

The Analysis of LG and Haier with Trait Theory and Leadership Style Theory

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ABSTRACT. *with the development of technology, an increasing number of individuals prefer to the quality services rather than products. And the most important aspect is that the customers' shopping experience. According to this situation, more and more enterprises choose to performance and provide some surprising personalized service by using online technology. Hence the management should be also increased to coincide this. The essay is focused on introducing several theories: the trait theory and the leadership theory. In order to specifically explain them, I will add some cases of Haier and LG. The structure of article includes three parts. The first is concerning on the theories as the definition and the differences between those two. The second part is about how to use those into companies. And the current situation and some factors influence those companies. The differences between Haier and LG. How to use the leadership and trait theory into the companies. The last part, the essay witness the future. From this research, the author wish some useful conclusions can be demonstrated, and which could be taken into other companies.*

KEYWORDS: *leadership, trait theory, leadership theory,*

1. Introduction

House's (2004) definition of leadership is as follows: 'Leadership is a process whereby an individual influences a group of individuals to achieve a common goal'. Leadership is fundamental to the nature of society itself. Generally speaking, leadership theory researches the effectiveness of leadership which is regarded as one of the most important parts in the organizational behaviors. With the competition between various companies is becoming more and more competitive, leadership theory was widely used by companies and organizations.

The article will introduces leadership theories, especially the trait theory, and leadership style theory. Trait theory is a research which is formed in order to know why a certain group of people can be good leaders. And the leadership style can be taken as a function of the personalities, mentorship experiences in the past (Mann, 1996). Then, this research concentrates on the practices of Haier and LG with the

usage of the trait theory and leadership style theory. LG, a very famous company in Korea, and Haier, household appliances company in China. In this part, the essay will discuss differences between those two organizations and analysis the factors influencing the leadership of LG and Haier together. In the second part, this essay will focus on factors influencing the Leadership style of LG and Haier. At last, there are some recommends improving those two companies' performances and leadership management.

1. The Trait Theory and Leadership Style in LG and Haier

1.1 Introduction of the Trait theory and Leadership Style

The trait theory can be taken as the so-called "great person" theory, because it pays special attention on the personalities and qualities of the good leaders. Meanwhile, this research resulted in the argument about the nature and characteristics; it means that only few people were born with these traits which can make them become good leaders. And this theory mainly concentrated on searching for the traits which can distinguish between the followers and leaders (Bass, 1990; Dubrin, 2007; Jago, 1982). As a result, the scholars would like to know the universality and common factors of leadership. As the researches have pointed out, no trait was proper in all conditions. However, trait approaches have sometimes encountered difficulty in arriving at an agreed list of traits; it is mainly concerned with psychological concepts such as extroversion, determination, self-confidence and dominance, rather than with a theory of communication. The recent research has pointed out that the trait theory began to attract a lot of attention because the new trait theory emphasizes the significance of traits in effective leadership. Summarizing the traits identified from a lot of scholars, there are five factors which are mentioned most frequently: (1) intelligence, (2) self-confidence, (3) determination, (4) integrity, and (5) sociability (Northouse, 2010).

Leadership style means a series of behaviors and activities which good leaders use in order to get good results in the process of leading. These activities include the principles and standards setting for the team, assist the team to set up short-term and long-term aims, communicate with the followers and employees, give them his own feedbacks, motivations, rewards and punish them when necessary.

Sometimes, a leadership style would be developed by the company, its history or a certain philosophy it may have on managing people (Stogdill, 1948). To be specific, leadership styles are different from each other. Each one has their own ways to make full use of their own leading abilities. So there are no good or bad, right or wrong leadership styles. The best leaders have their own understanding about how to adjust their leadership style relying on the conditions they are in. There are six main leadership styles (Goleman, 2002): (1) Commanding; (2) Pacesetter; (3) Visionary; (4) Affiliative; (5) Democratic; (6) Coaching. Additionally, as a specific leadership style is suitable for the conditions today, it cannot be always suitable in the future.

1.2 Comparison between LG and Haier in relation to the Trait theory and Leadership style

It is known that both LG and Haier are very successful companies. LG Group was established in 1947 in Seoul, Korea, with annual sales of up to \$ 82,096 million (2008 data). Currently, it has 170,000 employees all over the world and established more than 300 overseas offices in 171 countries. Haier was established in Qingdao, China. As the world's largest home appliance brand, Haier has established a total of 64 trading companies (19 located overseas), 29 manufacturing plants (24 overseas), 8 design centers (5 overseas) and 16 industrial parks (4 overseas) (Haier, 2007). Consistent with Haier's position as a global brand, the company employs over 50,000 people around the world.

