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# The Inglis Story: How It Became the Number One Appliance Company in Canada

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**WHAT'S IMPORTANT**

- At start: A No.2 Canadian major appliance manufacturer and distributor with declining sales of $450 million (CDN), was purchased by Whirlpool and told to reduce costs by $60 million (CDN).
- Implementation: Full RO implementation with major restructuring and key re-staffing.
- Results: Increased sales 33 percent in one year in a flat, recessionary market to become No. 1 in Canadian market for first time in industry history.
- Using a requisite approach made it easier for a new CEO to transition into the job.

Mike Thieneman and Maurice Dutrisac first heard Elliott Jaques's theory of requisite organization in early 1991 at Whirlpool's first global management conference in Montreux, Switzerland. They looked at each other and said, "What do we have to lose?" They were President and CEO and the VP administration, respectively, for Inglis, the No. 2 home appliance company in Canada, and the company's future no longer looked so bright.

Some of Inglis' turmoil came from the normal changes of acquisition. Whirlpool had become sole owner of Inglis in early 1990, when they purchased the remaining shares of the company. David Whitwam, chairman and CEO of Whirlpool, and Dave Marohn, the North American president, insisted on several changes, including a $60 million (CDN) reduction in selling, general, and administrative costs and a marked rise in the efficiency of corporate staff.

They also wanted Inglis to become the No. 1 appliance company in Canada, a position that Camco/GE had held since 1977, when it was formed by the merger of the white goods divisions of Westinghouse, Canadian General Electric, and GSW. In 1991, Camco had $150 million (CDN) higher sales revenues than No. 2 Inglis and seemed to have the momentum to take sales away. Inglis faced a daunting task to become No.1 in a flat, recessionary Canadian market. They would have to steal market share from their competitors, especially Camco.

## Bad Market, Hard Times

Serious problems loomed before the buyout. By 1989, Inglis had sales of $500 million (CDN) and owned or manufactured an array of Canadian white goods brands including supplying home laundry products to Sears Canada, owner of the Kenmore brand, one of the most popular white goods brands in North America. But sales fell in 1990 and the company's profit left with them. Canada was mired in a recession that drove the major appliances market 20 percent lower between 1988 and l991. What was left of the market was moving from independent dealers, where Inglis had been traditionally strong, to power retailers that Inglis had a hard time penetrating.

Even worse, Inglis' outdated production system and corresponding poor quality threatened to destroy the business. Sears threatened to pull the contract for Inglis' private label manufacturing of the Kenmore brand, which made up almost a third of sales, if Inglis didn't reduce the current six-week lead time to be closer to Camco's five days.

These problems did not create the best environment for increasing sales 30 percent!

Inglis was aware of these problems and had been making some progress to improve its situation. The company was able to stop the slide in revenue, and it instituted new quality and empowerment programs. The new management at Inglis knew that the entitlement culture had to be replaced with stronger work values and trust. Six-day "boot camps" were implemented for all salaried employees and union leaders. So far, however, management's efforts had stopped the decline without leading to new growth. It was searching for a missing piece of the management puzzle that they could not seem to find.

That is, until the Whirlpool conference in Montreux where some of the top consultants, leadership gurus, and vision experts were brought in to give half-day workshops to the assembled executives. One of these gurus was Elliott Jaques, who had been working on Whirlpool's talent pool evaluation system. Jaques stirred more interest than any of the other speakers, provoking heated debate and strong disagreements among the Whirlpool executives. Most of the Whirlpool American team members didn't like what they were hearing, especially when Jaques told them that Whirlpool's non-requisite organization was causing many inefficiencies and constraining growth. However, the more that Thieneman and Dutrisac thought about Jaques's ideas, the more they were interested.

"If you put in place what I am telling you," said Jaques, "your organization will flower by 20 percent to 40 percent productivity and growth."

## Requisite Comes to Inglis

Figuring that they had nothing to lose, given the seemingly impossible task that Whirlpool had handed them, Thieneman and Dutrisac asked Jaques to come to Inglis' corporate office in Mississauga, Ontario later that spring to do a two-day workshop for the top 20 executives. Jaques brought along Dr. Stephen Clement, a retired US Army officer who had been working with him on Whirlpool's talent pool system.

As Dutrisac remembers it, the meeting was far from boring. "Elliott proceeded to insult or browbeat most of the 20 Inglis managers in the boardroom," he said.

Jaques's ideas flew in the face of everything that the Inglis executives had learned in management school. They would have to do business very differently. The cost of the change would be great. Would it be worth it?

