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**IN SEARCH OF EXCELLENCE**

THE  
**RENEWAL  
FACTOR**

HOW THE BEST  
GET AND KEEP THE  
COMPETITIVE  
EDGE

**ROBERT H. WATERMAN, JR.**

# THE RENEWAL FACTOR

*How the Best Get and Keep  
the Competitive Edge*

ROBERT H. WATERMAN, JR.



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# For Judy, Robb, and Kendall

THE RENEWAL FACTOR

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## PRAISE FOR THE RENEWAL FACTOR

“THE RENEWAL FACTOR is about the successful builders and rebuilders of our society and our personal renewal and rededication to the achievement of excellence. Substantive, incisive and full of common sense, it is an inspiration to those who believe in the future of America.”

—Philip Caldwell,  
Former CEO, Ford Motor Company

“A rich collection of ideas about how great institutions are shaped and perpetuated. It is well written, fluid, replete with fun and meaningful examples and leaves the reader much wiser. It deserves careful reading and rereading.”

—Jon R. Katzenbach,  
Senior Director, McKinsey & Company, Inc.

“I am incredibly enthusiastic about this book. Waterman’s efforts have made clear what separates the long-term winners from the one-shot company—and helps each of us contemplate how to build and renew our own organization. This will be required reading.”

—Anthony S. Tiano,  
President and CEO, KQED, Inc.

## **PRAISE FOR THE RENEWAL FACTOR**

**“The book gives hope and concrete tools to people who find themselves stuck in weary, stale organizations. Waterman demystifies the elusive process of renewal with seasoned insights, vivid examples and a firm hand. My favorite is Mr. Hopper’s death as handled by the SESAME STREET people.”**

**—Karl E. Weick,  
Chaired Professor of Organizational Behavior, University of Texas**

**“Waterman understands that excellence isn’t enough. For those who prefer that their organizations not end up as fossils, this is required reading.”**

**—John W. Gardner,  
Author and social commentator**

**“This is a book whose timing is right. It matches a rising mood in this country that says ‘Gee, we really do have to change things in this country to be competitive.’ The examples are great: they have a human quality you can relate to. Very readable.”**

**—John Young,  
Chief Executive Officer, Hewlett-Packard  
Former Chairman, President’s Council on Production**

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# INTRODUCTION

In today's business environment, more than in any preceding era, the only constant is change. Somehow there are organizations that effectively manage change, continuously adapting their bureaucracies, strategies, systems, products, and cultures to survive the shocks and prosper from the forces that decimate their competition. They move from strength to strength, adjusting to crises that bedevil others in their industry. They are masters of what I call *renewal*.

This book is the result of an extensive research project on the subject of managing organizational change and renewal. We spent over seven person-years doing the research and then writing *The Renewal Factor*. The project started with a list of five hundred companies in fifty-three industries. Tight financial analysis laced liberally with good judgment narrowed the list to the forty-five organizations we studied in depth. We talked to executives, managers, and employees in organizations in the United States and abroad, large and small, for profit and not. The companies we studied have two things in common: First, all are among the best in their industries or fields. Second, they have renewed. The two factors are related. Some renew with seeming ease, others with difficulty.

Our research led us to conversations with forklift drivers, bowling-ball designers, X-ray technicians, a football coach, computer scientists, potato growers, explorers for gold, and a juggling puppet at Children's Television

Workshop who talked like Marlon Brando in *The Godfather*. We obtained a foreign perspective from interviews in Europe, where a French executive advised that the key to renewal was taking baths, not showers, since baths took longer and were more conducive to creative thinking. Our extensive data collection included the *Maytag Employee Cook Book* (with recipes for Fern's Pecan Pie and Easy Does It Lasagna), a smart collection of company baseball caps, and the lyrics to a country-and-western song written by a Steelcase truck driver in honor of his truck. ("Well I took a lot of pride in my ride, but I cried, when this shiny truck pulled right up next to me.") We gained unexpected insights into the success of Humana, the health care company in Louisville, when my associate missed a step on a stairway, injured her ankle, and had to be taken to the emergency room of a Humana hospital.

From our original field research we derived eight general themes or principles for organizational renewal. Under each is a bouquet of examples, subsidiary ideas, and "how-to's." Other researchers looking at the same subject might come up with a different set of observations, or at least use different labels to describe ones similar to ours. But we seriously doubt that any managed renewal effort strays far from the themes we introduce here.

Many of the qualities that Tom Peters and I talked about in *In Search of Excellence* also help organizations renew. This is a complementary, but different, book. A strong emphasis on people as sources of renewal underlies both works. *The Renewal Factor*, however, explores the strategy dimension in more depth. It celebrates a management style that combines direction and empowerment. It stresses the liberating nature of good financial controls and a reliable fact base. *The Renewal Factor* faces squarely the political nature of companies—where politics hinders renewal and where it helps. This book deals specifically with the challenges of staying competitive in today's environment: the multiple ways renewers stay in touch, how they break bureaucracy, restructure, and yet maintain stability. Throughout, *The Renewal Factor* speaks to the

challenge and the opportunity in uncertainty—how you manage when one of the few things you know for sure is that change will occur in unpredictable ways.

This book takes up where the search for excellence left off. It might be aptly subtitled *The Search Continues*. No organization can maintain excellence without renewing. No organization can strive for excellence, or even attempt to improve, without the ability to renew.

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