

# When Growth Stops Being Profit

The hidden cost of variability and the moment to change the operating model in FMCG supply chains.

# Introduction

**There is a moment when growth quietly stops improving profitability - and almost no one notices when it happens.**

Sales increase, market share improves and the commercial outlook appears strong.

In most manufacturing companies this moment does not appear as a crisis. It appears as success. Forecasts look promising, the commercial team celebrates the growth, marketing prepares the next campaigns, and production still manages to keep up. Until the first major promotion.

Then something begins to shift - slowly at first, almost invisibly. The warehouse starts working weekends. Planning stops planning and increasingly reacts to what has already happened. Transport stops optimising and begins rescuing delivery dates.

At a certain scale those two worlds begin to drift apart - often at the exact moment the business appears most successful.

Over the years I have seen the same pattern repeat across many FMCG companies. First comes commercial success. Then operational tension. And finally, investment decisions are

**The most confusing part is that the company is selling more than ever before, yet no one can clearly answer whether it is actually earning more. This is not because someone made a mistake. It is because manufacturing organisations are designed for stability, while the commercial side of the business operates in variability.**

made under the highest possible pressure: additional warehouse space, overtime, repacking operations, and temporary solutions that quietly become permanent.

At that moment a familiar idea usually appears: outsourcing. But it typically appears one or two years too late.

This book is not about warehouses, and it is not about choosing a logistics provider. It is about management decisions that logistics merely exposes - the moment when an internal operation stops being a competitive advantage and begins to quietly limit sales, even though the reports still look acceptable.

Co-packing appears in this book as one possible tool. But the real subject is something deeper: the cost of variability. More precisely - the moment when an organisation begins to feel that cost long before it knows how to measure it.

In reality the problem starts much earlier. It begins in the way companies understand the cost of growth and in how they try to combine operational stability with commercial ambition.







# Every supply chain eventually pays for variability. The only question is where.

This book is about recognising the moment when an operating model stops improving financial performance and how to see that moment before it appears in a report.

For clarity, this book aims to give you three things:

- a language to name the problem,
- early warning signals,
- a simple checklist.

That helps determine when separating variability begins to make operational and financial sense.

In supply chains, growth rarely destroys profitability overnight. It does it slowly and through.

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# Growth That Does Not Improve Profitability



**The most expensive operational problems rarely look like problems. They usually begin with good news.**

Demand grows faster than expected, orders increase, retailers expand listings. From the outside everything appears to be working exactly as planned. The organisation reacts in the most natural way possible - it works harder. First come overtime shifts, then additional transport slots, and eventually temporary solutions begin to appear.

Individually, each of these decisions is rational and easy to defend in a monthly report. The difficulty is that together they start forming something else: a new operating model. A model no one intentionally designed, but one that gradually begins to govern everyday operations.

Without noticing it, the organisation moves from planning mode into recovery mode. The stability of the system slowly gives way to the effort and determination of people.

**Sales continue to grow, but the system is no longer carrying the growth. People are.**

**And this is often the moment when a paradox begins to appear. Sales performance reaches record levels, yet financial predictability becomes weaker.** On the surface the reports still look correct: unit production costs decrease with higher volumes, revenue grows, and capacity utilisation appears efficient.

But the real problem does not appear inside the reports. It appears between them.

The result improves while the operating model quietly starts losing its structural integrity - not because something breaks, but because the system is now operating in a rhythm it was never designed for.



# Costs rarely appear where decisions are made.

An additional warehouse shift does not appear in the cost of the product. Emergency transport rarely appears in the cost of the promotion. Temporary storage space rarely appears in the cost of the commercial decision.

**Each of these actions has a logical justification, but together they create a cost no one explicitly planned.**

This is why the most successful sales periods are often the least financially predictable.

When companies face this situation, the most common response is scale. Inventory increases, warehouse space expands, more people are added to the operation. What rarely changes is the way the system actually works. Because the problem appears to be about volume. In reality, it is about variability.



Handling higher volume is primarily an investment problem. Handling variable volume is a design problem.

Most operations are designed around averages. Sales, however, rarely happen in averages. They happen in peaks. Over time companies begin to notice something that is difficult to capture in a single KPI: the organisation does not struggle with sales itself. It struggles with the moments when sales suddenly accelerate.

This may sound like a small distinction. Operationally, it is not. Steady growth can be financed through investment. Variable growth must be managed through operational architecture.

When organisations try to solve variability using tools designed for scale, costs begin to appear far away from the original decision. The most expensive operational decisions rarely originate in operations. They appear earlier - in marketing, in commercial strategy, and in portfolio planning. Operations simply make them visible.

That is why companies often see the cost only when they finally attempt to measure it.

The real issue is therefore somewhere else - not in the warehouse and not in outsourcing, but in how organisations understand the cost of growth. At first the idea may sound abstract. Until you see it in practice.

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**One of the most instructive examples I remember involved a situation where the problem was neither the product nor the inventory itself. The problem was the moment when the inventory actually needed to work operationally.**

The story matters because it shows something counterintuitive: sometimes the real issue is not the lack of inventory. The real issue is whether the inventory actually supports the operation - or simply looks correct in reports.

