



# Strategic Innovation

*Embedding Innovation as a  
Core Competency in Your Organization*

Nancy Tennant Snyder  
Deborah L. Duarte

*Foreword by Gary Hamel*

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## FOREWORD

It's hardly surprising that innovation has become the new mantra of CEOs everywhere. In our suddenly sober world, there are few alternatives to innovation. Most companies have reached the point of diminishing returns in their cost cutting: they are working harder and harder to eke out smaller and smaller efficiencies. After a decade of frantic deal making, industry consolidation has mostly run its course. In any case, investors have learned that a big acquisition is more likely to destroy shareholder value than create it. Fewer and fewer companies are generating consistent and profitable organic growth. And with customers becoming ever more powerful and value conscious, it's nearly impossible to raise prices.

So yes, innovation *is* the only alternative. Yet in most companies, innovation is more rhetoric than reality. If you doubt this, go interview a few midlevel employees in your organization and ask them to describe the "corporate innovation system." Ask them how they have been trained to be more innovative. Ask them where they go with a break-out idea. Ask them what processes and methods have been put in place to support innovation. Ask them how innovation has been baked into the company's performance evaluation system. Ask them whether they really, truly believe that top management regards every employee as an innovator, potentially capable of shaping corporate direction.

If innovation is more buzzword than core competence, it's not because top management is disingenuous. Leaders know that above-average performance demands rule-breaking innovation. The problem is that most senior executives

don't have a highly developed and deeply practical understanding of what innovation looks like as a corporate-wide capability. To them, innovation is largely about new product development rather than across-the-board business innovation. Innovation is the province of R&D boffins, not the work of every employee. Innovation is a risky and only occasionally rewarding diversion from the basic job of improving operational effectiveness. One can hardly blame executives for this truncated view of innovation. Until recently, no company on the planet had succeeded, or even attempted, to make innovation an encompassing capability.

An analogy might be helpful here. Think back to the late 1960s. If you had suggested to the chairman of General Motors or Ford that there might be a payoff to improving vehicle quality, you would have received a polite nod in return. Sure, quality was important to these companies; after all, they employed a legion of inspectors. Yet no American auto industry executive could have told you about statistical process control, Pareto analysis, quality circles, or any of the other methods that would ultimately come to be known as Total Quality Management. Indeed, the notion that "ordinary" employees could and should be responsible for quality would have struck them as absurd. It took a severe drubbing from quality-obsessed Japanese car companies to open their minds to the radical idea that quality could be an intrinsic organizational capability rather than a specialized function. It then took another two decades for America's car-makers to decode and adapt the disciplines of Total Quality Management to their own organizations.

Today the bleeding edge for organizations is not quality but innovation. But like those long-departed auto executives, most managers today don't have a detailed model of how to build this new capability. Or rather, they didn't until Whirlpool committed itself to doing what no other industrial company had ever done: making innovation a corporate-wide core competence. This book is the story of Whirlpool's innovation journey. It is the story of a company intent on unleashing the imagination of every employee. It is the story of a company that refused to believe that penny-pinching efficiency and edge-of-the-envelope innovation couldn't coexist in a single organization. It is the story of a company that has demonstrated a willingness to radically reinvent its core management processes in the quest for wealth-creating innovation.

If you want to stoke the fires of innovation in your organization, you'll find this book to be an invaluable source of inspiration and practical advice. If it doesn't have all the answers, it has more than you're likely to find anywhere else.

*April 2003*

PROFESSOR GARY HAMEL  
DIRECTOR, WOODSIDE INSTITUTE  
CHAIRMAN, STRATEGOS





## PREFACE

This book is a case study focused on one organization—the Whirlpool Corporation—and its journey to embed innovation as a core competency. *Embedment* is a rather new term, so it's only fitting that we define what we mean. In embedding innovation, we are referring to a wide range of actions that assimilate, incorporate, internalize, and imbue the entire fabric or lifeblood of an organization with the mind-set and skills of innovation. Think of embedment as a cross between embodiment and bedrock. We will shortly explain in much greater detail the nature and purpose of embedment and innovation.

