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: Localization Strategy of LG Electronics**

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## Korean Firm's Competitive Advantage: Localization Strategy of LG Electronics

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### Abstract (100 words)

This paper examines how firms that adopt a modular architecture sustain their competitive advantages in the global market. Several Korean electronics firms have outperformed Japanese counterparts in this global environment. In view of the fragile nature of competition in electronics industry with easily imitable modular product architecture, Korean global firms have adopted a different competitive strategy. First of all, they have moved out of their narrow domestic market. Instead, they have focused on global market which is vastly large and therefore the effective management needs the local empowerment which is the essence of a localization strategy. We focus on LG Electronics (i.e., a successful Korean global electronics firm) from a business strategy standpoint. We then explore how it has attained the global competitiveness with the electronics products that apply modular architecture. We examine how LG Electronics has pursued a localization strategy, particularly its implementation of strategic management processes in two different countries—LG India and LG Poland.

### Keywords (five words)

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## **1. Introduction**

As the world moves fast toward globalization, increasingly firms experience intense competition worldwide. The scope of competition is enlarged from domestic markets to the borderless world. It is quite challenging for the leading firms to sustain their premium value advantages in this global environment. In particular, with digitalization of electronic products, the various changes are coming to the surface such as (1) miniaturization of products (2) high intensification, (3) reduction of product life cycle (3) changes in component parts structure, (4) changes in value added structure of supply chain (Joo et al., 2003). The power dynamics of this global competition are quite evident from product architecture perspective—either integral or modular. Products that use an integral architecture are interrelated with a great deal of complexity. Therefore, knowing about only some component parts may not be useful to produce products with quality, integrity and performance values. Such firms maintain their competitive product advantages because the competitors may not so easily comprehend the secret aspects of the products for a rapid catch-up. However, products that apply modular architecture are easily divisible by modules. Competitors from less developed nations may also achieve a rapid catch-up if the process-, functionality- and performance-details of components and manufacturing equipment are available in the form of embedded knowledge in software. Thus, products that adopt a modular architecture require maintaining the sources of their competitive advantages not from superb functionality of the product, but from the product design, marketing strategies and effective global supply chain.

This study examines how firms with modular product architecture sustain their competitive advantages in their global management. Currently, a few Korean firms are holding strategic competitive positions which Japanese firms once used to occupy. Some of Korean global firms get out of their narrow domestic market and focus on global market with the localization strategy. This paper is a case study of LG Electronics, one of successful Korean global firms, which sells modular-type of products in the global market. Particularly, this paper examines the localization strategy of LG Electronics and the transfer of the initial successful models to Korean headquarters, India and Poland subsidiary.

This case is unique in that many of the multi-national corporations (MNCs) implement their global strategies from their headquarters. However, the patterns of localization are quite

different from the traditional practices of MNCs. This paper provides success factors of localization strategy. In this paper we present a research model that depicts the nature of localization strategy and its vital processes. As an illustration of this research model we then present case studies of two LG Electronics—LG India and LG Poland. This in-depth case study presents the story of an LG executive who learned from empowerment management in Korea and India, then implemented in Poland. The lessons from the localization successes in these two countries have already provided an excellent learning effect in Korea. Besides, the middle manager that learned the principles of localization from a senior executive in India moved to Poland and there he applied the same principles of localization so successfully. Lessons from this case study are summarized and managerial implications are discussed.

## **2. Literature Review**

### **2.1 Product Architecture and Korean Firm's Global Strategy**

The behavioral practices of Asian multi-national corporations (MNCs) reflect the catch-up patterns of industrial structure of these nations. In general, many Western MNCs have sufficient management resources and establish sustainable competitive positions. Asian MNCs, on the contrary, are not so secure in their competitive strengths simply because they arrived somewhat late in the global stage. To overcome their relative weaknesses, many Asian MNCs have formed strategic partnership with other MNCs, facilitated technology transfers and built production bases in key market areas (Masuyama, 2002).

