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# THE NEW



# *Partnership*

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**PROFIT BY BRINGING OUT  
THE BEST IN YOUR PEOPLE,  
CUSTOMERS, & YOURSELF**

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**TOM MELOHN**

**FOREWORD BY M. SCOTT PECK,  
AUTHOR OF "THE ROAD LESS TRAVELED"**

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# The New Partnership

PROFIT BY BRINGING OUT THE BEST

IN YOUR PEOPLE, CUSTOMERS,

AND YOURSELF

Tom Melohn

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An imprint of

~~OLIVER WIGHT~~ PUBLICATIONS, INC.

*85 Allen Martin Drive*

*Essex Junction, VT 05452*

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Martin Drive, Essex Junction, VT 05452. Telephone: (800) 343-0625 or  
(802) 878-8161; FAX: (802) 878-3384.

Library of Congress Catalog Card Number: 93-061781

ISBN: 0-939246-57-0

*Text design by Marysarah Quinn*

Printed on acid-free paper.

Manufactured in the United States of America.

2 3 4 5 6 7 8 9 10

## Foreword

**T**his book is a description of how a person took over the leadership of a failing business and turned it into a hugely profitable success.

The person in question, Tom Melohn, asked me to write a foreword to his book, and I agreed to do so. Why? There are several reasons.

I have a passion for common sense as opposed to fashion. The books and manuscripts with which I am deluged are generally one part common sense and nine parts fashion. Only once every year or two does a book fall into my hands proclaiming with almost child-like clarity that “the emperor has no clothes.” In this world of supposed sophistication where cynicism itself has become the emperor, we desperately need such voices. So I am writing because this is a book about such corny notions as “honesty” and “integrity” and “love.” Be put off if you choose, dear manager, but you will be passing up a whole gold mine of very concrete—and surprisingly imaginative—suggestions about how to help people click and make business work.

We’re still in a time and society of sellout. As a contrast to this general trend, the story of the North American Tool & Die Company reads like an account of a fluke of sorts—but I hope this is not the case. I write as a scientist. Essential to the scientific method is the replication of results in different laboratories. The future of our civilization depends upon the degree to which we can learn to

## FOREWORD

replicate such unusual happenings. It will be the reader's choice whether to simply pass off the NATD story as a fluke—an accident of some kind—or assume the responsibility of attempting personally to replicate it in the most important laboratory we have: day-to-day business and commercial enterprise.

M. SCOTT PECK  
Author of *The Road Less Traveled*

## Introduction: What's Going On Here?

"Tom, you're fired!"

What a shattering experience!  
What a blessing in disguise.

For almost twenty-five years I labored amid the arid fields of "Big Corporate." Slavishly adhering to the unwritten but inviolate precepts for success, I steadily climbed the corporate ladder. Senior Vice President of Marketing for a food company with \$500 million in annual sales at age 42, I had arrived—only to find my victory to be hollow, flawed and without meaning.

The trappings of success were all in place—a big salary, bonus, company car, a generous expense account, two paid club memberships, a beautiful home, world travel, etc. Yet I found no personal satisfaction, no sense of accomplishment. Increasingly, I abhorred the ridiculous daily charades, the incompetence, the politics, the never-ending expediency and personal compromise required to survive in Big Corporate.

Each day I railed at the ever-increasing depersonalization at big corporations. I wasn't Tom Melohn; I was employee #510-524-4077. So was everyone else—a number, to be manipulated, to be exploited, and ultimately, to be expendable.

Human emotions had no place in big companies. Whenever decisions finally *had* to be made, it was always by the book—rote, precise, sterile, and uncompromising. There was no place for independent thought. Tradition and protocol reigned supreme. The system took care of its own—if you played the game by their rules. The consequences were clear if you dared to be different: to speak out for a better way, to challenge the traditional rules. Your tenure would be a brief one.

My earlier career was no different. Encrusted with the same barnacles, my prior employers—all big corporations—lumbered on day after day, choking in an ever more constricting environment of redundant management layers, play it safe, cover your butt, hide your true feelings, and don't make waves. Big Corporate was an absolute monarchy.

For years I just couldn't accept the notion that most of our major American corporations were the same, in both climate and operating procedure. Every three or four years (thanks to the executive recruiters) I'd change jobs, hoping to find the "Holy Grail"—a company where individual performance would be the primary yardstick, where politics was outlawed, where people could work together toward a common goal.

Somewhere in America there had to be a major corporation where each employee could be treated as an individual, a person of worth whose contributions, however small, could be recognized and appreciated; a company where people truly enjoyed their work and could live their values—every day. Over the years, I'd repeatedly query fellow executives who worked elsewhere in Big Corporate. Alas, they too were searching for the same Nirvana—with equally meager results.

After being fired, I decided to buy and then build my own company, running it the way I had always dreamed. There it was, listed in the business opportunities section of *The Wall Street Journal*:

## FOR SALE

San Francisco

North American Tool & Die (NATD).

At first it made no sense. My entire business experience was in consumer packaged-goods marketing. There was little I could bring to this company. Let's face it, the manufacture and marketing of custom metal stampings and subassemblies to the electronics and automotive industries required totally different aptitudes and skills. Or so it seemed.

Yet upon reflection, I realized that the type of business I bought would make very little difference. Throughout my entire career I had come into totally disparate businesses, each with unique manufacturing, distribution, and marketing problems. In every instance, profits had subsequently increased dramatically. I knew how to make money.

One of my indictments of Big Corporate centered upon its callous treatment of employees. If my management beliefs were correct, they should be equally applicable in any business, whether manufacturing or service.

So we began. My lawyer introduced me to a silent financial partner. At the outset we each owned 50 percent of the company. My purchase price was funded by a bank loan, secured by our life's savings.

