

The hidden cost of *Operational* Complexity in Manufacturing

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Why growing manufacturers lose efficiency, profitability and agility long before they realise it ?



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**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.

The Hidden Cost of Operational Complexity in Manufacturing

As manufacturing businesses grow, complexity often grows with them.

What begins as a straightforward operation gradually becomes harder to manage. New product lines are introduced. More customers are added. Supplier networks expand. Teams grow. Processes evolve. Technology is implemented in stages. Decisions become increasingly dependent on a few experienced individuals. None of these changes are inherently negative—they are often signs of business growth. The challenge is that complexity rarely arrives with a warning.

Over time, businesses begin to experience symptoms that feel unrelated:

- Orders take longer to fulfil.
- Inventory levels continue to rise, yet stock shortages persist.
- Production schedules change more frequently than planned.
- Costs increase faster than revenue.
- Management spends more time solving operational issues than planning for growth.
- Cash flow becomes tighter despite healthy sales.



Most organisations respond by treating these as individual problems. They negotiate with suppliers, recruit additional staff, purchase new software or tighten cost controls. While these actions may provide temporary relief, they often fail to address the underlying cause. The real issue is operational complexity.

Operational complexity develops when systems, processes and ways of working no longer evolve at the same pace as the business itself. Activities become more interconnected, decision-making slows, duplication increases and inefficiencies become embedded in day-to-day operations.

Unlike obvious operational failures, complexity is difficult to recognise because it accumulates gradually. Each individual decision may appear reasonable, but collectively they create friction throughout the organisation.

A ValueScope™ Question?

If your business continues to grow over the next three years, will your current operating model enable that growth—or will it make growth increasingly difficult?



The financial impact is often significant, although it rarely appears as a single line item in the financial statements.

Instead, it shows up in many small ways:

- Excess inventory tying up working capital.
- Frequent production interruptions.
- Higher overtime costs.
- Low utilisation of machines and people.
- Delayed customer deliveries.
- Quality issues and rework.
- Management time diverted towards firefighting instead of strategic planning.

Individually, these may seem manageable. Together, they quietly erode profitability, reduce agility and limit the organisation's ability to scale.

Importantly, operational complexity is not exclusive to large organisations. Many mid-sized manufacturers experience it long before they become large enterprises. In fact, businesses often encounter this challenge during periods of rapid growth, when operational practices that once supported the business are no longer sufficient for its next stage of development.



Recognising operational complexity is the first step towards improving performance.

Rather than asking, "How do we reduce costs?", leaders may find greater value in asking:

- Which activities no longer create value?
- Where are decisions taking longer than they should?
- Which processes have become unnecessarily complicated?
- Where is working capital being trapped?
- How much management time is being consumed by recurring operational issues?

These questions often reveal opportunities that traditional financial analysis alone cannot identify.

The objective is not simply to make operations leaner—it is to build an organisation that can grow with greater clarity, consistency and resilience.

Businesses that simplify operations, strengthen decision-making and align processes with strategy are often better positioned to improve profitability, enhance customer service and create long-term enterprise value.

Operational complexity may not always be visible, but its impact is.

Recognising it early can be the difference between a business that merely grows and one that grows sustainably.

The Value Lens

Every manufacturing business accumulates complexity as it grows. The challenge is not eliminating complexity altogether, but recognising where it no longer creates value.



DISCOVER

Identify where operational complexity is creating friction across people, processes, systems and decision-making. Look beyond individual symptoms to understand the underlying causes of inefficiency.



RECOVER

Simplify workflows, eliminate unnecessary activities and strengthen operational discipline to release trapped productivity, improve responsiveness and recover hidden value.



CREATE

Build an operating environment where simplicity, clarity and accountability enable sustainable growth, stronger profitability and greater enterprise value.

Value is rarely lost through one major decision. More often, it is eroded through everyday complexity that goes unnoticed.

