Transforming Talent at Whirlpool

How to build a world-class finance organization through talent, capabilities, and leadership.

By Mark L. Frigo, CMA, CPA; John D. Rapp; and Roy W. Templin, CMA, CPA

How can the finance area become a competitive advantage for an organization? In 2006, Whirlpool Corporation CFO Roy Templin knew something had to change. Whirlpool had experienced plenty of milestone successes: the acquisition of Maytag, significant growth in international markets, and leadership of innovation and productivity in the global home appliance industry. Yet the company was struggling to attract and retain top finance talent.

"We told ourselves that the reason we kept failing to close the deal on external candidates was our small-town location. We told ourselves it was because we were a durables manufacturer and weren't as glamorous as investment banks and consulting agencies. We gave ourselves a lot of comfortable excuses," Templin explains. "Then we went looking for the truth."

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When Templin demanded candor from several top finance recruiting agencies, they told him that the primary reason Whirlpool failed to attract finance talent was the company's apparent lack of development opportunities or career planning.

"I call it the 'stare at the carpet' moment," Templin says. "We would get a candidate excited about our innovation, our brands, our great connection with consumers around the world…but inevitably the candidate would ask about development opportunities, training, succession planning. And that's the moment when I would stare at the carpet. The external recruiters were honest, and they were right."

After Templin received consistent feedback that lack of structured development for finance professionals was indeed the reason the company failed to attract talent, he realized that this was also a significant issue regarding poor retention of existing talent. (At Whirlpool, all employees are known as "talent.") The "Eureka moment" came when he decided that the overhaul of talent processes at Whirlpool would be profound and lasting—so profound that people development wouldn't just be "fixed" or "compatible" but that it would be the primary lever for attracting and retaining talent at Whirlpool.

What *are* the keys to creating a world-class finance organization? Whirlpool transformed its finance function by focusing on building organizational capabilities, processes, and talent. Finance organizations generally revolve around interdependency of people, processes, and systems. Whirlpool took unique, innovative actions to use the intersections of these factors as the basis for an organizational transformation. Its experience provides practices that other companies can adapt to build their own world-class finance organization. The approach involves taking ownership of talent and focusing on employee engagement, innovation, and a "never stop innovating, never stop learning" philosophy.

The Starting Point

In 2006, the capabilities of the Whirlpool finance organization were like those at many other companies: fragmented development, challenges in attracting and retaining talent, managers not rewarded for people development, and lack of tools for understanding employees' capabilities. These conditions drove the need for a commitment to develop organizational capabilities throughout this global corporation. David Binkley, Whirlpool head of Human Resources, challenged Templin to take end-to-end accountability for his talent. "David said that he would be there every step with his support but that we in finance had to own it," Templin says.

Templin knew that turning the Whirlpool finance organization into a world-class set of talent developers would take effort, passion, and a keen sense of design and systems. But instead of turning to a resource experienced in Human Resources or consultancy, he recruited someone with a more unusual skill set. J.D. Rapp had no formal background in training, people development, or organizational design. Instead, he was a senior finance and operations employee with a strong background in Six Sigma. (He was the company's first certified Black Belt to come from outside the engineering ranks (1998), and he achieved this while serving as a factory controller. Later he became the leader of Six Sigma implementation for North America.)

Within the first two weeks of his assignment, Rapp ran a simple regression analysis showing that the best-regarded and best-compensated finance employees at Whirlpool were those who worked the most hours and were subject-matter experts. Employees who were good people managers and developers weren't being given any significant credit for those skills.

"That was a stunning moment," Templin says. "It was no longer just anecdotal stories. The quantitative data was yelling at us…you *have* to change how we understand talent."

"Roy told me that in three years we would have a system for talent development that is the envy of the company, or, otherwise, I would fail," Rapp adds.

But how to start?

After a number of brainstorming sessions, the two chose to structure the talent transformation into three areas: (1) technical capabilities, (2) individual career development, and (3) making talent a vibrant and sustained priority for finance leaders in the company. Each of these elements would require some kind of behavior change, structured process and system, and data collection.

