

# CASE STUDY 2

In the first years of operation of LG Display, a very low level of employee satisfaction was recorded. The conducted surveys and research showed that the source of the problem was intercultural differences. According to the company's vision, it wanted to become the best company in the display industry in terms of profitability, but without employing satisfied employees it was not possible. The management of LG Display decided to introduce corrective actions aimed at management style, employee satisfaction and building a positive image of the company.

- When the information appeared in the media that LG was launching another investment and that Lower Silesia (Biskupice Podgórne) had been selected, there was full euphoria. No one thought about what it meant to work with Asians because no one had had this experience before. There were no Korean companies in our area before that we could cooperate with - says Zbigniew Miedziński, HRM director of LG Display Poland Sp. z o. o.

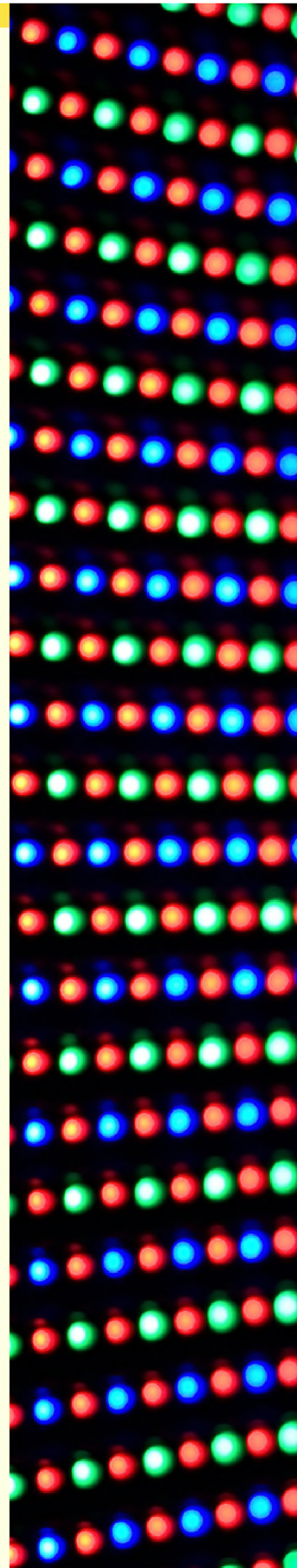
## The first disturbing signals.

Mass production started in 2007 and from a business point of view everything was going great at the beginning.

- Our production was growing at a very satisfactory pace; all quality and efficiency indicators were at a satisfactory level - Zbigniew Miedziński describes the beginnings of activity.

In 2007, a corporate survey of employee satisfaction was conducted. A result of 48 percent was obtained. This warning signal was ignored on the assumption that the company is in the construction phase and therefore not all processes are functioning properly yet. The authors of the survey focused on three dimensions and examined:

- customer orientation,
- management style - they assessed the relationship between the superior and subordinates,
- workplace - they checked whether employees were satisfied with the place where they work and asked what could possibly be changed.



In 2008, the situation was even worse - 67 percent. employees declared dissatisfaction; almost half of the staff left the company within a year. The average monthly turnover rate was 3.9%. Employee dissatisfaction was due to a variety of reasons. Different management style, only negative feedback given, work in a continuous system (24 hours a day, seven days a week), failure of the Korean side to take into account cultural differences, including Polish holidays.

The most important thing was that the customer felt satisfied, and the employees' needs did not matter. The Koreans acted in the way that was accepted in the model of operation of Korean companies. There was a growing sense of misunderstanding, frustration, dissatisfaction and a growing barrier between employees and managers from two different cultures.

An additional problem was the negative opinion of the company provided by former employees, which hindered the recruitment process and negatively affected the image of all LG Group companies in the region. More and more employees began to leave the company, the high level of fluctuation destabilised production. The company's managers could not focus on development, but they had to pay more and more attention to the recruitment process for new positions and the reconstruction of the thinning staff. The results of cooperative surveys of the LG Group signaled that the problem lies in the style of management, work organisation and customer orientation. However, these studies did not pinpoint exactly what the problem was.

