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"HOT TOPICS"

Future Worker Management.

THE COOPERATIVE
WORKPLACE AND
GLOBAL LEADERSHIP

THE WHIRLPOOL EXPERIENCE

A REPORT TO:

**THE COMMISSION ON THE
FUTURE OF WORKER/
MANAGEMENT RELATIONS**

**BY: WILLIAM D. MAROHN
PRESIDENT AND COO
WHIRLPOOL CORPORATION**

**NOVEMBER 8, 1993
WASHINGTON, D.C.**

**Commission on the Future of Worker/Management Relations
November 8, 1993 – Washington, D.C.
Bill Marohn, President & COO, Whirlpool Corporation**

THE WHIRLPOOL EXPERIENCE

Good afternoon, Chairman Dunlop and distinguished commission members. Competition in today's business world is more intense than ever before. The United States is facing formidable foes from every corner of this planet, and this is a battle we cannot lose. We need to rely on the strengths which made this great nation -- our ingenuity ... innovative and technological skills ... and the world's most productive workforce.

I would like to share a story of a company that has done just that. In the mid-80s, Whirlpool Corporation of Benton Harbor, Michigan, had a vision of becoming the world's leader in the major home appliance industry, developed the necessary plans and then tackled competition from around the world.

Today, Whirlpool is the leading manufacturer and marketer of major home appliances, an industry in which approximately 190 million appliances are sold annually. Whirlpool is number one in North and South America (with our Latin American affiliates), third in Europe, and the largest non-Asian player in Pacific Rim. We have 39,000 employees, manufacture in 11 countries, market products in more than 120 countries and have annual revenues approaching \$8 billion.

We are successful not merely because of astute business decisions and global risk taking ... it also takes the efforts and commitment of our employees who are empowered to improve our business and products. Over the past 6 to 8 years, Whirlpool has made tremendous strides in meeting its goals of reducing product costs, while improving quality and productivity. I believe a significant driver of this business improvement has been our strategy of comprehensive employee participation.

In 1986, we adopted a philosophy of employee involvement as our core strategy. We knew it would take total commitment of every employee to be successful. Since that time, we have committed millions of dollars in training and education to help make our people more competitive. Last year in the U.S. alone, we spent \$16 million in training and developing our people or about 3% of payroll. The vast majority has been invested in working men and women who build our products.

Whirlpool wants to build American appliances with American workers but that's not always easy to do. Although competition has moved production outside of the U.S., Whirlpool has expanded its U.S. workforce. At Whirlpool, more than 95% of the refrigerators, ranges, washers and dryers we sell in the U.S. are built by the 18,000 plus employees working at our American manufacturing facilities.

We have committed significant resources to keep these American manufacturing jobs among the best paid in the land. We invest in our people in competitive wages, benefits, activities, working conditions and other rewards ... and recognized that our strategy of empowering our people required a corresponding system of rewards for great business results.

One such reward program is our Gainsharing wherein financial improvements in quality and productivity are shared between the employees and the company. This sharing can be significant -- at one facility these payments have meant over \$2,500 per person in each of the last three years.

We also have provided an ownership opportunity for every employee. Two years ago, the company granted every employee in the U.S. stock options at, now, very favorable prices. Our production employees now read the Wall Street Journal and follow Whirlpool's stock price just like the major institutional investors.

What do we expect in return? We expect that our employees will give us their thoughts, ideas and improvement suggestions, in addition to their time and physical effort. To help them do this, we empower our employees. Our production workers, individually and on teams, are responsible for ensuring quality, for reducing scrap and improving productivity. But more importantly, they are empowered to manage themselves.

At several facilities, new employees are interviewed, selected, hired and trained solely by their fellow production workers. And who better to know what's needed on the shop floor than those individuals who work there. Employee training, skill building, appraisals and promotions in our empowered plants are all done by production workers with their peers. Even employee discipline, including termination recommendations, is the responsibility of the production employee team at several U.S. plants.

We have taken this even a step further at one plant where we have created participation through self-managed work teams. This means that there no salaried supervisors on the plant floor at all. Production scheduling, job assignments, safety responsibility, employee promotions, discipline, communications, training -- all the tradition responsibilities of salaried supervisors have been delegated to the production employees. (...and in many ways, they are doing it a lot better than we did!)

Employee involvement or teaming has taken on a different look at all of our facilities as it must. Our unionized locations work together through Labor Management Committees while our non-union operations use work groups and production improvement teams. However regardless of the representational status of the plant, the common factor is our goal to give our production employees the authority to do what they need to improve their jobs and our products. This leads to mutual business security for all.

Anything that compromises the cooperation between employees and management and participation by employees in business decisions is not in this nation's best interests -- short or long term. I understand your mission is two-fold: to investigate the current state of worker-management relations and recommend changes for improved productivity through cooperation and participation.

In answer to your mission, I am here to tell you that I see excellent employee-management relations at Whirlpool because of our cooperation and participation. But a threat does exist to the continued improvement and success at Whirlpool and throughout the United States. That threat is found in the NLRB's recent rulings in the cases of Electromation and DuPont under Section 8(a) (2) of the Labor Act.

I have no intentions of debating the fine points of what constitutes a "labor organization" or "domination" under the law; however, as a business leader operating in a challenging global environment, I know that any ruling that compromises our ability to involve our people ... to empower our workers ... to commit to our employees ... puts every American job in peril.

If we can't empower our people, we can't compete successfully. And if we can't win here in the U.S., we must go somewhere else where we can. And we all know, that result is NOT what Whirlpool ... or this commission ... or this country wants.

Team involvement and employee participation is not a union vs. non-union issue. It's a survival issue. At Whirlpool, we see its success in union and non-union plants ... in Northern and Southern plants. In big and small plants. It's working everywhere but that success won't continue if the Electromation/DuPont decisions are allowed to become the law of this land.

I extend an open invitation to all of you to come and see first hand at Whirlpool the power of involvement in the hands of our people. We are winning together within the existing legal system. All Whirlpool people -- union and non-union employees -- are operating successfully without massive labor law reform. BUT to continue to grow and be successful, we believe that it is critical to protect the right to participation and cooperation.

If our employees are empowered, then what is management's responsibility at Whirlpool? Provide the vision and road maps to continue our growth and success. We believe there are four areas in which Whirlpool must excel in order to create sustainable value for our shareholders and, in turn, other stakeholders. Those areas are customer satisfaction ... total quality ... people commitment ... and growth and innovation. For each area, we have specific objectives which drive measurement, decisions and accountability. It is management's responsibility to guide these processes.

We must benchmark the world's leading corporations and advocate best practices which are working in those organizations. Management needs to keep all employees focused on the consumer's needs and desires because, after all, consumers are the people who ultimately determine which companies win. We need to ensure that the products we build have the features consumers want, at a price they are willing to pay.

But our biggest responsibility is to provide direction and leadership for all of our employees -- providing a workplace in which they can grow, increase their skills and knowledge, contribute and gain individual fulfillment. We must use sound judgment to make prudent business decisions in order to achieve this goal. If we are successful in our quest for these goals, we will be a world-class corporation. I am confident this lofty quest is well within the reach of the people of Whirlpool Corporation.

Thank you again for the opportunity to share the Whirlpool story ... a story of the power of working together. That same power on which this great nation was built. So when you begin to formulate your recommendations, please take a moment to reflect on Whirlpool Corporation, a company that is leading the world in the major home appliance industry -- within today's business climate ... and with today's workforce and labor laws. Thank you.