

Profit Spikes Are Not Proof of Operational Excellence.

Why high revenue can mask fundamental process decay and cultural failure.

Lean Six Sigma · Operations Management · Leadership · Process Audit

The newsletter for operations executives who prefer diagnosing underlying operational debt over celebrating temporary quarterly gains.



The Problem: Confusing Cash Flow with Core Capability

A profitable month is not a certificate of operational excellence. This is the fundamental distinction that separates an organization that can sustain growth from one that is simply riding a wave until it breaks. When revenue spikes or margins widen, there is a natural temptation for leadership to equate these financial wins with "good" manufacturing. It feels like success because, on paper, it is. But in the world of process control and quality management, profit is often a lagging indicator—a trailing ghost that tells you what happened yesterday, not whether your systems are capable today.

I call this **The Margin Mirage**.

It happens when an organization mistakes market luck or high-volume demand for internal capability. You see a line running at full capacity with low scrap rates and growing margins, so the assumption is that the process is "solid." It isn't necessarily solid; it might just be lucky. Perhaps your current mix of operators is skilled enough to compensate for sloppy standard work. Perhaps your machines are still in

their honeymoon phase before they require a major overhaul. Or perhaps you are simply moving fast enough that the symptoms of decay haven't had time to manifest as failures yet.

A profit spike can act as a veil, obscuring the fact that your processes are drifting. If we celebrate "the numbers" without auditing the work, we aren't leading; we're just watching a scoreboard while the engine begins to seize. Quality is not an accident of success; it is the discipline required to ensure that when the market shifts or the volume drops, the system doesn't fall apart because the foundation was made of sand.

The Hidden Debt: Process Drift, Not Market Strength

When you ignore a minor issue on the floor because "it's not causing problems right now," you aren't solving it; you are taking out a loan. This is **Operational Debt**. Just as technical debt in software allows for quick fixes that cause massive headaches later, operational debt occurs when we allow shortcuts to become standard practice because they provide immediate convenience.

On the floor, this looks like several things:

1. A tool that isn't perfectly calibrated but "works well enough" for now.
2. A step in a work instruction that is skipped by operators because it's cumbersome and doesn't seem to affect the final product—yet.
3. A workaround taped to a machine that everyone knows about, but no one has bothered to fix in the official SOP.

These are not "efficiencies." They are symptoms of process drift. When you have high demand, these shortcuts might stay hidden because the volume is steady and your best people are on-site to catch the mistakes manually. But when a key operator leaves, or a machine starts running at a different speed, or a new material is introduced, that "hidden debt" comes due immediately. The process fails because it was never actually stable; it only appeared stable because you weren't testing its limits.

Success in manufacturing isn't about finding ways to get around the rules when things are going well. It's about building a system so robust that even when things go poorly, the process remains within its defined limits. If your success depends on people working harder or "making it work" through sheer willpower, you don't have an operational win; you have a looming crisis of non-standardized behavior.

Why We Get Complacent (And Why Leaders Ignore It)

It is human nature to want to celebrate what works. When the P&L looks green and customers are happy, it feels like a failure to spend time on "nitpicking" process variations or auditing minor deviations in standard work. This is where leadership often fails. They choose the comfort of current results over the hard truth of future capability.

The logic usually goes like this: *Why would we slow down or add more rigor to our checks when the product is getting out the door and making us money?*

This mindset ignores the reality that "good enough" for today is often a death sentence for tomorrow's scalability. When leaders ignore process decay because of high profit, they aren't being pragmatic; they are becoming complacent. They are choosing to believe their own reflection in the mirror of current success rather than looking at the cracks forming in the foundation.

This isn't about being cynical toward those who want to celebrate a win. It's about recognizing that a "win" built on shortcuts is just an un-audited risk. If you have to rely on your best people to "save" the process every day, then your process isn't actually working—your people are simply compensating for it. When those people leave or get burned out, the reality of your operational debt will be exposed in a way that is much harder and more expensive to fix under pressure than it would have been during a period of calm.

