



Book Review

The Chink in Your MBA Armor

Laszlo I. Nemeth
Barcourt Publishers \$24.95, 286 pp.



Published last year, Nemeth's *The Chink in Your MBA Armor* asks a good question: To what extent are manufacturers still using standard-cost-accounting performance measures to guide day-to-day decisions?

Castors and suppliers have long been exposed to synchronous manufacturing concepts. Didn't constraint thinking and its T/I and T/OE performance measurement ratios (Throughput over Inventory, and over Operating Expense) uncover the shortcomings of standard cost accounting years ago? Apparently not. According to Nemeth, many small, midsize and even some big companies still rely heavily on internally focused metrics such as standard hours and machine utilization, rather than externally focused metrics such as T/I and T/OE, managed in light of capacity constraints.



Bill Libby

What has *The Chink in Your MBA Armor* got to offer that's new? Quite a lot. Like *The Goal*, this book is written in the form of a novel. The story approach allows Nemeth to show how a mindset develops in a company, creating blinders for management and setting people at cross purposes. This is a particularly effective way to show how, despite the best of intentions, human nature, high IQs and entrenched assumptions can combine to create gnarly problems difficult to uproot.

The book illustrates two points management sometimes overlooks: first, there is nothing more valuable than a motivated employee guided by effective ideas. Ideally, this employee works in an environment where company-wide, rather than departmental, goals prevail.

Second, the utopian promise of technology is often a trap. In this book's example, a "lights out" factory is seen as eliminating the difficulty of working with people. Many managers are skillful at justifying capital expenditures using rosy standard-cost-driven improvement scenarios. Often problems created by eliminating direct labor later emerge as problems created by indirect labor and customer dissatisfaction. This book shows how to avoid these problems in the first place.

The Chink In Your MBA Armor, Laszlo Nemeth's first published book, is a must read. Here, we meet and follow Grant Nelson, division manager of a large auto parts manufacturer, in his struggle to save his division from impending layoffs and possible closure. With the help of his management team and Les Stevens, a controversial consultant, Nelson frantically runs his division through a business obstacle course that challenges its core principles.

Through Nelson's crusade, Nemeth tackles two critical issues: (a) he provides an analysis of the legacy problems inherited from Frederick Taylor's turn-of-the-last century efficiency studies and (b) offers an introduction to a better theory based on the demands of the customer-market, defining success and efficiency based on the success of the entire organization, not the efficiencies of its individual departments — nor even by profits! Not an easy task, but, well done in this modern business novel. Nemeth captures the details, and perhaps more importantly, the *urgency* of survival in today's ultra-competitive manufacturing environment. He does so without artifice or melodrama, but with clarity, keen insight and compassion. The novel becomes a 222-page battle cry against the commonly accepted standards of company performance metrics.

While this column is not meant to be a source of free advertising, the review would not be complete without mention of Nemeth's company, DDSL Partners, Inc. While there are a terrific number of self-published management consultants, DDSL is truly unique. It is here that Nemeth's customer-market efficiency theory is put to the test. And, what makes his argument even more powerful is Nemeth's proprietary software program that aligns a company's internal functions (from sales to production to shipping) to deliver the greatest impact on customer-market opportunities. Using client-company fed data, the software program becomes a modern day Oracle, a source of objective counsel, directing companies to the most practical and cost-effective solutions. *The Chink In Your MBA Armor* is a true source of enlightenment, a fun read, and worthy of thorough study.



Tim Kinney

Bonus Book



The Fall of Advertising & The Rise of PR
Al Ries & Laura Ries, Harper Business,
\$24.95, 280 pp.

Advertising lacks credibility, the crucial ingredient in communicating effectively. PR, however, delivers credibility. The authors make a strong argument for using affordable PR to slowly build a "brand." Advertising can then be used to maintain the brand, but should never be used to launch it, they say. Persuasive examples abound through the book.

Next Month

Winning the War on Waste Using No-Blame Management
Leonard F. Bertain, Ph.D.

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