A Story of Vision and Leadership: Unveiling the Samsung Electronics Brand's Path to Success

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Abstract

The present study highlights the remarkable journey of the world-famous electronics brand Samsung. Beginning as a small manufacturing entity, the company grows rapidly, resulting in a renowned brand. Competing directly with several innovation-driven companies, such as Apple, Samsung maintains its place in the market and keeps growing. The article discusses in detail some of the fascinating events that became the turning points in Samsung’s journey and pushed it to rethink its strategy. The main purpose of this study is to offer a deeper understanding of the business approach and culture of Samsung. Being a Korean company, its brand values also reflect in the company culture. Its strong vision, self-belief, and willingness to grow helped Samsung achieve such great heights and dominate the global tech industry.

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1. Introduction

Samsung Electronics Co., Ltd began its journey as a family business in South Korea; a business which was owned by the Lee family. Starting as a grocery trading store, the company continued to expand till it finally became famous for electronics and South Koreans started referring to their country as “the Republic of Samsung.” In the present-day context, Samsung has attained its place in the list of top 10, most valuable brands in 2023. However, when discussing the success story of Samsung, it is crucial to mention that the company has faced several challenges such as intense competition, rapid technological changes, brand image and reputation and changes in consumer preferences. But despite all the hardships, the company has managed to maintain its competitive position in the marketplace and did not lose its vision, which is to inspire the world with its innovative technologies.

The case study discusses in detail the historical events of the company which led it to be an electronic and IT tycoon, while at the same time, analyzing and interpreting the company’s current strategy and vision behind key decisions, which made all the difference. For this purpose, an effective literature review is conducted.

This paper can be divided into two different sections. The first part of the study puts an emphasis on the background, historical events of the company and what decisions the Lee family took in response to various external factors such as geopolitical and trade uncertainties. The second half of the paper discusses briefly the technological aspects such as the company’s relation to metaverse.
2. Theoretical background

The story of Samsung begins with a Korean man named Lee Byung Chull, the founder of the company, born in 1910, during a period when Korea was finally annexed after war with Japan. While it is crucial to discuss how the business managed to flourish even in such a critical period of the First World War, it is equally significant to also highlight the background at which the story unfolded (Chang, 2006).

It was the period when Japan’s economy was booming regardless of the poor financial state of the West European countries due to the First World War. Japan started to monopolize and increase its production. In fact, there came a time when Japan wished to further accelerate its production capacity and as a result, required more capital. For this purpose, in the 1920s, Japan started to invest in capitals and new credit policies further offered the capitalists with the opportunity to take credit. However, eventually due to the overproduction, the prices began to fall down and this was followed by financial instability and ultimately, the Great Depression in 1929. It was during these times that the Japanese colonial policy was finally introduced in Korea, which aimed to promote industrial investments in Korea.

The production and exportation of cheap rice from Korea to Japan used to be particularly encouraged by the state. However, this also generated class struggles as the state supported land ownership and landowners continued to make the rents higher, while the peasants had to work in poor conditions. This traditional landlord class kept becoming richer by buying more lands and eventually turned into the Korean capitalist class. By 1940, one could already notice an uprising of the capital classes from the landlord classes with the help of new credit policies offered by the banks at that time (Chang, 2006).

3. Research methodology

Using the case study methodology, the present article attempts to explain the market dynamics as well as Samsung’s business approach throughout its journey. Additionally, the article gives the context to its readers by also offering a historical context of the company.

The main purpose of this case study is to highlight the key turning points for Samsung and answer the following research questions (RQ):

RQ 1: How did Samsung begin its journey from scratch?
RQ 2: How did Samsung expand regardless of all the geopolitical uncertainties?
RQ 3: What are the key contributors for Samsung to maintain its position in the marketplace?
RQ 4: What were the main turning points in the history of Samsung?
RQ 5: What are the future plans of Samsung?

In order to answer the questions above:

- Research data was gathered and analyzed from various sources including books, articles and news.
- Information from Samsung’s website was collected to acknowledge company’s takes on various subjects as well as its future plans.
- Statements of the company’s founder and chairmen were gathered and analyzed to better understand the company’s approach.

4. Findings

4.1. Lee Byung Chull - the founder

Lee Byung Chull was also a part of one such Korean capitalist family that did not struggle financially (Chang, 2006). In fact, it is considered that he had both financial as well as patriotic reasons for starting his own business. After studying economics for a year in Waseda University, the founder had to drop-out from the college due to some personal reasons (Cain, 2020).

