

A business overview of whirlpool corporation



Whirlpool Corporation is currently the world's leading manufacturer and marketer of home appliances accountable for almost 70 manufacturing and technology research centers globally. Whirlpool Corporation markets well-known global brand names such as Whirlpool, Maytag, KitchenAid, and Consul in nearly every country in the world.

In this report I will look to answer the original case study questions that I was assigned to complete prior to the report being set. The three questions are:

What implications do Whirlpools activities, and those of other foreign investors, have for manufacturers and employees in Western Europe?

Explain how Whirlpools global strategy and its involvement in Slovakia and Poland complement each other.

Why might Whirlpool have chosen to embark upon manufacturing in Central Eastern Europe (CEE) through joint venture and eventual acquisition of existing operations instead of setting up its own Greenfield operation? What potential drawbacks does its strategy have?

To answer these I will be using sources that I have previously collected within a group as part of my clippings file that has already been submitted and graded as well as using knowledge and techniques gathered throughout previous marketing lessons. I will then finish by concluding with my final opinion and trying to sum up the report to the best of my ability.

2. 0 Case study questions

2. 1 What implications do Whirlpools activities, and those of other foreign investors, have for manufacturers and employees in Western Europe?

First of all it is important to highlight that as Whirlpool operates in Western European markets they will have to comply with the differing laws that these countries hold and some of their product may be required to be adapted.

As for Whirlpool itself their non-U. S operations have policies that complement and support their ethical approach. The non-U. S employees are governed by the applicable non-U. S policies for operations as well as the business with integrity principles. This would then have a direct impact on Western European manufacturing and employees, this is as manufacturers would be treated differently in accordance to the country Whirlpool was operating. It would bring about the same effect with employees, this would then lead to discrepancies throughout the company's operations and manufacturing, which when operating and a global scale as Whirlpool do is not advised.

Whirlpool has chosen to acquire a head office in Comerico, Italy. As well as this they host four production plants in total, with three based throughout the north and one in the southern city of Naples. This Naples production plant “ employs almost 700 workers, of whom 600 are manual workers. Women compromise almost 30% of the total staff.” (Business creation and Entrepreneurship) This shows a positive impact that Whirlpool have had on one certain European market, this is as just at the Napoli centre alone 700 people are employed which will aid to boost the Gross Domestic Product (GDP) of the area. As well as this 30% of the employees at the centre are

women, this shows a great work force diversity especially as women are usually hugely underrepresented in manual working fields. Later on in this source it goes on to mention the committee concerned with training the workers, so once workers are employed they will continue to develop helping not only Whirlpool but other manufacturers as there will be an increase of skilled workers to the area.

In 2010 Whirlpool are set to announce two sets of layoffs in Evansville, USA: " 500 bargaining unit members plus 30 non-unit employees in late march; and 600 union members plus 78 others in late June."(Layoffs at Whirlpool: Ripple effects on jobs, Incomes and taxes) This cut down in the US could have a knock on effect to Western Europe in two main ways, the first being that as Whirlpool cut down production in their country of origin they may be looking to diversify to other markets that have proved to be successful to them. This would defiantly include Western Europe, so this could mean increased productivity to the European countries and perhaps the creation of more jobs. Although it could also work the opposite way, throughout the current global recession this could just be the start of mass cut backs by Whirlpool to global operations and could hit Western Europe in the near future. Either way the member cuts in the USA look set to form implications for Western Europe.

2. 2 Explain how Whirlpools global strategy and its involvement in Slovakia and Poland complement each other.

Whirlpool global strategy is that they are committed to brand value-creation strategy-focusing on innovation, cost productivity, product quality and

consumer value. They intent to continue to improve global operating platform to ensure they are the best-cost and best-quality appliance manufacturer worldwide.

At one point this global strategy lead to Whirlpool being split over which country (Poland and Slovakia) they should be investing around \$200 million upon. Although further research revealed that due to a stalemate regarding the acquisition of land later in 2004, Slovakia lost this potential investment to neighbouring Poland.

As for operations and strategy in Slovakia Whirlpool have a production base in Poprad, Slovakia, this operation is the second largest employer in the district employing 580 people. This was after a joint venture was started with Tatramat in 1992 making them one of the first foreign investors to enter Slovakia. This stake was later increased to 100% in 1996. As for investment in the Poprad plant, approximately 1.4 billion crowns (\$43 million) had been invested in 2004, up from 600 million crowns in 2003. Since 1992 the total investment in the Slovakian production plant has totalled 3.6 billion crown (£110 million).

The big move for Whirlpool into Poland occurred in 2002 when Whirlpool acquired Polish company Polar. This was done by Whirlpool to spread their operations to what they recognised as a growing economy and in the process take out a competitor and keeping their strong local heritage there to ensure that customers still feel comfortable using the brand. Marc Bitzer, senior vice president for marketing, sales and services, Whirlpool Europe adds “ In Poland we are number one in laundry and cooling, thanks to the

polar brand”(Appliance Magazine, European Operations: Growth in Europe) , this showing the success shown in the Polish market.

