

Whirlpool Cleans Up Its Supply Chain

Case duration (Min): **45-60**

Operations Management (OPs)

Operations strategy**Global supply chain management****Worldwide****Case summary:**

The primary thrust of the case and questions is a high level view of operations strategy in a large organization. The case exposes several other operations management challenges that could also be discussed.

IOM STRATEGY
LOGISTICS AND THE SUPPLY CHAIN

Learning objectives:

Discuss what is meant by international operations management and supply chain management
Describe key decisions associated with international operations management
Identify major operations management and supply chain management activities
Evaluate how international operations management contributes to international business success

Case problem:

Drivers for and methods to optimise the supply chain

Appliances

Company

Whirlpool

<http://www.whirlpoolcorp.com>

Whirlpool Corporation is a leader of the \$100 billion global home appliance industry. Ranked sixth in the electronics industry list of FORTUNE magazine's "World's Most Admired Companies", Whirlpool Corporation is a Fortune 500 company and the world's leading manufacturer and marketer of major home appliances. Annual sales are approximately \$19 billion, and there are 70,000 employees, with 69 manufacturing and technology research centres around the world. Founded in 1911, the company markets Whirlpool, Maytag, KitchenAid, Jenn-Air, Amana, Brastemp, Consul, Bauknecht and other major brand names to consumers in most countries around the world. Whirlpool manufactures appliances across all major categories, including fabric care, cooking, refrigeration, dishwashers, countertop appliances, garage organization and water filtration.

Whirlpool is committed to a brand value-creation strategy—focusing on innovation, cost productivity, product quality and consumer value. The company continues to improve its global operating platform to ensure it is the best-cost and best-quality appliance manufacturer worldwide. Its supply chain has been transformed to better deliver products to trade customers and consumers. The benefits of actions are evident through a stronger network, increased efficiencies and timely deliveries. Whirlpool Corporation is committed to building products which consumers around the world can depend upon to meet their daily needs. This commitment to quality begins in the concept stages and continues throughout the lifetime of the appliance. The result of these efforts is a sustainable and competitive advantage for the company.

Globally, Whirlpool Corporation manufactures products using principles of lean manufacturing and operational excellence to ensure continuous improvement of processes and to produce products that meet the company's high-quality standards. At Whirlpool, there is a constant focus on seeking out new and unique ways to improve the function, performance and sustainability of products.

After acquiring the Maytag Corporation on March 31, 2006, Whirlpool Corporation became the largest home appliance maker in the world.

Pre class activities...

1 OPTIONAL
students may research Whirlpool prior to class

45-60

First, if you are taking a taught management course then consult with your tutor and ensure that the case has not been scheduled into a teaching class or tutorial. If it has not:

1. Play/ read the media associated with the case. You may need to access the Internet and enter a URL to locate any video clips.
2. Attempt the Case study questions.

Consider attempting the case study as a group exercise; you could form a study group with fellow students.

3. Check the suggested answers - remember these are suggestions only and there are often many possible answers.

Discuss questions and answers with other students.

4. If you feel your answer(s) were weak then consider reading the relevant suggested readings again (also see the case study suggested references).

Title/
Media type

URL/ Media description

Whirlpool Cleans Up Its Supply Chain

http://feedroom.businessweek.com/?fr_story=0254c46f9fdd974372ad0179084a6ed99db0a5f0&rf=bm

Film

A merger with Maytag added another layer of complexity to Whirlpool's efforts to manage sales, orders, and cash flow. Brian Hancock, VP Supply Chain, talks about how this was achieved.

Until recently, Whirlpool's strategic focus was on its products and brands. In recognition of environmental changes (customer needs in particular) attention was shifted to their supply chain and how best to manage it. The need to focus on the supply chain was also instigated by major internal and organizational changes (the merger with Maytag). Furthermore it was recognised that two issues required attention: 1) the desire for trade partners to hold lots of inventory (which impacted upon cash flows) 2) balancing number one with customers needing their products quickly. One of the goals constraining the redesign of their supply chain was to ensure a customer order could be fulfilled and delivered to the customer within 48hrs. The company set about its operations/ supply chain strategy with the aim of improving cash flow, reducing costs and providing the right service to customers.

The first aspect of their strategy was the order process. Process, technology and inventory changes were made. Systems required replacement and integration with Maytag systems. Overall, there was a need to improve visibility within the supply chain.

