LG Electronics, Inc.: Implementing an e-HR System – Teaching Notes

The Case in a Nutshell

LG Electronics, Inc. (formerly known as Lucky-GoldStar) was a subsidiary company of LG Group that was established in 1958 by developing the nation’s first radio, as the pioneer in the Korean consumer electronics market. By 1965, LG Electronics was producing transistor radios for export to Latin America.

Since then, LG Electronics (LGE) had made constant efforts to maintain high levels of innovation, research and development. This made the company a successful global electronics manufacturer. The company produces electronics, information and communications products with more than 64,000 employees working in 76 overseas subsidiaries and marketing units around the world with annual total revenues of more than (non-consolidated) US $16.9 billion (LG home page, 2006). LGE comprised of four main business units: Mobile Communications, Digital Appliance, Digital Display, and Digital Media. LGE has garnered a reputation in innovative technology with the development of consumer electronics, home appliances and IT product.

LGE initiated a transformation in Human Relations Management (HRM), as part of continuous efforts to steer various reform initiatives to secure global competitiveness. LGE’s effort to improve their HR Service level was shown by their attempt and output of reorganizing their HR Service Department. LGE transformed their HR service department from an ‘Old HR service delivery model’ to a ‘New HR service delivery model’ by implementing an in-house service center called the ‘HR Shared Service Center’ (HR SSC) to oversee their HR administrative activities.

One of the significant developments during their human resource e-transformation was the creation of an e-HR system to support the HR SSC. The development of HR SSC included the implementation of an e-HR system to maximize and induce its purpose. Started in 2001 as a HR Data Mart, the e-HR system aimed to support the Shared Service Center more effectively by aligning and integrating it with the existing company’s intranet/portal. The e-HR system project was an extension of LGE’s overall ERP project.

Teaching Objectives

The LGE case can be used in a variety of ways in courses on eBusiness, information system implementation, strategy implementation, and human resource management. Depending on the particular course, one or more of the following teaching objectives should be emphasized:

- The rationale of implementing an e-HR system

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• To understand the steps taken toward implementing an e-HR system
• To explore the challenges faced during implementing an e-HR system
• To underscore the benefits of implementing an e-HR system

Assignment Information

The following questions could be addressed by students in preparation for the case discussion:

1. Why did LGE decide to implement an e-HR system? What was the impact of global pressure to kick off this innovation? In your opinion, what were the benefits of the new system?

2. Who were the stakeholders of the e-HR system? Identify their role in the implementation of LGE’s e-HR system.

3. What were the steps that LGE took to implement its e-HR system?

4. What were the challenges that LGE faced during and after the implementation of its e-HR system?

Teaching Plan

Case Introduction

The instructor may introduce this case to the class by noting that LGE targeted its HR direction in two categories according to different purposes. One was focused on people performance improvement and the other was HR Service level improvement. Although these two directions encompassed distinctive purposes, they should not be isolated alone but should be understood as supporting and interacting together.

People performance improvement was aimed at establishing a strategic human resource management structure. LGE practiced strategic human resource management by following programs such as strategic staffing programs (for planning, recruiting, and changing of positions), performance/reward programs, and strategic human resource development programs (for career development, succession planning, training and education). They perceived these practices as a core of HR management, which conveyed their purpose of improving people performance.

The other direction, HR Service level improvement, was aimed at providing and delivering effective HR service. This was put into practice by establishing a HR Service Delivery Model, which included the delivery strategy, process, role of responsible person, and HR performance measurement. Furthermore, in order to deliver effective HR service, LGE implemented a total e-HR system, that is, the Human Resource Management Systems (HRMS), ERP and HR program solutions.

Figure 1 explains these two directions.
During the class discussion, the instructor can discuss the assignment questions with the students and guide them in answering these questions:

1. Discuss the reasons for implementing an e-HR system. Why did LGE decide to implement this system?

   The instructor can first encourage students to think of LGE’s reasons for developing an e-HR system, and in particular, address the following reasons:

   LG Electronics made constant efforts to maintain high levels of innovation and research and development, making the company a successful global electronics manufacturer. LGE initiated a transformation in Human Relations Management (HRM). This was a part of a continuous effort to steer various reform initiatives to secure global competitiveness. The company not only undertook activities in operations, sought to strengthen its competitiveness and create profitability, but also made an effort to transform its human resource management practice. LGE and its members discarded the old vertical relationships of pursuing and keeping their respective shares. Instead, a horizontal relationship type was embraced wherein workers and managers assumed their functions and roles in pursuit of a common goal.

   The above paradigm shift triggered LGE to initiate their HR transformation. LGE had distinguished its HR direction into two categories according to different purposes. One was focused on people performance improvement and the other, on HR Service level improvement.

   Starting in 2001 as a HR Data Mart, the e-HR system aimed to support the Shared Service Center more effectively by aligning and integrating with the company’s existing intranet/portal. The e-HR system project was an extension of LGE’s overall ERP project.
Three issues were emphasized during the initiation of the project. LGE wanted to stress its Policy, Process, and System. Figure 2 shows each issue and reasons for emphasizing them.