Poland’s potential was further recognised in 2004, as I previously mentioned in this section they have secured an investment to develop their factory at Wroclaw in South Western Poland, believed to be around \$121 million. With Evasio Novarese, Whirlpools vice president for Europe saying, “ We want to create in Wroclaw a strategic distribution centre for our products on all the European markets” (Whirlpool plans \$121 million investment in Poland). This showing that Poland’s distribution centre is seen as a linchpin to markets all over Europe and one than Whirlpool Europe significantly rely on.

Market entry into Slovakia and Poland involves similar methods meaning that they complement each other in that respect. This is as Whirlpool has used Foreign Direct Investment (FDI) to penetrate both markets. FDI is the direct ownership of facilities in the target country (in this case Slovakia and Poland) and involves the transfer of resources. FDI occurred in both economies as well as Whirlpool using the mode of a joint venture as well as FDI for Poland.

As for how these two complement one another, where as Poland is now seen as a product outlet due to the huge success of the ‘ Polar’ brand I think that Whirlpool still see Slovakia as one of their main production and distribution centres. The two complement each other so well due to the similarity of their economies Whirlpool have, as I have previously shown, seen the same similarities in deciding where to invest, before in effect having their decision made for them. So due to this I think that it can complement each other in the way that as one idea and project takes off in one of these countries

Whirlpool have a good idea that it will also be successful in the other. Hence boosting operations overseas for Whirlpool and leading to increased sales worldwide.

2. 3 Why might Whirlpool have chosen to embark upon manufacturing in Central Eastern Europe (CEE) through joint venture and eventual acquisition of existing operations instead of setting up its own Greenfield operation? What potential drawbacks does its strategy have?

“ A joint venture involves two or more legitimate organisations, with each of them actively participating in the decision making activities of the jointly owned entities [Geringer 1988]”. Then if at least one of the parent companies is headquartered outside of the joint ventures country of operation, or if the venture itself has a significant level of operations in more than one country, then it is considered to be an international joint venture (IJV).

From research conducted, it appears that Whirlpool’s main objective when entering a joint venture with Tatramat was to diversify and to gain a larger market share in order to maximise profits.

One main reason for the venture was to “ gain easy access to local knowledge, established distribution networks and clients” (Joint Ventures in Central and Eastern Europe). This can be ideal for a company looking to diversify into a different country due to the fact that as they do not know the area or have contacts in their designated market a joint venture can allow Whirlpool these factors instead of them starting from scratch. This then allows Whirlpool to focus solely on the market they are entering and the

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objectives that they will have previously set out prior to entry. This was especially the case with Whirlpool as when they agreed to their joint venture in CEE (Central Eastern Europe) manufacturing plants were already in place.

Another main reason why I believe that not only Whirlpool but many other companies are now embarking upon joint ventures is in order to reduce up-front investment and to combine their resources. This then means that there is not the same amount of financial constraint on the initial investment made by each party of the venture. This can also be seen as a safer option as the companies involved will be splitting the risk that comes with every new project or proposal; this is as the burden will be split at least two ways with a joint venture.

Joint Venture activity is also likely to lead to economies of scale, with this being achieved at a much greater rate than if a Greenfield site was opted for. However, economies of scale can still be achieved with a Greenfield site although there would be many problems to overcome in the process, for example “ bureaucracy, as well as finding the most effective means of transport.” (Investment decisions in Eastern Europe) These problems are vital in Whirlpools decision, as CEE is renowned for its poor transport routes and weak infrastructures in many parts.

So it appears that apart from transfer of expertise and knowledge another reason for Whirlpool opting for a joint venture as opposed to a Greenfield site is not only to take out a competitor by joining them but also dodging any potential government restrictions that are extremely common throughout Greenfield operations.

3. 0 Conclusion

To conclude my case study, I think that although Whirlpool pride themselves on holding operations all over the globe, it has become apparent from researching and writing this report that on the whole Whirlpool Corporation will do anything in order to succeed. This trait has been shown throughout my main body of this assignment on more than one occasion. For example, they were prepared to join on to another company and risk losing their brand name when entering Slovakia, this just shows how determined Whirlpool are to spread globally and to ensure that their brand is recognised in different cultures. Although if you are assessing Whirlpool solely on success and the profitability of their foreign markets and global operations then I would find it difficult to talk negatively about that, as Whirlpool now operates in many successful markets all around the globe.

If there was one thing that I would recommend Whirlpool to assess it would defiantly be to assess their policy on how they treat their employees. This is as although Whirlpool has employees from a variation of different culture backgrounds, as I mentioned in my report, they are not being treated the same. So if Whirlpool is going to be recognised as a global brand and not as a company that has brands abroad they need to ensure that their operations are identical globally. This will then make them one big company globally instead of lots of different companies in various countries.