

# Productivity

## THE AMERICAN ADVANTAGE

How 50 U.S. companies  
are regaining the  
competitive edge

L. WILLIAM SEIDMAN  
& STEVEN L. SKANCKE



## **About the Authors**

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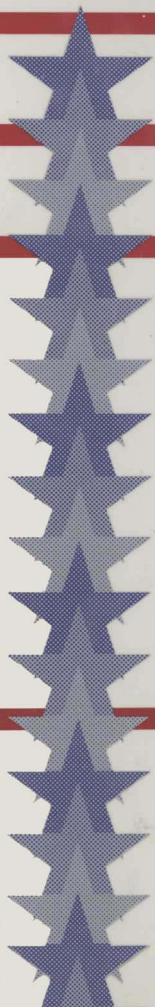
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"What the country needs is fewer people telling us how to mimic Japan and more people telling us how to recapture some of our unique magic. We have just the person in mind—William Seidman. His no-nonsense philosophy is summed up in a book he coauthored with Steven Skancke....It reads like a Marshall Plan for rebuilding the American economy from the ground up....Seidman's ten commandments should be hung in every boardroom in America, starting with government agencies."

—Jack Anderson and Dale Van Atta, *The Washington Post*

"*Productivity: The American Advantage* shows that becoming more productive and, thus, more competitive is how companies can ensure our survival. This is why management accountability is so vitally important to our future."

—Carl Icahn, Chairman, TWA; Chairman, ACF

"In a refreshing departure from recent doom-and-gloom management books, Seidman and Skancke explore what's right with American business."

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Former Secretary of Labor

"*In Search of Excellence* is a guide to building castles in the sandbox in comparison with the hard-hitting sophistication of real-world applications in *Productivity: The American Advantage*."

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Administration, University of Rochester

"Bill Seidman and Steve Skancke remind us that America is still the world's most productive nation. And it has the wherewithal to keep winning. Here's a much needed and timely boost to our confidence—with real and practical examples of how to do it. Let's get to work!"

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"Timely and targeted! Must reading for managers who want to compete globally."

—John W. Teats, Chairman, President and CEO,  
Greyhound Dial Corporation

"I was surprised at the number of new and practical ideas."

—J. Peter Grace, Chairman and CEO, W. R



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# ***PRODUCTIVITY: THE ★AMERICAN ADVANTAGE***

**How 50 U.S. companies are  
regaining the competitive edge**

**L. William Seidman  
and  
Steven L. Skancke**

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# INTRODUCTION

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*A competitor is the guy who goes in a revolving door behind you and comes out ahead of you.*

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That's how George Romney, the former cabinet member, governor of Michigan, and CEO of American Motors, defines a competitor. Such a feat might seem impossible, but that is exactly what happened to scores of American companies in the decades of the 1970s and 1980s. They went into the revolving door of the world marketplace first only to discover that foreign competitors were somehow coming out ahead of them. Any number of explanations have been offered for that surprising and unprecedented turn of events, but far more important in the decade of the 1990s is finding the answer to one crucial question: How can American companies regain their ability to compete in the world marketplace to make sure that we again come out ahead?

Productivity has become the major issue facing businesses, governments, and institutions concerned with rebuilding America's ability to compete. It is an issue that we have studied for nearly a decade, beginning in 1982 and 1983 as directors of the White House Conference on Productivity, when we examined the competitive strategies of nearly a thousand companies and organizations, large and small, sharpening our focus to several hundred of them in 1984. Then in 1987, and again in 1989, we reexamined many of these organizations to determine how well their strategies had fared over time. Our study has convinced us that competitiveness is not simply a function of national policies, but of thousands of competitive individual companies working to improve their productivity and their positions in the world marketplace. Ultimately, the fate of America's competitiveness depends upon individual company initiatives.

Our studies of successful people, ideas, operations, and strategies have also led us to the conclusion that while much that is new is being used, most of what succeeds is based on traditional American attitudes and values set in our modern environment. In fact, America has always had the competitive advantage. By applying the principles that made us great in the first place, we can rebuild the base needed to increase our productivity, improve our ability to compete, and resolve our national economic problems as well. To secure our place in world competition, our best resources must be used, our best ideas must be implemented, and our best people must be put to the task. Above all, we must use the fundamental strengths that built our past success.

