General Appliances: An Aging Workforce Case Study

Case

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Organization: General Appliances (GA) | Organization size: Large
Region: Northern America | State: Vermont
Industry: Manufacture of electrical equipment
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Abstract

General Appliances (GA) is a 40-year old, Vermont-based company that has been enjoying continued growth in the home appliance manufacturing industry. The company had experienced steady growth since its recovery from the Great Recession in 2008–2009. Since 2010, the company had added more than 10 jobs per year in Vermont, for a total of 560 employees. This made GA one of the largest employers in the state. Of the 560 employees at General Appliances, more than 250 were over the age of 50, and 100 of those were over the age of 60. Of those 100 employees over the age of 60, 80 were assembly line employees, and the assembly line had only 165 employees total. The company will need to come up with a plan that is fair to the older, experienced employees but that also sets GA up for long-term success.

Case

Company Background

Mark Swann, director of human resources at General Appliances (GA), took a deep breath as he pondered the future of the 40-year-old, Vermont-based company. It was fall of 2013, and the company was enjoying continued growth in the home appliance manufacturing industry. The company had experienced steady growth since its recovery from the Great Recession in 2008–2009 (see table below). Since 2010, the company had added more than 10 jobs per year in Vermont, for a total of 560 employees. This made GA one of the largest employers in the state.

### GA's Financial Highlights 2009–2012

<table>
<thead>
<tr>
<th>(Millions)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>$2,345</td>
<td>$2,882</td>
<td>$2,991</td>
<td>$2,993</td>
<td>$3,338</td>
</tr>
<tr>
<td>Profit before amortization and depreciation</td>
<td>$444</td>
<td>$508</td>
<td>$552</td>
<td>$555</td>
<td>$599</td>
</tr>
<tr>
<td>Amortization and depreciation</td>
<td>−$115</td>
<td>−$110</td>
<td>−$131</td>
<td>−$150</td>
<td>−$161</td>
</tr>
<tr>
<td>Net financials</td>
<td>−$35</td>
<td>−$31</td>
<td>−$48</td>
<td>−$37</td>
<td>−$44</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>$294</td>
<td>$367</td>
<td>$373</td>
<td>$368</td>
<td>$394</td>
</tr>
<tr>
<td>Profit for year</td>
<td>$194.04</td>
<td>$242.22</td>
<td>$246.18</td>
<td>$242.18</td>
<td>$260.04</td>
</tr>
</tbody>
</table>
Appliances sold (millions) | 0.71 | 0.87 | 0.88 | 0.91 | 0.97
Number of employees | 474 | 506 | 520 | 535 | 560

*2012 estimated.

Swann was faced with a tough predicament. Of the 560 employees at General Appliances, more than 250 were over the age of 50, and 100 of those were over the age of 60. Of those 100 employees over the age of 60, 80 were assembly line employees, and the assembly line had only 165 employees total. What if all 100 of these long-term employees retired within a few months of each other? Would Swann be able to recruit enough people to fill the void? And even if he could, what skills gaps would he face by allowing such a large number of new employees to work with little experience?

Swann knew that the best companies treat employees as assets because they have the knowledge, skills and abilities to get the job done. GA is one of those companies. He will need to come up with a plan that is fair to the older, experienced employees but that also sets GA up for long-term success. In addition to Swann’s concerns about his aging workforce, he knows that GA is planning to introduce new technology into the assembly line that will require more technical skills and that will raise new health and safety concerns. This upgrade has added to his sense of urgency in creating a plan. He begins to think.

General Appliances’ History

GA was founded in 1973 by Harold Bruney, an entrepreneur who started his own line of home appliances. He began with a simple design of a kitchen blender and used money he had received from his deceased parents’ estate to buy materials and to secure a patent for the design. The blender offered superior mixing ability and allowed users to mix food products in less time than any other blender on the market. Bruney named it the Vortex 3001 and sold it in local stores.

As demand rose, he hired some friends to help with the production of the blender and with the administration of the business. By 1975, enough blenders had been sold for Bruney to purchase a facility where the blenders could be made in larger quantity. As the company grew, so did the number of employees, especially the number of production line workers. Production line workers were the bread and butter of the company because they assembled the machines and inspected them for quality standards.

Growth

GA experienced rapid growth throughout the late 1970s thanks, in large part, to the Vortex 3001’s patent. Bruney started to diversify in 1988, though, because he knew the patent for the Vortex 3001 would expire in 1991. Once the patent ran out, competitors could use similar designs, and GA profits would erode if it did not find new income streams.

Bruney diversified by expanding into the refrigeration, microwave and stove business. The company began manufacturing these products with the same attitude it had with the Vortex 3001; it made high-quality products that saved users time without sacrificing quality. Bruney capitalized on the Vortex brand name and used it in all his kitchen appliances. These products were successful because of their distinct quality and user-friendliness. As he put it, “Being the best home appliance company means giving consumers the best variety of products possible for their homes at the best quality possible.” This proactive decision to diversify proved to
be a wise one for GA and allowed it to thrive for decades.

