

Robert H. Waterman, Jr.

Co-author of *In Search of Excellence*

**WHAT
AMERICA
DOES
RIGHT**

**LEARNING FROM COMPANIES
THAT PUT PEOPLE FIRST**

WHAT
AMERICA
DOES
RIGHT



**OTHER BOOKS BY
ROBERT H. WATERMAN, JR.**

*In Search of Excellence: Lessons
from America's Best-Run Companies*
(co-author: Thomas J. Peters)

*The Renewal Factor: How the Best
Get and Keep the Competitive Edge*

Adhocracy: The Power to Change

WHAT AMERICA DOES RIGHT

Learning from
Companies That
Put People First



W. W. NORTON & COMPANY
New York London

501 and DOCKERS are registered trademarks of Levi Strauss & Co.
Mevacor, Proscar, and Vasotec are registered trademarks of Merck & Company.

Always, Biz, Camay, Crest, Crisco, Dash, Didronel, Downy, Era, Head & Shoulders, Pampers, Pert Plus, and Tide are registered trademarks of Procter & Gamble.

SuperTracker is a registered trademark of Federal Express.

Little Tikes is a registered trademark of Rubbermaid Inc.

MicroTAC is a registered trademark of Motorola Inc.

Handycam is a registered trademark of Sony Corp.

Copyright © 1994 by Robert H. Waterman, Jr.
All rights reserved.
Printed in United States of America.
First Edition.

The text of this book is composed in Baskerville with the display set in Isbell.
Composition and manufacturing by the Haddon Craftsmen, Inc.
Book design by Charlotte Staub.

Library of Congress Cataloging-in-Publication Data

Waterman, Robert H.

What America does right / Robert H. Waterman, Jr.

p. cm.

Includes bibliographical references.

1. Industrial management—United States—Case studies.
2. Technological innovations—United States—Case studies.

I. Title.

HD70.U5W38 1994

658.5—dc20

93-28837

ISBN 0-393-03597-2

W. W. Norton & Company, Inc., 500 Fifth Avenue, New York, N.Y. 10110

W. W. Norton & Company Ltd., 10 Coptic Street, London WC1A 1PU

1 2 3 4 5 6 7 8 9 0

*For Judy,
my love and inspiration*

CONTENTS

-
- Acknowledgments 9
1. ORGANIZING FOR SUCCESS 15
Linking People, Strategy, Organization,
and Customers
 2. EVERYONE A LEADER 29
Giving Up Control to Gain Control
 3. A LEARNING ORGANIZATION 47
The Team System at P&G, Lima, Ohio
 4. TWO GREAT COACHES 69
Management Lessons from the Bronx
and Vail, Colorado
 5. SYSTEMS THAT SET US FREE 87
People First at Federal Express
 6. VALUES FROM THE START 111
Culture Is Strategy at the AES Corporation
 7. SOMETHING TO BELIEVE IN 137
At Levi Strauss & Company Managers Make
Meanings as well as Money

- 8. SUSTAINABLE COMPETITIVE EDGE** 169
A New Product Every Day at Rubbermaid
- 9. HIGH-TECH SOAP** 192
Great Products Make for Great Marketing
- 10. DESIGNER MOLECULES** 205
Merck Invests and Invents . . . Big Time
- 11. “OUR QUALITY STINKS”** 228
Muddling, Anticipating, and Committing at Motorola
- 12. MATCH** 263
The Potential Within
- EPILOGUE** 281

APPENDICES

1. Surprise—America’s Economic Strength 293
2. Don’t Put Profit First 297
3. Excerpt from *Federal Express Manager’s Guide* 299
4. Levi’s Manifesto 301

Notes 303

Index 307

ACKNOWLEDGMENTS

Though I take full responsibility for things said, unsaid, and ought-to-have-been said in this book, I owe endless thanks to the team of people who helped me put this work together. With four books under my belt, I keep thinking the next will be easy, which is probably what keeps me going. But none have been easy. This one has roughly ten person-years of research and writing in it. You'll have to judge whether that investment was justified.

The people who contributed can't help but think it was, and I owe particular thanks to the following four:

Jay Stuller—An author in his own right and savvy observer of the business scene from his perch in the corporate communications department of the Chevron Corporation, Jay joined this project early and had enormous faith and enthusiasm for it throughout. He helped with the research, brightened the prose, and frequently brightened my day with his wit and wry metaphor.

Evelyn Richards—Former business writer for the *Washington Post* and now world observer from her new home in Tokyo, Evelyn joined the project about the time Stuller had to put in more hours at Chevron. True to her training and professionalism as a

journalist, Evelyn was the best of the lot of us at getting the full story, carefully checking the facts, challenging the flip answer, and getting down-line, as well as executive, points of view.