### ***"American Exceptionalism"***

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The American advantage in a world economic competition can be found in the special strengths of our multicultural, democratic, capitalistic roots. The great observer of America, Alexis de Tocqueville, described it as "American excep-

tionalism.” Americans are exceptional because of our independence, individuality, and desire for freedom. We have a pioneer tradition of wanting to make it on our own. We are innovators, entrepreneurs, rugged individualists. These traditional American attitudes are just what is needed to meet world competition. Americans will succeed by returning to their roots.

Even beyond these traditional values, the American advantage also derives from the unparalleled abundance of our natural and human resources. Our standard of living is among the highest in the world; our work force is highly skilled and strongly motivated. We have the most advanced technology and a solid industrial infrastructure. We have access to capital and the world’s largest consumer market. We share a common language and a common work ethic. Even with their imperfections, our democratic government and free-enterprise system are major American advantages. We have only to utilize our many social, economic, and political strengths to win in the global competition that lies ahead.

### ***World-Class Competitors***

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Many American companies are already in the vanguard of world-class competition. They are not there by accident. They have leaders who plan and organize for their success, who know where the company is heading, and who communicate their strategy all the way down the line. They make sure their organization is flexible and that decisions can be made quickly in the midst of battle. The emphasis in these companies is always on quality and better management of all resources in order to improve their productivity and their ability to compete. And last, but by no means least, they recognize that their employees are the key to their growth and success.

The old saying that there is nothing new under the sun applies to many of the competitive strategies we have observed in action in these companies. But rediscovery can

be just as useful as finding out about ideas for the first time. And some of these strategies belie the old saying by being truly innovative.

Among the many companies we studied that have combined both the old and the new to regain their competitive edge are the following.

**Diamond Fiber Products.** Implementing a comprehensive program for rewarding employees who do their job well, Diamond increased output 16.5 percent and accrued savings of \$5 million in only eighteen months.

**Como Plastics Corporation.** By adopting a people-oriented approach to management that emphasizes teamwork, Como doubled sales and increased profits over 800 percent during a three-year period.

**Donnelly Corporation.** Applying a variety of reward systems over a seven-year period, including profit sharing and participative management, Donnelly reaped a 220 percent return on investment.

**Certified Grocers.** By adopting suggestions made by its employees—and by rewarding outstanding workers with paid time off—Certified increased its productivity by 15 percent in one year, while saving more than \$2 million in payroll costs.

**Champion International.** Organized into problem-solving teams, Champion's employees solved stubborn productivity-related issues that saved the company \$7 million in the paper division alone.

**Lowe's Companies, Inc.** By making employees owners through ESOPs (employee stock ownership plans), Lowe's transformed itself into one of America's fastest-growing corporations. Within three decades, it grew from three stores to more than two hundred, while boosting profits from \$18 million to \$900 million.

**Palatine (Illinois) Police Department.** Providing an alternative to traditional promotions through a dual-career ladder, the Palatine Police Department found a new way to motivate police personnel and increased productivity by 100 percent.

These companies and many others are using the American advantage to win the competitive battle. Our studies of the techniques and strategies they have put to use have convinced us that American companies still have what it takes to once again become world-class competitors. With all the advantages inherent in our way of life, the opportunity to meet the competition and to be number one is still available to any American company willing to take up the challenge.

This book highlights what a diverse group of American companies and public organizations is doing to improve their own productivity and competitiveness—and hence their profitability. In Part I we describe the broad techniques and strategies that we believe will offer you the best chance to improve the competitive position of your own company. These ideas are illustrated by examples from a wide spectrum of American companies supplemented by interviews with the people who have implemented these ideas and seen them work successfully. More specific cost-saving and profit-making strategies are detailed in the individual corporate case studies in Part II of the book. By adapting and implementing these strategies, we believe you can bring about exciting and dynamic changes in your own workplace. The recommendations are not faddish; they are deeply rooted in the American tradition of individuality, ingenuity, and hard work. And they will enable you, too, to come out of the revolving door ahead of the competition.





# **PART I**

## **MAKING IT HAPPEN**

