

**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)

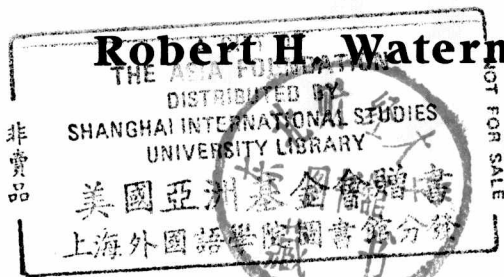
*The Renewal Factor: How the Best  
Get and Keep the Competitive Edge*

*Adhocracy: The Power to Change*

# WHAT AMERICA DOES RIGHT

Learning from  
Companies That  
Put People First

**Robert H. Waterman, Jr.**



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*For Judy,  
my love and inspiration*



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**T**hough 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:

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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.

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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.

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**WHAT  
AMERICA  
DOES  
RIGHT**



# I.

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# ORGANIZING FOR SUCCESS

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

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**T**he 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.