

their classifications. Discuss the reasons for any disagreements in classification.

- 12-25. What are the specific factors that enable Lush to use the approach described and simultaneously make it difficult

for some other firms to copy it? What types of firms are most and least likely to be able to use this approach?

- 12-26. What does this exercise teach you about international business?

CLOSING CASE

Whirlpool Corporation started its journey back in 1908, with just 15 employees, as a manufacturer of household equipment. Over a century later, it is now one of the world's leading manufacturers of home appliances, with 92,000 employees and annual sales revenue of approximately \$21 billion.

To meet the growing customer demands in the United States, the company's first merger was in 1929 with Nineteen Hundred Washer Company, New York. The merger, also known as the Nineteen Hundred Corporation, flourished during the Great Depression, and allowed the companies to experiment with new products and innovative technologies. It was in 1949, after World War II ended, that the owners Lou and Fred Upton officially changed the company name from Upton Machine Company to Whirlpool Corporation. With the brand's continued success, its product portfolio also grew through mergers with various well-known brands like Seeger Refrigeration Company and RCA's air conditioning. In addition, Whirlpool entered into a partnership with Brasmotor S.A., in Brazil, its first foray into the foreign market.

Whirlpool's former CEO David Whitwam, through his determination to make Whirlpool a global brand, has been credited with integrating the international businesses and creating a truly global company and not just a series of independent operations by revising business goals and strategies. Taking over from his predecessor Jack Sparks, Whitwam's goal was to increase manufacturing productivity, reduce costs, and integrate new technology to appliance production. When he took the helm of the company, Whirlpool's primary operations were in North America. But seven years later it expanded its market around the world, with manufacturing units in 11 countries. His business strategy was to leverage all its operations worldwide by bringing the best capabilities together in diverse geographical areas to gain competitive advantage. In 1989, Whirlpool acquired N.V. Philips' floundering European appliance business worth \$1 billion that resulted in catapulting Whirlpool to the number one position in the appliance business worldwide. Unifying the strengths of both firms, Whirlpool combined the resources and technologies to achieve a breakthrough performance in the global market. Under his leadership, in 1990, Whirlpool formed a JV with Japan's Panasonic Corporation, formerly known as Matsushita Electric Industrial Company, to produce vacuum cleaners. In 1991, for the first time in the history of the company, full-time employees were provided stock options. In the

Whirlpool: A Global Vortex

same year, Whirlpool's earnings increased by 38 percent. In 1992, Whirlpool acquired Sagad of Argentina and Whirlpool Hungarian Trading was established in Hungary.

In the mid 1990's, under Whitwam's aggressive globalization strategy, Whirlpool formed JVs in China and in India to enter the Asian market. However, in 1996, despite India and China being its largest markets, Whirlpool's revenues from its Asian operations accounted for only 6 percent of total revenues, and the company incurred losses worth \$70 million. Due to the losses incurred, and as a part of its restructuring strategy, Whirlpool withdrew two of its JVs in 1997. By late 1999, Whirlpool faced difficulties in driving growth in its global businesses. Despite adopting various operational initiatives to cut costs and achieve economies of scale in its operations, Whirlpool's revenues, profits, and market share were stagnant.

Whitwam believed that innovative products were the solution, and would command premium prices and build customer loyalty. As part of the company's competitive strategy, he emphasized the need to develop an organizational culture that would spur Whirlpool's growth through consumer-focused innovation. And he did not want it to be limited to a few people in the organization. Appointing Nancy T Snyder as the vice president of leadership and strategic competency development at Whirlpool was a way to ensure all employees took part in the creative process. Snyder introduced the "I-box" graphing tool to allow employees to demonstrate that their proposals were something that consumers would want, backing their arguments with adequate market research. The I-box tool allowed the flow of ideas from employees to decision makers.