The five-year global transformation encompassed

Figure 1: Long-Term Vision

LEADERSHIP ACCOUNTABILITY

2006: Vision and goals established.

2007: Standardize talent tools and definitions. All directors given specific talent goals in addition to business results goals.

2008: Global talent reviews and calibration. Directors cannot exceed expectations without exceeding talent expectations.

2009: Talent reviews conducted across all regions and with entire senior leadership team. All managers, and up, must have people development goals.

2010: Emphasis now on individual contributors' development goals.

PLANNED AND MEASURED PROGRESSION OVER TIME

44 countries, four continents, and a sustained effort. It began with a clear vision and goals, which provided the pathways to the transformation.

The Vision and Objectives

The vision in 2006 was: "Transform the finance organization's capabilities at Whirlpool to world-class status."

Management established three pillars for achieving this vision: technical capability, leadership capability, and global capability. An underlying objective was to "create a talent system so robust that it becomes a competitive advantage for attracting talent to the firm."

There were four keys to the strategy:

1. Attract Talent: Make the finance development system a distinct competitive advantage for attracting and retaining great talent.

2. Senior Leadership Commitment: Talent transformation would require a full-time senior resource who reported to the CFO to be present during all business discussions.

3. Human Resources Partnering: Templin looked to HR for support but to finance people to own the effort and results. He recruited a resource with a strong Six Sigma and process background, not an HR or consultancy background.

4. Balanced Competencies: Templin had a keen belief that any talent system for finance employees must stress both technical skills and leadership development.

The Approach and Process

To achieve the vision, the finance organization used a systems approach, leadership and accountability, infrastructure and tools, and balanced competencies.

A Systems-Oriented Approach

Using elements of the company's Management Excellence approach (derived from a number of Six Sigma principles), Rapp coordinated the design of a talent management system that is a set of seven criteria to determine the health/success of any complex activity:

- Defined metrics
- Defined goals
- Defined ownership
- Defined process
- Defined reporting
- Global consistency
- Plan-Do-Check-Act (PDCA) cycle in place

"All the good intentions and passion in the world are not a substitute for the workings of a system," he notes. "A system needs to think through a number of elements such as resourcing, accountabilities, tools, expected outcomes, reporting forums, and, often, information systems."

Capabilities and processes were also needed here. One of the keys was to think about them as two axles on a high-performance automobile because processes and capabilities need to be aligned and connected.

Leadership and Accountability Were Critical

"I strongly credit our CEO Jeff Fettig with setting the stage for how urgently we wanted to transform all Whirlpool talent," Templin says. As Whirlpool leadership built up a significant set of capabilities for developing talent, it began establishing a robust set of talent management processes. For example, talent management occurs throughout the year, not just on a single day. At the beginning of the cycle, employees and managers agree on performance and development objectives for the year. During the calendar year, managers are required to conduct three feedback sessions (minimum) with employees on progress against objectives. Additionally, there's a final performance discussion at year-end to determine a performance rating. Twice a year, managers are involved in calibration sessions across the organization to look at performance on an overall basis. And there are other key meetings throughout the year to discuss succession planning, specific developmental moves for talent, expat assignments, and diversity. These weren't introduced all at once but over a four-year horizon. This was purposeful: Leadership wanted to drive a profound change in its talent culture, but it wanted successive wins and growth each year and couldn't afford to destabilize the culture radically in a single year.

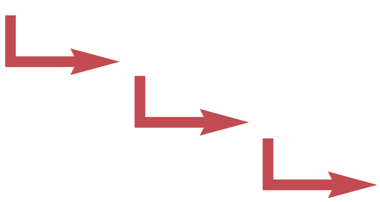
The long-term vision that, more or less, they ended up following is shown in Figure 1 (previous page). In 2006, the goal was to make talent development a major competitive advantage in attracting talent. The specific "measurement" established was to "make our talent management capabilities and process the envy of the company." Two facts in this vision are particularly interesting: (1) No special metric or set of metrics was established. Although Whirlpool leaders look at a variety of metrics, they are convinced that no single metric, or metric subset, accurately describes the state of the organization's capabilities. (2) No financial justification was given, and no internal return on investment (ROI) or internal rate of return (IRR) goal was set. The entire leadership team simply believed that overhauling talent was justification in and of itself.