# Field example

## The stock that did not work

*One beverage company I worked with appeared to be in a comfortable position. Product availability was high, warehouses were well stocked, and production was keeping up with demand. Forecasts looked stable. Until summer arrived.*

*During the peak season, daily shipments increased from two or three trucks per day to eight or ten. The product physically existed, but it was not available at the moment the market needed it. The problem was not production and it was not about stock levels. The problem was time.*

*The supplier needed roughly forty-eight hours to deliver the product to our warehouse. From there, we required another twenty-four hours to ship it to customers. In practice, this meant that during periods of high demand everyone was doing everything correctly - and the product was still missing from the shelf.*

*Frustration appeared on both sides. The producer had finished goods that could not be delivered quickly enough. We had customers we could not serve within the expected time window.*

*We did not increase transport capacity.*

*We did not expand the warehouse.*

*We did not change the forecasts.*

*Instead, we changed the point where stock entered the system.*

*For two or three of the fastest-moving SKUs we created supplier stock directly inside our warehouse (so-called consignment stock) - stock that formally still belonged to the producer. The effect was immediate. Lead time dropped from seventy-two hours to twenty-four. Service levels exceeded 99 percent, and transport volumes stopped fluctuating seasonally, stabilising at several trucks per day.*

*This was not a logistics project. It was a decision about where production ends and sales truly begin. In other words, it was a decision about **where availability is created in the supply chain**.*

## Insight

Key operational principle derived from the example

Availability in supply chains is not only a function of how much stock exists. It is also a function of where that stock is positioned and when it becomes operationally accessible.

When inventory is placed in the wrong location in the system, companies experience variability as shortage - even when the product physically exists.



# Why Decisions Are Made Only Under Pressure

**Operational decisions are rarely made at the moment when they are most economically rational. They are made at the moment when things stop being comfortable.**

As long as the organisation can compensate with human effort, the problem appears temporary. Overtime looks like flexibility, extra warehouse space looks like a short-term cost, and emergency transport looks like part of the season. Each deviation from the standard can be explained on its own. Only their accumulation begins to change how the entire operation works and it usually happens without any formal decision.

The pattern is surprisingly consistent. First comes one difficult season. Then another, slightly larger. The organisation learns how to "get through it". People become more experienced, planning becomes more reactive, and the operation begins to appear resilient to chaos. This is a moment that is easy to mistake for growing capability. In reality, the company is becoming increasingly specialised in catching up.

The real turning point does not occur when the operation stops working. It occurs when the operation stops being predictable. Commercial



teams begin promising less than they could potentially sell. Planning protects itself with additional stock instead of better information, and warehouses build buffers through people rather than through systems. The organisation still functions, but it stops scaling sales, because every additional increase now brings uncertainty.

**This is usually the moment when the idea of outsourcing appears and this is not as a strategic choice, but as an attempt to regain control over something that has quietly moved beyond the assumptions of the original operating model.**

That is why most operational transformation projects begin at the wrong moment: too late to design the solution calmly, and too urgently to analyse the alternatives carefully.

At that stage, companies rarely ask whether the operating model should change. They ask how quickly it can be changed - and that subtle difference often leads to decisions made under pressure rather than decisions based on data.



**The paradox is that the best moment to reconsider an operating model appears much earlier, when the system is still working:** when the season is predictable, when the organisation still has time to compare alternatives, and when outsourcing is one option among several - not the only remaining possibility. In practice, that is precisely the moment when companies consider it the least. Because the cost is not yet visible.

The difficulty is that at this stage the organisation cannot yet see the cost in numbers. It becomes visible only in the behaviour of the system.

In the way planning changes.

In the growing number of ad-hoc decisions.

In how often operations begin catching up instead of executing the plan.

These signals appear much earlier than financial deviations and they are often the first indication that the operating model is beginning to exhaust itself.

**Co-packing is rarely introduced because someone calculated its optimal economics. More often it appears when the organisation simply runs out of places where variability can be hidden.** That is why conversations about co-packing almost always begin in operations - even though the real issue is much closer to the business model itself.

This is the moment when organisations often say: "We know something has to change - just not yet." And that raises a question that is more important than any process or technology: Who inside the organisation is able to recognise the right moment for a decision - before it turns into firefighting?

That is not a logistics question. It is a leadership question.



# Operational Insight

## On the Quality of Decisions

*In my work I have met leaders who pursued financial performance through operational excellence in a very deliberate way. They did not start with KPIs, but with people.*

*One of them, on his very first day, knew the names of every person in a team of more than sixty employees - from directors to individuals who had just started their roles. It was not a symbolic gesture. It was a signal of how information would flow in that organisation.*

*Over time I noticed something interesting. In that company, problems appeared in conversations long before they appeared in reports. And that changes the moment when decisions are made.*

*Operations rarely fail suddenly. They usually fail earlier - at the moment when problems stop being named. Companies do not act too late because they lack data. They act too late because the signals appear in places that are not yet treated as operational.*

*That is why operational conversations usually begin in the warehouse - even though the cause appears much earlier. On the shelf.*





# The Problem Does Not Start in the Warehouse

## Most operational discussions begin in the wrong place.

They begin with warehouse space, processing rates, or labour productivity. This is understandable, because after all, the work takes place physically in a warehouse. That's where it starts - on the shelf.