### **Searching for the source of the problem**

In 2008, it was decided to thoroughly investigate the source of the problem, which is why, at the beginning, an exit interview survey was conducted among the departing employees. According to the survey, the majority of employees left because of salary (35%), followed by work environment (25%) and management style (22%). The company paid below the market level. This was the least of the problems, because all it was needed was to increase the budget for next year. The next two difficulties were not so easy to solve. Employees were dissatisfied with the organisation of work, i.e. the four-team system - 24 hours a day, seven days a week. Frustration meant shouting was the form of information transfer, praise was not used, employees were not asked for their opinion



- In Poland, if we shout at someone, it is perceived very personally, and Poles do not accept this form of communication. In Korean culture, shouting is also not accepted by employees, but perceived differently. Due to the idea of Confucianism and the social hierarchy derived from it, Koreans are used to working for the "common good" and to discipline in order to achieve common goals - all forms of tardiness, discussion or failure to follow orders are unnatural for them and cause tension. If someone is of a higher rank, has better experience and position, it means that they know better - explains Zbigniew Miedziński.

In 2009, a local employee satisfaction survey was implemented. It included open and closed questions concerning the creation of organisational culture, teamwork and maximizing the effects of work. The results of the research showed, among others, that the problems experienced by the company result from intercultural differences.

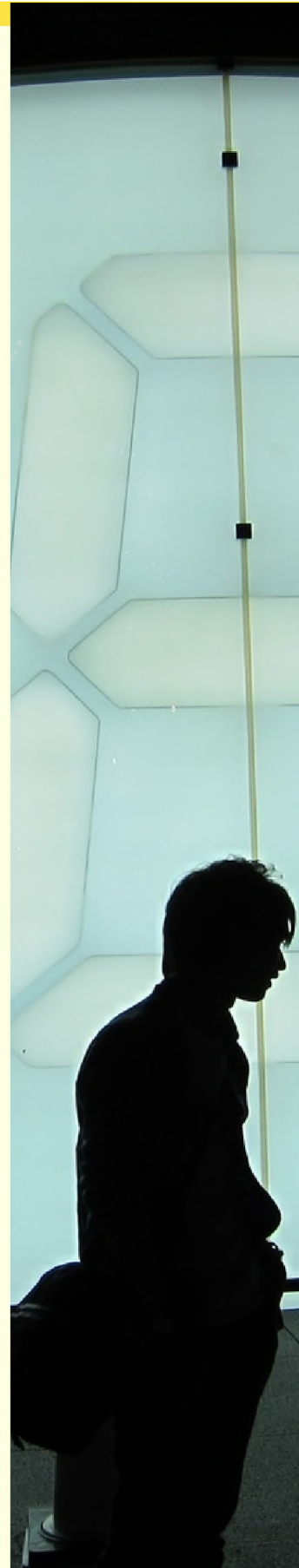
### **A vision of culture**

Another survey which concerned cultural vision was based on a study by Kim S. Cameron and Robert Q. Quinn on the four main types of organisational culture. The company wanted not only to know the everyday problems of employees, but also to prepare for what it will have to deal with in the future. The purpose of the survey was to determine by the Korean side, as well as the Polish side, what the company's culture is like at the moment, but also what culture model employees would like to pursue in the future.

As the results of the research showed, both sides agreed that Korean culture is focused on achieving profits, and its typical elements are competition, goal-oriented, achievement, results, productivity and lack of decision-making. Ultimately, it turned out that both Poles and Koreans wanted to go in the same direction and work in a clan culture based on cooperation, participation, openness, loyalty and belonging to the company.