Much of research has focused on how Korean MNCs successfully achieved catch-up with more advanced MNCs of USA/European origin. However, little is known about how Korean global firms have made transitions from regional MNCs to global leading firms through their effective development of global business capabilities in a relatively short period of time. Korean IT industries (component parts of semi-conductor industry, mobile communication industry, LCD industry, Digital and TV Contents Industry) provide successful catch-up models of USA, European, and Japanese counterparts (Park and Hong, 2006; Park et al., 2008). Particularly, these products are Korean MNCs strategic global products and at the same time the modes of design and production are increasingly adopting modular product architecture. Therefore, a comprehensive evaluation of the global strategy of Korean MNCs might well be better served from product architecture perspective. As electronic products become more digitized, some trends are quite obvious such as (1) miniaturization and intensification of

products, (2) reduction of product life cycle time, (3) changes in component parts structure, (4) structural changes in value chains (Joo et al., 2003). Thus, many electronic products, in spite of the IT industry's outstanding support competencies, may quickly lose their competitive advantages with changing market conditions which require increasingly shorter life cycles. It is worthy to examine the global strategy of Korean firms from product architecture perspective while considering Korean IT industry's growth model. Product architecture is product design framework by which a product is defined in terms of its component parts and work processes. It also proposes design methods which may maximize the functionalities of the products through balancing the interfaces between components parts and processes (Fujimoto, 2003). Two representative classification parameters are (1) modular or integral; (2) closed or open (Ulrich, 1995; Fine, 1998; Baldwin and Clark, 2000; Fujimoto, 2003). The type of product architecture does impact the extent of a firm's competitiveness through its vital relationship to development of the organizational innovation capabilities (Henderson and Clark, 1990 ; Fujimoto, 2003 ; Park et al., 2007).

A careful examination between product architecture and country-industry fit suggests that Japanese firms focus on products with integral architecture while emerging economies including Korea possess organizational capabilities that fit modular products (Fujimoto, 2006a). The rapid catch-up of emerging economies, Korea in particular, was possible through the increase of products with modular product architecture. For example, products like CD-ROM and mobile phones are close to modular architecture. Intense price competition and short product lifecycle characterize these products and therefore it is not easy for these firms to sustain competitive advantages (Shintaku et al., 2006). In this sense, product architecture impacts the catch-up patterns of these emerging economies. Samsung and LG, two of Korea's global multi-national firms, are the producers of electronic products that have strong elements of modular product architecture. These products evolved from analogue to digital product development and their adoption of modular architecture accelerated the speed of catch-up (Shintaku, 2006). Thus, the value chain structure of the products, with strong elements of modular architecture, is evolving from production to R & D, marketing and distribution network capabilities. The source of premium value creation and delivery of these products lies in innovative R & D and marketing capabilities through strengthening the distribution network (Joo et al., 2003). In this sense, global strategy of Korean multi-national firms increasingly emphasizes development of premium value products, operational

effectiveness for cost and time reduction and localization initiatives.

## **2.2 Localization of MNCs human resources**

MNCs need to achieve organizational integration for the strategic focus in global operation. At the same time, it is essential for local business units to have responsive flexibility to deal with the local needs. It is quite challenging to balance the conflicting demands between the needs of integration or independence in view of diverse cultural, product and local differences (Prahalado and Doz, 1987). In the context of MNCs' complex organizational structures managing human resources requires careful balance of the dualities such as freedom and order, dispersion and integration, empowerment and control (Evans and Doz, 1992). Effective global organizations need careful consideration of dimensions of management requirements and at the same time delicate balance among the seemingly contradictory natures of organizational dynamics (Shiraki, 2002). From the standpoint of localization of human resources Korea-based MNCs usually maintains average 69.2%, very high percentages, of Korean managers for the key positions even in the overseas operational units (Sue et al., 2004). Korean electronics firms tend to delegate to local management who assumes responsibility over local employment, wages level, production and marketing to local management decisions while Korean headquarters handle major capital expansion and financing decisions (Ha, 2004; Sue et al., 2004). However, enhancement of global competitive capabilities requires further transfer of decision making authorities to local management. It is critical to secure high quality of local professionals, develop marketing and distribution network capabilities.

