizes the organization towards its goals.

In order for the knowledge presented to translate into a practical and immediate market advantage, Companies need a clear execution roadmap. In this sense, we propose the systematization of learning in the **KAM (Key Analytics & Management)** Framework authoring model of **Strategic Controlling**. This pragmatic methodology compiles the definitive actions that every Managers should adopt the following to protect their business:

- **K - Key Controls (Foundational Controls and Governance):** The first step is to restore the organization's health through strict adherence to the Entity Principle. The manager must prohibit the transfer of family expenses through the company's accounts, establishing formal pro-labore payments and protecting corporate finances.
- **A - Automation (Digitization and Operational Automation):** Abandon fragmented management based on informal spreadsheets. Invest in the full adoption of an integrated management system (ERP) that unifies sales, inventory, and cash flow, ensuring complete traceability of all transactions and mitigating the risk of human error.
- **M - Metrics (Management by Metrics and Vital KPIs):** End the cycle of decisions based on gross volume. Senior management should base their monthly commercial decisions on the meticulous monitoring of three pillars: the health of the **Contribution Margin** of each product, the achievement of the exact **Break-Even Point** target, and the continuous increase in **Average Ticket** and **ROI**.
- **Partnership Management (Management Alignment):** Strategically realign the accounting function. The modern manager transforms their accountant or *controller* into a true *Business Partner*, requiring regular meetings for modeling tax scenarios, analyzing *EBITDA*, and conducting predictive assessments that underpin sustainable growth.



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Ultimately, adopting structured processes based on clear data represents the sovereign and definitive path to overcoming global corporate mortality statistics. Companies managed based on the pillars of Integrated Controlling transform into highly resilient, profitable organisms, fully prepared to master the opportunities and challenges of the contemporary market.

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