![Figure 2: Purpose of HR ERP system](image)

The main purpose of the e-HR system was to streamline HR processes and provide a single source of access for all associated employees and organizational data. It aimed to provide the opportunity to automate labor-intensive processes and devolve routine transactions to line managers and, in some cases, to employees themselves. An e-HR system could also lay the foundation for a wider e-HR strategy, which may include e-learning and online recruitment, by providing more consistent and accurate internal profiles.

2. **Who are the stakeholders of e-HR system?**

Table 1 shows the different stakeholders involved in the project.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Stakeholders</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGE</td>
<td>HR executive / HR team leader / HR SSC team leader / Departmental HR manager</td>
<td>Decisions on HR Business processes and services</td>
</tr>
<tr>
<td>LGE IT Department</td>
<td>IT Department employees</td>
<td>Decision on the IT policy and overall system configuration / Decision on the IT Solutions / IT budget</td>
</tr>
<tr>
<td>LG CNS</td>
<td>LG CNS</td>
<td>System development / System coding</td>
</tr>
<tr>
<td>Oracle</td>
<td>Oracle</td>
<td>Application coding</td>
</tr>
</tbody>
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*Table 1: Stakeholders involved in the project*
A project team consisting of 35 members was initially formed. 10 of them were from LGE, 20 from LGCNS, 4 from Oracle Korea who were responsible for the application coding, and 1 from Oracle H.Q who was responsible for supporting the alignment between the existing ERP and new Oracle HRMS module. Also, 40 software developers who were contracted by LGCNS were involved. However, the number of software development people from LGCNS fluctuated very often as the project progressed.

3. **Discuss the steps that LGE took to implement an e-HR system.**

The overall e-HR system development project was started in January 2001 and finished in December 2002. This included LGE’s ERP development from May 2001 until August 2002.

The decision to outsource was not an issue because companies like LGE were used to being involved in such IT projects. A senior manager in HR SSC stated that most of the time, LGE decided on the LGCNS (subsidiary company of LG Group, which was formerly a joint venture between LG and EDS named LGEDS) for any IT project. Apart from LGCNS, two other companies were involved in the project. These two companies were LGE (a project owner) and Oracle (ERP HRMS product vendor that was responsible for providing IT application and solution). LGE employees were responsible for monitoring the progress and facilitating the development while employees from LGCNS were mainly responsible for software and system development in cooperation with Oracle.

LGE drew up a checklist of the key points to consider when choosing a system, including how to handle payroll processing: integrate, interface or outsource. The key points were:

- The business objectives
- The service center place in a new HR structure
- Timescales and plans for implementation
- Building support for the concept
- The role of technology and extent of employee and line manager self-service
- Contact routes and the service delivery model
- Performance measurement and customer satisfaction

Moreover, as noted in the previous question, a project team consisting of 35 members was initially formed.

The e-HR system project was an extension of LGE’s ERP project. Figure 3 outlines the overall master plan.
LGCNS employees are still stationed in LGE’s HR SSC to improve the functions of the e-HR system when necessary. The overall cost for the project was approximately 9,000,000,000 Korean Won (i.e. approximately US $9,000,000) including a Data Mart for the database.

4. Discuss the challenges that LGE faced during the development process.

First, LGE went through a M&A with one of its subsidiary companies (now a Mobile Communications business unit of LGE) in which the company needed to reconfigure all of their employees’ HR data under one roof.

Second, LGE’s ambitions to be a global leader in consumer electronic market placed a load on their implementation. As the company tried to align their work (i.e. planning, strategy, purchasing, logistics, etc.) processes according to the value chain, they expected a new process innovation. This innovation process aimed to provide the same platform, service, and management in all LGE branches in Korea and abroad. LGE considered that these changes were necessary for them to prepare to be a global leader. The HR SSC was no exception to this change and had accept the burden of preparing to provide a global standard of HRM practice.

Third, employees (users) presented unsatisfactory remarks at the beginning of the use of the system. This was mainly by employees who needed to send out documents by post or special courier. Although the completion of the service delivery was late with a delivery time of 12.5 days before the system implementation, it could be done at the same place with face to face interactions. The short time scale in service delivery time and the local point of contact led employees to see the benefits.

Fourth, during the development period, in particular, IT and system development issues placed HR SSC in a difficult situation. The software package from Oracle did not include all the necessary elements that LGE sought within the system. The package presented categories that were founded on American HRM practice. For example, American HRM practice was based on self regulation that did not need much support on HR issues, while Korean employees needed
detailed management of work and support from the HR center. In addition, in the user interface issue, LGE found the need to develop a few items with their own specification. In particular, HR SSC wanted to view complete categories of the menu rather than the segmented step by step view that the Oracle package presented.

Fifth, due to the sensitivity associated with personal data, HR SSC was not able to incorporate all elements that they had in mind. Elements such as changes in an appointment or promotion had to be restricted to HR personnel which did not allow individuals to change their information. In addition, amendment of personnel information regarding increases in the number of family members and degrees awarded was also restricted. Employees were asked to present appropriate documents for HR SSC employees to change the information for them.

Sixth, managing projects which needed to be incorporated and aligned with LGE’s ERP system required a significant amount of effort in handling the careful configuration of the system.
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