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## ANALYSIS OF THE IMPACT OF THE CONTROLLING OPERATIONAL SYSTEM ON THE UNIT'S OPERATING RESULT

### 6.1 INTRODUCTION

It is beyond doubt that nowadays conditions of management undergo ongoing changes. This situation forces the companies to undertake more and more difficult and more complex decisions in their daily activities. This process is related to effective management, thanks to which company's current and future results can meet the previously set goals. The adopted strategy, however, requires switch to the processes by which it is implemented [9]. Therefore, the companies are looking for effective methods of controlling the activities taking place in current operating activities. This article indicates operational controlling tool that implemented accordingly may cope with these requirements. Information which are delivered by operational controlling system can provide favourable conditions for making rational decisions. It is a fact that thanks to advanced data and information management and modern methods of data analysis organizations improve their competitiveness on the market [1].

### 6.2 THEORETICAL BASIS OF CONTROLLING OPERATIONAL SYSTEM

Operational controlling is a part of a big controlling system which is directly connecting with management system[3]. Controlling is more than a functional management tool instrument, which helps the management staff to make right decisions and create control mechanisms that take effectiveness in managing to over-average level. Most decisions made in various kinds of companies have different importance in a short and long period of time. For this reason, for the analytical purposes it is the best that they are considered separately. Operational controlling translate strategic plans to operation plans [4]. Decisions made for the short-term purposes are characterized by the use of present resources in the most optimal manner. The most profitable one at the given time should be considered as optimal [5]. To undertake this type of decisions, operational controlling has been adapted. It deals with the instance of superior strategic goals of the business at the

level of tactical and operational management [9]. Success potentials from the strategic level and assumed strategic goals should be properly relocate into the operating level and pursued properly [6]. Operational controlling coordinates the reflection of these potentials for current activity through constant data analysis, control of level costs and revenue, as well as detection any emerging deviations from the previously scheduled values in the budget. Its aim is achieving of current targets with regard to profitability with the use of quantitative data, first of all, of costs, revenues and results [2]. Based on above literature examples, it can be noted that operative controlling is concentrated mainly on achievement of short-term objectives in a way consistent with strategic plans. This happens because operative controlling is present in each of the phases of planning company's strategy. It instances method of execution of particular plans and assumptions and, at a later period, verifies level of their performance and, when necessary, introduces necessary changes. Planning activities in the company apply to future events. Thus, it includes determination of goals and preparation of a detailed operational plan. These plans, in financial reflection, present a budget, which is a connection between control and planning process.

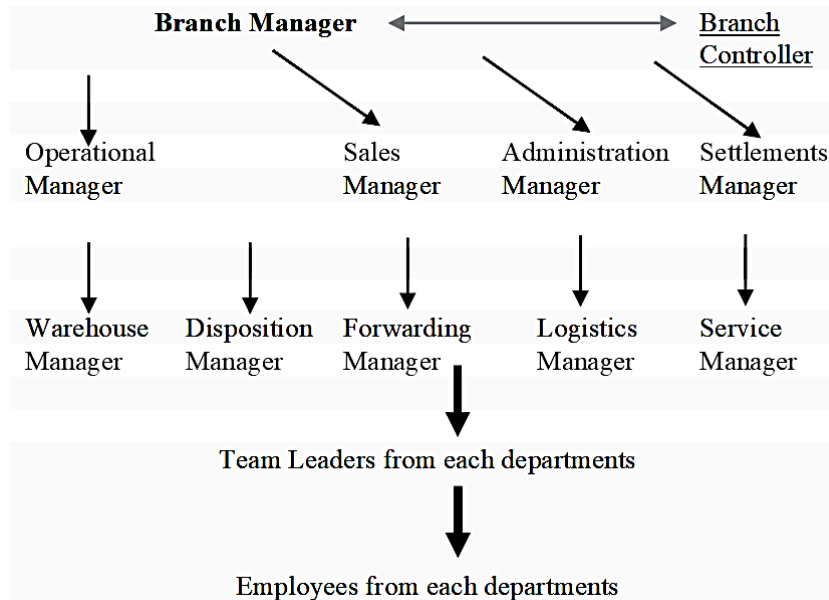
As a modern instrument, controlling has to guarantee the efficiency of the management process in companies [7]. In practice, the companies are looking for possibilities of costs optimization. That is why companies really need's a good system to checking costs in daily business to have possibility manage this costs information and making proper decisions. In one of description from Mr. E. Nowak is writing that cost control is one of the most important areas of controlling, as a function served based on the use of costing information. The main objective in this type of controlling is to improve company effectiveness, with the ultimate goal of increasing company financial result and profitability. [8] Really big significance has to use analyzed costs results in management [10]. It is clear that finale financial result is strong combined with cost control. The main task from the operational controlling is just to deliver operating cost information to the needs and requirements of company management. Thanks to this information managers knows what is happened in daily business from area what they are responsible of.