Innovation led to the introduction of more products, but integrating these products into all its markets was difficult and expensive. Whirlpool found that integrating the best technologies and design processes for manufacturing its products lowers costs. For each product group, it identified the resources and skill sets required, and built development centers for that product in the region that aligned to the requirements. It employed the latest technology to allow seamless communication between the development center and employees in other parts of the world. For example, the development center for Whirlpool's refrigeration products is in Benton Harbor, but employees from China and Italy, who are a part of that development center, can work remotely as

virtual teams—a concept that has proven to be quite successful for Whirlpool.

While a large product portfolio does meet the varying customer preferences, it poses a logistical issue as product sizes are different and warehousing and shipping won't be viable for all locations. Thus, regional manufacturing centers is a crucial requirement for Whirlpool. It is able to ensure that the core processes of manufacturing and technology are the same even though the configurations, dimensions, and features of home appliances like refrigerators, washing machines, and ovens are tailored to the individual markets.

As a part of the global strategy, Whitwam began acquiring regions to understand customer preferences and offer them the best appliances. To conquer the Southeast Asia region, Whitwam implemented a central distribution system in Singapore. This center functions as a design, engineering, and product development hub that has access to the operations of all the manufacturing centers across Asia. In 2011, while setting up its operations in the Asia-Pacific region, Whirlpool faced challenges such as cultural differences in business ethics, availability of quality resources, and identifying suppliers that matched the company's criteria of 'Whirlpool Supplier Quality System.' It used the sourcing strategy development (SSD) process to find suppliers who would match the company's style of work and meet the company's quality and cost requirements.

Whirlpool's vision is to be represented as one global brand company. Unifying focus of the brand's vision, mission, and objectives is communicated to every employee of Whirlpool across the globe. Whirlpool's key objective is to be in the top 25 percent of publicly held companies in terms of total returns. The drive of the company lies in offering shareholders great value through given economic cycle.

Usually, top-level managers view an industry as an assortment of various specialized businesses, each with its own pros and cons, and believe that firms cannot operate globally as a unified entity. Thus, while developing business strategies, regional managers tend to look at different aspects of the industry locally rather than the company in its

entirety. However, at Whirlpool, the development of strategies involves striking the right balance between regional and national business values to ensure effective and efficient run of operations globally. Whirlpool aims to foster cooperative business ethics among regional operations and enhance cross border teamwork to strengthen its position globally. For example, the company may use compressor technology from its Brazilian affiliates or insulation technology from its European businesses, while gathering manufacturing and design expertise from its U.S. operations.

Whirlpool's strategy is to understand the customer and translate that understanding in the service offered in terms of design, feature, superior products, and after sales support. Marc Bitzer, the current CEO, believes in rethinking and readjusting business strategies at regular intervals to ensure that the nature of the business aligns to the needs of the customers in a dynamic global business environment.

Case Questions

- 12-27. What are the strategies used by Whirlpool in becoming a global company?
- 12-28. What are the reasons for the mergers and acquisitions in the U.S. and European appliance industries?
- 12-29. Whirlpool's former CEO David Whitwam encouraged low-cost strategies before going in for big projects. Evaluate the statement.
- 12-30. Discuss Whirlpool's strategic approach to worldwide expansion. Given the conditions of the external environment, do you think this approach is correct? Explain.

Sources: Maruca, R. (1994) "The Right Way to Go Global: An Interview with Whirlpool CEO David Whitwam," *Harvard Business Review*, accessed March 30, 2019; Whirlpoolcorp.com, <https://www.whirlpoolcorp.com/history/>, accessed March 27, 2019; Muller, A. and Hutchins, N. (2012). Open innovation helps Whirlpool Corporation discover new market opportunities, *Strategy & Leadership*, 40(4), pp.36–42; Whirlpool Corporation (2018). *Whirlpool Annual Report 2018*. pp.15–80; "Whirlpool's biggest challenge is rapidly changes in global markets: CEO," *Business Insider*, July 22, 2016.

Writing Assignments

- 12-31. Discuss the factors that a firm should consider in deciding whether to enter a foreign market.
- 12-32. Discuss the primary modes of entering a foreign market. What are the advantages and disadvantages of each of these modes?