### **Management style**

Employees complained about the management style, so it was decided to conduct leadership training sessions and intercultural workshops. Korean culture is very hierarchical, so internal research could not be done, therefore it was appropriate to turn to an external company. The workshop was aimed at examining how Korean and Polish managers



perceive an ideal leader and whether they notice problems resulting from cultural differences. At the beginning, both groups identified the qualities that a good manager should have. Next, Polish employees were asked to evaluate their group and the Koreans they worked with based on defined criteria of managerial competence. Only Polish managers commented on their foreign colleagues. The result of these studies allowed to identify places that required significant improvement, and also allowed to indicate areas of the greatest cultural differences, which were:

- awareness of one's own shortcomings and limitations,
- the ability to praise and reward,
- calmness and self-control,
- empathy,
- awareness of the capabilities and needs of their subordinates.

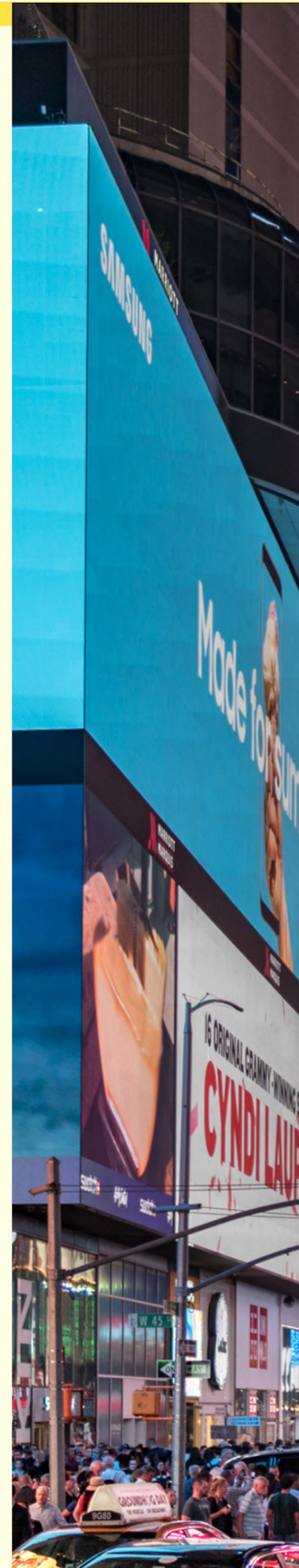
### Levels of cultural differences

The next step was to compare both cultures on the basis of the seven dimensions of culture according to Trompenaars. The differences concerned aspects such as universalism, individualism and the perception of time. Poles usually act in accordance with the rules, we prefer when something is permanent, unchanging, and Korean culture requires changes, because it is perceived as progressive and developmental.

The second thing is individualism - for example, Poles must be informed in advance about planning any activities, while Koreans say that if the company needs them at a given moment, they are ready to change their plans. Differences can also be seen in the perception of time - Poles want to work 8 hours a day, while Koreans are available 24 hours a day according to the company's needs.

Based on the results of the surveys, it was possible to distinguish five areas that differ in the two cultures the most, and thus gain greater acceptance and understanding of the differences between Polish and Korean cultures:

1. Polish stabilisation against Korean volatility,
2. Polish control over Korean autonomy,
3. Polish horizontal structures versus Korean vertical structures (hierarchy in the company),



4. Polish restraint towards Korean emotionality (explosiveness),
5. Polish individualism versus Korean collectivism.

The first three elements were the main sources of problems. Taking into account these results, it was decided to implement actions that would be acceptable to both parties and would allow to create one organisational culture guided by respect for both parties. The golden key turned out to be bringing out the best in each culture. It was believed that with such action the company would be successful.

### **Corrective action**

In 2009, the "Joyful Company" project team was established, which dealt with increasing employee satisfaction, initially at LG Display Poland, and later also in other cooperating companies of the LG Group. It gained strong support from the headquarters, because the Koreans had already opened factories in England, Germany and the Czech Republic, and they were not successful in any of these countries. Thanks to the "Joyful Company" team, the slogan "Two Cultures - One Vision", implemented at the beginning of the company's establishment, on "One Culture - One Vision". Efforts were made to create one common organisational culture, suited to both environments.

