

# Productivity gains at whirlpool essay sample



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Workers and management at Whirlpool Appliance's Benton Harbor plant in Michigan have set an example of how to achieve productivity gains, which has benefited not only the company and its stockholders, but Whirlpool customers and the workers themselves.

Things weren't always rosy at the plant. Productivity and quality weren't good. Neither were labor-management relations. Workers hid defective parts so management wouldn't find them, and when machines broke down, workers would simply sit down until sooner or later someone came to fix it. All that changed in the late 1980s. Faced with the possibility that the plant would be shut down, management and labor worked together to find a way to keep the plant open.

The way was to increase productivity-producing more without using more resources. Interestingly, the improvement in productivity didn't come by spending money on fancy machines. Rather, it was accomplished by placing more emphasis on quality. That was a shift from the old way, which emphasized volume, often at the expense of quality. To motivate workers, the company agreed to gain sharing, a plan that rewarded workers by increasing their pay for productivity increases.

The company overhauled the manufacturing process, and taught its workers how to improve quality. As quality improved, productivity went up because more of the output was good, and costs went down because of fewer defective parts that had to be scrapped or reworked. Costs of inventory also decreased, because fewer spare parts were needed to replace defective output, both at the factory and for warranty repairs. And workers have been

able to see the connection between their efforts to improve quality and productivity, and their pay.

Not only was Whirlpool able to use the productivity gains to increase workers' pay, it was also able to hold the lid on price increases and to funnel some of the savings into research, which added to cost savings and quality improvement.

Source: Based on "A Whirlpool Factory Raises Productivity- And Pay of Workers" by Rick Wartzman, from The Wall Street Journal, 1992

Questions:

1. What were the two key things that Whirlpool management did to achieve productivity gains?

The company increased the productivity on the manufacturing of its products by putting more emphasis on quality instead of quantity. The management overhauled and taught its workers to improve the quality. As a result, the cost went down because there were fewer defective parts that will be scrapped or needed to be reworked.

The company introduced gain sharing, a plan that will reward or increased the pay of the workers as a result of productivity increase.

2. Who has benefited from the productivity gains?

The company and its stockholders benefited from the productivity gains because the manufacturing cost decreased and quality of products increased. Therefore, this means more savings and profit for the company.

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The workers also benefited because their pay increased as a result of savings that the company incurred due to the decrease of defective products. The customers also benefited because they were able to purchase quality products from whirlpool.

### 3. How are productivity and quality related?

There is an immediate connection between productivity and quality because it can be noted that as the company increase the quality of its products, the productivity also increased. It can be attributed to the fact that output was good and there was decrease in the defective parts that were needed to be scrapped or reworked.

### 4. How can a company afford to pay its workers for productivity gains?

The company was able to save in the manufacturing cost and fewer cost of inventory. The said savings was used to increase the pay of its workers and channel some of it to research for quality improvement.