

# Case study on samsung electronics journey



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Samsung Electronics is a Korea-based customer company that provided electronics. This case study looks at the journey's that Samsung went through, they went from a company focus on manufacturing to well known for the excellent product designs. The case discusses how the company came about to use the design as a way to differentiate themselves and create a competitive advantage. It also describes the actual steps that the company took on the actual people, the process and on the systems in order to improve the design capabilities. Topic addresses Samsung's designs and the use of the designs that lead to a competitive advantage.

Like any company in the business world that is influenced by high tech, Samsung shows how they used it to their advantage to bring about innovative products to market faster and at the same time ensure that they have high quality products and try keeping their costs down. Samsung is faced with many challenges in the working environment with their global partners and it's own facilities. Samsungs strategy for innovation highly depends on the technology revolution. This revolution includes the development of the company's infrastructure and collaborating digital technology.

**During the period covered by the case study Samsung underwent significant change. How would you characterise the type of change that it underwent? Balogun & Hope Hailey's analytical framework may be useful for this purpose.**

According to Balogun. J and Hope Hailey. V there are four types of strategic changes namely Adaptation, Reconstruction, Evolution and Revolution.

During the changes that Samsung underwent it will be highlighted exactly

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the way in which to company changed, whether the change was done over time or whether the change was suddenly implemented.

Samsung shows signs of Reconstruction. Reconstruction is a rapid change and it may involve a great deal of confusion but it does not require a fundamental paradigm shift in the way the company does things. (Balogun. J and Hope Hailey. V, 1999) Reconstruction may be a turnaround situation where there is a need for a major structural change or a major cost cutting programme to deal with declining financial performances or changing market conditions.

Yun and his management team decided to take control by taking steps that would actually push Samsung out of its unstable financial position. Therefore Yun reconstructed the company by laying off almost 30 000 employees, which counted as almost a third of the entire workforce. This was considered as a major cost cutting plan that was done to help the company get out of debt. Yun and the management team then decided that they should close down some of the Samsung factories for a few months to try get rid of the inventory that was unsold. Therefore productions in those areas were put on halt.

Yun and the team also made major changes when they sold off two billion dollars worth of businesses, like pagers and electric coffeemakers, which were perceived to be marginal significance for the firm's future. These types of changes helped the company regain their losses which was a major structural and financial need for the company. Yun wanted to implement a strategy that would separate Samsung from their competitors. Therefore he

pushed the firm to develop its' own products rather than coping these products of other firms that had been developed.

Yun placed a lot of emphasis on the development of products that would impress the customers with their attractive designs and advanced technology. Therefore Yun was reconstructing the way Samsung has been doing business and wanted the company to reach higher standards where they can be seen as a quality brand and compete with the bigger companies. As a result Samsung reconstruction underwent a major design turnaround from a poorly designed product to a product that will be an in-house design.

The next major step that Yun took was to recruitment of new managers and engineers, many of whom had developed considerable experience in the United States. The recruitment of managers and the engineer's had a major turnaround due to the fact that it allowed them to start developing their own products and be innovative. He then also discarded Samsungs seniority-based system to a merit-based system for advancements.

A merit-based system are based on one's performance meaning that the employees could feel more open to expressing their ideas to help the company reach its goals with the knowledge that they will be rewarded for it. Therefore this turnaround helped the company to have a better relationship with their employees and create a system that would allow them to feel open to express their ideas and creativity.

Another major change that Yun made was to hire a marketing whiz, called Eric Kim, which worked hard to create a more upscale image for the company and its products. Eric implemented a major turnaround when he

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moved Samsung's advertising away from 55 different advertising agencies around the world and then he placed them into one firm. The reason for this change was to create a consistent global brand image for Samsung's product. He therefore got Samsung out of big discount chains and placed more of Samsung's products into more upscale specialty stores.

Reconstruction of the firms bureaucratic was implemented in order to reduce it to get faster approvals for new product budgets and marketing plans, thus speeding up their abilities to seize opportunities. Because of the bureaucratic turnaround situation it allowed Yun to make heavy investments into key technologies and it allowed them to push out a wide variety of digital products.

### **How significant was Jong- Yong Yun's role in the change process?**

Samsung's CEO Jong-Yong Yun's philosophy of continuous improvement has helped Samsung get out of their financial crisis and making it stronger than ever. Yun specifically applied an industrial engineering concept to Samsung in order to cut production times and increase workers' productivity. Although he initially met resistance in implementing industrial engineering in the firm, Yun sponsored in-house training sessions for workers. He also trained 1, 550 managers in Industrial Engineering concepts. Yun's plans involved product innovation, process innovation and personnel innovation.