You are probably familiar with Whirlpool and its major North American brands: Whirlpool, KitchenAid, and Roper. It also has a significant partnership with Sears as a supplier of many of the Kenmore appliances along with the Whirlpool and KitchenAid brands. In Latin America, Whirlpool operates under the Brastemp and Consul brands, both leading appliance brands in the region. In Europe, the major brands are Whirlpool and Bauknecht. In Asia, the Whirlpool brand is the major brand for the most rapidly growing appliance market in the world. In all, Whirlpool is the largest appliance company in the world.

Before the innovation initiative described in this book, Whirlpool was a traditional manufacturing company whose core competencies were manufacturing efficiencies and trade partner relationships with the retailers that sell our brands. Whirlpool began as a washing machine company in 1911, selling washers to Sears and Roebuck. Over the next seventy years, it built the leading

market position in North America. During the 1990s, Whirlpool expanded its reach and became the global appliance leader, operating in every major region of the world. In North America, Whirlpool is a well-known brand name with most consumers, enjoying a reputation of quality and durability. It is also known to a large culinary segment because of the iconoclastic reputation of its KitchenAid mixer, so famous for its design that it is found in design museums around the world. The mixer is a prop in the background of nearly every cooking show and upscale kitchen set on television sit-coms.

Inside the company, Whirlpool has a solid and trustworthy reputation for fair dealing and of integrity with its employees, suppliers, and communities in which it operates. Most outsiders visiting a Whirlpool facility comment on the friendliness and unpretentiousness of the people. In short, Whirlpool is good, solid company with a significant track record and global reach.

In this book, we present Whirlpool's story of embedding innovation in our company between 1999 and 2003. Chapter by chapter, we discuss the origins of our strategy, the steps we took to implement it, what worked and what didn't, what needed to be redirected, and what we learned. On occasion, we bring in some of the literature and best practices we used to design our innovation embedment approach. For the most part, though, this book relates Whirlpool's experience in transforming itself from a cost and quality producer of appliances to a customer-focused company that is well underway in its strategic plan to embed innovation throughout the organization.

To make the book as useful as possible, worksheets at the end of each chapter will help you and your organization replicate the journey we have taken. To a large extent, these hands-on activities can serve as a programmatic guide to embedding innovation in any organization. We encourage you to use these worksheets as the foundation for your own efforts.

## A LONG AND WINDING ROAD

We want to be upfront and honest in admitting that our story is not clean, neat, and pretty. As anyone who has been involved in massive change efforts knows, this is hard work. Such an effort is even more difficult in a large, global enterprise. The change process from here to there is seldom predictable. If you are looking for a precise and well-laid out picture of change, you won't find it in this book. But if you are in search of a real-life story about challenges and struggles to address change with successful results, you will find value here.

When Whirlpool was compelled by our CEO to establish and embed innovation as a core competency, we were faced with the daunting task of creating a plan and executing it at the same time, learning and adapting as we went

along. We used targeted expertise in key areas but had no road map showing us the path to transformation. Other companies may have faced the same challenge, but to our knowledge, the stories of how they approached it, what they accomplished, and where they fell short have not been sufficiently told. The lack of such background is one of the primary reasons that we believed it was important to add our story to the business literature.

In the spirit of candor, we also chose not to tell our story as a nice neat, edited parable, such as those found in much of today's business literature and conference presentations. Parables crisply recited portraying initiatives that always start where they should, progress along without missteps, and end with aplomb have usually incorporated some sort of revisionist history. Instead, we decided to reveal what really happened within Whirlpool as the story unfolded. We call these boxed interruptions you will find in the body of the chapters the "Duct Tape Version." These honest and sometimes humorous anecdotes reveal a variety of missteps and midcourse corrections we made to keep on track. We are confident that you will see how the end results are, like duct tape, strong and hard to destroy, and, most important, you will see how the corrections worked for us in the long run.

Do not take away from our frankness and occasional *mea culpa* style of writing that the people who led this effort at Whirlpool bumbled through innovation embedment or mindlessly progressed forward through sheer luck and happenstance. On the contrary, these people were—and are—smart and leading-edge leaders trying to accomplish something unparalleled in any transformation effort in the world, establishing a global system that allows any one of sixty thousand people, at any level, in any job, to become an innovator.