### **6.3 ANALYSIS OF OPERATIONAL CONTROLLING SYSTEM IN A COMMERCIAL BUSINESS**

#### **6.3.1 Object of operations**

The examined company is private company operating in the TSL industry (transport, shipping, logistics). Company's organization is the parent company and its subordinates located all around the country. Either of the subordinate companies is responsible for its operations. By the decision of the board of directors, operational controlling system was introduced to each subordinate entity. The organizational structure of the company is very expanded, which results from the object of its activity. The whole system creates an extensive branches network distributed across

the whole country. Each of the existing branches is very similar to each other, since the same processes occur in it. The structure of single branch is presented by Figure 6.1.



**Fig. 6.1 Structure of single branch in analyzed company**

Based on drawing 8, it can be noted that the Controller in the examined company occupies a position independent of other cells. Controller participates in the decision making process at the level of a unit, he has a specialized knowledge and competencies with regard to substantive support effectiveness. Structure created this way creates one consistent organism that operates according to strictly defined uniform principles of in each branch. This fact causes that each branches is comparable which each other, which enabled conduct of the test of the impact of introducing controlling operational plan in particular departments on their operating result.

### 6.3.2 Analysis steps

In the described company, tests on the impact of presentation of operational system have been conducted. The audit was conducted in nine company's branches, where companies, where the operational controlling system was introduced. In each branch the total operating cost before and after introduction of system was verified. In the previous analyses, the values of the costs begin increased in proportion to trade are acknowledged. Based on this, the examined branches have been divided into three categories:

1. Branches with turnover greater than 5000000 PLN per month,
2. Branches with turnover between 3000000 up to 5000000 PLN per month and
3. Branches with turnover lower than 3000000 PLN per month.

Two periods, following directly introduction of the system were examined, since, it has been assumed the first month is a period of adaptation of the new properly functioning system and may not demonstrate all the correct dependencies. February was the month of the entry to the system. On the contrary, January reflects the level of the operational margin, which was observed in particular departments in the last half of the year. Revenues, costs and operating branches results from the first group have been presented in Table 6.1.

**Table 6.1 Revenues, costs and operating branches results from the first analysed group**

Branch Number	Indicators	January	February	March	GROWTH RATE	
					February/January	March/February
Branch 1	Revenues	5163400	5.072.343	5.716.304	-1.8%	12.7%
	Total operating expenses	4231731	3.839.438	4.210.622	-9.3%	9.7%
	Operating income	931669	1.232.905	1.505.683	32.3%	22.1%
	Operating result %	18.04%	24,31%	26.34%		
Branch 2	Revenues	6342950	6.173.109	6.967.137	-2.7%	12.9%
	Total operating expenses	5326532	4.857.840	5.201.655	-8.8%	7.1%
	Operating income	1016418	1.315.269	1.765.483	29.4%	34.2%
	Operating result %	16.02%	21.31%	25.34%		
Branch 3	Revenues	5725000	5.516.589	6.176.694	-3.6%	12.0%
	Total operating expenses	4726788	4.262.499	4.735.045	-9.8%	11.1%
	Operating income	998212	1.254.090	1.441.649	25.6%	15.0%
	Operating result %	17.44%	22.73%	23.34%		