In this paper we examine how firms that adopt modular product architecture secure their competitive advantages through global management practices. Several Korean MNCs display successful management practices in the global market in which Japanese electronics firms had once sustained comparative advantages. Some of these Korean firms have moved beyond their narrow domestic market, focused on global market and successfully pursued localization strategy. This paper explores how LG Electronics, in spite of modular product architecture products, has developed global competitive capabilities through successful implementation of localization policies.

### **3. Case Studies**

#### **3.1 LG's Global Strategy**

Since its inception in 1958, LG expands its global operations through the historical patterns of growth in the form of (1)import substitution, (2)export to advanced nations, (3)production in advanced nations, (4)production in developing nations, (5)global production and marketing (Lee, 2000; Sue et al., 2004). In its very first few years LG received loans and technology assistance from Germany and Japan. It produced electronic products that reached the maturity stage, took the role of providing inexpensive import substitute products to Korean domestic market. In this way, LG laid the ground work for the further growth. In 1970s LG was benefited from Korean government's export drive and built the major export centers in Gumi and Changwon area of Korea and established massive scale of export production system. By the late 1970s LG engaged in vigorous expansion strategy of the oversea market—particularly targeting USA and Western European markets.

However, in the 1980s the growing protectionist move in USA and Western European countries stifled its export volumes. In response to these market changes LG targeted these advanced markets by building color TV factory at Huntsville, USA in 1981, established another TV and VCR factory at Bromes, Germany in 1986 and microwave oven factory in Great Britain in 1988.

Starting from 1988, with the wages increases in Korea, LG secured color TV and refrigerator manufacturing facilities in Thailand and Indonesia and started localization policies.

From the middle of 1990s LG expanded its manufacturing facilities in Eastern Europe and South American regions in keeping up with the growing market opportunities in Eastern European and South American counties. At the same time period LG actively positioned itself for global competitive system structure. From 1993 LG implemented strategic initiatives for the emerging markets in China, CIS and India. In 1995 LG changed its existing Gold Star brand to LG brand and based on sports marketing, it expanded to FPD TV/ Monitor market.

As of 2009, LG Electronics have four business units that include Digital appliance, Digital display, digital media, Mobile communications. Its global operations has the total 114 overseas business units including many manufacturing units, marketing units, research and development centers and logistics and service units. In Europe and China LG maintains regional business headquarters. However, 70% of manufacturing units are in Asia including China and India. 70% of marketing units are in North America and Europe. Based on



marketing organizations that cover the whole world LG engages in global strategic management. Its major products are TV, VCR, refrigerators, air conditioners, home appliances, display such as CPT/CDT, monitor, LCD/PDP TV, multi-media products such as CD-ROM drive and PC, information communication products such as handsets and IMT-2000.

Particularly, after the middle of 2000s LG rapidly moving toward the position of one of the global top three. Within three years after announcing its goals to become a producer of high premium products with its own unique global brands, LG successfully penetrated North America and European markets. LG is also marketing the emerging markets in South America, China and India with high premium product strategy. Thus, LG Electronics dare to battle in global premium markets because of its blue ocean technologies and differentiated design capabilities (Maeil, 2006.04.11).

## **3.2 Localization Strategy in India**

### **3.2.1 Initial Business Operation in India**

LG India is established in 1997 as a 100% subsidiary of LG. It currently positions as the global No. 1 market share firm in the areas of color TV, microwave oven, washer, air-conditioner (Park, 2009). LG India operates new manufacturing facilities in Noida, New Delhi and Pune in the region of Mumbai. LG aligned with an Indian company and supply 70% of its total component parts. Particularly, the second factory in the Pune region around Mumbai produces GSM mobile phones, TV, refrigerators, air conditioners and washers. With its increasing production capabilities LG now expands its target market areas to Southwest Region beyond the current North East Region market. Noida factory at the India's northern area of New Delhi produces TV, refrigerator, air conditioners and microwave oven. Besides, LG operates software R & D Center in Bangalore from 1998 to utilize excellent pools of research resources. LG's strategic vision is to make India with 1.1 billion people as the second global production base and achieve 10 billion (\$) by 2010 (Maeil Business Newspaper, 2008.3.24). LG also plans to produce 20 million mobile phones by 2010 through utilizing production base in Pune (SERI, 2007a). LG occupies #1 market position in home appliances including color TV, refrigerator, washer, air-conditioner, microwave oven, DVD players. LG also ranks # 3 in PC, monitor and mobile phones. In 2005 LG's PC market share was fifth but customer preference rank was #1. Indian customers' trust and preference of LG products are quite absolute.