1936 was the year when things changed for Lee. He took his first step towards the business world. His first business based in Gyeongsang province started in 1936. Rice production and exportation to Japan was the principal activity of the company. It is believed that Lee had obtained
the starting investments for his business from a Korean Bank unlike other entrepreneurs who start-up a business from scratch. This suggests his social domination and status during that period (Chang, 2006). However, after his first business failed, he had to shut it in 1937. During this period, he spent some time traveling in China and Korea and learnt to study the marketplace. After a year, Lee attempted to re-enter the business world. and this time, he opened a vegetable and fish shop. Basically, he hired 19 workers to bring fresh produce from the village and used to ship them to China and Manchuria. The name given to the vegetable shop by Lee was “Samsung Sanghoe”, which in English means the “Three Stars Shop”. Lee mentions in his memoir that this name was chosen by him on purpose and it symbolizes being big, strong and eternal (Cain, 2020).

Since B.C Lee’s first business belonged to the trading industry, exporting was the only way to expand for him. Therefore, he began to look for ways to transport rice while his financial condition, as a landlord, was getting smoother with time.

The name “Samsung” first came into the picture when Lee in 1938 decided to name his trading business “Samsung Trading Company”. Besides the fact that his business kept expanding the production lines, that is, apart from investing in additional manufacturing rare goods such as dried fish, rice wines, noodle, cider, he also managed to generate profit out of it. Eventually, he began to monopolize the trade industry. This particularly demonstrates that he had excellent managerial skills (Chang, 2006).

Around 1939, he also invested in a new business of beer brewery, which he had to eventually sell in future. During August 1945, things took a completely different turn when the war between America and Japan resulted in American troops occupying Korea and Lee saw it as an opportunity to form relations with the American military (Cain, 2020). In 1947, Lee shifted to Seoul, where his nationwide business “Samsung Corporation” was founded by him (Chang, 2006).

During one of his visits to Tokyo in February 1950, Lee realized that Japan had been experimenting with technology and was extremely impressed by their work ethics. He also noticed that the Japanese business tradition has ceased and that companies have adopted a modern corporate structure named keiretsu (group). After a while, South Korea also embraced the same structure (Cain, 2020).

When Lee returned back the same year in June from his Japan trip, he found out that North Korean communist troops had invaded South Korea and they looted the inventory of his company. After three months, American soldiers recaptured Seoul. This was the time when Lee made the decision to sell off whatever is left of Samsung. When he heard the unfortunate news of North Korean soldiers advancing Seoul once again, with the same money, he bought 5 trucks and helped his company workers and their family members in evacuating from Seoul. This was one of the most significant turning points in his life. By the end of 1950s Lee family was already known as the “wealth clan” of Samsung and had invested in a number of businesses including a bank and a university. Often, the South Koreans had given their country a new name of “the Republic of Samsung” (Cain, 2020).

The Samsung Group during its first few decades was expanding at a fast pace and once it had constructed the world’s largest fertilizer plant in Korea, its upcoming endeavor was a lot riskier: electronics. By becoming a partner of a semiconductor industry and highly investing in this business, Samsung had set its foot in a completely different venture. What helps the company in standing out is its initial years is its ability to understand human needs and emotions. It recognized the fact that people want to be a part of something bigger, which is why during its fifty-year anniversary, the company establishes its mission: “To become a leading corporation to the age of humanity” (Cain, 2020).

4.2. Rebuilding the company from ashes and creation of the “Samsung Men”

Lee was keen to learn about the art of reading people and while rebuilding Samsung at Busan, he realized the importance of people management due to the shortage of talented workers. In fact, he used to be always present during all the interviews of potential candidates and had hired professional face readers for helping him in interpreting the facial expressions of the candidates who applied for the job at his company (Cain, 2020).
Chairman Lee Kun-hee, the son of Lee Byung-Chull—the founder, quoted in 1999: “One unsatisfactory point is that we have not invested enough for the future, particularly in terms of developing human capital.” According to Tom Michell, author of the book “Samsung Electronics: And the Struggle For Leadership of the Electronics Industry”, most probably, the Human Resource Department of Samsung Group as well as his late father would not have agreed with the given statement of Lee Kun-hee (Michell, 2010).

In the 1980s, Samsung employees were instructed to comprehend that they were together constructing a new Korea. Almost all candidates were recent grads, who had been trained to become ‘Samsung Men’. Most would remain for their entire lives, while those who left in their 40s would work as suppliers or distributors for Samsung, thus disseminating the company's values. In the late 1990s, Lee and Yun Jong Yong (CEO of Samsung), began to search for outstanding individuals, who were not part of Samsung, for welcoming new perspectives, values and ideas in the company culture. This would imply recruiting non-Koreans as well as those with prior experience (Michell, 2010).

This is how Samsung recognized that it had not invested adequately in developing an excellent workforce. However, the most difficult issue for Samsung represents breaking away from the traditional Korean ideals contained in Confucian messages. Korean principles include peace, unity, and vertical social relationships. Lee called for creative leadership in 2007, and Samsung only recently emphasized the importance of creativity in its induction and training programs. As a result of this realization, foreigners were increasingly being hired by Korean enterprises (Michell, 2010).