For the two organizations, LG and Haier, there are two leaders which resulted in the success of the two organizations; they are Bon Moo Koo and Zhang Ruimin. Generally speaking, they are both the leaders with the innovative thoughts, their global vision about the development, so the trait theory and leadership style theory are used in the following discussions. The key differences between the two organizations lay on the following aspects:

(1) Under the trend of globalization, the leaders of the two companies have their own way to face this trend, but the leadership of LG are more mature, taking "LEAP 2005" for example, we can see that LG has its own specific aim in its development, however, the aim of Haier is not so clear.

(2) Another factor which can be taken as the difference of the leadership is their own culture background, as we know, although China and Korea are all the Asian countries, they present a lot of differences in the leadership and management. Studies on the leadership suggests that while common leaders are influenced by individual behaviors, the behavior of direct managers and supervisors has the strongest influence across cultures (Davis & Rothstein, 2006; Falkenberg & Herremans, 1995; Posner & Schmidt, 1984). So Mr. Zhang and Chairman Koo's leadership are both full of their own cultures, and although they are adjusted according to the situations in the world, their cultures are all their influential factors.

(3) Meanwhile, as the leadership style has emphasized, democratic style is one of the most important styles in the leadership, however, with different culture background, Mr. Zhang pays special attention on the communication with the democratic way, but Chairman Koo is still with the "Korean style" with the paternalistic leadership, Koreans are always conscious of what others think of them and to be more mindful of how they rank compared to others.

2. Factors influencing the leadership of LG and Haier

Through analyzing the factors which influence the leadership, the leaders' activities and personalities should be emphasized. The traits and values can make up

the character systems. And in their process of leading, their own leadership style can be formed.

2.1 Factors influencing the Leadership of LG

From Bon Moo Koo, chairman of LG, we can see the factors which influence the leadership of LG Group:

Since 1995, Bon Moo Koo began to control LG Group, which is one of the three biggest Korean chaebols. Just as a newly recommissioned ship, LG Group had experienced the innovation and it began its own sailing. And chairman Koo used his own leadership to manage the whole company, and he set an ambitious and brave new aim by changing LG Group from a great Korean company into a worldwide company. In order to achieve this, he need to lead the whole group into the unknown waters which are called as global competitions. As he began to take charge of the whole group in 1995, a plan called "LEAP 2005" from Chairman Koo started to influence the whole company. Of all the different elements of this vision, the goal of increasing revenue to US\$380 billion by 2005 with 50 percent coming from worldwide sales was the most challenging things. The emotion behind LEAP 2005 is explained with the following statements by Chairman Koo:

If we do not compete on the world stage, we will have difficulty surviving. I announced this lofty target to prevent us from becoming complacent with our past successes.

In late 1997, about 3 years after Chairman Koo began to take control of LG Group, Mr. Y. K. Kim the head of the LG Human Resource (HR) team found that there were still a lot of challenges in translating the Chairman's vision into reality. It was also clear that LG had to change its decision-making style. Like other Korean companies, LG had a long history of relatively centralized decision-making approach and a top-down process in the management. As the process of the globalization, the markets and customers often changed, not only relying on the Korean markets and customers, but from the whole world as well. As a result, it was not possible for the Chairman Koo to know everything which was going on in such a large company and across such different markets and customers. So Chairman Koo changed his management approach, his ideas has become decentralized and more participative in fact.

Leaders are presented with a different type of challenge in cultures. To achieve the aims of Leap 2005, Chairman Koo explained his basic philosophy, it includes the following aspects: (1) Compete from a global perspective; (2) Create maximum value for customers, employees, and shareholders; (3) Manage business with integrity; (4) Have contributions to social development as a corporate citizen. Meanwhile, Chairman Koo set up its global vision with the changing of LG cultures. The growth aims set up by the Chairman in Leap 2005 were highly courageous and ambitious. LG was to grow from around US\$38 billion in 1994 to US\$380 billion by 2005.

2.2 Factors influencing the Leadership of Haier Group

Zhang Ruimin, the CEO of Haier, was taken as one of the most successful entrepreneurs in China. And what influence his leadership is full of its own features.

The great personality is not given in the request. In Zhang Ruimin's opinion, everyone is a talent, so as a leader, he should know the strengths of every subordinate to provide them with good conditions. Personality is often attached on the national character. There is a story about Zhang. In 1984, he went to Germany for technical cooperation, accompanied by his German boss; the boss pointed to fireworks and said the fireworks were imported from China. His heart was bleeding because "Made in China" products cannot be seen in Germany, from then on, his patriotic personality began to develop.