In 2007, all finance officers were assigned different talent goals, depending on their area, but across the board the CFO decided to double-weight those results against all other performance goals for that year.

Then in 2008, Templin and his team introduced one of the most elaborate talent review processes seen across any industry (see Figure 2). Leadership commitment was and is very important to this process. Because of the travel time involved in getting to each region, the review process alone (conducted across the four geographic regions of North America, Latin America, Europe/Middle East/Africa, and Asia) takes up four weeks of the CFO's time and four weeks of time for each of the five regional finance leaders, the CFO's other direct reports (the corporate controller and the heads of tax, treasury, audit, investor relations, and BPM), and the HR lead for finance. If the next talent review is in Latin America, then the CFOs of all other regions travel there, as do half or more of Roy Templin's other direct reports. This process is a way for the CFO's direct staff to get face-to-face and review time with approximately 90 to 100 directors and senior managers each year from around the world.

Figure 2: Talent Review Process

Whirlpool finance's global talent reviews are a culmination of all other talent activities throughout the year



It takes three days of the entire leadership team's time to review *each* region.

Step 1: Directors review their talent with the finance leadership using a set of globally standardized tools:

1. The individual's nine-box rating. The nine-box is a three-by-three grid with one axis denoting long-term potential and the other axis denoting current results. It's useful for sorting out those with high performance vs. those with high potential.

2. Manager Skills Survey (MSS) scores. All people managers are rated annually by their employees on 10 different leadership characteristics. These anonymous survey results are seen by the next level up. Managers with low scores are often given specific action plans to improve leadership, and those with very high scores may be called upon to mentor the other managers.

3. Recent years of performance ratings.

The reviews are based on the employee's technical skills, leadership capabilities, experiences, desires, and development plans.

Step 2: After the directors have reviewed their talent, they are excused, and immediately their particular vice president reviews those directors using the exact same set of tools.

Step 3: Individuals (managers or senior managers) present a project to the rest of the finance officers. The project is never about immediate business operations, forecasts, etc. It must be a special project they are working on, such as a manager working to use Six Sigma techniques to improve cash flow forecasting or a finance person participating on a marketing team to develop a new product innovation.

Step 4: In a given region, high-potential individual contributors at the manager/lead/senior level have one-on-one, face-to-face time with finance officers to discuss career opportunities.

Infrastructure and Tools

Three sets of tools were developed to enable the Whirlpool transformation: technical competencies, talent management tools, and career-path development tools. The company's leadership felt strongly that tools and systems (e.g., "capability") had to be designed and in place before anyone tried to put too much "process" into play.

Technical Competencies. Significant time and resources were spent on building specific technical competencies across all finance areas. J.D. Rapp led the process along with two full-time resources assigned to it. More than 20 functional experts around the company also spent a number of hours on the project. They established the criteria in the U.S. and then calibrated them with functional experts from every region in the world to arrive at consensus definitions for all competencies. The process took about one year and approximately 12,000 person-hours.

- Technical competency criteria at the (basic/proficient/master) level were defined across multiple areas in finance.
- Standard competency criteria were mapped to individual roles.
- Managers and employees separately assessed each employee's technical skill levels, and differences were recorded. Next, one-on-one meetings were held to resolve differences. All 1,200 finance employees went through this process.
- Technical skills were recorded in a database. At the micro-level, these assessments were included in the employee's performance goals. At the macro-level, they were aggregated and mapped to see what the biggest overall technical skills gaps were across the company.
- This, in turn, prioritized which training modules were developed to address the greatest gaps. In this case, it was initially U.S. Generally Accepted Accounting Principles (U.S. GAAP) and SAP software skills. Whirlpool had already invested in a strong infrastructure, Whirlpool University, that made the development of online training courses relatively inexpensive and quick. Most modules take about an hour for an employee to complete, and there's a test at the end that requires a passing score to get credit.

