

## Caught Between the Tiger and the Dragon

### New Business Novel by Jim Tompkins Captures the Challenges and Opportunities of Today's Corporate Financial Pressures and China; Our Review

SCDigest Editorial Staff

It may not have been the first, but **Dr. Eli Goldratt** probably most memorably demonstrated the power of the "business novel" in the 1980s with his book *The Goal*, in which main character Alex Rago famously learns that the way to fix the ailing manufacturing plant he manages may be through a then little known concept called the Theory of Constraints (TOC).

**Dr. Jim Tompkins** of Tompkins Associates has already tried his hand at the technique with a book called *Goose Chase* in the 1990s, and now with a new business and supply chain novel titled *Caught Between the Tiger and the Dragon*. It somehow manages to deal with the China conundrum, the often short-sighted and frustrating approach of "private equity" in managing companies, and the growing unpleasantness of the 24x7 life in business today in one "quick read" novel – with a little insight, not unrelatedly, into making marriages work thrown in as well.

Stabler is a women's lingerie company that sells itself out to a private equity firm after the founder's son is too tied up with other projects to devote himself to the company. Rich Morrison, formerly the VP of Logistics, finds himself asked to be CEO – with immediate orders that the company move nearly all of its US-based manufacturing operations to China.

The "tiger" and the "dragon" of the title are the financially obsessed private equity executives and the opportunity and challenge that China holds, respectively. The main theme of the book really is that China offers exceptional opportunities, but that it takes a nuanced approach and long-term thinking to really make it work – not unlike, in many respects, a

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marriage.

Morrison himself is torn by the decision his bosses have made for him that nearly all of Stabler's US plants need to be shut down and moved to China, and not unexpectedly finds many reservations from members of his executive team, especially the VP of manufacturing.

The recent loss of a major retail account, perhaps due to the company's high US manufacturing costs, complicates matters. Morrison is also driven crazy by the constant demand for detailed financial plans, sometimes new ones triggered by an article one of the private equity executives may see in the Wall Street Journal, that get in the way of him turning Stabler around.

A key early and challenging exercise Morrison puts the team through is identifying what really are Stabler's "core capabilities," and what are not, and within "core" what are primary and secondary. All but the primary core functions are at least candidates for outsourcing, but when core is at one point defined as processes/functions that touch the customer, the executive team soon finds just

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Starting from scratch in moving to China isn't easy for Stabler, especially when for mysterious reasons direct travel to China is largely banned by the private equity group to reduce costs. The firm views the travel as unnecessary because the CEO of another company it has all the contacts and expertise Stabler should need.

Unexpected challenges naturally develop – it turns out, for example, that certain production equipment was custom made for Stabler, is not easily moved, and requires unique expertise to operate it effectively. Morrison battles with the private equity team over his plans to offer reasonably generous severance and training packages to workers to be laid off as a result of the offshoring, which the PE types consider as giving away “free money.”

Not surprisingly, things go awry – major quality and delivery problems soon arise, in large part because Stabler fails to get the relationship part of its China outsourcing strategy right. What is surprising is the fate of Rich Morrison and Stabler itself, but to learn that you will need to read the book.

Clearly, part of the message here is that the financially obsessed world that too many of us live under right now is not good for executives, workers, or companies themselves. The private

equity honchos are portrayed almost as caricatures of bottom-line focused but ultimately ineffective business leaders. But for many readers, those caricatures will ring too close to the reality.

The book is also in the end a very strong endorsement of a China strategy, though demonstrating that there are many obstacles to success. There are a few rays of hope for domestic US manufacturing, but primarily for just certain niches of a company's products. The VP of manufacturing at Stabler, for example, moves from being strongly against an offshore strategy to become one of its most committed proponents.

In the end, the main message is about relationships – both with customers and with “partners” in China. Those companies that don't really think that way are unlikely to succeed, Morrison comes to realize.

What perhaps the greatest value of the book is to remind us that no matter how we wish the world and business operated, you have to “get real” and learn to thrive based on that reality – even if part of you wished the world was different.