About the enterprise development strategies, Mr. Zhang has its own point: Zhang's aim and ambition is to achieve global recognition as the Haier brand. In order to enhance the management efficiency of Haier, Zhang Ruimin connected Chinese traditional culture and western industrial experiences together and set up the OEC and the Market-chain management systems. Zhang's management system has been widely acknowledged by domestic and overseas management professionals. In order to win a stronger and better position in the U.S. market, Haier attempted to take over U.S. appliance maker Maytag Corp, but dropped its more than US\$1 billion bid after U.S. main electronic appliance maker Whirlpool made a bigger offer. But Haier, under Mr. Zhang's visionary and courageous leadership, is expected to shop for other acquisition opportunities.

Haier, is now its global revenues of up to seven billion U.S. dollars, its factories did not only exist in Indonesia, the Philippines, it also began to turn their attention to Japan, Europe and the U.S. As one of the world's largest home appliance market, the United States will undoubtedly become the top priority of Haier's global expansion strategies. One of Zhang Ruimin's philosophical concepts in business practice is "Tread on eggs always, run scared always". The corporate culture in Haier which is on the basis of Zhang's philosophy has played an important role in increasing 30,000 employees' enthusiasm and innovation.

3. How Leadership could be Improved for the Two Organization

"Effective leadership" is usually regarded as one of the key factors of business growth, innovation and regeneration. However, on one hand, as current situation of the two organizations indicates, they meet the problems about the globalization in their process of developing, so the leadership should be improved:

3.1 Global sense in Different Cultures

For the two organizations, they both have such a huge achievement in their domestic markets. What they should do in the future is to enlarge their global market and set up its global position. As one part of LG's global geographical footprint, for

example, LG has started operations in the world with all its electronic products. With the tendency of globalization, LG's capital is seeking more opportunities in the world. Meanwhile, for Haier, there is still a long way to go to the global scope. Setting up the globalization sense for the two organizations indicated that the two organizations should improve the qualities of the leadership to be accustomed to the different cultures: Leadership can vary in collectivist and individualistic cultures for the two organizations. In collectivist cultures, leadership is associated with paternalism, group maintenance activities, face saving, conformity, as well as charisma and lack of social loafing. By contrast, leadership in individualistic cultures emphasizes individual discretion, autonomy, and task accomplishment (Erez & Early, 1993; Hofstede & Bond, 1988; Triandis, 1993). In individualist cultures there is higher susceptibility to social loafing as well.

3.2 Humane Orientation

Human rights are recognized by almost all nations. Failing to recognize or respect the particular identities of different cultural groups is likely to be under criticism, especially in liberal democracies where commitment to the principle of equality is the highest, especially with regard to the rights and needs of members of specific cultural groups. For LG and Haier which are in paternalistic culture, they should make exceptions for employees on the basis of their needs, for the top leaders and managers and supervisors in the two organizations, they should show concern for workers' personal problems by providing informal support. From this point of view, the two organizations are not much expected to make a profit without fulfilling social responsibility and giving serious consideration to all stakeholders, not merely the shareholders.

3.3 Future Orientation

Future Orientation is the degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying individual. An important function of leadership is envisioning the future, providing long-term direction, and articulating it to followers (Bryman, 1996; Kouzes & Posner, 1996; Yukl, 1998). Thoms and Green-berger (1995) suggested that the ability to create a vision is partially dependent on the leader's future-time perspective. The future-oriented concept of vision is particularly associated with charismatic leadership (Bass, 1998). So for the two organizations, they all have their own leaders in the leadership, and in the future, what they should do is to well predict the future, including in the global perspective and the organizations. And the leaders should pay special attention to the key characteristic of charismatic leadership, because it is the ability to develop a vision for the future and to communicate the vision to followers.

4. Conclusion

As economic borders come down, cultural barriers will inevitably go up and present both challenges and opportunities in business, including the design of multinational organizational structures, the identification and selection of leaders appropriate to the cultures, in which they will be functioning in the management of organizations with culturally diverse employees, as well as cross-border negotiations, sales, and mergers and acquisitions.

A major focus of the study is to identify leadership in the different organizations in the same sector. This thesis carefully studies leadership theories, especially the trait theory and the leadership style theories with the examples-Haier and LG to support. The essay only selects two electric companies to testify the effective leadership styles in different cultural contexts. In the research, with analyzing the leadership of the two organizations, there are three ways to improve the leadership of the two organizations: setting the future orientation, the humane orientation and global sense in the process of improving the leadership.

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