Table1: LG India's major products and market share in India

Products	2005		2006					
	Sales (Unit; in 1,000s)	Volume (Rank)	Market (Rank)	Share	Sales (Unit; in 1,000s)	Volume (Rank)	Market (Rank)	Share
Color TV	2,365	24(1)	2643	27(1)				
Refrigerator	1,030	26(1)	1100	29(1)				
Washer	485	35(1)	680	36(1)				
Air-conditioner	370	33(1)	460	34(1)				
Microwave oven	145	40(1)	250	38(1)				
Monitor	660	11(2)	1000	20(2)				
PC	44	2(5)	120	3(3)				
Cellular Phone	5100	30(3)	6500	35(2)				

Within seven years after LG India started its operation the total sales of household electronic goods reached up to one billion dollars. The 2005 sales figure was 1.8 billion (\$) and its employees are 2,800. As of 2008, its employees are 3,000. The number of its branches is 125. All the dealerships are 18,200 and service centers are 1,100. In this way, LG established sales and service network throughout India. By 2010 LG will increase sales by 6 billion (\$) and the amount of additional investment is 150 million (\$).

### 3.2.2 Presidential Leadership of LG India

Mr. Kim started LG India (Chosun, 2006.6.7). His career advancement details include operation manager of electronic division of Changwon LG, Korea (1994~1996). Since then, his mostly oversea work experiences include Chicago, USA (1981~1984), Germany (1996), Dubai (1977~1980), Central America (e.g., Panama 1988~1994). In November 1996 he agreed to work for LG India, and after one month of preparation and training he arrived in January 9th, 1997. He assumed the position of the president of LG India in 1997 and since then he made it grow to be No 1 global firm of home appliances market. In recognition of his outstanding performance in LG India he was promoted to the senior executive president of Southeast Asia Division in 2005. In January 2008 he concluded his work at LG after completing his work as the president of LG India. Since 1997 the annual growth rate of LG

India was 25-30%, which is the result of continuous innovative thinking for localization, brand building with new product ideas and ever changing marketing strategy including sports marketing. Some of his leadership elements are summarized as below (Kim, 2009).

#### (1) Openness and Transparent Management

Mr. Kim asserts importance of openness in localization. This openness is based on understanding of local workers and beliefs on them. Without transparent management, however, this openness is not attained. Mr. Kim really tried to make management transparent in localization of LG. For example, he had corporate meeting with more than 150 managers at 9:00 A.M. of every 2nd Saturday of each month. Here, all the cost information, profit and loss statements are disclosed to all the participating managers. In this way all the managers understand the overall operational status. Outsiders are allowed to visit and observe the factory operations. Mr. Kim says, “Positive thinking enhances the meaning of this life. If you have such positive view of work and India, then you will experience quite different results compared to those who regard India as a place of endless sufferings. Positive thinking, optimistic perspective and open management are quite important.” Such mindset also relates to the motivation of employees in India.

#### (2) Emphasis on Empowerment

For localization, beliefs in local workers have connection to empowerment. Mr. Kim always puts this credo into practice. For example, he says, “The great power is in entrusting others”. Many Korean executives ask, “Are Indian managers trustworthy?” Mr. Kim always replies, “Yes, I trust them. To the extent I trust them, they display their loyalty. Ordinary people trust others no more than 50%. However, we expect others to trust ourselves 100%. 99% of people want that. Empowerment transforms people. If you cannot trust others, then don’t demand their loyalty, either. Although you may experience undesirable results later, it is better to trust people first. “For example, at nine o’clock there is no Korean manager and yet many Indians work here and there. Indian managers work on their own initiatives. Compared to India LG, Mr. Kim comments on a factory of LG China, “At night many Korean managers stay in the factory and supervise Chinese workers. This is not effective. If so, they do not regard it as their own company. They only regard it as Korean company and instead keep resentful feelings inside.”