The proficiency criteria, the assessment methodology, and the training developed to respond to the goals were all accomplished internally. In Whirlpool Corporation's culture, this did a considerable amount to generate buy-in across the organization.

Talent Management Systems and Tools. Again, Whirlpool used standard tools such as performance ratings, nine-box evaluations, development plans, and HR records to help assess talent. But these tools were being used in different ways, with different operational definitions, and they weren't calibrated across geographical regions. In the first year of transformation, finance leadership worked to drive global alignment and definitions.

Figure 3: Example of a Role Profile Sheet

Career Profile: LAR, Director of Finance/Controller

Role description

- Provides regional leadership of Budgeting, Forecasting & Corporate Reporting, as well as Business Analysis, Costing & Tax Planning, Local SEC regulations
- Responsible for providing financial & Tax support to all business units
- Accountable for Internal Control Group and SOX compliance
- Leads the effort to ensure that financial systems meet operational, business and strategic needs
- Serves as the key strategic leader in regional finance

Experiences

crucial experiences (must have two of these at minimum)	other highly valued experiences
3 years experience in a financial reporting capacity	Two years experience in audit
Strong working knowledge of accounting procedures, GAAP and SOX regulations	Two to three years experience in a market controlling role
Significant experience in budgeting, forecasting and financial analysis	One to two years experience in manufacturing controlling
Leadership / coordination of one or more major change management initiatives	One to two years experience in a treasury role
Two years experience in a corporate accounting role	Professional certification (Degree in Business - Finance and Accounting, MBA)

Experiences within / outside of Whirlpool are equally valued

Critical leadership skills

Thought leadership
- Improves quality of meetings and decisions through thinking
- Demonstrates strategic and big picture thinking
- Engages the best thinking of others
- Makes others "smarter" through his / her participation

Attracting / developing talent
- People follow him / her from previous jobs
- Consistently manages out underperformers
- Surrounds him / herself with notably strong talent
- Takes ownership of supplying talent for the organization

Extraordinary results
- Obtains cross-functional / enterprise results
- May have turned around a business or division
- Results impact P&L in meaningful and obvious ways

Driver of change
- Has mobilized an organization to embed change
- Engages cross-functional coalitions to implement change
- Establishes organizational credibility and followership

Key technical competencies

Key technical proficiencies and levels required to perform this position include, but are not necessarily limited to....

Competency	Proficiency level
Financial Reporting	Master
Income Statement Knowledge	Master
Balance Sheet Knowledge	Master
US GAAP Knowledge	Proficient
Statement of Cash Flows Knowledge	Proficient
Audit and Internal Controls	Proficient
Foreign Exchange	Proficient
Forecasting and Planning	Proficient
Performance Management Analysis	Proficient
Business Case Analysis / Capital Project Analysis	Proficient
Tax Accounting	Proficient

The company also put an overall talent management system in place. The Whirlpool Global People System (GPS) tracks standard employee information such as job assignments, performance ratings, and work history. But it has a far more developmental bent as well. Embedded in the same data is employee information such as developmental challenges, leadership attributes, individual succession plans, current mentors, and more. Unlike the rest of Whirlpool systems and actions, the GPS is used throughout the company, not just in finance.

Career-Path Development Tools. The final capability Whirlpool leaders wanted to put into place was a set of career-development tools. Although not particularly sophisticated, the career-path tools were the most popular of the capabilities.

Knowing that all sorts of materials for career development exist (books, Internet, seminars, classes), Whirlpool focused on providing tools customized for the company. For each director-level finance role, it developed a single "role profile" sheet (Figure 3) that described the purpose of the particular role, the experiences either required or useful to hold the role, the technical competency levels required for the role, and the leadership behaviors required. A potential "career path" example to get to the role was also included.