Today products rarely reach customers in the exact form in which they leave the production line. Promotional bundles appear, multipacks are created, seasonal editions are introduced, and package sizes are adjusted to the requirements of specific retail chains. Each of these decisions is commercial. Operations enter the picture only later, as a consequence.

The warehouse does not create the problem, it only gives it a physical form. That is precisely why the conversation so often begins with price. Price is easy to compare. Rates can be benchmarked, productivity can be measured, and warehouse space can be calculated per pallet. The harder question is different: "Why does this variability exist at all and where in the system should it be absorbed?"

Without answering that question, a logistics provider receives a process to execute rather than a problem to solve. This is why many organisations experience growing tension between sales and operations.

From the perspective of commercial teams, the product remains the same. Only the offer changes. From the perspective of operations, however, a new SKU has just been created - and every new SKU means a different storage

location, a different picking process, a different demand forecast, and a different pattern of variability. Formally the product remains identical, but operationally it behaves like something entirely different.

The products that create the greatest operational pressure are rarely the most technologically complex. They are the most variable. A simple product sold in multiple promotional configurations can generate more operational workload than a technologically sophisticated product with stable demand. Because it is variability - not technology - that stresses the system.

**For that reason, the greatest operational pressure rarely originates in production itself. It emerges at the intersection of marketing and logistics, where commercial creativity meets operational reality.**







At some point the organisation begins trying to recover stability. There are several possible paths. It can simplify the offer, but that usually means sacrificing sales potential. It can increase operational resources, but that almost always erodes margins. Or it can change the way variability is executed within the supply chain.

At this point, organisations begin looking for ways to separate variability from stable operations. Some simplify the offer; some increase operational capacity and some redesign the operating model. Not all organisations make the same choice. One way to do this is through co-packing – though it is only one of several possible approaches. Not as a simple outsourcing of manual work. But as a deliberate separation of commercial variability from production stability.

**In fast-growing companies' production must remain predictable. Sales, by contrast, must remain flexible. Trying to manage both within the same operational process works only up to a certain scale.**

Beyond that point every marketing decision begins to influence the rhythm of operations, gradually destabilising what used to be repeatable.

Co-packing is one way organisations attempt to restore the boundary between those two worlds.

Which is why the real question is not: "Who can re-pack the product more cheaply?"

The real question is: "Where in the supply chain should offer variability actually be created?"

Only after answering that question does the operational discussion truly begin.



**Find out more about  
co-packing technologies**

# Why Seasonality Destroys Predictability

**The most expensive kilometres in a supply chain are rarely the longest ones. They are the most urgent.**

From the outside, a seasonal peak looks like increased volume. From the inside it looks very different - like the loss of sequence. Operations work best when activities follow one another in a clear order. In peak periods they begin to happen next to one another instead: parallel, overlapping, often without a natural sequence.

At that moment not only the amount of work increases.

Acceleration in one part of the system creates delays somewhere else. Every shift in priority generates a backlog in another place. The organisation begins to catch up day after day, even though physically it is working faster than usual.

What makes this situation difficult to manage is that most of these costs never appear in one place.

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**The number of decisions increases as well and decisions made under time pressure are almost always more expensive than those made during planning. For that reason the real cost of a peak rarely comes from the number of orders. It comes from the disruption of the process.**





They disperse across the system. Some appear as overtime, others as picking errors, emergency transport, temporary storage space, or customer complaints. Individually they look like natural consequences of the season. Together they represent its real price.

A sales peak therefore reveals more than operational limits. It reveals where variability actually enters the supply chain and who ultimately absorbs it.

**The paradox is that peaks are rarely surprises. Dates are known months in advance, promotions are planned long ahead of time, and forecasts are carefully prepared. And yet most organisations experience the peak as if it appeared suddenly.**

The reason is simple. A peak is not simply a larger version of normal operations. It is a different operating mode altogether. In stable periods operations behave linearly: orders arrive at a similar pace, resources are aligned with the average, and planning relies on repeatability. During a peak the quantity does not change as much as the rhythm. In one day several days of work suddenly appear. In one week several weeks of decisions must be made. A system designed for continuity suddenly has to manage urgency.

The first tension usually appears in planning. Forecasts stop behaving like predictions and begin behaving like scenarios, where every change in order volume reshapes the sequence of the entire day. The next tension appears in the warehouse. Picking no longer follows an optimal route. Priorities change hour by hour and tasks begin competing with one another. Only later does the pressure reach transport.



