

Fostering a Culture of Innovation at LG through High-Potential C-Suite Leaders



Faced with declining business results and lagging behind their competitors, LG, a multinational conglomerate, decided that it was time for a leadership overhaul among their topmost level of leaders. The chairman identified that the leaders in line to become CEOs in each business unit needed to make the shift from "slow-moving" and "familial" to "entrepreneurial" and "innovative" leadership, but without losing the best of the company's culture.

LG had long fostered a strong employee-first culture, where the environment was warm and welcoming, focused on talent growth and development, but not necessarily geared towards driving innovation. This resulted in less-than-optimal business results when compared to their hyper-innovative competitors in fields like electronics and technology.

Making this significant culture change was a challenge. For leaders, it required improving their business acumen and developing their leadership capabilities to be able to deliver on a growth-oriented strategy. This required a strong focus on developing talent, namely those in line to become CEOs of business units.

Building Innovation Leadership with Business Simulations

To facilitate this shift, LG created a high-potential leadership development program in which Heads of Business Units, all leaders on the cusp of moving to the CEO position, would gain this "entrepreneurial"

mindset. Annually, 20 high-potential Heads of Business Units from varying divisions across LG were selected to participate in the leadership program.

The experience that LG and BTS created as a part of the leadership program included a customized business simulation that would align leaders to LG's new leadership model and way of doing business. To make this change a reality, leaders needed to shift their mindset and really see and experience how they could run the business differently.

In the simulation, leaders would be tasked with the challenge of entering the car component industry as a new branch of LG. They would have to successfully develop a new company under the LG name, and come up with innovative solutions to succeed in the market. Participants would have to address a new business that they did not understand, create a new approach, and be collaborative and innovative within their teams.

The Business Simulation Experience at a Glance

In the simulation, each Head of Business Unit led their integrated car component "company" with two of his or her direct reports, competing against teams led by other Heads of Business Units. In most business simulation experiences, leaders are grouped into larger teams of five to six people that might not represent their day-to-day workforce unit. In the case of LG, however, teams were purposefully grouped together in their intact units; this allowed for improved teamwork, and a more realistic participant experience.

The simulation was designed to shift leaders' mindsets to a more innovative and results-driven approach by improving their understanding of business metrics, developing their individual business style, and providing insights around which business behaviors led to successful outcomes. Furthermore, the simulation drove a hard bottom line, as the integrated car component companies within the simulation would fail if they did not perform. This illustrated how continuing the friendly culture of the past without driving an entrepreneurial mindset would lead to poor results in the future.

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Directly simulating the LG environment enabled LG leaders to practice and see the benefits of maintaining the best of their current culture while driving innovation. This demonstrated how leaders could focus on both the existing business and culture while also exploring new markets and solutions, balancing the traditional approach at LG and the long term future of the organization.

Driving Culture Change that Produces Lasting Results

The success of the program has been pronounced, and the results have been significant. In January of 2018, LG announced a record annual revenue of 55.4 BUSD in 2017, a 10.9% increase from the previous year. This has been the largest profit increase that LG has seen since 2009. This result demonstrates how investing in leadership development and making a culture change have had a positive business impact on the organization.

Additionally, [The Harris Poll's Reputation Quotient](#) listed LG as the 25th company on its list of the most visible companies, a significant honor for LG. Among their peers in the category of products and services, LG was ranked fourth. In addition to this external success, stock prices have risen since the program's implementation.

The reception of the program itself has also been widely positive and seen as a critical enabler of LG's success. Due to these results, BTS has continued to engage with LG in their high-potential leadership program every year since the initial partnership, even expanding into different areas of the organization.

For participants, the main takeaway from the simulation has been their ability to adopt a new way of thinking and capture the patterns and skills needed for innovation in their respective roles.

To date, more than 100 Heads of Business Units have been promoted through the program. Nearly all of the participants have been promoted, while many participants have made a name for themselves within LG as true change agents. After experiencing the program, participants have pointed to the simulation as the true highlight of the experience.

Clearly, the "entrepreneurial" and growth-oriented mindset developed in the program has begun to take hold within the organization. However, the friendly, development-oriented culture has not been sacrificed to make this growth shift – proving that it is possible to achieve an innovative, high-growth business environment while maintaining a people-oriented culture. Due to the success of the program, LG has expanded its work with BTS to over 20 programs across the organization in order to continue building an increasingly "entrepreneurial" culture throughout LG.

After more than a decade of partnership with BTS, the high-potential leadership program is viewed as the spark that helped ignite innovation at LG, pushed leaders out of their comfort zones, and challenged them to think differently. Together, the BTS and LG journey has truly revolutionized the mindsets of LG's leaders.

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