Secondly, the company rationalised facilities, reducing the number of buildings from 184; they eliminated 100 buildings and consolidated major warehouses into 10 regional distribution centres. This resulted in cost savings of over \$60 Million.

Thirdly, they optimised supply and demand, with changes to demand planning models and software and integration with upstream suppliers.

NOTES:

Case study questions...

Action	Pre/During/After class
1 EXPLAIN THE CONCEPT OF THE SUPPLY CHAIN Explain the concept of the supply chain	During
2 DRIVERS Describe the challenges faced by the company: What were the drivers for change to the supply chain?	During
3 BENEFITS What were the benefits of change to the supply chain?	During
4 STRATEGY Describe the Whirlpool strategy	During
5 DEMAND, CAPACITY, SCHEDULING AND INVENTORY CHALLENGES Discuss the demand, capacity, scheduling and inventory challenges. Suggest how the company might increase its speed of response to customers i.e. ensure that the goal of delivering the product within 48 hrs is achieved.	During

Answers...

OPERATIONS

The core activities of a business

OPERATIONS MANAGEMENT

set of activities used by an organization to transform different kinds of resource inputs into final goods and services.

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set of activities used by an organization to transform different kinds of resource inputs into final goods and services.

OPERATIONS MANAGEMENT

The planning, scheduling, and control of the activities that transform inputs into finished goods and services.

OPERATIONS STRATEGY

the overall direction and contribution of the operation's function with the business; the way in which market requirements and operations resource capabilities are reconciled within the operation.

INVENTORY MANAGEMENT

controlling stock levels within the physical distribution function to balance the need for product availability against the need for minimising stock holding and handling costs

LEAN PRODUCTION

A term commonly used to refer to just-in-time production.

JUST IN TIME (JIT) MANUFACTURING

System of production which relies on a continuous flow of materials.

SUPPLY CHAIN MANAGEMENT

Integration of supplier, distributor, and customer logistics requirements into one cohesive process.

Question/ Answer

1 Explain the concept of the supply chain

Explain the concept of the supply chain

See terms associated with this handout

2 Drivers

Describe the challenges faced by the company: What were the drivers for change to the supply chain?

Until recently, Whirlpool's strategic focus was on its products and brands. In recognition of environmental changes (customer needs in particular) attention was shifted to their supply chain and how best to manage it. The need to focus on the supply chain was also instigated by major internal and organizational changes (the merger with Maytag). Furthermore it was recognised that two issues required attention: 1) the desire for trade partners to hold lots of inventory (which impacted upon cash flows) 2) balancing number one with customers needing their products quickly. One of the goals constraining the redesign of their supply chain was to ensure a customer order could be fulfilled and delivered to the customer within 48hrs. The company set about its operations/ supply chain strategy with the aim of improving cash flow, reducing costs and providing the right service to customers. A merger with Maytag added another layer of complexity to Whirlpool's efforts to manage sales, orders, and cash flow. Brian Hancock, VP Supply Chain, talks about how this was achieved.

3 Benefits

What were the benefits of change to the supply chain?

Competitive advantage – reduced costs (buildings rationalisation, improved inventory management) and improved customer satisfaction

4 Strategy

Describe the Whirlpool strategy

The first aspect of Whirlpool's strategy was the order process. Process, technology and inventory changes were made. Systems required replacement and integration with Maytag systems. Overall, there was a need to improve visibility within the supply chain. Secondly, the company rationalised facilities, reducing the number of buildings from 184; they eliminated 100 buildings and consolidated major warehouses into 10 regional distribution centres. This resulted in cost savings of over \$60 Million. Thirdly, they optimised supply and demand with changes to demand planning models and software and integration with upstream suppliers.

5 Demand, capacity, scheduling and inventory challenges

Discuss the demand, capacity, scheduling and inventory challenges. Suggest how the company might increase its speed of response to customers i.e. ensure that the goal of delivering the product within 48 hrs is achieved.

Case study references

Cole, G A. and Kelly, P P. (2011) 'Management Theory and Practice', Ed. 7. Cengage EMEA.

Collier, D. and Evans, J. (2009) 'OM', Ed. 1. Cengage Learning.

Kelly, P P. (2009) 'International Business and Management', Cengage Learning EMEA.