# Field example

## A Story About Holidays That Cost More Than Discounts

*One of the most intense operational periods I have ever observed did not involve food or beverages. It involved Christmas decorations.*

*Containers were arriving from Asia between September and October. By early November the shelves in stores had to be completely transformed - cemetery candles disappeared and Christmas products took their place. For several weeks almost the entire volume required repacking. Labour could be temporarily increased, but space and time windows could not.*

*What changed most dramatically was not the volume, but the time pressure. The greatest operational burden did not come from the number of units. It came from commercial decisions about packaging structure — for example breaking sixteen-unit packs into eight-unit packs simply to match shelf formats or store requirements.*

*Operationally this meant doubling the work without increasing product sales. Financially it meant burning margin in a place that rarely appears in the P&L.*

*What made the situation even more interesting was that the problem did not begin in the warehouse. It began months earlier, during commercial negotiations with suppliers in Asia. The operational cost was ultimately the consequence of a packaging decision, not a logistics decision.*

*Because a sales peak is rarely caused by volume alone.*

*More often it is created by decisions about where variability should appear in the supply chain.*

*And that is why the sentence organisations most often say next sounds very familiar: "We'll do it ourselves."*



# The Most Expensive Sentence in a Company: “We’ll Do It Ourselves”

**The decision to do something internally rarely looks like a strategic decision. It looks like common sense.**

The product is already in the warehouse, people are already on site and operation is already running. The natural instinct is to use what already exists. From the perspective of a single task, the logic seems obvious: we know the cost of labour, the space is already paid for, and the process remains under our control. **The problem is that operations rarely function in isolated tasks. They function as systems.**

**When a company begins performing additional activities internally, it does not simply add work. It changes how resources are used across the entire system.** An hour spent repacking is no longer available for picking. Space occupied by promotional bundles stops functioning as a buffer for outbound flow. A small commercial decision quietly rearranges the sequence of an entire working day - often without anyone noticing until the first delay appears.

**And that is where the real cost begins. It does not appear where the decision was made. It appears where capacity disappears.**

This is why internal execution almost always looks cheaper in the first calculation. Companies measure the cost of performing a task, but they rarely measure the cost of losing the ability to perform another. That difference remains invisible in stable periods. It becomes visible in variability.

The pattern is familiar. A company begins by handling a small share of additional activities internally. In the first weeks everything works well. The team manages the workload, reinforcing the belief that the decision was correct. Gradually exceptions begin to appear. Planning requires small adjustments. **The first delays emerge, but they can still be recovered through effort.**



# The organisation interprets this as temporary inefficiency. In reality it has reached the limit of the system's architecture.

This is why the most successful sales periods are often the least financially predictable.

When companies face this situation, the most common response is scale. Inventory increases, warehouse space expands, more people are added to the operation. What rarely changes is the way the system actually works. Because the problem appears to be about volume. In reality, it is about variability.

## --- Operational Insight -----

### On "Bosses"

I have occasionally worked in organisations where leadership functioned very differently. Disagreement was treated as a challenge to authority, and the speed of decision was valued more than the quality of information. At first such organisations often appear highly effective. Decisions are made quickly, costs fall, discipline increases. Operational performance may even improve immediately.

But over time something begins to disappear.  
First initiative.  
Then information.

People stop signalling risk because they know it will not be welcomed. Problems begin to be filtered before they reach decision makers. Eventually predictability disappears.

The organisation moves faster, but it sees less. And in operations, that is a cost that always returns.



This is exactly where the real cost of "doing it ourselves" begins. The cost of internal execution is rarely just the cost of labour. It is the cost of lost information and lost predictability. Not because the organisation is incapable of performing the task, but because it performs it in a place designed for something else.

**Only when companies attempt to calculate the full picture does it become clear that operational cost does not depend solely on the price of an activity. It depends on how that activity influences the rest of the system - its rhythm, its flow, and its ability to maintain predictability.**

At this point most organisations try to analyse the problem using the same logic as before. They measure the cost of doing the work. This is natural. Operations are measurable, so it seems reasonable that the decision should be measured in the same way.

But from this moment the real question changes. It is no longer: *"How much does it cost to perform the task?"*

It becomes: *"How much does the operating model cost?"*

And at that point the conversation stops being operational, it becomes managerial.

# The Most Expensive Thing in a Company Is Not Operations — It Is How They Are Calculated

**Most operational decisions are evaluated in exactly the same way.**

Companies compare the cost of performing a task. How much does it cost to assemble a promotional bundle internally? How much does the same activity cost if it is outsourced?

The comparison appears straightforward. One number is lower than the other, and at that point the decision is often made. The difficulty is that the comparison, while mathematically correct, does not describe operational reality. Operations are not built from individual tasks. They are built from relationships between them - from rhythm, sequence, and the availability of resources over time.

The cost of performing a task is only the first layer. The second layer appears in a place that most calculations never capture. It emerges when the rhythm of operations is disrupted. Every additional activity changes the sequence of other tasks. It shifts the moment when they can be performed and alters which resources remain available for the next operation.

**From the outside the operation may still look exactly the same, but from the inside the sequence is no longer stable. And this is where most of the cost is actually created.**

The third layer appears even further from the original decision - in sales. When organisations begin protecting themselves with stock instead of information, commercial teams gradually start limiting the offer instead of expanding it.

