

Review of samsung tactics in overcoming its leadership woes

[Business](#), [Company](#)



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Background](#) \n \t
2. [Situation of Samsung](#) \n \t
3. [SWOT analysis of Samsung Electronics](#) \n

\n[/toc]\n \n

Background

In the year 2016, Samsung was facing the problem of exploding batteries of Note 7. In 2017, the company came about imploding with its corporate ranks. On February 2017, the de-facto leader of Samsung Corporation, Lee Jae-Yong was held by the cops on charges of bribery. The accusation imposed upon the CEO was of donating \$38 million (£27m) to several nonprofit organizations that were being operated by a friend of the former president of South Korea, Park Geun-Hye. Additionally, the Seoul court has held him guilty in hiding his assets abroad, giving away \$3. 6 billion won (£2. 3m) for the equestrian training of Choi's daughter and embezzling the funds of the company. The charges have been denied by the accused and after spending a year in jail in the charge of offering bribes to the disgraced former President of South Korea; he has been freed with a suspended sentence.

The co-CEO of Samsung Electronics Kwon Oh-Hyun also resigned in October which further increased in the leadership woes of the company. As a result of this scenario, this report focuses on answering the question of: -' What

strategies should Samsung Electronics incorporate to overcome its leadership woes? 'The CommentaryThe company was founded in 1938 by the grandfather of Jay Y. Lee Byung-Chull, and is a conglomeration of about 60 interlinked companies including shipbuilding division, advertising arms and life insurance, a construction company, baseball and soccer teams as well as a theme park which is 30 miles away from the South of Seoul, named Everland (Samsung Electronics, 2017).

Samsung Electronics Co. holds more than two-thirds of the conglomeration's market value. Despite of the fact that the company's leadership was accused of corruption and embezzlement of funds and the recalling of its top loading washing machine in 2016 along with the issue of its popular Note 7 smartphones which had a battery flaw that can cause it to burst into flames, the company is struggling hard to maintain as well as grow its share in the technology market of South Korea and the company now thinks that changing the traditionally rigid corporate culture can be the key to regain momentum. With a generational change in the leadership issues of the company, the group, which is also the jewel in the crown of the conglomerate, presented its ambition in a host of cutting-edge technologies which included autonomous driving, artificial intelligence along with internet connected homes and appliances (Chen, & Sang-Hun, 2016).

However, analysts still remain cautious and many are concerned about the ability of the smartphone manufacturer for making various important long-term decisions following the incident of the imprisonment of its chief.

Investors were in the dark related to the new growth drivers of Samsung as no blueprints were presented since Lee's imprisonment (Forbes, 2017).

Though Samsung is better known for its Galaxy smartphones, the company's record profitability was further fuelled by its savvy investments within chip making several years ago by Lee Kun-hee, father of Lee Jae-Yong and nominal Samsung chairman (Suk-yeon, J. 2017). In the current situation, the sector is in the middle of an industry's 'supercycle' amid the soaring demand for smartphones and other internet-connected devices. This summer, the South Korean group ended the Intel's reign of quarter-century by being the biggest chipmaker of the industry, profiting in a handsome way from surging prices for its NAND and Dram memory chips. In this scenario, many believe that Samsung can, at least in the medium-term, will be able to regain momentum and will potentially make use of its chip making prowess so as to segue in newer growth areas. The strength of the company in chip making will also assist it in its ambition of autonomous driving (Chen, & Sang-Hun, 2016).

Despite of this, many analysts are still deeply skeptical as to whether the company is still competent enough to pursue a software-driven business such as internet-connected home appliances or autonomous driving. Many remarks are echoing in South Korea and some believe that the conviction of Lee Jae-Yong will definitely undermine the decision making of a company where the mode of management was more of 'emperor-like'. In the meantime, the mobile sector of the company has managed to recover rather quickly from a very high profile debacle in the previous year when the

company decided to stop the manufacturing and sales of its Note 7 devices as it would catch fire (Reisinger, 2017).

Situation of Samsung

Samsung has to make a lot of efforts to improve its situation in its home country. It is very important that the corporation accepts its social as well as moral responsibility apart from defending itself in the court of law. Soon after the arrest of Lee Jae-Yong, the company immediately disbanded its Future Strategy Office which was considered as the most loyal body of the family. However, this is not enough. The present social contribution department of the company needs to be overhauled as well. It needs to implement a more authentic CSR plan and a more public committed and ethical leadership by the Lee family which will serve as a signal to both the government and the public that Samsung is bringing in a change from heart (Samsung Sustainability Report, 2017). In order to see such reforms, the company can draw upon its historical strengths which are its superior internal reputation. According to my research work, the superior employee loyalty of Samsung was the key to surpass Sony in terms of the global electronics company. However, according to the present situation, I believe that it is the time to replace the culture of loyalty to the executives' to that of the culture of loyalty to the organization. This transformation is very much needed and should be thoughtfully designed and implemented (Samsung Sustainability Report, 2017). Samsung has a very long history of transforming crises situations in opportunities had it not learned from the Asian financial crisis of the 1990s, Samsung would not have been the global power in technology.

Even the time when Samsung recalled the Note 7 devices, its stocks hit all-time higher. If the company decided well as take appropriate steps to regain its reputation, both the employees and the South Korean public, will respect the ' three-star brand' which started with a mere investment of two dollars only.

There are several blames that go along when talking about the situation of Samsung and the reputation of its conglomerate. Certainly, the politicians, as well as the news agencies of South Korea, should be criticized for their role in hyping this scandal. Also, the decisive elections of Moon Jae-in along with the ongoing investigation of the heir of Samsung reveals that the political leaders along with the prosecutors are very much determined in correcting and augmenting the reputation of the country and are being a whole lot of lenient over business executives. Unlike previous attempts for the reforming of a conglomerate, the new effort on part of the government should start by focusing on different policies and strategies which reduces cronyism and corruption, rather than searching for a scapegoat for pacifying the anger of the public.

SWOT analysis of Samsung Electronics

After synthesizing the entire situation of Samsung Electronics in the event of its leadership woes, the SWOT analysis of the company is as follows:

Strengths

- Leaders in the visual display market
- Higher brand value

- Strong financial position
- Strong patent portfolio
- Worldwide leadership in smartphone and mobile markets

Weaknesses

- Damage to brand image because of product safety issues
- Extensive portfolio of products
- The absence of own software and operating system
- Low-profit margin
- Competitive advantage is difficult to sustain

Opportunities

- Focus on mobile advertisements
- Increasing investment in R&D
- Increasing presence in emerging markets
- Entering the cloud business segment
- Entering in strategic collaboration with other affiliated businesses

Threats

- Intensified competition due to slow growth in the industry
- Changes in exchange rates
- Disruptive innovation by competitors
- Patent infringement lawsuits
- Disruption in the manufacturing of new products

Samsung has maintained its leadership position through its sales volume in the global market of smartphones. In 2016 only, Samsung has shipped more

than 300 million smartphones and by the end of the year, the company led the market with 21.2 percent share. In the year 2017, Samsung sold out the most smartphones than any other manufacturer in the first quarter which made the company grab 26.1 percent market share worldwide.

The strong financial position of the company is its additional strength as the company delivered sales of KRW200.7 trillion and earned KRW26.4 trillion in operating profits on a consolidated basis in 2015. Additionally, the company generated the record operating income of KRW14 trillion in quarter 2 of 2017 alone.