

# Korean corporate culture and leadership management essay



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## 1. Introduction

It was reported that there is no enterprise established which grows to be a global corporation since 1970's in Korea. A few companies can be considered, however, it is still hard to find remarkable ones in Korean economy.

Some experts and scholars find the reason in the absence of leadership not capitals and many leaders are concerned of the issue which is not simple to solve.

The weak leadership in company cause many potential crises as lack of clear vision, poor communication, dubious responsibilities sharing and so on.

These signs may induce more serious problems which can affect to even organization survival.

Samsung Group was founded on the unique drive, strong ambition and unstoppable challenging spirits.

Even though about 70 years has been passed since its establishment and the situations are not same, it will be helpful for present leaders to review how the leadership played pivotal roles in their businesses.

## 2. Korean corporate culture and leadership

Korean corporate culture was intended to be bureaucratic and seniority based. Organization was always prioritized to individual and employees were less involved in management. Strong leadership was the key to move the whole company and it was agreed and accepted by employees because a

Confucian tradition of family control is combined with the management of the firms to ensure that the owner's wishes are strictly followed.

Yet, it has been changed gradually from 1980 with a need for understanding of the application of western management concepts from USA a role model country Korea want to learn for especially education and business sectors.

Traditional and present corporate characteristics of Korean corporate culture can be compared as below.

## **Traditional characteristics**

### **Present characteristics**

General idea

Organization first

Individual respected

Community (with same background) oriented

Market profit adopted

HR

Mass recruitment

Recruitment on demand

Job security (Lifetime job)

Job mobility (Lifetime career)

Generalist preferred

Specialist preferred

Work system

Tall system with line and staff

Flat system with team systems

Function based

Qualification based

Appraisal

Seniority (age, tenure)

Ability, performance

Pay equality

Merit pay

Single rater appraisal, No feedback

360° appraisal, feedback informed

Reward

Advancement in job grade

Pay increase

Employee

Less involvement, information sharing

Worker union, more information sharing

### **3. About Samsung Group**

The Samsung Group is a global conglomerate corporation headquartered in South Korea.

It is one of largest conglomerates with annual revenue US \$173. 4 billion in 2008 and has numerous affiliated companies such as Samsung Electronics, Samsung Heavy Industries, Samsung Total Petrochemicals, Samsung Life Insurance, Samsung C&T, and more.

Samsung is one of the oldest CHAEBOL 1) founded by Lee Byung Chul and the first business “ Samsung Sanghui” was a small trading company dealt with grocery and dried goods in 1938 and his age was 29 with a seed money of 30, 000won (US\$30. 00). After Korean war, he expanded it to Sugar refining, textiles, paper, electronics, fertilizer, metal, life insurance, hotels, construction, heavy industry, petrochemicals, shipbuilding, aerospace, bioengineering and semi conductors.

Lee Byung Chull managed close relationships with politicians and received full support from government during 1950’s and 1960’s. He enjoyed monopoly in consumer goods industries and had good opportunities to be a exporter of industrial products and services. In 1969, as Samsung Electronics

was established, the corporate had monumental phase to start semi conductor business.

In 1990's Samsung grew to an international corporation and gained global brand image with being awarded contracts of Taipei 101 in Taiwan and the Burj Khalifa in UAE which are tallest buildings in the world and successful achievement in Semi conductors market as the largest manufacturer of memory chips.

Samsung is the world's largest manufacturer of liquid-crystal display panels and DRAM chips, flash memory, optical storage drives. It is also the world's second largest cell phone manufacturer and has preeminent market share in North America and West Europe as well as Asia.

1938

Samsung founded in Taegu, Korea

1951

Samsung Moolsan established (now Samsung Corporation)

1954

Cheil Industries Inc. founded

1958

Ankuk Fire & Marine Insurance acquired (renamed Samsung Fire & Marine Insurance in October 1993)

1963

DongBang Life Insurance acquired (renamed Samsung Life Insurance in July 1989)

1966

Joong-Ang Development established (known today as Samsung Everland)

1969

Samsung-Sanyo Electronics established (renamed Samsung Electro-Mechanics in March 1975 and merged with Samsung Electronics in March 1977)

1974

Samsung Heavy Industries incorporated / Samsung Petrochemical established

1977

Samsung Precision Co. established (now Samsung Techwin)

1982

Korea Telecommunications Corp. to Samsung Semiconductor & Telecommunications Co.

1984

Samsung Data Systems established (Renamed Samsung SDS)

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1988

Samsung Semiconductor & Telecommunications Co merged with Samsung Electronics

1992

Acquired Kukje Securities Co., today known as Samsung Securities Co., Ltd.

1995

Samsung Entertainment Group started

## **4. Leadership of Samsung**

a) The Founder, Lee Byung Chull – Plan and act after full analysis

The founder Lee Byung Chull put a high priority to the pursuit of rationality. He was very analytical and prudent to plan new business with full prior researches and well-established systems.