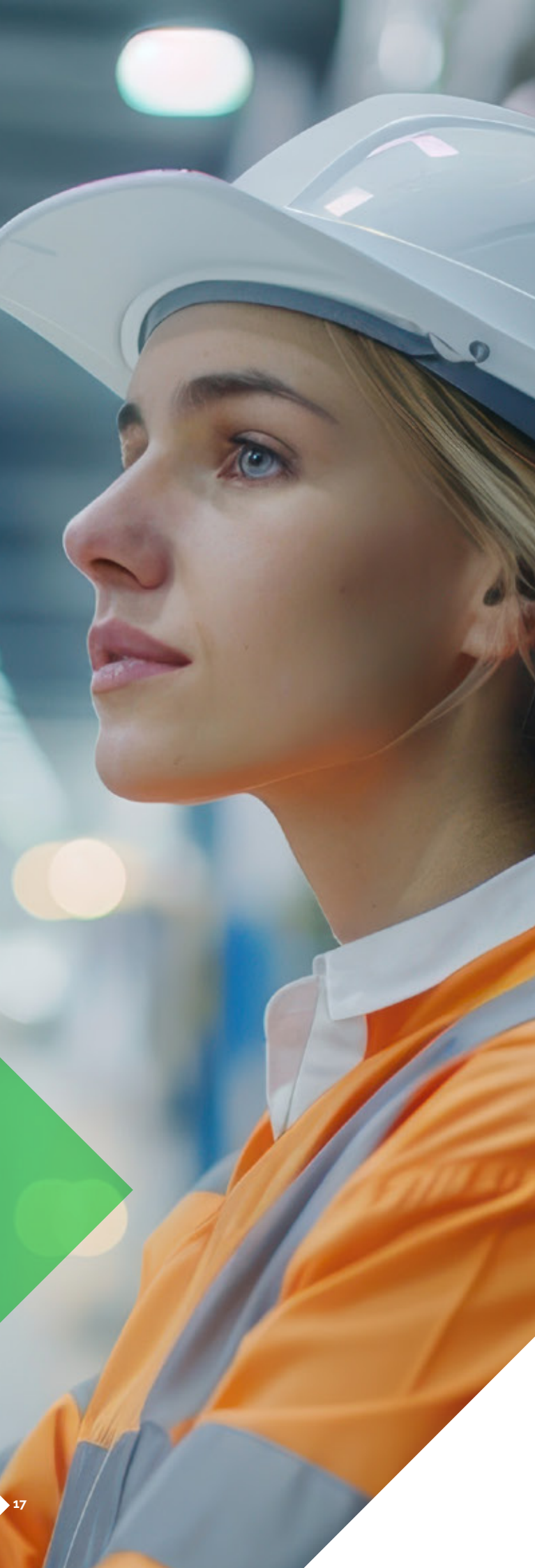
**The cost does not appear in operations. It appears in lost opportunity.** And this is the cost that almost never appears in the comparison.

For that reason operational cost has three layers:

- the cost of execution
- the cost of disruption
- the cost of decisions







The first layer is easy to measure. It fits neatly into a spreadsheet and can be compared between alternatives. The second becomes visible only when the rhythm of operations is broken. The third usually becomes visible much later - when the organisation realises it has begun limiting sales in order to protect stability. This is the moment when the numbers begin to feel uncomfortable. Because they reveal something organisations rarely want to name.

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**The most difficult conversations I have had with executive teams were never about logistics. They were about the moment when a company recognises that the problem is not operational.**

It is structural. It is a problem of the operating model. **And this leads to a paradox that is surprisingly common. The cheapest labour hour can become the most expensive one.** Not because people work slower. But because the system works differently.

When the rhythm of operations is disrupted, productivity does not fall gradually. It falls suddenly. One delay creates another, one shift in priority rearranges the entire day, and a decision that is locally optimal quietly deteriorates the global result.

In a stable environment cost behaves proportionally to volume. More work creates more cost. In a variable environment the relationship stops being linear. A small increase in variability can generate a disproportionate increase in cost.



**This is why organisations often observe something difficult to explain in a report: sales continue to grow, but margin stops behaving predictably. This is not a calculation error. It is an error of perspective.**

The organisation compared the cost of a task instead of the cost of the operating model. And this is the moment when the conversation about operations becomes a conversation about P&L.

The real question is no longer: "How much does it cost to perform the task?"

The real question becomes: "How much variability can the business absorb before predictability disappears?"

At this point co-packing stops being a way to reduce labour cost. It becomes a way to reduce the cost of variability. Which means the question about profitability changes as well.

It is no longer: "Can someone do this more cheaply?"

It becomes: "Where in the system does cost stop growing faster than sales?"

Only after answering that question can an organisation recognise the right moment to change its operating model.

## Listen to the podcast

*'Co-packing in Practice: Trends, Innovation and Sustainability in the FMCG Sector'*



# Framework

## The Cost of Growth Map

### Why Sales Can Grow Faster Than Profit

#### 1. Cost of Execution

- Visible in the P&L.
- Increases with volume.

Does the unit cost improve as scale increases?

If not - the model is not scaling.  
It is only increasing effort.

#### 2. Cost of Disruption

- Hidden inside operations.
- Appears as growing exceptions, plan changes and ad-hoc decisions.

Does the number of interventions grow faster than volume?

If yes - variability is beginning to redefine the operating model.

#### 3. Cost of Decisions

- The most expensive and the least measured.
- Appears when commercial decisions start changing the architecture of operations.

After each sales peak, does the organisation return to stability faster — or slower than before?

If slower - variability is beginning to redefine the model.

