

# Constant Transformation & Innovation to the Top



## CORPORATE CULTURE TRANSFORMATION

Transforming the organizational culture is the most important aspect of managerial improvement. Barriers within the organization must be brought down, while communication and decision-making among organizational members needs to be smooth and effective. LG Chem is opening up the organizational structure to ensure communication is constantly centered on where the work is actually performed and flows freely among all organizational levels. No innovation is possible without empowerment, and people are the key to getting things accomplished. People can grow within an open organizational culture, and LG Chem continues to upgrade the organizational culture to cultivate employees and ultimately accomplish managerial innovation.



## PRODUCT INNOVATION

LG Chem engages in ongoing innovation activities to offer a full range of world-class products that surpass individual customer requirements and are highly profitable for the company. Here, "world-class" means products that provide customers with value found nowhere else, earn a premium for LG Chem, and enable LG to dominate either globally or within certain target markets.

LG Chem has managed to increase its number of "world-class" products from 28 in 2000 to 45 in 2003, thanks to closely coordinated R&D activities between LG Chem and its customers as well as ongoing innovation internally. "World-class" products now account for 34% of total sales, and the company aims to have 53 items in the "world-class" category, collectively representing 41% of total sales, by 2005.

With customer needs the top priority, LG Chem will be first to come out with distinctive product offerings by innovation to technological capabilities and services. This approach will deliver value far beyond customer expectations.

LG Chem is resolutely pursuing operational innovation and improvement, essential for being competitive in today's globalized and digitalized world.

To become a global leader, the company is innovating technology while raising productivity, lowering costs and creating new value-added products and services.

The corporate goal is to offer customers services that exceed expectations.

### PROCESS INNOVATION THROUGH SIX SIGMA

In 1999 the Six Sigma was implemented as part of overall operational reform. In the first phase, the Six Sigma initiatives were practiced in conjunction with the Total Productivity Management (TPM), an innovative effort directed at on-site operations, further enhancing competitiveness and productivity.

Near the end of 2002, the second-phase Six Sigma initiatives were introduced in all work processes across LG Chem to improve transactional Quality (TQ) and R&D activities. In the second-phase implementation, Six Sigma initiatives were more than doubled over the previous year, including 240 Black Belts, 100 Master Green Belts, and 360 Green Belts Projects. These generated nearly ₩140 billion worth in 2003. LG Chem also linked the Six Sigma initiatives with SKILL, a problem-solving method, boosting higher efficiency in R&D and other aspects of the company work processes.

In 2004, LG Chem emphasizes integrating innovation activities and the Six Sigma initiatives into daily work routines for the entire workforce. Initiatives implemented to date include, 213 Black Belts and 15 Master Black Belts, which have demonstrated tangible results. The company intends to add 400 Black Belt projects in 2005. In addition, the company will certify qualified Six Sigma achievers from production operations, while placing highly capable personnel in sales and administrative support.

In 2005, the third year of the second phase of the Six Sigma drive, LG Chem expects all employees to acquire Green Belt certifications, in addition to driving 40 Master Black Belts and 400 Black Belts. A total of 600 Black Belt projects involving 30% of the entire workforce are set to generate ₩180 billion, which will be added to ₩800 billion in revenue estimated in 2005.