Dutrisac himself wasn't entirely on board with Jaques's ideas. He had studied Jaques's ideas about Felt-Fair Pay, but Jaques's science of organizing a business worried him. "It's hard to change your belief system," he said. "When you're faced with this new stuff, it's hard to learn, and it's depressing because it defies your earlier belief systems. When you do learn it, you say, 'Why didn't I know this in my previous executive postings?"

## The Change Process

Despite their reservations, Inglis' management team members decided to go forward with a restructuring of their organization and roles. Dutrisac would head the project, with the Inglis management committee acting as the steering committee. Jaques recommended using Dr. Clement as the external consultant. Clement had co-authored *Executive Leadership* with Jaques following the groundbreaking work both had been involved with at CRA, an Australian mining company. He was one of the few consultants in North America during the early 1990s who not only understood Elliott's complex ideas, but who also had experience in implementing them.

"I don't think we could have pulled it off with anyone other than Steve Clement at that time," Dutrisac said.

Dutrisac assembled a Requisite Project Team of six highly regarded managers. Each of these managers would continue their regular duties while working on the restructuring process. In a move that surely sent a shudder through the entitlement culture, the team took over the former executive dining room as the "Requisite War Room." Employees got the message: management was serious about this project and was willing to start the restructuring process with its own entitlements.

In June 1991, the team began its work. For the next six months they conducted hundreds of interviews to help them understand how the work at Inglis really got done. The team also studied the functions at the corporate office, discovering gaps and compressions that prevented Inglis from being able to compete with Camco and Frigidaire.

On the people side, the Inglis senior executive team was forced to demote, fire, or retire early a number of the Inglis managers following a three-day meeting of the senior executive team to assess and calibrate the cognitive ability of all the managers. Some of the lower-level managers were promoted when it was determined that they were working below their cognitive ability. Maurice Dutrisac then used a professional recruiting firm to hire 25 high-potential individuals that had the cognitive ability to work at the complexity required to make headway towards overtaking Camco. Many of the individuals recruited performed at a higher level than their predecessors within four to six months of their appointment, even though many had not previously worked in an appliance company.

At Inglis, corporate functions had grown into silos that were insulated from each other. Hand-offs tended to be blind and incomplete, a factor that had led to the recent failure of the introduction of Inglis' newest product, the P2000 refrigerator. To get at proper accountabilities and responsibilities within and between the functions, Dutrisac and his project team had each function go offsite to work it out.

"We would go into a hotel and each function would work out the accountabilities and authorities within each role and function," Dutrisac said. "Then, all of the functions would meet in a larger room and determine if these accountabilities fit with their understanding." Finally, the functional teams determined how the accountabilities worked laterally between the functions. The same review process was used to evaluate the manufacturing plants.

"Within the team," Dutrisac said, "they would ask for each of their many accountabilities within their roles, 'Is this prescribing? Is this monitoring? Or is this advisory?" The functions had heated discussions over who was really responsible or accountable at various points.

Each team would determine how it worked together within its own function. It would then tackle how it saw the accountabilities and responsibilities of its interfaces with the other functions. The process included a review and assessment of all managers at Inglis. "We had a true manager-once-removed process," said Dutrisac, reviewing not only the person's direct supervisor, but also the supervisor's boss.

The company's existing culture meant that many people were under or over-employed. The restructuring that the team would ultimately recommend meant that many people would have to move out of their current roles.

## A New Structure for Sales

The sales function provides a good example of the extent of the restructuring process. The Requisite Project Team determined that the existing organizational structure, when seen through the lens of requisite organization, had several problems.