### (3) Systematic Discipline of Management

Mr. Kim implemented empowerment and at the same time strengthened organizational disciplines. Mr. Kim used the term, “discipline”. Noida factory director said, “Mr. Kim never cancels any meeting that he chairs. He hardly misses work because of sickness.” Empowerment requires systematic construction of work structures. Mr. Kim closes the book twice a month. At that time, CFO of LG Korea even did not understand the rationale of such practice. With empowerment based on trust Mr. Kim successfully implemented systematic management structures. As the result, LG India managers took every 15th of each month same as the last day of the month for performance evaluations of each functional units.

### (4) Innovation based on localization of R&D and customer-focused strategy

For the success of localization, Mr. Kim emphasizes continuous innovation based on localization of R&D and customer-focused strategy. Through localization of R&D, products which fit local customers come into existence. This credo relates to customer-focused strategy, as localization of R&D is necessary for satisfaction of local customer. For example, the total number of R & D personnel of LG India is 150, which is the largest among MNCs. India LG has the large number of R & D personnel comparing with ration of total employees. Mr. Kim comments, “Localization is about independence from the Korea Head Offices. This must include R & D’s independence as well.”

### (5) Market and Field-Based Leadership

Mr. Kim visited almost all parts of India on foot. In the course of building nation-wide marketing network he visited all the important places of India. LG India has 46 marketing centers and 70 other remote area offices are in operation as well.

### (6) Rapid Decision Making

Mr. Kim’s speed of decision making is very fast. The style of his decision making is, “clear, simple and precise”. He rarely says, “Let me think over and talk about this later”.

## **3.2.3 Localization Strategy in India**

This section summarizes localization strategy and a few success factors of LG India (Park,

2009). LG Korea points three factors for LG India's superior performance outcomes. First, production of high premium quality of products, Second, localization policy efforts, Third, strong distribution network for vast rural areas. Among these three, localization policy initiatives are the most critical of all. LG India employs unique marketing practices with right products that fit to Indian market requirements (SERI, 2007b). In 1997 LG India deployed 70 product lines all together and started establishing LG brand power in Indian market. For new product development LG India became successful to plant the brand awareness among Indians that LG products reflect Indian tastes with Korean technologies. For example, Indian traditional costumes are quite thin and therefore quite sensitive for slight pressures. LG India developed washers that do not use circulating wing in the center and accordingly they were a huge market success (SERI, 2007a).

Initially, LG India produced products in the form of OEM through strategic alliances with Indian local suppliers (Park, 2009). However, with slow productivity progress in Indian suppliers, LG senior production manger started working together with Indian workers in the factory floor. He ate with them and discovered the practical problem areas. In this way, there was drastic change in work attitude and habits among Indian workers and accordingly noticeable productivity improvement became a reality. Since more than ten different languages are spoken among workers, LG India devised a system through which workers may choose production instructions in their own languages.

The primary reason why Japanese electronics firms were unable to capture Indian market was their failure in local accommodations. Because of unstable electric supply in India, accidents occur in relation to uneven flows of electricity. LG India investigated the causes of this accident and subsequently developed condenser that is capable enough to function under unstable electrical flows. In this way, component parts were newly developed according to the local conditions. LG India boldly transferred almost all of decision making powers (up to 99%) to local experts who would devise effective marketing campaigns to handle changing customer requirements in India.

LG India also introduced drum washer and dish washer product lines that have direct drive functionality. At the first year LG India sold 4,000 units of dish washers whose components are imported from Korea and then assembled in India. The retail price range was 40,000 to 80,000 rupees. Drum washer is produced in LG-owned factory nearby of Pune area. LG emphasizes the functional advantages of its washers in terms of substantial reduction in

washing time and water usage. LG India also extends the period of free warranty of its new products from two years to seven years. Even in mobile phone development, LG India considered the local conditions. For example, in view of high noise level, the bell sound of the Indian phones is much louder than that of other advanced countries (Chosun, 2008.9.25).

