

Manufacturing Performance *beyond EBITDA*

July 2026 Edition





Why profitability is an outcome of
business capability—not the sole
measure of manufacturing
performance?



PUBLICATION TYPE	Industry Perspective
INDUSTRY	Manufacturing
FOCUS AREAS	Performance Management EBITDA Business Capability Enterprise Value
READING TIME	5 minutes
PUBLICATION CODE	VSP-MFG-003

ABOUT
VALUESCOPE™
PERSPECTIVES

ValueScope™ Perspectives is Cuma's thought leadership series exploring the strategic, operational and financial issues shaping India's mid-market businesses. Each publication offers practical perspectives designed to help business leaders identify opportunities to create, recover and sustain enterprise value.

Manufacturing Performance Beyond EBITDA

For many manufacturing businesses, EBITDA has become the ultimate measure of success. Management reviews focus on EBITDA margins. Board discussions revolve around EBITDA growth. Investors use EBITDA to evaluate performance and value businesses.

There is good reason for this. EBITDA provides a useful snapshot of operating profitability by focusing on the performance of the core business. The challenge is that EBITDA is an outcome. It is not a capability.

A manufacturing business can report strong EBITDA while underlying operational weaknesses continue to grow.

- Customer service may be deteriorating.
- Production schedules may be becoming increasingly unstable.
- Inventory may be rising faster than demand.
- Equipment reliability may be declining.
- Key employees may be carrying an unsustainable workload.

None of these issues immediately appear in EBITDA. Yet over time, they influence the organisation's ability to sustain profitability and support future growth.

This is why manufacturing leaders should view EBITDA as a lagging indicator. It tells you what has happened. It does not explain what is happening.

The businesses that consistently outperform their peers focus on a broader set of performance drivers.



They understand that profitability is ultimately created through the interaction of many operational and commercial capabilities.

- Production efficiency influences costs.
- Quality performance affects customer satisfaction and rework.
- Inventory management impacts cash flow and responsiveness.
- Delivery reliability shapes customer trust.
- Workforce capability determines execution quality.
- Decision-making influences the speed and effectiveness of the organisation.

Together, these factors create the conditions that make strong financial performance possible.

Consider two manufacturers with identical EBITDA margins. At first glance, their performance appears similar. However, one business may be achieving that result through strong operational discipline, efficient planning, reliable processes and a highly engaged workforce. The other may be relying on aggressive cost controls, deferred maintenance, excess management intervention and short-term decisions that are difficult to sustain.

A ValueScope™ Question?

If your EBITDA improved by 20% next year, would it be because your business became stronger—or because it became better at producing short-term results?



The financial outcome is the same. The underlying capability is not. Over time, the difference becomes visible. One organisation continues to improve. The other struggles to maintain performance.

This is why the most successful manufacturing businesses do not manage EBITDA alone. They monitor the operational drivers that influence EBITDA. They understand the relationship between operational health and financial performance. They recognise that long-term value is created by building stronger capabilities, not simply chasing stronger financial results.

EBITDA will always remain an important measure of performance. But manufacturing excellence cannot be assessed through a single financial metric. The real question is not whether EBITDA is improving. The real question is whether the business is becoming stronger. Because stronger businesses tend to produce stronger EBITDA. The reverse is not always true.



The Value Lens

Financial performance is an outcome of business capability. Sustainable profitability is created when operational, commercial and organisational strengths work together consistently.



DISCOVER

Identify the operational, commercial and organisational drivers that influence financial performance. Look beyond EBITDA to understand what is strengthening—or weakening—the business.



RECOVER

Address performance gaps in areas such as productivity, quality, planning, delivery reliability and decision-making to improve both operational effectiveness and financial outcomes.



CREATE

Build the capabilities that enable sustainable profitability, resilience and long-term enterprise value, rather than relying solely on short-term financial improvements.

**EBITDA
measures
performance.
Capability
determines
whether that
performance
can be
sustained.**



EXECUTIVE REFLECTION

MANUFACTURING PERFORMANCE BEYOND EBITDA

EBITDA shows what happened.
True leadership focuses on what creates
sustainable value for the future.

6 QUESTIONS FOR LEADERS

- 1 FINANCIAL STRENGTH**
Are we generating strong returns, maintaining healthy cash flow and managing capital efficiently?
Rate yourself 1–5
- 2 OPERATIONAL EXCELLENCE**
Are we consistently delivering high quality, productivity and on-time performance at competitive cost?
Rate yourself 1–5
- 3 CUSTOMER & MARKET IMPACT**
Are our customers satisfied and loyal?
Are we growing share in the markets that matter?
Rate yourself 1–5
- 4 PEOPLE & CAPABILITY**
Do we have an engaged, capable team with the right skills and a strong performance culture?
Rate yourself 1–5
- 5 GROWTH & INNOVATION**
Are we innovating—creating new products, improving processes and expanding into new opportunities?
Rate yourself 1–5
- 6 CREATE SUSTAINABLE VALUE**
Are we balancing short-term performance with long-term value creation across all dimensions?
Rate yourself 1–5

WHAT YOUR SCORECARD SHOULD TELL YOU

- FINANCIAL HEALTH**
How efficiently we are generating profits, cash and returns from the capital we deploy.
- OPERATIONAL HEALTH**
How well our systems, processes and assets deliver quality, speed and reliability.
- MARKET HEALTH**
How customers perceive us and how strongly we are growing in our chosen markets.
- PEOPLE HEALTH**
How engaged, capable and empowered our people are to deliver results.
- FUTURE HEALTH**
How ready we are to innovate, adapt and capture future opportunities.
- THE ULTIMATE GOAL**
A balanced scorecard across all five dimensions builds resilience today and compounds value for tomorrow.

EARLY WARNING SIGNS TO WATCH

- FINANCIAL WARNINGS**
 - Declining cash flow
 - Rising debt levels
- OPERATIONAL WARNINGS**
 - Increasing defects
 - Rising unit costs
- CUSTOMER WARNINGS**
 - Falling NPS / CSAT
 - Increasing churn
- PEOPLE WARNINGS**
 - High attrition
 - Low engagement
- GROWTH WARNINGS**
 - Stagnant innovation
 - Losing market share

FROM INSIGHT TO ACTION

- MEASURE**
Track the right metrics across five dimensions consistently.
- SET TARGETS**
Define ambitious but realistic goals for each dimension.
- ACT**
Execute focused initiatives with clear ownership.
- MONITOR**
Review KPIs and scorecard regularly (monthly/quarterly).
- IMPROVE**
Learn, adapt and continuously raise the performance bar.

Great manufacturing companies don't just chase numbers.
They build balanced systems that create enduring value.

REMEMBER
EBITDA is a result.
Value is a choice.

Where Do You Go From Here?

Strong EBITDA is an important outcome, but it is not a strategy. Sustainable manufacturing performance is built through the capabilities that drive financial results—operational discipline, productivity, quality, customer service and effective decision-making.

At Cuma, we help manufacturing businesses identify and strengthen the operational, financial and organisational drivers that influence performance, enabling leaders to build stronger businesses—not just stronger financial results.

The next question isn't whether
your EBITDA is improving.

It's whether the capabilities that
create it are improving too?



About Cuma

Cuma is a strategy and performance advisory firm helping India's mid-market businesses create sustainable enterprise value through strategic clarity, operational excellence, financial discipline and organisational capability.

Published by

ValueScope™ Perspectives by Cuma

www.cumaconsulting.com

info@cumaconsulting.com

+91 91029 77566/ +91 98104 31463

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