At the time of this writing, Whirlpool has already experienced great successes in innovation, and we expect many more. This book strives to be an honest and down-to-earth account of how the leaders of Whirlpool are progressing in embedding innovation as a core competency.

## WHO "WE" ARE

The account of innovation embedment at Whirlpool is extraordinary. This book seeks to share this story with as many people as possible. As Deb Duarte and I wrote, it was incredibly difficult to honor all the people who made it possible. As a result, we use the term *we* quite a bit. It is extremely important that everyone who reads this book understand that we are not implying that we, the authors, led the effort or did all the thinking and hard work that it took to embed innovation in Whirlpool. Indeed, there were, and are, many players who contributed greatly to the creation of innovation from everyone and everywhere.

Much of the hard work of innovation embedment was done at the Executive Committee level and through members of the innovation teams. Deb (through her work with me) and I were most often in the role of executors and implementers.

The term *we* therefore refers to all the people in Whirlpool who made embedment possible: the CEO and chairman of the board, Dave Whitwam; the chief operating officer, Jeff Fettig; the Executive Committee (the eight direct reports to the office of the chairman); the Chairman's Council (the twenty-five officers in the company); my staff; members of the innovation teams; the knowledge management teams; Corporate Communications; Strategos (our consulting firm); and many others. Whenever an action, thought, or idea was attributable to one person, it is spelled out for the reader.

We list all the players in Chapter One, identifying by name and title some of the many people at Whirlpool who worked hard to make innovation embedment possible. Unfortunately, we could not list them all. We also include two organizational charts to help you understand the structure that Whirlpool already had and the positions and boards we added to serve innovation.

In addition, let us tell you something about who we, the authors, are. One of us, Nancy Snyder, is the corporate vice president of strategic competencies and leadership development for Whirlpool Corporation. I was appointed in July 1999 as the global vice president of innovation to help the CEO and Whirlpool embed innovation as a core competency. I work closely with the senior Whirlpool team around the world to design and deploy innovation into every aspect of Whirlpool, from its jobs to its business processes. I led a global team of internal innovation embedment general managers to share best practices around the world and to assist the business leaders in the ramp-up of innovation to play the key role in the customer-centered business strategy that Whirlpool was and is pursuing.

The other one of us, Deb Duarte, is an external consultant with over nine years of in-depth experience with Whirlpool. My role in innovation at Whirlpool was as an adjunct professional to Nancy's staff, working on many critical projects in innovation embedment. I aimed to bring a unique perspective to this effort because I have had the fortune of being both inside and outside the transformation process. As a result, my observations are sometimes more gracious than hers and at times more critical. My role in creating the content for this book was to ensure that the story was told in an even and balanced manner, honoring and sharing what really worked, including areas that we may have taken for granted but that readers will find useful.

Finally, Deb and I would like to acknowledge that this book is written from our point of view and perspective. There are many other points of view from within Whirlpool that are important and valid. This is ours. We recognize that

we might have biases toward how events unfolded and played out. Any mistakes or errors in reporting belong solely to us. We have tried to be objective and true to the spirit of innovation at Whirlpool.

## **WHO SHOULD READ THIS BOOK**

We wrote this book for a multifaceted audience. It is for business leaders whose business model of success depends on innovative solutions for their customers. It is for strategic organizational development practitioners who help organizations with large, complex change relating to the strategic mandate of innovation. It is for academics and business students who want to learn from Whirlpool Corporation as a case study in changing a large enterprise to become innovative. And it is for the business press to learn how innovation will soon change the face of many global industries.

*April 2003*

NANCY TENNANT SNYDER  
*Benton Harbor, Michigan*

DEBORAH L. DUARTE  
*Incline Village, Nevada*



*To all the people of Whirlpool Corporation:  
The greatest ideas are nothing without the commitment  
and energy to make them reality.*





## ACKNOWLEDGMENTS

Innovation and writing a book share some common characteristics: you never know where either will take you when you start, they take enormous passion and personal commitment, and they require many dedicated people to produce the finished result.

We have been unusually lucky to have worked with so many wonderful people on this book. The following is really a short list of all who have made this story possible.