Sally Hudson—Long part of my staff, Sally joined my team while I was still at McKinsey & Company because she thought the work seemed fun, interesting, and important. I hope she has not been disappointed. It would be almost impossible for me to write a book like this without someone like Sally. She helps with the research, edits my prose, checks facts, and makes sure that suggestions from readers, comments from editors, corrections from sources, and afterthoughts from me—all of these things and more—come together as a cohesive whole.

Kay Dann—My extraordinary and able assistant since 1979, Kay, more than any of us, knows what it takes to put a book together and, at the same time, keep other aspects of my business in some semblance of order. With her unflagging (well, seldom flagging) good humor, Kay keeps the office in balance, my schedule in order, my writer's ego in check, and my friends happy when they probably shouldn't be, as for example when I get caught up in writing and forget to return their phone calls.

Among others who deserve credit for whatever success this book might have are the leaders and people—past and present—of all the companies I looked into. Without the good examples they set, I wouldn't have had much to write about. Many of them get a mention or are quoted in the text. Many others contributed mightily, but hit the cutting room floor so we could keep this a reasonably short book. I wish I could have quoted you all.

Some organizations contributed indirectly. In particular there is my old employer, McKinsey & Company, Inc., an excellent example in its own right and the springboard that launched Tom Peters and me on our continuing search for excellence. Others include the graduate business schools, particularly Stanford, but also Berkeley, Harvard, Dartmouth, USC, and Michigan, whose research is a touchstone for much of what I write.

Some special people also contributed from afar: Tom Peters, John Gardner, Tony Athos, Karl Weick, Jim Collins, Jerry

Porras, Jim Adams, Kirk Hansen, Charles O'Reilly, Sue McKibbin. One contributes in a different way—my sister, Susan Reed—who got me going as a serious artist. Painting keeps me both sane and refreshed.

My final thanks go to the person to whom I've dedicated this book, my love of a lifetime, Judy Waterman. She's my biggest supporter and toughest editor. Of more importance, her ideas, particularly on the subject of what motivates people and on matching people to work, heavily influence my own.

**WHAT
AMERICA
DOES
RIGHT**

I.

ORGANIZING FOR SUCCESS

**Linking People, Strategy,
Organization, and
Customers**

The purpose of this book is simple: to explore, in depth, the strategic and organizational reasons why a handful of widely admired American firms do so well. The theme is similar to that of everything I've written, starting with *In Search of Excellence*: learn from the best; find role models to emulate. It's the most powerful way humans learn, but it's still not done very well in business. Much more common is trial and error learning. Who messed up? Why? How do we fix it?

The *difference* between this and previous books is that it looks at fewer organizations but does so in much greater depth. Instead of relying mostly on the perspective of top managers, I spent a great deal of time trying to understand the viewpoint of middle managers and front-line people. The companies I studied gave me incredible freedom to interview, observe, and participate in discussions with people from all levels of the organization. As a result, there are many more stories, quotes, and comments from these folks throughout this book.

I picked this approach for several reasons. First, I wanted to get below the surface. Any look at top performers tends to find the same general themes—treat your own people and your customers well, and good results will follow. Most managers under-

stand these themes. What many don't understand is how well the best firms manage the intricate interplay between people, strategy, organizational arrangements, and customers. Their ability and agility in this area separates them from the rest of the pack. Top firms do as well as they do because they constantly work hard at building coherence among widely diverse, often conflicting, interests. It's like a good marriage. A couple lives happily ever after because they work at making it work: a labor of love, but labor nonetheless.

Another reason for wanting to explore fewer companies in greater depth is that I'm mad as hell (for me) at most managers' short attention span and search for magic. Perfectly respectable ideas like "total quality" get turned into every person's bureaucratic nightmare because managers see these ideas working elsewhere but don't see the exquisite effort that went into making the ideas effective. As we'll see, decades of loving labor went into making true quality a reality at Motorola, to bringing self-direction to fruition in Procter & Gamble factories, or toward helping a noble set of aspirations come true at Levi Strauss & Company.

My last reason for studying firms in depth and over time is to sort out what is truly a sustainable advantage and what is ephemeral. Research on industrialized nations shows conclusively that American workers outproduce workers in Germany and France by about 20 percent, workers in Britain by over 30 percent, and Japanese workers by over 60 percent. What? You read it right. America leads; these days no country is closing the gap.* (See Appendix 1.)

Researchers from the McKinsey Global Institute, with help from Nobel laureate Robert Solow of MIT, and other university economists were so astounded by these findings that they wanted to know why. They concluded that the American lead could not

*The main reason the United States leads Japan by such a huge margin is service sector productivity. In both countries the service sector has stabilized at about 70 percent of the economy. American service productivity is roughly double that of Japan.