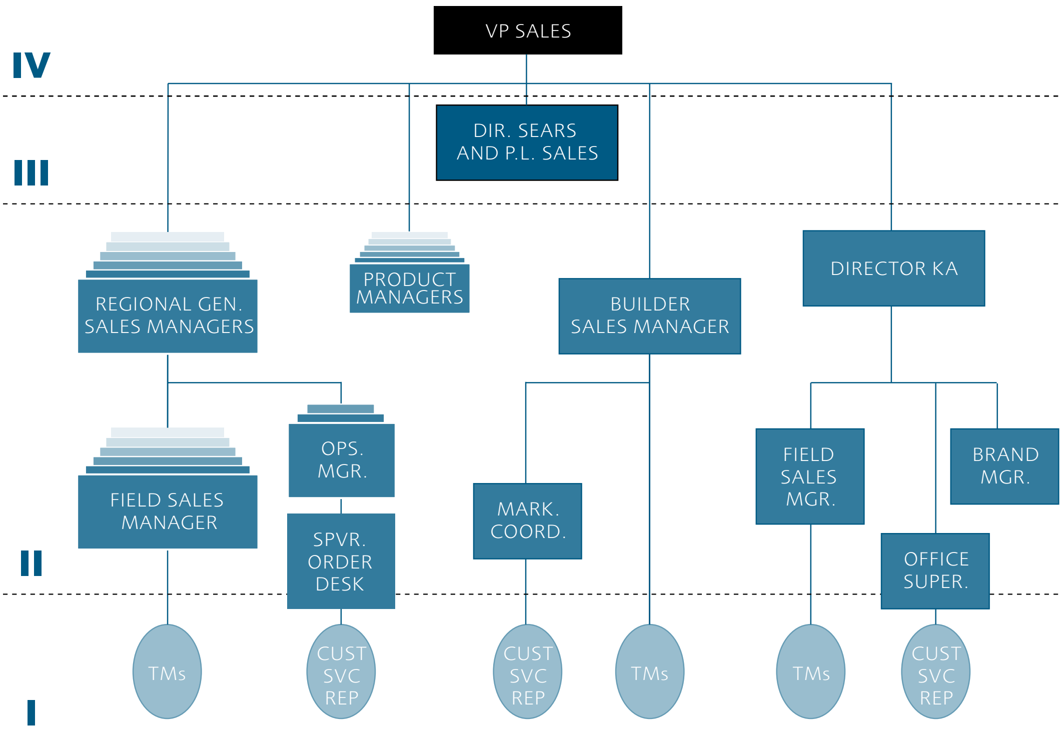


**FIGURE 3.3.1: SALES ORGANIZATION BEFORE THE CHANGE**

(See Figure 3.3.1.) People were not reporting to a role or person one real level above them. There were several jam-ups at level II, where managers worked at the same level as their subordinates and therefore did not add value. The VP had direct reports that were working two levels below him.

This inefficient structure caused the VP of sales, Jacques Lebeuf, to work at level III, meaning his more complex tasks at level IV, including growing sales, were not being done. Even though he was a very experienced appliance manager, Inglis had started looking for a replacement because he seemed mired in the weeds.

The team reviewed how work got done in the function and evaluated the sales personnel, including Lebeuf. The VP assessed at a strong level IV. Lebeuf who was a strong charismatic leader was not the problem: the way the work was organized forced the sales function to be inefficient. Jaques had been right: the organizational structure had defeated the best efforts of qualified and motivated personnel.

The new structure would ensure that each role worked requisitely. (See Figure 3.3.2.) In many ways, the sales function was brand new. Existing positions were eliminated and new positions were created. Eight new director level positions (level III) were created to support the VP sales. Support services were consolidated in the corporate office, with a new sales training role. The ten order desks were centralized into one.

Since sales was closest to the customer, all company functions that were customer-oriented would move into sales. Merchandising moved from marketing, because it needed to be embedded in customer details, such as next week's spiff or point-of-purchase material. The credit manager role was moved from finance, also to be closer to customers.

Several new positions were created to fit the strategy and direction of the company. A director of financial analysis was created to analyze client accounts to ensure that sales people met the margins targets, rather than just volume targets. The director of key accounts was created to focus on the more demanding and complex power retailers to gain quick penetration in a channel that Inglis did not service well. Also, the manager of builder sales position was elevated to a director-level position in order to better compete in this channel.