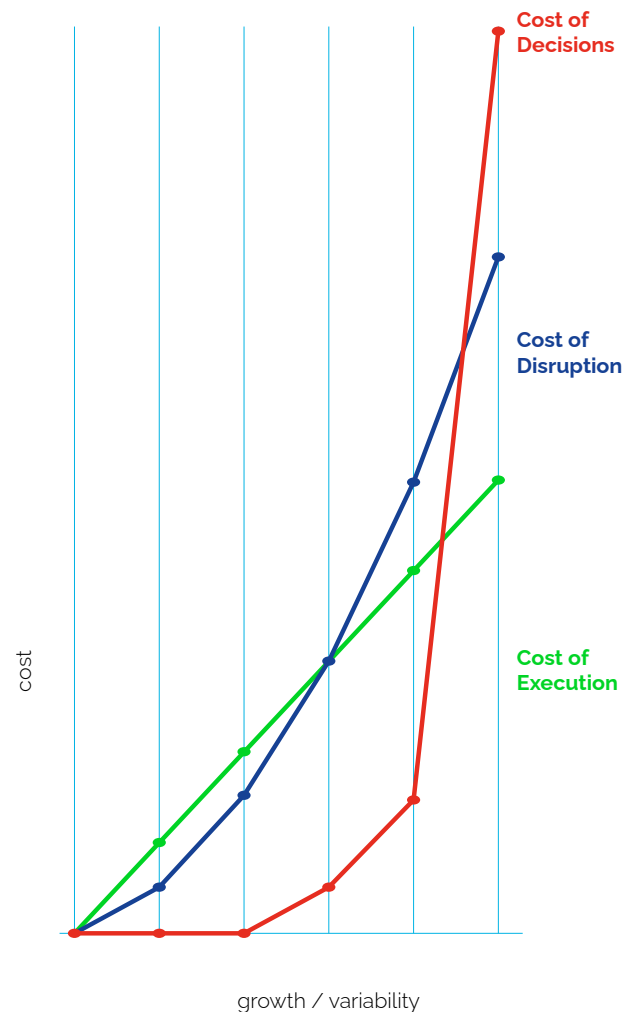
#### 4. One Governing Question

Does growth improve the structure of the system - or does it simply increase its tension?

If we cannot answer that question, we should not start with choosing a logistics partner.

We should start with a conversation about the operating model.

#### THE COST OF GROWTH MAP



**Not every increase in cost is a problem.**

**The problem begins when structural cost starts growing faster than sales.**





# The Decision Point No Report Will Ever Show

**Organisations rarely struggle to recognise the moment when operations stop feeling comfortable.**

What they struggle with is recognising the moment when those operations stop being economically sound. The two points almost never occur at the same time. First comfort disappears. Only later do the results follow.

At the early stages of growth, internal operations are almost always the best solution. They provide control, teach the organisation how the process works and allow teams to understand the product in depth. In predictable conditions outsourcing would indeed be more expensive.

The problem begins when predictability stops being a feature of the market. The first signal rarely appears in the warehouse, but rather in planning.

Forecasts slowly turn into scenarios. Instead of one plan there are several versions of the day. Instead of synchronisation there is readiness for constant correction. The operation still functions, but it no longer runs on repeatability.

The second signal appears in sales. The offer begins adapting to operational capacity rather than market potential. **Commercial teams start avoiding certain opportunities simply to preserve stability. This moment is particularly costly, because it remains invisible.**

The third signal is more subtle still. The outcome begins depending increasingly on human effort. The same volume can still be handled, but not in the same way. More decisions are required, more coordination, more exceptions. Gradually the organisation begins working through experience instead of through systems. And this is where the real boundary appears.

**Outsourcing becomes economically justified not when it performs the task more cheaply, but when it absorbs variability.**

As long as operations function sequentially, cost remains predictable. When they begin functioning reactively, cost starts depending on the day. Internal structures are efficient when dealing with scale. Variability requires architecture that can adapt.

**For that reason the best moment to change an operating model is not the moment of crisis. It is the moment when the organisation begins to foresee difficulties before it starts feeling them. Once that moment passes, the project stops being a strategic decision and becomes a rescue operation.**

This is why decisions about co-packing so often arrive one year later than they should.

The difference between organisations that anticipate crises and those that chase them rarely lies in data. More often it lies in whether the signals are even audible inside the organisation.

**The right moment for a decision rarely emerges from a spreadsheet. It emerges from the organisation's ability to recognise change before it turns into a problem.**

# Operational Insight

## On Leaders

*Managers who were attentive to things that appeared unrelated to business - the aesthetics of work, the quality of conversation, even art or music, often achieved operational goals faster than others. Not because they were more creative. But because they created environments where people were more willing to take responsibility.*

*In operations, control is not what stabilises the system. Relationships and the quality of information flow do.*

*Operations are systems of dependencies, and people are their sensors. When people feel meaning in their work, the system stabilises naturally. When they feel only pressure, stability must be enforced through control. And control always works for a shorter time than responsibility.*

*When attentiveness disappears, projects begin under pressure. Decisions accelerate, but the quality of information declines. And at that moment cost begins to appear earlier than anyone is able to calculate it. It is the shortest path to disappointment.*



# Why Good Projects End in Disappointment

## Most operational projects begin correctly.

There is a clear need, analysis, a partner is selected. The logic appears sound. And yet after a few months a sentence begins to appear - one that repeats itself surprisingly often: *"The concept was good, but the execution failed."*

In reality, this is rarely true. Projects rarely end in disappointment because they were executed badly. Much more often they fail because of the moment in which they were started.