We start with a special acknowledgment to David R. Whitwam, chairman and CEO of Whirlpool. He was, and continues to be, an impressive and inspirational leader, an unparalleled visionary. He trusted us to write a book that would ring true to the people of Whirlpool while at the same time using a candid and open writing style to depict Whirlpool's spirited journey. In writing this book, we could reflect on what a unique CEO Dave is for setting this path and then sticking to it with all the passion and commitment that defines his leadership of Whirlpool.

Other important Whirlpool players in the formation of the book were Jeff Fetting, our chief operational officer. Jeff has been key in making sure that innovation was always top of mind from an operational perspective and didn't become set apart from our "real business." We are also beholden to the members of Whirlpool's Executive Committee, whose members had the passion, commitment, and perseverance to lead the innovation effort, run the business, and stay the course.

We express our gratitude to the regional innovation leaders, especially Andrew Batson, Ricardo Acosta, and Phil Pejovich and their teams, and for the people

on the knowledge management teams for giving us the “real deal”: working hard to make sure that innovation became a reality for everyone, everywhere. Nancy’s staff in the Leadership and Core Competencies group—Giuseppe Geneletti, Tammy Patrick, Joe Frodsham, and Makini Nyanteh—were critical to providing the infrastructure that we used for many embedment activities. We owe a very special recognition to Nancy’s executive assistant, Blythe Handy, for her patience with us and follow-through on all our special requests. We also thank our long-time colleague, Monica Brunkel. Just knowing she is there is a comfort!

We are also blessed to have such a long and rich relationship with our publisher, Jossey-Bass. Special thanks to Susan R. Williams for her trust in us and in seeing the potential in our story and to Byron Schneider and Rob Brandt for their support and good counsel.

We wanted to do the writing ourselves and shunned any notion of ghost-writers. We also wanted a personal and candid writing style and an editor who shared that vision. To pull this off, we knew we needed a strong and skillful editor. We were very fortunate to be introduced by Byron at Jossey-Bass to Rick Benzel, our developmental editor. Rick worked with us at each turn making excellent suggestions and supporting our decisions along the way. His deft professionalism and editorial prowess helped the book enormously.

We also were privileged to work with the Strategos team and continue to have a rich relationship with them. Thanks to Gary Hamel for writing the thought-provoking seminal articles that started this revolution in the business world and for agreeing to write the Foreword for this book. Also special thanks to David Crosswhite for input to the book and for his ongoing support for innovation at Whirlpool.

Special appreciation goes to Heidi Thibodeau for helping us with the research. She came through in the eleventh hour and was a pleasure to work with. We also thank Tom Wright for the graphics work on the embedment wheel.

We have great and loving families who keep us tuned to the world outside our insular corporate focus. They also are loads of fun and only *slightly* dysfunctional. Nancy thanks her sisters and their husbands—Janet and Larry, Linda and Fred, Diane and Bill—and especially her nieces and nephews—Natalie, Michael, Tyler, and Danielle. Thanks to Mike and Steve, Deb’s brothers; their wives, Audrey and Sally; her mother, Jackie; and Brett, Abby, Meagan, and Allison for putting up with the writing and distraction during family events.

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N.T.S.

D.L.D.





## THE AUTHORS

**Nancy Tennant Snyder** is currently the corporate vice president of core competencies and leadership development for Whirlpool Corporation. In this capacity she is responsible for creating and implementing global strategies that facilitate innovation, customer centered operational excellence, and customer loyalty as core competencies and leadership development as an enterprise capability. She has consulted at many companies on a wide range of business topics. She holds a doctorate in organizational behavior from George Washington University. She is the author of numerous articles on globalization, virtual teams, and organizational capability and is the coauthor of the best-selling book *Mastering Virtual Teams*.

**Deborah L. Duarte** works with a wide range of clients from Fortune 500 companies that span a number of industries, including telecommunications, durable goods, pharmaceuticals, and industrial products, and from leading government and not-for-profit agencies, such as the National Aeronautics and Space Administration, the Federal Aviation Administration, and the United Nations. Her work integrates approaches from a broad range of disciplines, including organizational behavior, social psychology, computer-supported collaborative work, and anthropology. Duarte holds a doctorate in organizational behavior from George Washington University. She is the coauthor of the best-selling book *Mastering Virtual Teams*. She lives with her husband, Clay Durr, in Incline Village, Nevada, and in Herndon, Virginia.