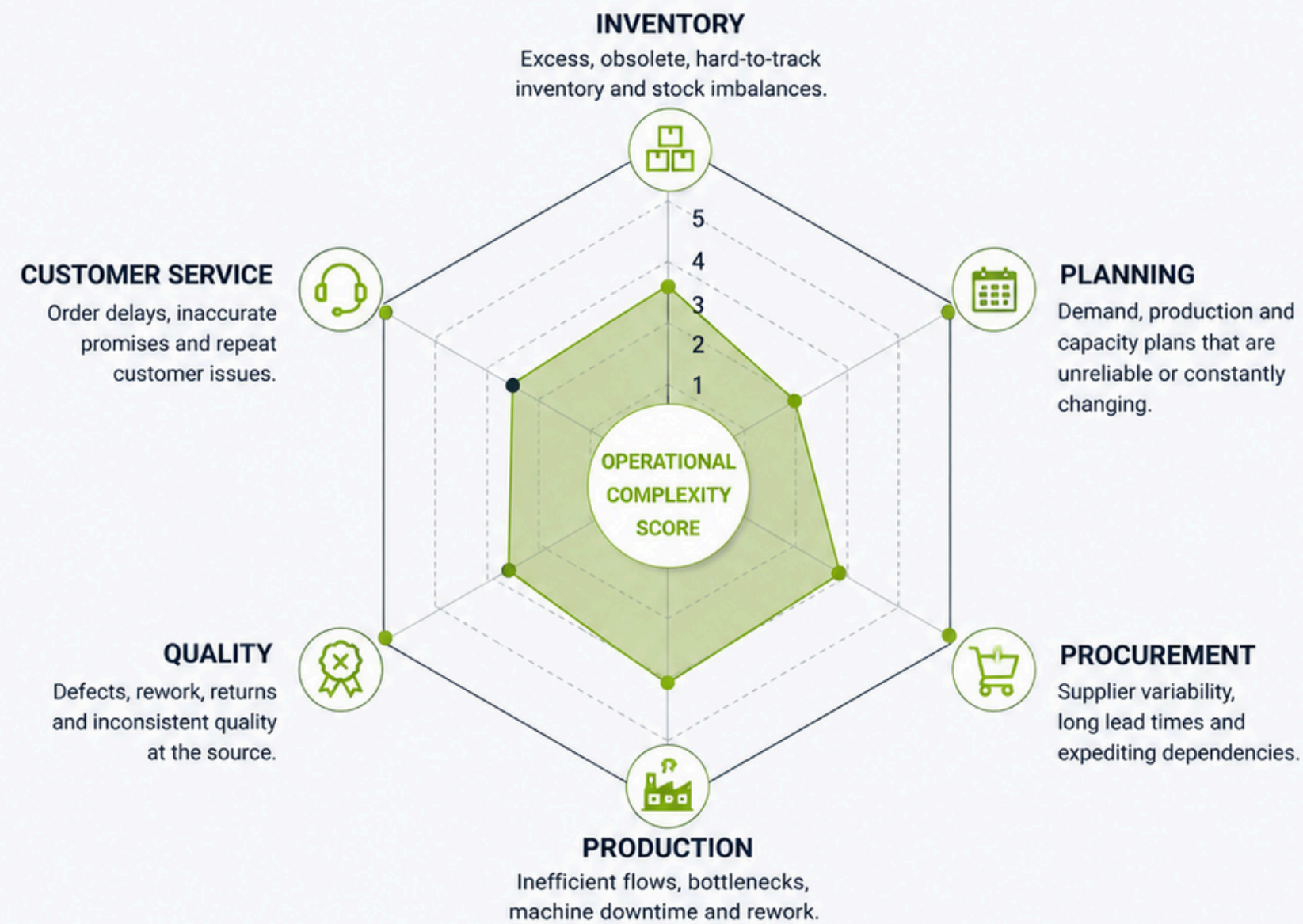


WHERE IS **COMPLEXITY HIDING?**

Complexity looks different in every business.
Identify. Understand. Uncover. Unlock Value.



Rate the level of operational complexity across key areas in your business on a scale of 1 (Low) to 5 (High).



COMPLEXITY SCALE

1 Very Low | 2 Low | 3 Moderate | 4 High | 5 Very High



THE INSIGHT:

Complexity in one area creates ripple effects across the entire business.

Where Do You Go From Here?

Operational complexity rarely appears overnight. It develops gradually as businesses grow, making it increasingly difficult to sustain profitability, agility and long-term value creation.

Recognising complexity is the first step. Understanding where it exists—and how to address it—is what enables meaningful transformation.

At Cuma, we work with founders, promoters and leadership teams to identify the operational, financial and strategic drivers that influence enterprise value, helping organisations simplify complexity and build stronger, more resilient businesses.

The next question isn't whether complexity exists in your business.

It's whether it is preventing your business from creating the value it should?



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.

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