When organisations begin changing their operating model under time pressure, they tend to move the existing way of working into a new place. The assumption seems reasonable: the operation works correctly - it only lacks resources. So the organisation transfers the process instead of the purpose of the process.

The difference may sound subtle. But its consequences are not.

The logistics provider receives instructions on how to perform the work. What it rarely receives is clarity about what in that work should remain stable and what is inherently variable. As a result, the operator reproduces the current state of the organisation together with its limitations. The project relocates the problem instead of solving it.

A second source of disappointment appears in how success is defined. Companies often measure implementation by whether the new

operation runs according to the agreed process. But the goal of changing an operating model is not to replicate the old process in a new location. The goal is to restore predictability. If the new operation reproduces the same exceptions as the previous one, the project has only changed where those exceptions occur - not how often they occur.

The third difficulty lies in the data itself. Organisations that start projects under operational stress rely on data collected during unstable periods and use that data to design the future. As a result, the project begins by learning the exceptions rather than the standard. That is why the first months after implementation often resemble the previous peak season - only in a different place.





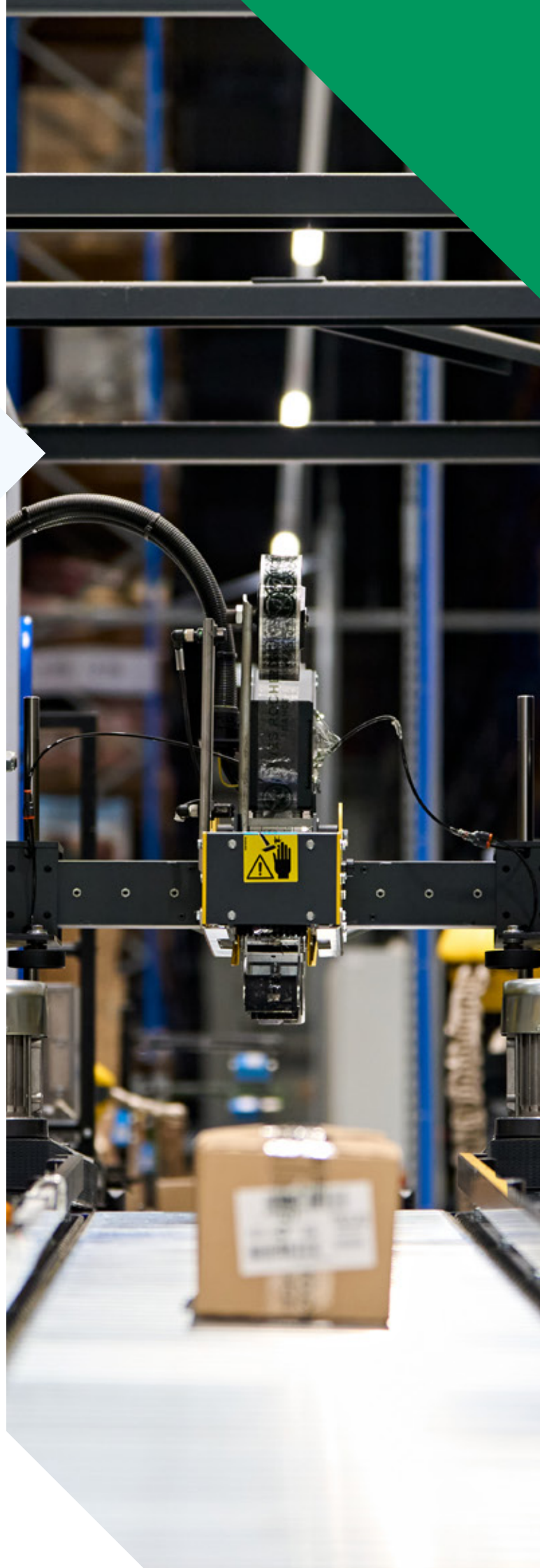
The greatest disappointment, however, usually appears in expectations. **A change in operating model is meant to restore control over variability. Yet it is often treated as an immediate cost-reduction programme.** But cost is a consequence of stability, not its cause. If stability has not been restored, cost cannot behave differently.

**This is why many good operational projects end in disappointment - not because someone executed them poorly, but because they attempted to solve an operational problem that was actually a problem of process definition.**

Before deciding who should execute the work, an organisation must answer a more fundamental question. It must decide what in the system should remain repeatable. Only then does the second question begin to make sense.

**Changing an operating model therefore begins with a strategic decision - where in the supply chain should variability exist?**

Only after answering that question does the next one become relevant. **Who should manage it?**



# Before Asking “With Whom”, Ask “Why”

Conversations about changing an operating model rarely begin with the right question. Most often the first question sounds like this: “Who can we do this with?” The better question is different: “Do we actually understand what we are trying to stabilise?”

The questions below are not meant to help choose a partner. They are meant to help understand your own operation.