In addition, Whirlpool provided blank career-path sheets (Figure 4) for employees to plot where their career had taken them so far and potential moves they might make to get to some desired role in the future. However simple these tools may be, they have been some of the most in-demand tools put into place in the finance talent system. To drive transparency for everyone, the role profile sheets and career paths are posted on the employee portal and are accessible by any employee in the company. Because the nature of roles can change over time, these profiles require periodic updating and tuning.

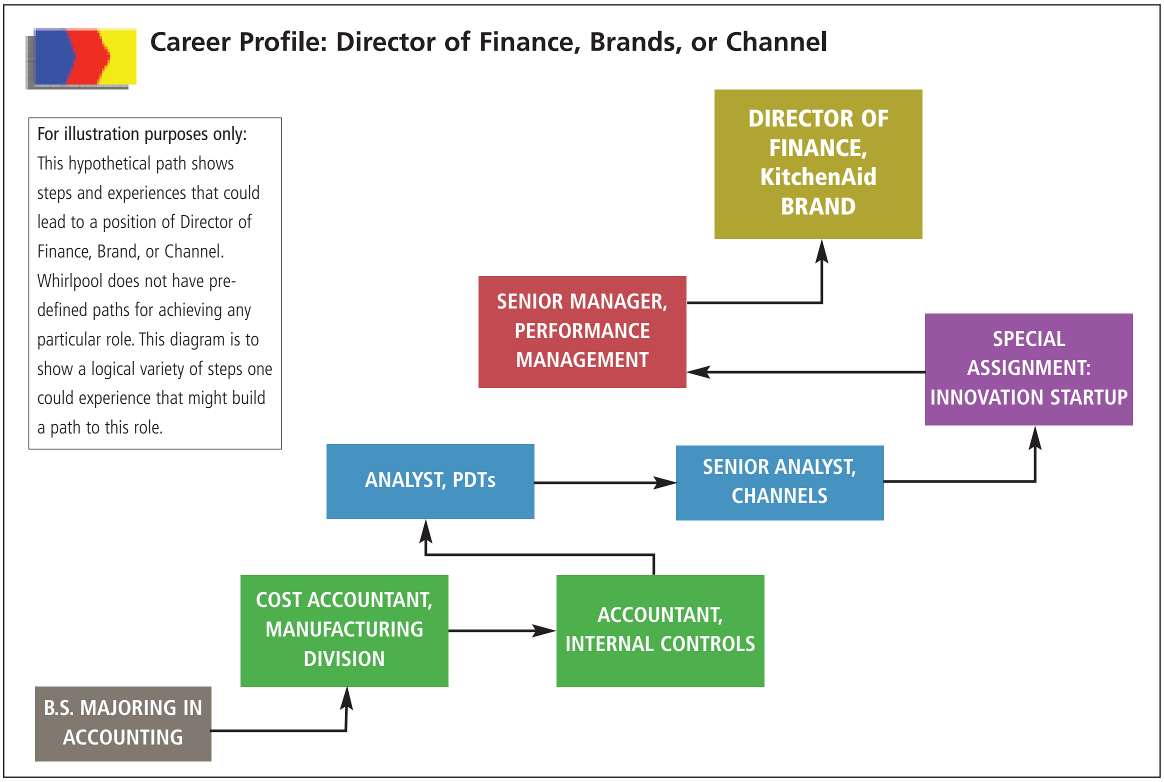
Keys to Success

The Whirlpool finance transformation was successful. Here are several keys to its success that other companies can adopt and adapt.

Support from the Top

◆ Get and maintain support from the top. This is crucial. "We could not have had the credibility to take this on without the support and participation of our CEO Jeff Fettig or David Binkley," Roy Templin says. "They were not only encouraging our transformation—they continue

Figure 4: Example of a Career-Path Sheet



to challenge us and participate with us."

◆ Have a few high-ranking, dedicated resources who report directly to the CFO present at every meeting.