Even now, no more than twenty Korean managers work in LG India while the number of Indian employees is 3,000. For the good community relations LG India built public health center nearby of its manufacturing facility at Noida. It also employs doctors, pharmacists and nurses to serve the people in the community at no cost to the people. At the 2nd factory location of Pune area LG India is also in the process of building public health center. LG is not merely making money. Rather, it is establishing the favorable corporate image to the people in that it creates employment opportunities for the people and contributes to the overall wellbeing of the community. LG India also takes much effort in sports marketing. LG India sponsored Cricket National Championship for more than ten years and accordingly enhanced LG brand awareness (Maeil Business Newspaper, 2008.3.24).

Samsung engages in sports marketing in global scale while LG employs sports marketing in national or regional level. For example, Samsung implements brand promotion through its sponsorship of Chelsea Soccer Team for targeting the entire Europe. LG, on the other hand, focuses its sports marketing for particular nations. From 1999 LG has invested heavily on Cricket World Cup which South Africa, India and Thailand hosted respectively. LG is proud of sponsoring local and regional popular sports such as Cricket World Cup and promotes its products through direct and relational marketing strategy. This is quite different from Samsung's global sports marketing based on its abundant financial resources (Park and Park, 2007). Since the most favorite sport of Indians is Cricket, LG also embedded Cricket game functions in its TVs sold in India as well. Another reason why LG India was so successful in India was its upper middle class strategy. LG India targeted upper 5% of Indians through high premium product strategy. These people have purchasing power for LG products. Besides, such brand image also allows other customers that join the upper middle classes prefer LG brands for the status symbol effect.

Lastly, for localization strategy of LG India cobweb distribution and service strategy are important factors (Park, 2009). LG India from its early pioneering years poured much of its resources to develop distribution and services networks which include 18 branches in major regions, 1,800 logistic centers and 85 service centers throughout the nation. While other firms

paid little attention to after services, LG India allocated almost half of its human resources for the after-services. LG India also adopted saleswomen system that utilized India's vast pool of women workforce. LG India was the first that implemented the system of saleswomen in India. These saleswomen certainly contributed to the sales increase of electrical household goods.

### 3.2.4 Localization of Human Resources Management

Another success factor of LG India is localization of human resources (Park, 2009). Table 2 shows the details of human resource practices in India. Indian managers are in charge of sales and human resources. Managers from LG Korea take care of production and finance. Indian managers assume managerial positions in all other areas that have direct contact of Indian market. Strict incentive systems motivate Indian managers to achieve their performance goals. For 1999-2007, incentive bonuses were given to employees based on their performance results from 0 to 2,000%. From 2008, the rate differentials are modified from 0 to 200% of the base salaries. LG India intends to strengthen marketing campaigns in PC and mobile phones using GSM methods.

Table 2: System Management with Local Managers

Sales	HRD	Factory	Finance
Indian V.P	Indian V.P	Korean V.P	Korean V.P

Table 3: Results-based Performance Evaluation System

Results-based System Culture	<ul style="list-style-type: none"> <li>—Evaluation by Quantifiable Criteria</li> <li>—Competitive Culture Between Business Units</li> <li>—Integration of Performance Outcomes and Tangible Rewards</li> </ul>
Evaluation System	<ul style="list-style-type: none"> <li>—Monthly Evaluation (Make the Ranking Information by Business Units and Individuals Available)</li> <li>—Utilization of IT-based Evaluation Package</li> <li>—Business + R &amp; D : Responsible Follow-up on Monthly Sales/Profit and Loss Outcomes (Twice a month feedback)</li> </ul>
Performance Incentive System	<ul style="list-style-type: none"> <li>—Strict Incentive System (0—1600%) &lt; 200—1600% from 2008 &gt;</li> <li>—Relative Evaluation of Annual Salary (0—30%)</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>—Disclosure of Evaluation Results and Mutual Feedback</li> </ul>

### 3.3 Extending the India Localization Strategy to Poland

LG founded LG Mlawa Poland for Europe market 10 years ago. Accelerating growth of Europe market caused LG to found one more factory in Poland. LG Wroclaw Poland was established in 2005. As we see extending the India Localization Strategy to Poland, we focus on LG Wroclaw Poland. LCD TV and the assembly operations of refrigerators started from 2006 and the localization initiatives became quite rapidly implemented since then. Table 4 is the summary of production volumes of LG Wroclaw Poland.