In the first group of branches, relatively constant level of revenues in regards to the working days, with light increasing tendency in March can be noticed. Level of costs, compared to January and February, recorded a decrease in all units. Decrease in company's branches costs is, however, faster as compared to revenue subsequently with 7.5%, 6.1% and 6.2%. This decrease is directly reflected in entity's operational results that finally increased between five and six percentage points in particular departments. In March, it can be noticed that the costs increase again, which is directly connected to the growth of the revenue. However, taking into account costs of the revenue, they reflect further decrease This trend is depicted in table 1, in the growth rate item, where increase of in revenues March in respect of February is still greater than growth of costs. This fact has a direct influence on another growth in operational result, which exceeds 25% in two branches already. Hence, over two months, after introducing operational controlling system, each of branches of the first group noted an increase in operational results, which is shown graphically by chart (Fig. 6.2).

On the chart (Fig. 6.2), in the background one may note increase in the level of operational result in each of three branches of the first group. March is definitely the best in results – namely a period when the new operational system was already introduced. In each of the branches we can also see the effect of the decrease of costs, despite increase in rotations.

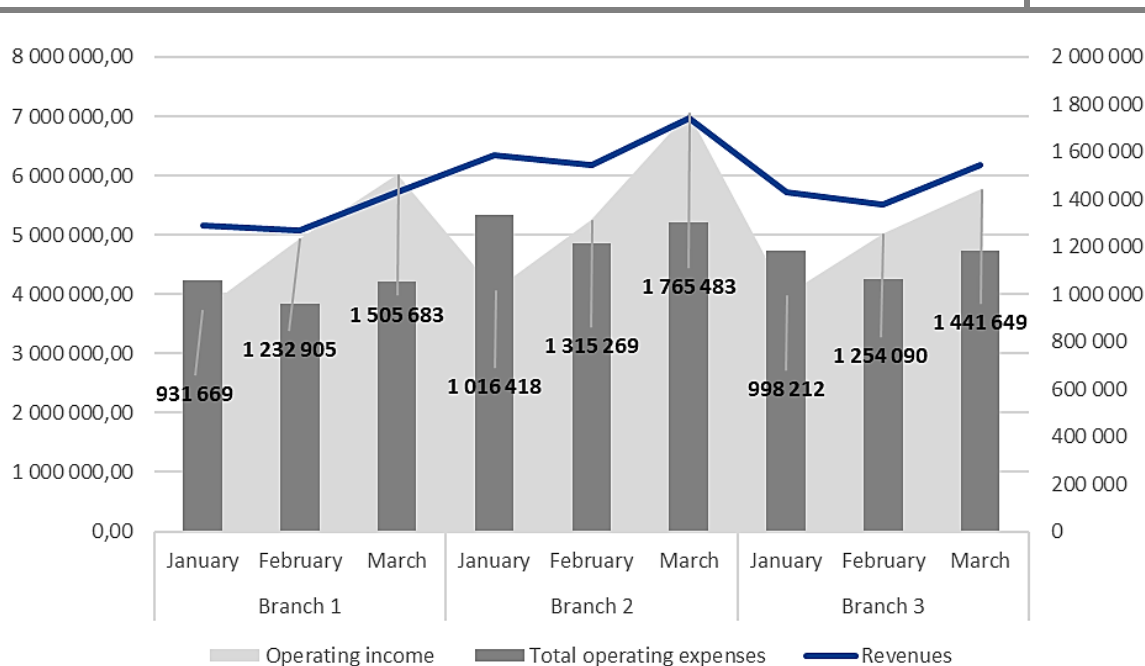


Fig. 6.2 Operational results before and after controlling system providing in group one