◆ Maintain a constancy of purpose in good times or bad ones. You can't back off the support.

Build Using Incremental Steps

◆ Set achievable goals that allow a steady, consistent pace.

◆ Don't try to overpromise what can't be delivered.

◆ Never back down from "achievable" goals once they are promised!

Establish a Solid System Design (instead of "Focus on Top Risks")

◆ Have a tangible process developed in the background first.

◆ Don't announce a bunch of "good intentions" without also immediately releasing a solid set of systems and tools.

◆ Keep the systems and tools simple and workable. Tools are means, not ends.

◆ Use process-oriented people (e.g., Black Belts, project managers, process experts) for this work.

Leverage Existing Resources

◆ Make use of the systems already in place, even if they aren't perfect (online training, existing people tracking systems, etc.).

◆ Freely enhance what exists, but don't reinvent it (at least early on).

◆ Try to corral existing efforts, and it will make the time investments look less frightening.

Even without any central organization or planning, there are people out there working on aspects of talent.

Build on Existing Talent Management Activities

◆ Assimilate existing processes (standard performance reviews, evaluation tools) if the company has them.

◆ Don't invent substitute processes. It confuses people and can dilute a well-established corporate standard that works.

◆ Do enhance existing processes with what makes sense. For example, a number of Whirlpool-wide processes were already being put in place—consistent criteria for performance ratings, quarterly feedback sessions for all employees, functional and global calibration of talent ratings—so Templin and Rapp targeted areas for further enhancement, such as adding deeper tools and structure around career development and technical skills and adding international executives to all regional talent reviews.

Embed Talent into the Fabric of the Organization

◆ Global talent reviews equal one month of the CFO's time and nearly the same amount from most finance officers.
◆ Discuss talent in some form at nearly every staff meeting, forum, or business meeting.
◆ Set achievable talent goals for every people manager every year.
◆ Make it clear that someone can't exceed expectations (performance rating) without exceeding his or her talent goals.

Innovate Continuously (in Place of "Ongoing Updates")

◆ As you get better at basic tools and processes, people's expectations increase. For example, even though finance has 136 training modules, its employees say they have taken all the basic training and want the next depth level for technical areas, and they want the career-path tools to be more automated, more detailed, and more interactive.
◆ Never underestimate that people's perceptions are highly influential on the reality of outcomes.
◆ Run small experiments to determine if you can scale them up. The finance area is developing intensive two-day training for new finance people managers (analysts who have recently been assigned supervisory duties for the first time). The twist is that it will be almost entirely case driven and, instead of being conducted by outside consultants or executives, will be taught by senior finance managers who have already been acknowledged as strong people developers. Rapp says, "We've never tried this before, so we are keeping the event small (three facilitators, nine attendees) and low key until we see how it works. Then we'll determine if we need to rerun another pilot, if we are ready to scale it up to hundreds of participants, or if we need to shut it down because it didn't achieve its objective."
◆ Refresh your tools often to signal that you are continuously interested in talent.

The Results and Return on Talent Investment

The benefits of the finance transformation center on employee engagement and talent. The finance talent system has become a genuine asset at Whirlpool for attracting and retaining talent at all levels of the organization.

WHIRLPOOL FINANCE ORGANIZATION

Whirlpool Corporation is a leading manufacturer and marketer of major home appliances. It had annual sales of more than $18 billion in 2010 and has 71,000 employees and 67 manufacturing and technology research centers around the world. It employs approximately 1,200 finance professionals in 26 countries on every inhabited continent. The majority work in accounting, finance, and shared-service areas, but there's also a significant finance talent presence in tax, treasury, audit, enterprise resource planning (ERP), and investor relations. There are also specialists in a variety of areas, including econometrics, enterprise risk management, real estate, information systems, and product innovation.

The company's general organizational design for finance is to locate talent as close as possible to business activities. Finance talent is found in Whirlpool factories, sales offices, R&D functions, and regional headquarters around the world. Finance directors and VPs often have dual reporting relationships—to their business units as well as the office of the CFO.