The important values of Samsung from Lee Byung Chull were high rationality, low risk taking, observance of rules and regulations through analysis and evaluation, hard work, and well-planned processes.

He speculated the business possibility of electronics and determined it was suitable for Korean economy in every aspect of technology, labor, added value and export and import. Especially establishing Semi conductor factory was quite hard to set out because it was definitely new area to challenge at that time. However his leadership and execution after full analysis made the company take a big step to forward.



He always imposed on the importance of human resources and he was the first entrepreneur to recruit employees through an open invitation of applications even in the times of employment by government connections were quite prevalent.

b) The Successor, Lee Kun Hee - Change all for better

In 1987 Lee Kun Hee the third son of Lee Byung Chull was elected as the president. He implemented "New Management" through restructuring and radical organizational changes including corporate culture as quality oriented, global player and risk taking values and set the corporate value as People, Excellence, Change, Integrity and Co-prosperity. It is famous that he said to all employees to change everything except for the wife and the children. He also encouraged top management who had bureaucratic and traditional management minds to take risks, autonomy and diversity. The conflict of earlier values and culture was inevitable for reorienting the organization.

Yet he renovated "New Management" to "Second New Management" in 2003 for the next 7 years and proclaimed the core goals which were cultivating highly educated and skilled manpower, improving corporate constitution, and enhancing corporate image and brand value by transparent management. These goals were emphasized as Quality Management, Speed management, and Talent management to be innovative and competitive in global business.

- Quality management: Quality improvement of products, services, human resources, management for 3C (Customer, Change, Competition)  
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- Talent management: Recruiting and cultivating top level human resources, encouraging top management involvement for finding talented personnel and the results recorded for their appraisal. He said “ One genius can feed millions of others. For the upcoming era where creativity will be the most important driver of business success, we need to hire the best. The economic value of one genius is more than \$1 billion.”

- Speed management: Speedy action for preempting opportunities, speedy transaction, speedy promotion for being on time and speedy value creation in rapidly changing world situation.

He changed the conventional thought that Made in Korea products are cheap and low quality in foreign market with Premium product strategy. Now Samsung cell phones and LCD displays are recognized as high quality products with desirable brand image and other Korean leading companies are playing active parts in various businesses and it is hard to deny that Lee Kun Hee paved the way for Korean companies to become global enterprises.

His intense concentration and tenacity were key factor to be a world largest semi conductor manufacturer.

He mastered all books about semi conductor it made him to have technical insight and quality discussions with top engineers even though he didn't have any technical backgrounds.

Semi conductor business intends to be a huge scale and the life cycle of products is very short so the prices are dropped down immediately after the products are on the market. Therefore it is high risky business and earlier

investment with determination is crucial. It was started by the founder, however, Lee Kun Hee made all risky decisions at every critical situation even when the corporate could be seriously damaged from it and his insightful decisions were correct for corporate growth and success.

## **5. The transition of leadership and the future**

He resigned as Samsung's chairman in April 2008 after being charged with tax evasion and breach of trust. But he returns the head of Samsung Electronics in March 2010 and Samsung said it needs Lee's leadership to maintain its global position at a time of uncertainty. His challenge now will be to increase the firm's growth still further through continued innovation as he always emphasizes.

One future issue for Samsung is succession and Lee Jae-yong - Lee Kun-Hee's son - was appointed chief operating officer at Samsung Electronics in December 2009. Lee Kun Hee has tried to prepare for solid platform for his son to succeed in the group, however, his son should be evaluated as his business capacity and management results and the decision of future governance will be made by shareholders of Samsung.

## **6. Future Leadership in Korea**

Uniqueness of Korean corporate leadership is a combination of patriarchal system in Korean Society and new trends of creating flexible and agile organization.

Distinctive entrepreneurship can be traced to the personality of the leaders but it is supported by all employees at the same time. It makes a company

united to achieve the goals together. Belief in leaders with resilient management systems and global perspectives let Korean companies see the world as different point of views.

It seems that gut feeling decisions are made for grand projects by owners in Korea even if the owners have many experiences and full insights of it. But if bridging academic theories and researches are backed up, their decisions will be more persuasive and bring more positive outcomes.

Korea becomes a major global force in East Asia with ability of dealing equally well with Japan and China.

Korea's strong performance was the consequence of favorable government policies, the role of CHAEBOLS, hard work, endeavor to try open trading system and entrepreneurial aspirations.

To keep up with the continuing changes in domestic and international environment, Korea will be asked to provide greater leadership in the future. Domestically it needs to manage structural adjustments as well as meet social expectations for greater equity, harmony, and balance. Internationally it needs to pay more attention to the matters of environment, regionalism and labor standards.