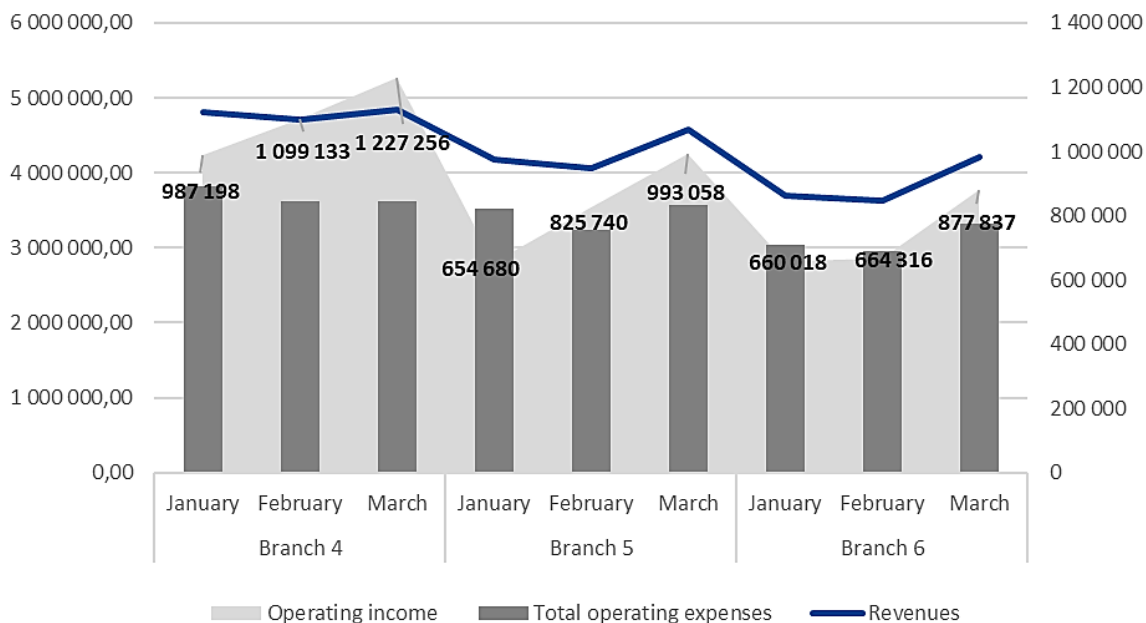
Another group of branches subjected to the study is branches from the group 2. Results of these branches have been presented in Table 6.2.

Table 6.2 Revenues, costs and operating branches results from the second analysed group

Branch Number	Indicators	January	February	March	GROWTH RATE	
					February/January	March/February
Branch 4	Revenues	4.805.262	4.716.008	4.843.129	-1.9%	2.7%
	Total operating expenses	3.818.064	3.616.875	3.615.873	-5.3%	-0.03%
	Operating income	987.198	1.099.133	1.227.256	11.3%	11.7%
	Operating result %	20.54%	23.31%	25.34%		
Branch 5	Revenues	4.169.286	4.066.398	4.569.272	-2.5%	12.4%
	Total operating expenses	3.514.606	3.240.658	3.576.213	-7.8%	10.4%
	Operating income	654.680	825.740	993.058	26.1%	20.3%
	Operating result %	15.70%	20.31%	21.73%		
Branch 6	Revenues	3.692.546	3.624.073	4.202.663	-1.9%	16.0%
	Total operating expenses	3.032.528	2.959.757	3.324.826	-2.4%	12.3%
	Operating income	660.018	664.316	877.837	0.7%	32.1%
	Operating result %	17.87%	18.33%	20.89%		