Because Whirlpool has a significant global presence, a great number of its talent base must have higher-than-average skills in U.S. GAAP, currency management, and IFRS. Aside from a strong emphasis on leadership development and finance technical competence, skills in Six Sigma, innovation, and employee engagement are highly valued.

A key point to remember is that all the processes and capabilities put into place required insignificant dollars but *enormous* amounts of time. Management time fuels the success of what was done, and that makes for an expensive system. The key is to achieve Return on Time Invested (ROTI) on this type of initiative. The next step is to drive the talent ownership mentality from officer and director to manager and supervisor.

What are the results so far?

Rapp again cautions that the leadership team doesn't get overly focused on one single indicator, but the results it likes include:

◆ Employee satisfaction with professional development opportunities increased from approximately 55% in 2006 to 85% in 2010.
◆ Technical proficiencies in U.S. GAAP went from 70% in 2006 to 95% in 2010, and SAP skills increased from

50% in 2006 to 75% in 2010.

◆ Retention of leadership development employees went from less than 25% in 2005 to greater than 85% in 2010.

◆ The last 12 officer-level moves in Whirlpool finance were from internal moves and directly from succession planning.

If Templin is the visionary of Whirlpool talent transformation, then Rapp is the architect. It isn't surprising that the two have different points of view on what the critical factors have been in the journey.

Roy Templin explains: "To paraphrase Deming, it's the constancy of purpose. Once you commit yourself and make a big deal about it to your organization, you cannot back off, cannot let go. We have seen very perilous economic times in recent years, but no matter how tough the business conditions we've seen, I've not backed off any of the elements of the talent system. Another crucial rule I've held is that the transformation has to be genuine. People in my organization who are not adept at managing talent are not going to rise as high as those who are, no matter how great their other skills may be. That's been tough for some, but it's also part of keeping the promise."

J.D. Rapp says: "I would not want to downplay the importance of systems thinking if you want to have a sustainable talent machine. It requires a lot of elements, and they have to complement each other. You can't base your approach on a single magazine article. And you have to be really clear-eyed about which of your tools and actions are useful and which aren't."

Exceeding the Goals

In 2010, Whirlpool also put a renewed push on technical competencies, establishing a goal of 27,000 training hours logged (effectively 24 hours of technical training for every finance employee). "We have significantly exceeded that goal, hitting over 40,000 hours in 2010. It's very competitive to hit one's development goals around here, as you might imagine," Templin notes.

What has made finance's overall effort successful? According to Templin and Rapp:

1. We assigned process people (Six Sigma types), not just enthusiastic "people people." We went for an entire set of processes and capabilities that were carefully designed, tested, and deployed.

2. In tandem with No. 1, we never got overly emotional or inspirational at any one time. We didn't paint unrealistic pictures of employee nirvana, didn't overpromise. We kept fairly analytical about results.

3. We kept to a long-term vision, ratcheting up the talent demands and expectations by several steps a year. And we kept the course even in tough or chaotic business environments.

4. The highest level of management wanted it to happen. Some people who were great individual contributors learned that they would only get to a certain level because we needed our big leaders to be genuine talent leaders.

5. We didn't get hung up on optimizing one particular measurement or metric. We kept and still keep looking broadly at the overall talent and development picture. We look at turnover, at internal succession, at technical skills, at offer acceptance rates, at engagement scores—but not at any one thing.

"I wasn't going to demand we come up with some project ROI," Roy Templin says. "That logic on developmental initiatives is sketchy at best, and the need was self-evident. I didn't need to sell myself on how important it was to transform our talent system. Moreover, not a single finance leader on my staff thought that was necessary either."

J.D. Rapp mostly agrees: "I knew we'd look for clear signals in the data from things like employee engagement, in turnover, and so forth. But we chose not to make the initiative about chasing a couple of particular metrics. We thought if we designed and deployed the system right, all the metrics would follow."

And that's what happened. **SF**

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