What High Profit Actually Masks

It is easy to mistake "speed" for "capability." Often, what looks like an efficient process is actually just a desperate one—a team working frantically to overcome the flaws in their system. To see through the Mirage, you must distinguish between what management believes they are seeing and what is actually happening at the point of production.

What Management Thinks (The Mirage)	The Underlying Reality (Operational Debt)
"We have a highly skilled workforce."	Workers are manually correcting errors caused by poorly defined standard work or drifting tolerances.
"Our process is efficient and fast."	Operators are skipping "non-essential" steps in the manual to keep up with production quotas.
"The quality is consistent."	The team happens to have a lucky streak of raw materials, but they lack the controls to handle bad material.
"We are scaling successfully."	You are growing until you hit a "breaking point" where your non-standard work can no longer be managed by sheer effort.
"The team is proactive."	The team is just reacting quickly enough that the defects haven't reached the customer yet.

Three Tests for Operational Health, not Just Quarterly Reports

To determine if your success is a result of capability or merely luck, you must move away from the balance sheet and toward the floor. You need to test the "friction" of your system—the points where it will break under stress. Here are three tests that provide an honest diagnosis of your operational health:

1. The Standard Work Audit

Walk the line and don't look at the finished product; look at the process steps. Ask a technician to perform their task while you watch from behind them. Do they follow the written instruction exactly, or

do they use "common sense" shortcuts? If your operators are deviating from the SOP because it's hard or slow, that is an opportunity for improvement—not just a sign of individual skill. A process that requires "skill" to stay within limits is not a controlled process; it's a high-risk gamble.

2. The Variability Stress Test

Introduce a deliberate change in the environment and see how the system reacts. What happens when your most experienced operator is replaced by someone from another department for an afternoon? What happens if you intentionally switch to a different batch of raw material that is at the lower end of your specification range? If the output quality fluctuates, your process isn't "robust." It's only working because everything stayed exactly the same. A healthy system should produce consistent results even when variables shift.

3. The "Why" Drill-Down

Stop and ask an operator why they perform a specific check or step. If their answer is "because it's in the manual," that's a start. But if they can explain *why* that step matters—how it prevents a specific failure or ensures a certain tolerance—you have found a culture of ownership. If they don't know why they are doing something, then your training is superficial and the process is vulnerable to drift as soon as someone gets tired or rushed.

Practical Takeaways for Tomorrow's Gemba Walk

Don't wait for the next quarterly review to see if you have a problem. Go find out today by looking at these three specific areas during your walk:

- **Identify "Workarounds":** Look for tape, handwritten notes on machines, or unofficial logs. These are the visible markers of operational debt. If it's not in the official SOP but everyone is doing it anyway, you have a process that isn't being managed.
- **Audit the Tools:** Pick three random tools used on your most profitable line. Check their calibration dates and physical condition. Are they "good enough," or are they compliant? If they are only "good enough" because they haven't failed yet, you are operating in a state of risk.
- **Observe the Pace vs. Process:** Watch an operator who is moving quickly. Is that speed coming from a well-designed workstation and clear flow, or is it coming from them skipping steps to keep up? If they have to "hustle" to stay on schedule, your process isn't capable; it's just currently fast enough.
- **Verify the Training:** Ask an operator to show you the most recent training record for a specific task and then ask them to walk you through that specific part of the instruction. If they can't find it or don't understand why it exists, your "capability" is likely just luck in disguise.

Call to Action

What metrics are you using this week to measure **capability** versus merely measuring **revenue**?
Please share your thoughts or ask us a question at newsletter@sixsigmakaizen.com

Newsletter replies: newsletter@sixsigmakaizen.com · X: [@kaizen_6sigma](https://twitter.com/kaizen_6sigma)

Stay curious, stay improving,

David Rodgers

SixSigmaKaizen.com

References: Source: When Profit Spikes Are Just a Market Illusion (6SigmaKaizen)

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