Avoiding a Buyout

Acknowledging GA as a threat that could continue cutting into market share, a competitor, Quality HomeGoods, tried to acquire GA in 1996. Bruney was offered $101.4 million for the company, but he refused to sell. He believed in his company and his employees. There was no way he could look his employees in the eye and tell them that they had just been sold to a competitor. He loved his employees like a family, often holding barbeques at his house in the summer for groups of workers, regardless of job class. He attended employees' weddings, baptisms and funerals. He knew they were comfortable coming to him with work or family concerns, and there was a shared trust in one another.

Since the failed acquisition, Quality HomeGoods continued losing market share to GA due to its inability to innovate and keep up with GA. As far as Bruney could tell, it was a wise decision to refuse to be acquired. He said:

“Nobody knows our employees better than me and my senior management. It would have been a nightmare for our employees to leave the great culture here at GA and then be transferred into a completely new one. I truly believe we are successful because we have happy employees who are innovative and keep us ahead of the competition. I believe it is our culture that puts employees first that has a lot to do with this success. Our employees show up motivated and ready to take on the next opportunity to grow the business.”

GA has dominated the appliance market since 1996, but Swann recognizes that technology is changing not only how the appliances are made, but also the products themselves. He has no doubt that new competitors will be challenging GA's market position in a few years.

The Human Approach

A core value at GA is that great people make great products. Harold Bruney recognized and built on this core value when he saw that his friends truly enjoyed their jobs. He knew that GA's success relied in large part on his employees, and that it was important to treat them in a way that would keep them motivated to come to work every day. This value was ingrained in employees from their first day at GA. And because having happy employees is a core value at GA, Swann keeps close track of employee morale. One way he does this is through an annual survey.

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>4.8%</td>
<td>5.1%</td>
<td>5.0%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

*Note: The U.S. Department of Labor, Bureau of Labor Statistics, reports national turnover for the calendar year 2011 averaged 15.2%.
The Survey

Swann began tracking employee satisfaction in 2010 with an annual survey. In this confidential survey about job satisfaction, 100 assembly line employees were asked about working at GA in 2010 and again in 2011 (see table on p. 4). Data for 2012 were not yet available because Swann conducts the survey during the fourth quarter of each year. The annual survey contains the following two questions:

- In general, how satisfied are you with your job?
- In general, how happy are you working at GA?

Among the 100 GA workers surveyed in 2011, 65 percent were either “very satisfied” or “satisfied” with their job, and 59 percent were either “very happy” or “happy.” The results for job satisfaction were much higher than the national average of 45 percent in 2010 (Pepitone, 2010). Swann knows GA has a more satisfied workforce than the rest of the nation, and he believes it is because of GA’s culture.

<table>
<thead>
<tr>
<th>Job Satisfaction/Happiness 2011 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In general, how satisfied are you with your job?</strong></td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>% of those polled</td>
</tr>
</tbody>
</table>

| **In general, how satisfied are you with your job?** | Very Satisfied | Satisfied | Unsatisfied | Very Unsatisfied |
| Total | 36 (35) | 23 (25) | 31 (29) | 10 (11) |
| % of those polled | 36% (35%) | 23% (25%) | 31% (29%) | 10% (11%) |

Why GA Employees are Satisfied

GA has been tracking individual employee productivity since 1996. Each Monday morning, a factory supervisor recognizes the employee who produced the most quality parts the week before by posting results on a bulletin board. The weekly winner receives a $30 gift card to a local restaurant. This kind of friendly competition gives employees something to be proud of.

Although this recognition builds morale, workers understand that safety is the most important aspect of the job. This is why only quality parts are recognized, to ensure that employees do not rush through their work.
and risk injury or produce poor-quality parts. At the end of the year, the top three employees who produced the most quality parts are recognized by the company in the form of a $1,000 bonus check or an extra five days of vacation for the following year.

GA also builds employee morale by having fun. At the end of each month, for example, the company has a raffle in which all employees can buy as many $5 tickets as they want to be entered to win a home appliance the company manufactures. Employee participation is high, and the winner often walks away with an appliance that is worth thousands of dollars. The money from the raffles usually exceeds $2,000 and is donated to a local charity selected by the winner. GA makes the donation as long as the charity is not religious or political in nature. For some employees like Cheri Silver, this monthly event is personal. She said, “My mother died last year from breast cancer. When I won the raffle last month, I chose to have the $2,095 we raised donated to the American Breast Cancer Foundation. It isn't much, but it's my way of honoring my mother.”

**Benefits**

Employee benefits at GA include paid health care, a 401(k) plan, paid vacation, job-sharing, bonuses and flexible work hours. Several employees at the manufacturing plant take advantage of job-sharing, where two employees share one full-time job by each working an agreed number of hours. Some employees really enjoy this benefit because it gives them the flexibility of not working 40 hours per week but still having a job. For GA, this process also works because the two employees performing the one job still work only 40 hours collectively.

