

# Paradox of samsung's rise

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



The Paradox of Samsung's Rise, examines the strategic management decisions that led to Samsung's emergence as one of the world's most successful companies from an ordinary original equipment manufacturer just 30 years ago. Samsung Electronics transformed itself through a new management initiative in 1993 that combined Western best-practices with essentially Japanese management methods to produce a highly profitable hybrid system, resulting in recording breaking profits of \$13.9 billion on \$138 billion in revenue in 2010. As today's emerging giants face the challenge of moving beyond their home markets, they have much to learn from the path breaking experience of South Korea's Samsung Group, arguably the most successful globalizer of the previous generation.

Twenty years ago, few people would have predicted that Samsung could transform itself from a low-cost original equipment manufacturer to a world leader in R&D, marketing, and design, with a brand more valuable than Pepsi, Nike, or American Express. Fewer still would have predicted the success of the path it has taken. For two decades now, Samsung has been grafting Western business practices onto its essentially Japanese system, combining its traditional low-cost manufacturing prowess with an ability to bring high-quality, high-margin branded products swiftly to market.

Like Samsung, today's emerging giants—Haier in China, Infosys in India, and Koc in Turkey, for instance—face a paradox: their continued success requires turning away from what made them successful. The tightly integrated business systems that have worked in their home markets are unlikely to secure their future in global markets. Samsung has steadily navigated this

paradox to transcend its initial success in its home markets and move onto the world stage.

To move to the next level, they, too, must reinvent themselves in ways that may seem contradictory. And when they reach new plateaus, they will need to do so again. For seven years, we have traced Samsung's progress as it has steadily navigated this paradox to transcend its initial success in its home markets and move onto the world stage. It is a story we believe holds many important lessons for the current generation of emerging giants seeking to do the same.

The Rise of a World Leader:

The two sets of business practices could not have seemed more incompatible. Into an organization focused on continuous process improvement, Samsung introduced a focus on innovation. Into a homogeneous workforce, Samsung introduced outsiders who could not speak the language and were unfamiliar with the company's culture. Into a Confucian tradition of reverence for elders, Samsung introduced merit pay and promotion, putting some young people in positions of authority over their elders. It has been a path marked by both disorienting disequilibrium and intense exhilaration.

Founded in 1938, the Samsung Group is the largest corporate entity in South Korea, with \$227.3 billion in revenue in 2010 and 315,000 employees worldwide. Best known for its flagship, Samsung Electronics (SEC)—producer of semiconductors, cell phones, TVs, and LCD panels—the group's highly diversified businesses span a wide range of industries, including financial

services, information technology services, machinery, shipbuilding, and chemicals.

By 1987, when Lee Kun-Hee succeeded his father as only the second chairman in the company's history, Samsung was the leader in Korea in most of its markets. But its overseas position as a low-cost producer was becoming untenable in the face of intensifying competition from Japanese electronics makers, which were setting up manufacturing plants in Southeast Asia, and rising domestic wages in South Korea's newly liberalizing economy.

In the early 1990s, Lee spotted an opportunity in the reluctance of Japanese companies—the analog market leaders—to adopt digital technology, which consumers were flocking to in cameras, audio equipment, and other electronic products. This opened the door for Samsung to surpass its rivals if it developed the agility, innovativeness, and creativity to succeed in the new digital market.

Success Mantra:

Hybrid strategy- Mix and Match of

Japanese strategy and

Western Strategy.

Implementation of western strategy on Japanese strategy.

Excellence in all department, such as, Marketing, Production, IT, Finance and

especially in HR. The Hybrid Strategy:

Diversification.

Capital Management.

Type of operation.

Supplier Relation.

HR aspects-

-Type of Labor,

-Recruitment,

-Promotion and Compensation.

Other Reasons:

Outsiders in- Insider abroad policy.

Diversification Advantage.

Flexibility.

Implementation of 6 sigma.

Latest advanced IT systems.

Financial positions.

Conclusion:

“ If you act according to market, Market will react according to you”