Table 4: LG Wroclaw Poland's TV Sales

		Actual		Plans		
TV		2007	2008	2009	2010	2011
Sales	Million(\$)		1,370	1,450	1,740	1,910
# of production (EU demand)	Million (units)	25	33	40	44	51
Production Volume (LG Wroclaw Poland)	Million (units)	3.0	5.0	6.0	7.0	8.5
LG's EU market share		11.2%	12.5%	14.0%	15.0%	16.6%

To extend the India Localization Strategy to Poland, LG Korea appointed two middle managers which experienced in LG India as presidents of LG Wroclaw Poland. As we focus on current move of localization from LG India to Poland, we consider leadership of current president.

Mr. S (current president of LG Wroclaw Poland) was initially sent to LG India from Korea Gumi Business Unit. Mr. S worked under Mr. Kim as a middle manager in LG India. There Mr. S learned Mr. Kim's empowerment management. The total number of Korean managers in LG India as of 2006 was 23 (17 in Noida Facility and 5 in PUNE Facility) and 3,000 Indian employees. LG India initiated and implemented localization policy. LG Korea did not have any particular strategic intent about this. In fact, as LG India showed successful performance outcomes, senior management of LG Korea asked this question, "With a very small number of Korean managers, how is it possible for LG India to perform so well?" Later, it is discovered



that Indian managers made a huge difference. LG Korea then hired 60 Indians in its operation as well. In this way, LG as a whole adopted more open human resources practices. In this way, LG India provided specific examples of how to implement localization policy.

Mr. S, who learned from Mr. Kim in India, further expanded this initiative based on actual performance outcomes. Productivity of LG Wroclaw Poland exceeded that of LG Korea. Specifically, LG Wroclaw Poland realized high speed production (Tact time : 7 seconds). In the context of global financial crisis, exchange rate differences somewhat affect a productivity measure in monetary terms. However, the real productivity gain is due to high level of team work through effective communication with Polish employees and their innovative problem solving capabilities. Mr. S enacted trust-based management. Such successful localization policy which learned from LG India is replicated in LG Wroclaw Poland as well.

In the similar fashion, LG Wroclaw Poland also adopted localization policy in its human resource practices. Table 5 shows the executive appointments in LG Wroclaw Poland and LG India. Local managers are in charge of sales and human resources. Managers from LG Korea are responsible for production and finance. Polish managers assume all other managerial positions.

Table 5: Comparison of Executive Appointment in India and Poland

	Sales	HRD	Factory	Finance
India	Indian V.P	Indian V.P	Korean V.P	Korean V.P
Poland	Poland V.P	Poland V.P	Korean V.P	Korean V.P

#### 4. Discussion

This paper explored the details of the localization strategy of LG India and the subsequent replication of extension to LG Wroclaw Poland. We also examined the constructive relationships between (1) LG India and LG Wroclaw Poland, (2) LG Korea Headquarters and these two successful overseas operations (i.e., LG India and Poland).

In the past, most of globalization initiatives of MNCs were initiated by headquarters of parent company. This LG case study suggests that successful localization initiatives are quite possible through the innovative leadership of LG India. This localization success example provided reverse learning effect in LG Korea Headquarters. Furthermore, the middle managers

that learned localization practices in LG India tried in Poland with great success. These case examples provide somewhat different model of localization of MNCs. It remains to be seen how these dynamic localization initiatives extend as a vital part of globalization strategy of MNCs. Theory development and managerial implications might be useful to explore with the further follow-up studies.

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