The second group of branches presents relatively constant level of revenue in the first two months. In March, depending on a branch, the revenue was running at a similar level or it significantly increased. In each branch, starting from February, in relation to revenues decrease in operating costs has been reported. In the branch 4 sustainable growth in operational result was reported. In February, at the level of 2.77 percentage points, and in March, by further 2, 3 percentage points the growth was reported. In the second branch changes shaped slightly differently and in February result improved significantly-from 15.70% increased up to 20.31%. Changes in March were not that spectacular. Pace of change costs still maintained digressive direction with regard to revenues, which resulted in the next increase by

1.42 percentage point in March. This branch presents tendency similar to the branch three from the group one. The last branch of this group -6- notes a steady growth month by month. Total percent increase of the result of this branch was, however, lowest from the branches described so far. As it can be noted, in the second case, the increase in the operational system result after the operational system introduction was noted. Growth in results of branches in the second group along with corresponding revenues and costs are presents by chart (Fig. 6.3).



**Fig. 6.3 Operational results before and after controlling system providing in group two**

On the chart (Fig. 6.3), one can see that the largest changes took place in the branch four after introduction of operational controlling system. In the branch 5 a substantial increase in results and decrease in costs in relation to revenues are also visible. The branch 6, the smallest in terms of trade from the second group, implemented a slightly better result, in spite of decrease in turnover, which directly proves cost optimization. On the other hand, in March, the level of revenues significantly increased, which was effect of obtaining a new customer. Simultaneously, a slightly declining trend of costs in respect of revenue, compared to February was maintained.

The third group of branches represents the group of branches by the smallest month trade. It has been presented in Table 6.3.

Changes that took place in each of these branches are no longer so similar, as in the first group. The branch 7 demonstrated the lowest operational margin, which was just 13.54% by the January, before introduction of controlling operational system. In this case, introduction of the system made it possible optimize and increase the operational margin in March to 19.1%. However, compared to other branches, the result is still the lowest, which indicates further potential to optimize this branch. In the branch 8 similar changes as in some branches from the second group.

**Table 6.3 Revenues, costs and operating branches results from the third analysed group**

Branch Number	Indicators	GROWTH RATE				
		January	February	March	February/ January	March/ February
Branch 7	Revenues	2.196.543	2.101.765	2.335.314	-4.3%	11.1%
	Total operating expenses	1.899.041	1.738.025	1.889.166	-8.5%	8.7%
	Operating income	297.502	363.740	446.148	22.3%	22.7%
	Operating result %	13.54%	17.31%	19.10%		
Branch 8	Revenues	1.832.456	1.796.458	1.980.348	-2.0%	10.2%
	Total operating expenses	1.471.418	1.404.219	1.526.901	-4.6%	8.7%
	Operating income	361.038	392.239	453.447	8.6%	15.6%
	Operating result %	19.70%	21.83%	22.90%		
Branch 9	Revenues	1.245.863	1.232.110	1.325.287	-1.1%	7.6%
	Total operating expenses	900.218	886.742	954.208	-1.5%	7.6%
	Operating income	345.645	345.368	371.079	-0.1%	7.4%
	Operating result %	27.74%	28.03%	28.00%		

A gradual operational system amend was performed by subsequently from 19.7% to 21.83% to 22.9%. The last branch of the third group significantly distinguishes among all other. Already in January, before the introduction of operational controlling system, it was characterized by a very high margin at the level of 27.74%. However, this branch is still the smallest from all of the analysed ones and supports mainly only one customer. Specially for this customer other operational solutions were implemented. It is necessary to emphasize that these solutions are much simpler in serving than those that operate in other branches, where a great quantity of customers by diverse product are operated. This is the only case where the introduction of the operational controlling system did not result in substantial changes. Change in the results of branch 3 in the relation between total revenues and costs are illustrated on the chart (Fig. 6.4).

