

# business plan and operating result sensitivity analysis ratios

Models for the analysis of the causal structure have the function of representing the cause-effect relationships that link corporate activities to the variables that influence its functioning and to corporate performance.

Indeed, just a slight modification of a given variable is sufficient for the effects to spread to others (as in a "chain reaction") and, thus, to performance.

It should also be remembered that variations in said variables are not simultaneous, do not have a linear course and that each one of them differs from the others in "reaction times" and degree of "sensitivity" with respect to the stresses it receives.

The resulting variables possess a degree of sensitivity in relation to variations in their fundamental determinants.

The sensitivity of the operating result, for example, is calculated using the following coefficients:

- **Sensitivity with regard to price/receipts**, provided by the relationship between sales receipts (RV) and the operating result (RO), which expresses the variation in operating income deriving from a variation in price, assuming that units sold and variable costs remain constant;
- **Sensitivity with regard to variable costs**, expressed by the relationship between variable costs (CV) and operating result (RO), which expresses the variation in operating income deriving from a variation in variable unit cost, and thus in overall variable costs (CV), assuming that units sold remain constant;
- **Sensitivity with regard to sales volume**, measured by the relationship between gross contribution margin (MLC) and operating result (RO), which expresses the variation in operating income associated with a variation in sales volumes, and thus in the gross contribution margin, assuming that sales mix, price and variable unit cost remain constant.

The higher the value taken on by the above mentioned coefficients, the greater will be the variations in the operating result as a consequence of the variations on which it depends (prices, variable unit costs and sales volumes).



<http://www.startupmedlab.it>

prof. Domenico Nicolò - [domenico.nicolo@unirc.it](mailto:domenico.nicolo@unirc.it)