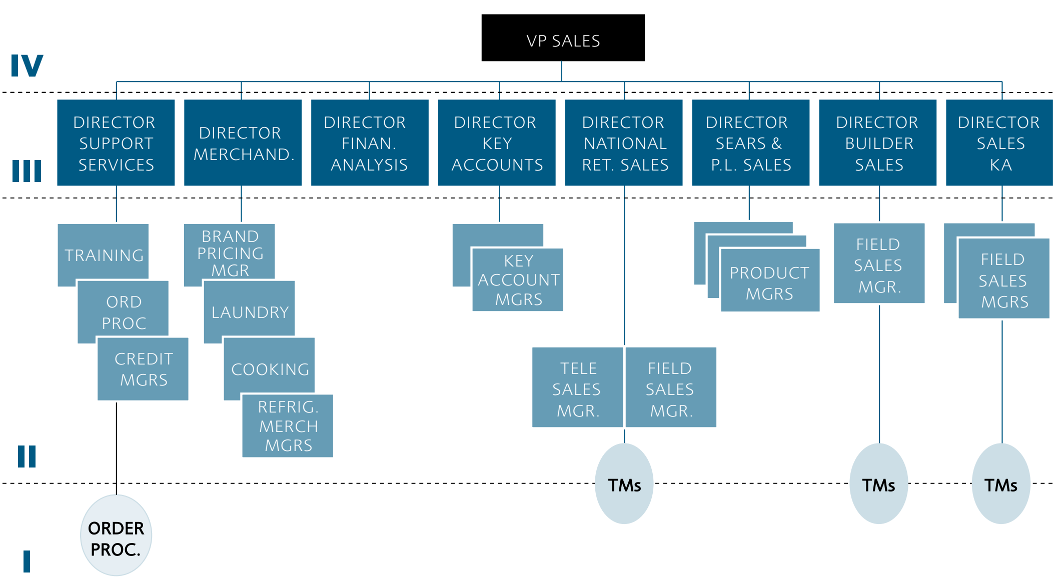


**FIGURE 3.3.2: SALES ORGANIZATION AFTER THE CHANGE**

The Requisite Project Team also reengineered how sales serviced the 2,500 dealers who distributed Inglis and Admiral appliances, creating a telesales function to replace many of the outside territory managers. With the central order desk and telesales team, Inglis could provide better service to their clients, and at a lower cost. It was not simply adding personnel.

"In actuality by merging the Inglis, Admiral, and Whirlpool brand sales forces," Lebeuf said, "by eliminating the administrative work, such as order desks, being done in the sales regions and by eliminating some of the territory managers and replacing them with telesales representatives, the net result was a 20 percent savings in the sales function cost to service our clients. In the end, it was this strong sales team with clear accountabilities and authorities buttressed by centralized support functions to free them to sell that went out and started stealing profitable market share from our three key competitors."

"Once the sales function had the right structure, the right people, and the right accountabilities," Lebeuf added, "it was like magic and sales took off. I was also able to start working on my longer term tasks and stay out of the weeds."

## Other Functions

The Requisite Project Team at Inglis led this same type of analysis in all of the other corporate functions, as well as in the manufacturing plants.

In the marketing function, the level III director of marketing role was elevated to a level IV VP marketing. A level III director of product development position was also created to give direction and integrate the work of the product managers. In turn, these level II product managers were given clear accountabilities, authorities, and resources to work with the sales, market research and product engineering functions to develop and design kitchen and laundry appliances that would surpass the expectations of Canadians. For example, the cook top that the cooking product manager and a strong cooking engineering design team produced is still rated as the best cook top in Canada. A new level III position of director market research was also created so that Inglis could understand what Canadian consumers wanted for home appliances for years to come.

Another example is the parts and service function comprised of 39 service branches across Canada. When the Requisite Project Team studied how the service branches served the Canadian market, it was able to determine that only 26 service branches were required, if the branches provided their service technicians with the resources and clear accountabilities and authorities to deal with customer service calls. With fewer service branches covering wider regions of Canada this meant that the service technicians did not have to return to their branches daily, and parts for repairs could be shipped to their homes. Another major change was to centralize the parts ordering and dispatching functions into the Inglis Mississauga head office. These dispatching and parts ordering roles had been replicated in each of the 39 service branches at a great cost to Inglis. For example, the centralized dispatching system required just four dispatchers, and it accepted customer calls over a longer day. The resulting cost savings in administration expenses for the parts and service function was greater than 30 percent.

## Painful Lessons

The Requisite Project Team presented its recommendations to the Inglis management committee in Oct 1991, and the company began implementation the next month. In early 1992, after restructuring the corporate offices, the remaining three manufacturing plants were restructured using requisite organization principles.

The process wasn't without pain. Employees were used to the old entitlement environment and found it hard to adjust to the team's recommendations. "Some employees retired early, some found positions elsewhere during our review," said Dutrisac, "and some we had to let go."

Inglis also continued to have shuffles at the top. Fran Scricco, a former GE executive who had run GE's TV and air conditioning businesses, became CEO in early 1992 when Whirlpool appointed Thieneman president of its compressor business in Torino, Italy. Thieneman himself had replaced Bud Wampach, who had joined Inglis in 1988 after a long career at Whirlpool, where he had been responsible for all manufacturing. Wampach retired soon after Whirlpool acquired Inglis.

"There is no doubt that having three successive CEOs during this tremendous growth phase caused some angst amongst the managers," said Lebeuf, "as each CEO had his own distinct style. However, the fact that each of these CEO's had very high cognitive ability and strong leadership skills compensated for these rapid changeovers."

Throughout the process, there were difficult lessons to be learned. In retrospect, Dutrisac admits that it would have been better to have team members assigned full-time to the requisite change project. This would have reduced the strain and stress on their personal lives. As it was, they worked six to seven days a week, 10 to 16 hours a day, so that they could complete their regular duties along with the project work.