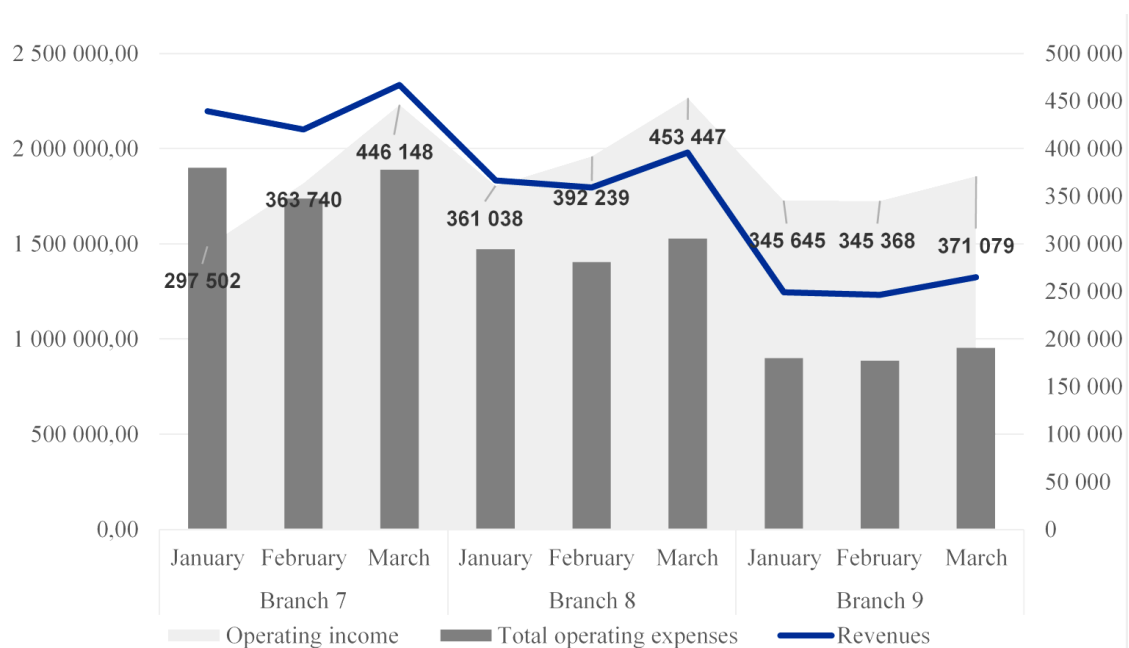
**Fig. 6.4 Operational results before and after controlling system providing in group three**

Chart (Fig. 6.4), reflects the relations described above very clearly. It can be noticed that the branch 7 increased its result in the period from January to of, followed by a growth of trade and substantial reduction of the costs that stopped at the level of January. The branch 8 also presents a sustainable growth in results and a small costs growth in relation to new revenue. Looking at branch 9, it can be straightaway noted that it presents totally other data. Branch results during all periods were on a steadily high level, as depicted on the flat structure chart. Therefore, system impact on the operational controlling system result improvement cannot be expressly stated. The conducted research revealed that in most of the analysed branches the greatest increase in operational margin was already recorded in the first month after entry to the system. Finally, in the second month after entry to the system all the branches presented the growth margin in their operational activity, as depicted on Table 6.4.

**Table 6.4 Growth margin in operational activity per branch after providing controlling system**

Operating result %	January	February	March	February to January	March to February	March to January
Branch 1	18.04%	24.31%	26.34%	6.26%	2.03%	8.30%
Branch 2	16.02%	21.31%	25.34%	5.28%	4.03%	9.32%
Branch 3	17.44%	22.73%	23.34%	5.30%	0.61%	5.90%
Branch 4	20.54%	23.31%	25.34%	2.76%	2.03%	4.80%
Branch 5	15.70%	20.31%	21.73%	4.60%	1.43%	6.03%
Branch 6	17.87%	18.33%	20.89%	0.46%	2.56%	3.01%
Branch 7	13.54%	17.31%	19.10%	3.76%	1.80%	5.56%
Branch 8	19.70%	21.83%	22.90%	2.13%	1.06%	3.19%
Branch 9	27.74%	28.03%	28.00%	0.29%	-0.03%	0.26%