Many of the older workers at the plant continue to work full time and do not show signs of being interested in job-sharing. Thirty-two of the 80 line workers who are age 60 or older, however, do participate in flexible work hours. For example, several older workers come in one hour earlier in the morning because they prefer an early start. GA has made sure it can continue this pattern to keep its core group of older employees motivated and happy. Something as simple as allowing an employee to work 7 a.m. to 3 p.m. rather than 8 a.m. to 4 p.m. has kept morale high. The only rule regarding flexible work hours is that each employee must be present for the core hours of their shifts. Core hours are defined as six of the eight hours of a typical shift. For example, an employee working the 7 a.m. to 3 p.m. shift must be present between the hours of 8 a.m. and 2 p.m. This ensures that meetings can be coordinated and employees can always be reached at a reasonable time each day.

GA is strongly committed to supporting the community, and this also boosts employee morale. GA has an application process in which nonprofit groups can apply for grants of up to $1,000 from the company. The nonprofit groups cannot be associated with any political party or have any religious affiliation. GA has donated a total of $22,000 to nonprofits that applied for these grants. The grants cover sponsorships and payment for supplies the nonprofit needs for fundraising events.

GA also coordinates a volunteer program for employees to volunteer to help local nonprofit groups that have asked for help. The program encourages employees to give back to their communities. It also helps build a positive image for the company. The program is conducted outside of work hours, so many employees take advantage of volunteering on the weekends. In 2011, 65 percent of all GA employees participated in the program at least once.

At GA, new assembly line employees spend 40 hours in training, and then they are assigned to an experienced worker for 30 days before they are permitted to work on their own. This onboarding process allows GA to make sure its new employees are prepared for the job even if it means a temporary decline in productivity because seasoned veterans are pulled from the line to train the new recruits. In the long term, this practice saves the company money, and it helps keep new-hire turnover low. New employees are properly taught the skills they need to be successful and become confident in the jobs they are doing.
Current Selection

GA needs to develop a plan that addresses its aging workforce. The plan must minimize disruption in the workplace and reinforce the company's commitment to its employees. The risk of not addressing the issue may result in up to 80 job openings at one time, creating intense pressure on the HR department to recruit, hire and properly train many new hires at one time.

With that said, some of the older workers are not ready to retire. Joan Ellsbury, a 62-year-old woman who has worked on the assembly line for more than 31 years, expressed their views when she said:

“I want to retire when I am ready. I don't want a young kid with little experience to come in here and push me out early. As long as I am producing quality work, I want to leave on my own terms. I can't speak for everybody my age, but I know there are others who feel the same way I do.”

Moving Forward

Swann recognizes the urgency about this issue because GA's president and the vice president of operations are planning to replace roughly 30 percent of the machines on the assembly line. This will be a major technological upgrade, not simply repairing older machines. GA has already purchased three new machines to date.

The president and the vice president of operations are long-time GA employees, and they are proponents of Bruney's philosophy about the importance of people in the organization. At the same time, they recognize that the competitive environment is changing and that GA needs to make every effort to remain an industry leader. With the new technology associated with these machines, however, comes a need for more technical knowledge on the part of the operators. Most of this new equipment now requires computer skills, and Swann is not certain how employees are going to respond to the challenge of learning the new computer skills necessary to operate the machinery. Part of the workers' current satisfaction stems from being able to do their jobs well. He does not want this change to hasten early retirements.

On top of these concerns, last week a long-tenured employee, Henry, slipped while moving a heavy box of feeder parts and strained his back. Swann has worked hard to re-engineer line jobs to minimize heavy moving and lifting, but many of the production jobs still require physical strength. Accidents happen. Henry said he was fine and has been reassigned, but Swann is concerned about injuries possibly happening again. The new machinery will still not ease the physical demands of some of the jobs.

Swann takes a deep breath and thinks about his options: “What would Bruney do?” He wants to make decisions that would reflect Bruney's legacy of making GA a desirable place to work, mainly through the great treatment of its employees. Swann knows that GA's success is because of its people-oriented approach and that many GA employees love its HR practices. How can Swann address the company's aging workforce issues in a responsible manner that takes employee satisfaction into account? Regardless of which option he chooses, he knows doing nothing is not one of them. The company will not be able to match demand if he does not take action now on multiple fronts.

Case Questions

1. What role does culture play at GA? Why is it important to make decisions based on what a company claims it stands for?
2. What tactics might Swann use to retain aging employees at GA?
3. What should Swann do to ensure that employees are trained properly on the new equipment and that they are emotionally and physically ready for the new technology?
4. How should health and safety concerns be addressed in light of the aging workforce?
5. How much should Bruney's legacy affect Swann's recommendations? Is it right for a manager to be influenced by the vision of someone who is no longer with the company?
6. What should Swann's plan be to address an aging workforce?

References
http://dx.doi.org/10.4135/9781473957237