Although the hours continued to be long, the team kept working. "There was a lot of adrenaline," Dutrisac said, "because I started to see that this was going to work and as project manager, I had the responsibility of ensuring that it would work. I had a lot of sleepless nights, because I felt that this was so important to the future of all Inglis employees."

The process also took too long. "When I do this for my clients now, as a consultant, I do it faster," said Dutrisac. "But the process was quick once we gave them the recommendations."

Dutrisac also says he would have listened to external consultant Stephen Clement about designing and implementing the 11 key leadership practices training modules for requisite to have full impact. Inglis trained staff on performing assessments (including the manager-once-removed process), performance management, and some on setting the context and tasks assignments. However, the 11 key managerial leadership practices were not inculcated into the Inglis culture. If Dutrisac could do it again, he would spend more resources to fully train managers on the managerial practices of selection and induction, context setting, team planning, tasks assignment, team building, tasks adjustment, monitoring, coaching, appraisal, continuous improvement, de-selection/dismissal, and manager-once-removed assessment.

## The Results

The pain paid off. By the end of 1992, in a recessionary, flat market, Inglis had become the largest appliance company in Canada, supplanting Camco/GE's long term market-leadership. Sales in 1992 exceeded 1991 sales by 33 percent to $600 million (CDN).

Quality and process improvements also shone through. Made-to-order manufacturing that used to take six weeks now took less than a week. Quality issues like the P2000 refrigerator were now caught in design, and issues on the plant floor often could be resolved there. Inglis had penetrated the power retailer channel and were taking market share from Camco and Frigidaire. Inglis' 2,500-dealer network was getting unprecedented service due to the new ordering systems and centralized telesales and order desk. Employee morale went up with the winning team. Inglis became an exporter of talent, and many of the high-potential employees that Inglis had developed were transferred to other Whirlpool business units.

The success continued. The 1997 Whirlpool annual report celebrated Inglis as having unprecedented record sales and profits. To this day Inglis (now called Whirlpool Canada) is still the No. 1 major appliance company in Canada.

Fran Scricco maintains that he was able to "hit the deck running" when he arrived at Inglis because it already had the right structure, the right people, and the right accountabilities and authorities to drive the strategy to become No. 1 in Canada. "Actually, I didn't fully realize what had been accomplished at Inglis by Maurice Dutrisac and his Requisite Project Team until I became the CEO of another company," he said. "It made my job at Inglis so much easier."

Thieneman and Dutrisac may have thought that Elliott Jaques was showboating when he said that his ideas increase productivity and growth 20 to 40 percent. After the implementation, they couldn't believe that it had actually happened.

They are now firm believers in requisite organization. When asked how much of Inglis' success could be attributed to this one set of ideas, Dutrisac is clear: "Without requisite organization it wouldn't have happened."

Clement summarizes why more companies do not take advantage of these organization design concepts. "Unfortunately, it is a lot of work to implement a requisite organization and the results are not instantaneous. CEOs want quick quarter by quarter fixes because their tenure as CEOs is becoming shorter and shorter. It is ironic that they don't use this system of management to ensure not only their long-term survival, but also the success of their companies."

Maurice Dutrisac sums it up with the following: "You can have the best strategy in the world, but without the proper structure and the people in the right levels, you will not achieve all you can."

## ABOUT THE AUTHORS

**Maurice Dutrisac** is one of the founding partners and the practice leader for strategic planning and organizational design for Mastermind Solutions Inc. a general management consulting firm established in 1999. Dutrisac specializes in business strategy, retreat facilitation, organizational design, structure and change, creative problem solving, leadership development, organizational design workshops for executives, and talent pool management. He is also a member of a number of advisory boards.

Prior to his consulting career, he worked for 24 years as an executive with large, complex manufacturing, service- and resource-based corporations in Canada and the United States. Dutisac was awarded the BA and MBA degrees from McMaster University and is fluent in French and English. He resides in Mississauga, Ontario.

**Dr. Stephen D. Clement** is founder and president of Organizational Design, Inc. (ODI), a Texas-based consulting firm. He has been involved in the application of requisite organizational design principles and concepts for more than 20 years. Steve worked closely with Dr. Elliott Jaques and Sir Roderick Carnegie in a ten-year year collaborative effort at CRA (a major Australian mining company) where many of the principles were first refined and tested in an operational environment. He is currently involved in applying RO-related concepts in several long-term industrial and government studies. He is the co-author of *Executive Leadership: A Practical Guide to Managing Complexity* with Dr. Jaques.