Based on the results collected from the surveys, the company implemented three corrective actions.

### **Change in salaries**

One of these ventures involved management style. The level of salaries at LG compared to other companies operating on the market was very low. In Korean culture, remuneration is a secondary element, the most important is the prestige associated with working in an international company. Poles, on the other hand, first expect an attractive salary, then opportunities for promotion and development. Average wages in LG Display in 2008 accounted for 75 percent. market wages, therefore, it was decided to raise salaries in the company every year, so that in 2011 they would reach the national average.

Further changes concerned the possibility of development and improvement of qualifications through external and internal training.

– Asian companies are not interested in external training. This is because all of them have developed procedures, technology and knowledge about their industry - explains Klaudia Morawiec, HRD director at LG



Display Poland Sp. z o. o.

### **Enrichment of the working environment**

The second corrective action concerned the working environment. In Korea, LG factories have full social facilities, because workers' flats are most often built around them, often away from "urban amenities". Employees can use swimming pools, fitness clubs, canteens, restaurants, banks, etc. The Polish factory was built in a small town near Wrocław, where employees had no access to shops, ATMs or doctors' surgeries. It was decided to introduce elements that would make their work more pleasant and easier and would bring the two cultures closer together, e.g. the functioning of employee canteens was improved, medical care for employees and their families was introduced, images of dwarfs appeared on the premises of the company (one of the new symbols of Wrocław), green zones were created outside the factory and a rest area inside the company. "Sports zones" appeared, where during breaks it was possible to play e.g., table tennis and where informal sports groups were formed. Thanks to these activities, both Polish and Korean employees began to integrate more. In the interests of health and easier access to medical care, a medical clinic was opened.

### **Employer branding**

The third element was related to building an attractive image of the company by getting acquainted with the Korean culture and language, increasing the company's recognition in Wrocław and Lower Silesia, and building potential employees for the future. A number of measures have been taken including the launch of cooperation with technical schools and universities, of Lower Silesia. A Korean language faculty and Korean specialisation were created in cooperation with the University of Wrocław. The company participates in job fairs and takes part in the life of the local community. LG Display also tries to be a socially responsible employer, supports all forms of help, e.g., takes care of children from children's care homes, participating in their lives, organising trips for them, buying toys and spending free time with them.

The experience gained in increasing employee satisfaction was shared by the "Joyful Company" team with all cooperating companies of the LG Group - which is supposed to increase the level of satisfaction among all cooperating companies.



### Satisfactory results

The actions taken brought the intended effect. On a five-point scale, the level of employee satisfaction and contentment at the beginning of 2008 was 3.4, and in 2010 it reached 4.2, i.e. over 80 percent of employees expressed satisfaction. The monthly fluctuation in 2008 was 3.9 percent, while in 2010 it was 0.6 percent. The percentage of employee departures due to the environment and management style in 2010 decreased by 13 percent compared to 2008.

The unfavourable trend in the company has been reversed. LG Display managed in a very short period of one and a half years to deal with the problems arising from working in a multicultural environment. At the moment, potential employees want to work in the LGD in the future. In 2011, during a job fair organised by the Wrocław University of Technology, students were asked: "Which employer would you like to work for?". LGD took the third place among 44 exhibitors. As you can see, changes for the better are possible, but it requires a lot of work, openness and commitment of all parties.

LG Group is a Korean concern, which includes i.a. LG Display (LGD) brand. It is a leading manufacturer and supplier of liquid crystal TFT LCD modules, which are used, among others, in TV sets, laptops and mobile phones. Globally, the LGD employs approximately 55,000 people and operates in eight locations: Germany, Poland, the United States and Asia. The company has five factories producing TFT LCD modules and five joint venture factories that release TVs onto the market. The Polish LG Display factory was established in 2006 in Biskupice Podgórne near Wrocław.