## Decision Checklist

*Questions That Help Identify When the Operating Model Should Change*

- 1. Variability**
  - › Can we clearly identify which products generate most operational exceptions?
  - › Do we know in which weeks of the year decisions are made more often than plans?
  - › Does the sales forecast describe demand — or does it protect us from running out of stock?
- 2. Priorities**
  - › Is sales sometimes limited by operational capacity?
  - › Is the warehouse daily plan created once — or rewritten several times?
  - › Does accelerating one order cause another to be delayed?
- 3. Resources**
  - › Does growth in volume mainly require more people?
  - › Does the same task take noticeably different amounts of time on different days?
  - › Does warehouse space function as a buffer for information?
- 4. Cost**
  - › Can we identify the cost of peak season beyond additional overtime?
  - › Do the largest financial deviations appear during the strongest sales periods?
  - › After a sales peak, does the organisation return to its previous level of efficiency immediately?
- 5. Decisions**
  - › Do changes in the commercial offer consider how the operation will execute them?
  - › Are new product configurations treated as new SKUs?
  - › When discussing operations, do we start from the process — or from the purpose of the process?

# If most answers indicate stability, the operation should probably remain internal or become further industrialised.

If most answers describe variability, the organisation does not need more resources. It needs a different operational architecture.

Co-packing is first and foremost a solution for variability. When variability gradually turns into repeatable volume, the next step is industrialisation of the process.

Companies rarely fail because they are unable to handle growth. They fail because growth begins changing how they operate faster than they are able to notice. Operations themselves rarely limit sales. What limits sales is the model through which the organisation tries to execute them. **And operating models are cheapest to change when the organisation is not yet forced to change them.**

*"Over the years I have observed many companies during periods of growth. Most of them had no problem with their product. They had no problem with the market either. The problem appeared somewhere between the two - in the way organisations tried to combine operational stability with commercial variability. At the beginning it always worked. People were committed, teams were flexible, one season after another could still be managed through experience. Until one day it no longer could."*

Every organisation eventually reaches a point where further growth stops meaning doing more. It begins meaning doing things differently. The difficulty is that this moment rarely feels like a necessity. More often it looks like a choice that could still be postponed for another year. And that is why many operational decisions are made only when the organisation is already tired of postponing them.

This e-book does not advocate one specific solution. It helps recognise the moment when the operating model begins costing more than changing it. If, while reading these pages, even one situation reminded you of your own organi-

sation, then the conversation about operations is probably no longer about process. It is about decisions. And the cheapest change is the one that is still a choice.





# Epilogue

## *What Operations Reveal*

Supply chains rarely fail because of a lack of effort. Most organisations work harder every year. There are more meetings, more data, more initiatives, more tools designed to improve coordination and control. And yet the underlying question rarely changes. How do we keep the system stable while the market around it becomes less predictable?

Operations are where this question becomes visible - not because logistics creates the problem, but because logistics is where the consequences appear first. Promotions arrive earlier than expected. Volumes fluctuate faster than forecasts. The same product suddenly behaves like several different ones depending on the week, the channel, or the customer. From the outside these look like operational difficulties. In reality they are signals that the operating model is beginning to collide with the structure of the market.

For a long time organisations respond in the same way. They increase effort. They add people, space, and coordination. They introduce new controls, new meetings, new reporting routines. For a while it works. Until the system begins to require more and more effort simply to remain stable. That is the moment when the real question finally appears. Not how to improve the process. But whether the pro-

cess still belongs in the same place. Because operating models, like markets, evolve. What once created efficiency can later create friction. What once provided control can later slow adaptation.

**The companies that manage growth best do not wait for operations to fail. They redesign them earlier. They understand something fundamental: variability is not an operational defect. It is a property of the market.**



And the difference between organisations that navigate growth successfully and those that struggle rarely lies in technology or scale. More often it lies in how early they recognise that a structural decision has arrived.

The real question is only where in the system that variability should be absorbed - inside production, inside logistics, or somewhere in between.

Every organisation will answer that question differently, but the principle remains the same. Operating models should not only execute strategy. They should evolve with it. And the earlier that evolution begins, the less expensive it becomes.

Because the most difficult changes in operations are rarely technical. They begin the moment an organisation realises that the way it has always worked is no longer the most intelligent way forward.

Those moments rarely appear in reports. They appear in conversations. Recognising them early is what separates companies that scale from those that eventually struggle to keep up.

Growth does not break supply chains. It reveals the ones that were never designed to scale.

The difference is not who reacts faster. It is who redesigns earlier.

In the end, scale is not the advantage. Design is.

## FM Logistic Central Europe

FM Logistic offers comprehensive logistics services such as storage, distribution, transport and supply chain management. Its network in Central Europe consists of 16 warehouses and 29 x-docks, located in Poland, the Czech Republic, Slovakia and Hungary. The facilities are equipped with advanced technologies and IT systems and total warehouse space is 1,000,000 sqm. The company has also a fleet of 2,500 vehicles. Thanks to the large number of projects implemented, the company has a thorough understanding of the requirements of the FMCG and retail sector. It helps customers develop their businesses by designing and implementing effective supply chain models.