Here's what we bought. NATD was a company with:

- static sales
- marginal profit
- aged and second-hand capital equipment
- a dispirited work force with high turnover
- a haphazard customer list
- unacceptable quality

Yet I felt this company had great potential. In the nearby computer industry growth was exploding. This was a huge potential market. In addition, Nummi (a joint venture between General Motors and Toyota) had just reopened a massive auto assembly plant nearby. Our competition was fragmented. No one was serving



the customer. Quality was marginal. Here was my opportunity—to build a company by managing the way I had always wanted to be managed.

During those twenty-five years in Big Corporate, I had—sometimes painfully—learned these truths:

- As Henry David Thoreau noted in *Walden*, in 1854, “The mass of men lead lives of quiet desperation.”
- Good people really do want to do a good job.
- People value honesty—very much. Just tell it like it is.
- The people “on the line” are no different from you and me.
- Everyone’s creative, in some way.
- The trappings of power in most corporations get in the way of working together.
- Trust is very fragile, yet we all yearn to trust each other, our company, and our leaders.

Distilling these beliefs into an action plan, I set three objectives for NATD:

- to grow the company profitably
- to share the wealth
- to have fun

The strategy to attain our goals came from our potential customers. At the outset I asked them what they wanted from NATD as a supplier. Their response was clear: quality, service, and price—and in that order. (By the way, is it any different in your company, whether manufacturing or service?)

Implementation at NATD centered around four basic principles:

- Hire only good people who care.
- These people are the same as you and me.
- Treat your fellow employees just the way you want to be treated.
- The person doing the job knows it better than anyone else.

All of this may seem mushy and soft. Forget it. This was no social experiment. It was a profit-making enterprise. Let's put it another way: North American Tool & Die was the only financial source of current income and retirement, for me and our fellow employees. We played to win, but in a different way.

Here's a summary of the results in twelve years:

- Sales up 28% per year
- Pretax earnings up 2,400%
- Return on investment in the top 10% of the Fortune 500
- Company stock up 47% compounded each year (happily, we're privately held)
- Productivity up 480%
- Employee turnover less than 4%
- Absenteeism less than 1%
- Customer reject rate 0.1%; all parts, all year, all customers

Suddenly NATD was news. Certainly there were countless companies whose growth and profitability exceeded ours. The news value at NATD was different; here was a rare instance of a company whose success was the direct result of being nice to your fellow employees. It was a classic case study of how to improve employee trust, productivity . . . and profit. *We forged a new partnership with our coworkers simply by hiring good people who care and treating them just the way we want to be treated.*

The business community became intrigued. First the *San Francisco Chronicle* ran a major article, then the *San Jose Mercury-News*, *USA Today*, and *Inc Magazine* ("Screening for the Best Employees," January 1987, pp. 104–106). This was followed by countless other newspaper and magazine stories all across the country. They asked me to write an article about NATD in the *Harvard Business Review* entitled "How to Build Employee Trust and Productivity" (January–February 1983, p. 56–59). Tom Peters and Bob Waterman read it and chose NATD to be in their now legendary PBS-TV documentary "In Search of Excellence." Tom Peters also cited NATD in both *A Passion for Excellence* and *Thriving on Chaos*. *The Leadership Challenge* and the American Management Association's book *Winner Takes All* also noted NATD's "revolutionary" approach to management.

Soon the professional speaking circuit beckoned. It was ironic. Now Big Corporate across the world paid me to tell them how we transformed a marginal company into an industry leader.

Suddenly my wife, Holly, had a stroke. The first whistle of our mortality had sounded. Happily, she later recovered, but the message was clear. I had accomplished what I wanted to prove at NATD. It was time to move on, to spend more time with my wife and to share lessons learned at North American Tool & Die with others. I sold all my stock in the company to my coworkers through their ESOP (Employee Stock Ownership Plan) and also to the corporation itself. Although I severed all connection with NATD, I hear they are doing fine.

To my surprise, Jim Childs (publisher-editor) called, introduced himself, and asked me to write a book. At the outset I said no. Heck, I'm a businessman, not a writer. Yet as I thought it through, it seemed to me that there would be some value in contrasting what worked at NATD vs. Big Corporate's *modus operandi*. The lessons learned at NATD were equally applicable at companies both large and small, manufacturing or service.

We're in deep trouble today in American business. You know it first hand, where you work, right now. The "Band-Aid" solutions aren't working. They never have, not really. First, it was MBOs, then zero-based budgeting, then quality circles. Now it's total quality management, self-directed work teams, worker empowerment,

gainsharing, flat organization charts, and reengineering the corporation. They're an improvement, as far as they go. But they're not addressing the real core problem: how to *truly* motivate your fellow employees. What will be the next fad?

Each chapter in this book defines a basic business problem and provides fresh and yet proven and pragmatic solutions. Specific hands-on stories illustrate these new management concepts at work at North American Tool & Die, Inc. These are in sharp contrast with the traditional responses of big corporations. At the close of each chapter, you'll see how you can build a New Partnership: steps you can take right now, first thing in the morning, to make a difference—for yourself, your job, your department, or your corporation—regardless of size.

It may seem incredible, but every story in this book is true. Each quotation of our coworkers is verbatim. Their comments were unrehearsed and spontaneous, given in response to various TV interview questions during recent years.

Finally, I want to explain two stylistic anomalies in this book. First, it's written in the present tense. Obviously these were the best years of my business life. The personal bond I and my coworkers forged at NATD as fellow employees is unforgettable and still very real in my mind. Hence the present tense. My second stylistic deviation is the use of "we" throughout the book. There are several reasons. First, I was raised to avoid the repeated use of "I." Bluntly stated, that's boasting. The second reason for the use of the pronoun "we" is simple. It was true. *We* forged a new partnership together.

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