Samsung Electronics as a result of Yun implementing the change got the company to be the front of the pack internationally and it increased the company's rankings. Therefore because of the efforts of Yun that

concentrated on the engineering concept got the Samsung Group to be at the top of South Korea's industrial conglomerate.

The core part of Yun's strategic plan for Samsung Electronics was the three P's of innovation namely: Product innovation, Process Innovation, and Personnel Innovation. In relation to Product Innovation, Yun reacted fast to remove Samsung from the businesses that were no longer producing a satisfactory rate of return for the company. Therefore this resulted in Samsung Electronics to be able to reduce the television output and get rid of the marginal product lines that included the dishwasher, the electronic pagers and the juicers. The mentioned products were therefore replaced by products such as the MP3 players and advanced cell-phones.

Amongst these processes implemented by Yun was the global supply chain, which was edited from a monthly to a weekly based system. Under these new systems the company also changed their initial focus from a stocking to an ordering production. Therefore with this reduction in the inventories the company's cash flow improved. Looking at personnel innovation, Yun introduced a system of global product management which fell under Samsung Electronics fourteen divisions which was directed by the global product managers, they were responsible for each phase of the division of operation ( Pedler. M, Burgogyne, J and Boydell, T. 1997)

Yun then decided that he wanted to give his subordinates greater independence which meant that he empowered his employees.

Yun's role played a major role for the success of the company and increased their profits. Yun's achievement in masterminding the sharp turnaround at

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Samsung Electronics is the reason why the company is successful. Yun's role in the change process was important as he made major changes to the system. Yun changed the momentum of the company; he changed the bureaucratic system to allow the employees to express their ideas which lead to Samsung been innovative.

Yun role in the change process allowed the Samsung's products to be viewed as a higher-priced brand rather than before where it was perceived as a lower-priced appliance. It also became an established low cost supplier of various components to larger and better-known manufactures around the world. Therefore Yun's role helped the company to tap into their resources that they had and to use them to change how processes were done. Yun also changed the process by recruiting the managers and the engineers.

Yun laid the foundation for the new change that was implemented and without the guidance and standards that was set by Yun the change processes would not have been successful. Yun played a role in each aspect of Samsungs change and help the company get of their financial problems. Yun was very dedicated to his work and risked a lot for the company. Yun and his management team took time to make sure that the changes they were implementing would be successful and that it would speed up the research and development of new products.

Yun's role in the change process gave the customers a better impression on the firm's products. His role also allowed Samsung to reduce complexity in the early stages of the design cycle. This then resulted in the firm been able to get the products to the manufactures quickly with minimal problems and

at the lowest possible costs. Therefore Yun truly played a significant role in the change process and he helps advance Samsung in digital technologies.

Yun's strategy to focus on the higher-end products has clearly enhanced the firm's brand image and has led the company to be profitable. In fact many executives in the industry of US have said they are astounded by the ability of the firm to generate a superior brand image. This would not have been possible if Yun was not playing a part in the change process as it was his thinking that allowed this to happen.

### **What methods did Samsung use to promote innovation and the diffusion of ideas across the organisation?**

Firstly Samsung promoted innovation by deciding to push the firm to develop its own products rather than to copy those products that other firms have developed. Yun placed a great amount of emphasis on the development of products that would impress the customers with their attractive designs. Yun also reoriented the firm and helped it develop new capabilities by recruiting the managers and engineers.

Yun put the new managers and engineers through a four week boot camp that was intended to create incentives for new talent. Samsung rigid seniority/based system was replaced with a merit base system that allowed advancement to take place, it also allowed the employees to know that their efforts and ideas are not overlooked and that good ideas are rewarded. As a result the above efforts Samsung started launch an array of products that was designed to make a big impression on the customers.



Another large part of the success of Samsung's innovation and ideas was that they regularly got information from the retailers about the new features that customers wanted to see in their electronic devices. This close link with the retailers helped Samsung to come up with best selling products and to create the digital products that the customers were looking for and the actual design preferences of the products.

Samsung managers who have worked for competitors say they have to go through far fewer layers of bureaucracy than they had in the past to win approval for new product, budgets and marketing plans, speeding up their ability to seize opportunities. Therefore Samsung reduced the bureaucratic obstacles. Because the bureaucratic obstacle was reduced it allowed Yun to make investments into key technologies that allowed the innovative products to be designed.

Samsung claims that it has been able to reduce the time that it takes to go from a new product concept to rollout to as little as six months. Due to the above ideas of how to better run the business it resulted in allowing the efforts of the firm's top managers, engineers and designers to be expressed and to be acknowledged for their ideas. It allowed them to better communicate with the top managers about their ideas.