On the basis of Table 6.4 it can also be concluded that the largest optimization was made in three of the largest branches. At this point a relation between optimisation potential and operational scale was proved. This fact may be explained by conducting many complex operations at the same time, that subjected to control by operational controlling system, present many possibilities of more effective process management. The smallest difference in the results can be noticed in branch 6. It is, however, necessary to remember other changes that coincided with the moment of introducing operational controlling to this a branch. It could have disturbed the process, which could be examined in the following months. Lack of growth in the operational margin in the branch 9 may be explained as result of a special operation run mainly for one customer. The process taking place in this case is clear and the newly introduced the system did not disclose many potential improvement possibilities. The results of each of production department will be monitored in a manner which was presented in the article in order to test whether over subsequent months there were any dependencies worth analysing.



## 6.4 CONCLUSIONS

The introduction of the operational controlling system in the examined company met expectations of the management staff. The unit increased its effectiveness at the operational level, which had a direct effect on growth in operational result in eight out of nine units, which resulted in 89% effectiveness. The obtained result in confirms the hypothesis that the application of the operational controlling system has a direct impact on growth of results of operational units. As it results from research conducted on the effect of results of new system implementation, it has been influenced by factors such as: structure, size of the branch, the quantity of operated customers, simultaneous implementation of other new processes. However, the conducted research has indicated that the controlling operational system, is a tool allowing improvement of the businesses processes effectiveness. Its tools enable recognition of hazards and potential possibilities, which is directly reflected in decision-making management.

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## ANALYSIS OF THE IMPACT OF THE CONTROLLING OPERATIONAL SYSTEM ON THE UNIT'S OPERATING RESULT

**Abstract:** The article fits into the issues of increasing effectiveness processes in today's companies. It attempts to present possibilities that company can benefit from by gathering and using knowledge to manage company's operational activity effectively. The purpose of the article is to show relation between the application of the operational controlling tools in the company and results achieved by current operations. Tests conducted in the company introducing operational controlling in its operations allowed to confirm hypothesis that the application of the operational controlling system has a direct impact on results of operational growth of an entity. Indicated relation was observed in eight out of nine analysed company's branches. Testing dependencies was conducted as a comparison of operational financial performance of each branch, both before and after introducing of the operational controlling system.

**Key words:** controlling, operational controlling, management decisions, processes effectiveness, entity's operational result

## ANALIZA WPŁYWU SYSTEMU CONTROLLINGU OPERACYJNEGO NA WYNIK OPERACYJNY JEDNOSTKI

**Streszczenie:** Artykuł wpisuje się w problematykę zwiększania efektywności procesów w dzisiejszych przedsiębiorstwach. Stara się ukazać możliwości jakie płyną dla przedsiębiorstwa z zebrania i wykorzystania informacji do efektywnego kierowania działalnością operacyjną przedsiębiorstwa. Celem artykułu jest ukazania związku pomiędzy zastosowaniem narzędzi controllingu operacyjnego w przedsiębiorstwie, a osiąganymi przez niego wynikami w działalności bieżącej. Badania przeprowadzone na przedsiębiorstwie wprowadzającym controlling operacyjny w swojej działalności pozwoliły na potwierdzenie hipotezy, że zastosowanie systemu controllingu operacyjnego ma bezpośredni wpływ na wzrost wyniku operacyjnego jednostki. Wskazaną zależność zaobserwowano w ośmiu z dziewięciu analizowanych oddziałów firmy. Badanie zależności przeprowadzone zostało jako porównanie operacyjnych wyników finansowych poszczególnych oddziałów zarówno przed jak i po wprowadzeniu systemu controllingu operacyjnego.

**Słowa kluczowe:** controlling, controlling operacyjny, decyzje zarządcze, efektywność procesów przedsiębiorstwa, wynik operacyjny jednostki

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