Samsung advances in digital technologies have helped with them increasing their chances of getting a better position in the market. They have promoted their innovation by combining their computers, consumer electronics and communications to be the prime leader. Samsung had also created the post

of chief design officer to make sure that designers can get their ideas to the top managers.

The engineers are pushed to find ways to work with the designs that are presented to them. Yun has also worked closely with Chin to summon engineers and designers from across the firm to mix wireless, semiconductor and computer expertise in order to pursue its vision of domination of the digital home. Samsung had even opened or expanded design centres to help the designers observe the way that consumers actually use the various products.

Therefore by giving them this opportunity they know how to be innovative when it comes to designing the products. The designers were able to watch from behind a two-way mirror to see how the customers responded to a particular design. With this the designers were able to go back and work on the necessary things that needed to be implemented in order to make sure the products are what the customers want.

This forced the designers to think out of the box and be creative and come up with ideas that would impress the customers. The designers are basically rewarded when they see their hard work and ideas been appreciated by the customers if the product is up to their standards. Samsung at the end of the day relies on the attractiveness of its products therefore Samsung ensures that the employees are happy and are able to express their ideas.

### **To what extent is Samsung a 'learning organisation'?**

A learning organization is a term that is given to a company that provides learning opportunities to its employees and it is an organisation that

continues to transform itself. (Pedler, M, 1997). A Learning Organisation are developed because of the pressures it faces in the modern organisations. A learning organisation enables a company to remain competitive in the business environment. There are five main features/ characteristics of a learning organisation namely: System thinking, Shared Vision, Team Learning and Personal Mastery. ( Peter Senge, 1990)

Therefore one of the approaches of Samsung was to try be innovative and to ensure that they promote a learning organisation. The recent and most accepted idea of a learning organisation today is characterized by the organisations culture which promotes the improvement of the workforce, the improvement of their productivity and the overall operations, as well as the performances that the business continues to learn. ( Gilley & Maycunich, 2000)

Samsung has managed to maintain an important competence in order to renew the processes and still be competitively ready to create the products that the consumers want. Therefore the employees get the opportunities to recognize customer needs, due to the fact that Samsung is a learning organisation. Samsungs main concern was about their market share, their productivity and their profitability and their understanding that a learning organisation was the key to achieve the business results.

The formation of the capabilities that were not recognized is the idea of learning and therefore Samsung allowed the employees to be exposed to learning. In addition the standard assumption of a learning organisation is to improve the learning capacity of the individuals is similar to the companies

performances. According to Ruffa Morato, 2009, Samsung's six Sigma Academy that was established in order to educate the employees and to build up the team quality with the ability to solve problems.

Samsung spent approximately 3.6% of its payroll costs on educating and providing training to the employees. This percentage is much higher in comparison to NUMMI, Xerox, Saturn, IBM and Motorola. (Type Pad, 2007). Samsung did not only invest in the education and the training for the employees but it also created incentives to try motivate the employees and to promote organisational learning. Therefore each employee in the organisation is given the opportunity to set learning objectives and the learning themes, but with the consent of the manager. (Bae & Kim, 2004)

Interviews are done in order to look and measure the progress of your company and then discussing the necessary steps in order to speed the learning up before the actual evaluation is due. (Ruffa Morata, 2009) This assessment will determine if the actual learning points helped the employees. Samsung also provided their employees with the latest technology so that they could do their work efficiently and effectively. The fact that Samsung sent their designers to boot camp to discover innovative ideas, showed the companies interests in the employees and their interests in trying to help them reach their full potential.

Samsung had learned as an organisation to be more innovative and creative to reach their goals and to grow. Samsung has invested in their employees to come up with ideas that will "wow" the customers. They have brought the right employees to work together to create a quality brand image. Therefore

Samsung is a learning organisation to the extent that it invests in its own employees as one of their main focuses.

## **CONCLUSION:**

The Companies competitiveness in the Global Market requires Samsung to become much more innovative, not only in the company's products and services but also in their strategies and their approaches. Samsung's success obviously helped the company return to been innovative within the company. This involvement in the management styles of senior management to be effective and innovative by encouraging the employees to participate and be involved.

Samsung realised that their innovation lied mainly in the people within the organisation. Samsung considered them to be a very important asset. Therefore because the employees felt valued in the work place they felt a sense of pride with what they were doing to help the organisation succeed. Samsung continues to strive to be the world leader in communications and electronic industry in every aspect of the business. This includes training the employees and providing them with incentives.

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