4.3. The Galaxy Note Debacle and the long-term outcomes

It is fascinating to note that Samsung has managed to maintain its competitive position in the marketplace for so long, regardless of the fluctuating and unprecedented events that came across its path. Galaxy Note Debacle is one such example that must be mentioned when analyzing its evolution.

In 2016, according to many reports as well as the claims made in the “Samsung Rising”, a book written by the author/journalist Geoffrey Cain, the Samsung Group had to face serious issues. In fact, the author mentions in the very first chapter named “Galaxy Death Star”, some of the most infamous incidents that affected the image of Samsung severely as well as the company’s reaction to the whole ordeal.

Back in August 2016, the company launched its new smartphone named Galaxy Note 7, which eventually proved to be a major fallout. After many customers started reporting the common issue of the phone catching fire, Samsung started to be the main topic of discussion for the news and social media channels. Under such circumstances, the steps taken by the company are often questioned. For instance, in response to the negative publicity on YouTube, Samsung started to make copyright claims on such contents where none existed. Furthermore, the situation grew worse when the company offered replacement phones, which were also faulty and had the same issue.

The company chose, at that time, to not give much reaction and poorly handled public relations and customer care (Cain, 2020). This really affected Samsung’s image in a short run, however, on a long run, it still remained in the game. While such a loss would have been enough to bankrupt any other company, Samsung has been lucky enough to bounce back every time and learn its lesson. Yet as of 2023, the Samsung Group has managed to reserve its place as a valuable brand in the list of top 10 most valuable global companies (Figure no. 1).
Samsung’s strategy is very different today than how it used to be decades ago. At the early stage of the company, that is, between 1970-1980, it was trying to catch-up with the Western and Japanese companies, which were already a lot ahead of Samsung. Therefore, during ’70s, it somehow managed to maintain its competitive position in the marketplace using the best strategy, that is by lowering the production cost. In the 1980s, the strategy switched to the best quality, which means that Samsung emphasized on its manufacturing efficiency as well as competence. By the 1990s, it had managed to maintain its position in different marketing segments while currently, it puts more weight on technological leadership (Kim, 2007).

4.4. Samsung Electronics

Samsung Electronics, with a brand value of 99.66 billion US dollars, is a global leader and is currently headquartered in South Korea. Ever since the corporation was founded in the year 1969, it has continued to develop and grow into an IT and electronic tycoon. Although initially, it was known to only deal with grocery and production of some food materials such as noodles, it managed eventually to diversify its portfolio and at one point of time, started to get involved in the insurance and retail sector. In fact, the most interesting element is that the Samsung Group still undertakes a number of subsidiaries besides Samsung Electronics. Furthermore, Samsung Electronics represents the biggest subsidiary of Samsung and it accounts for more than 50% of the total revenue generated by the Samsung Group.

Figure no. 2 is the graphical representation of the global revenue generated by Samsung Electronics between the period 2005-2021. As seen in the figure below, the total revenue of the company has significantly grown over the period analyzed and in 2021, it recorded a revenue of approximately 244.39 billion US dollars, which is known to be the highest value it has ever reached.

Source: (Faria, 2023)

Source: (Laricchia, 2022)
As it can be seen in the Figure no. 3, in 2022, Samsung remained the world's smartphone leader in the market, accounting for 21.6% of total shipments. Apple obtained a second place, with 18.8% of the overall market share. Since the beginning of 2010, when it owned only 4.3% of the mobile vendor market, Samsung's popularity has constantly increased. In the past four years, the company's share of the global smartphone market has fluctuated, hitting 19.4% in the fourth quarter of 2022. Despite slipping as low as 13.9% in 2019, Apple maintains the second largest smartphone vendor based on the number of shipments. While Samsung’s sales are not seasonal, Apple's smartphone sales are comparatively periodic in nature, peaking each year in the fourth quarter.

4.5. Samsung’s shift of strategy

Electronic companies discovered that they need to tackle the continuously shifting business environment and show the ability to reconfigure operational capability and to develop new ones. One such example is Samsung revolutionizing its business portfolio (Teece et. al, 1997; Kim, 2019).

According to Samsung Electronics’ key perspective for growth lies in a long-term plan in connecting their electronics technology to car technologies. A fund was created to invest in a range of technologies needed to allow “autonomous driving and connected cars, converging its electronics to powerhouse with automotive machinery” (Kim et al., 2019).

Since 2014, Samsung has proceeded to various steps towards transitioning to becoming an automotive provider by “selling Samsung Chemical Co., Samsung Total, Samsung Techwin and Samsung Tales to Hanwha; then Samsung SDI’s chemical division to Lotte; the printing business to HP and the PC-making division to Lenovo” (Kim et al., 2019; Cho, 2017).

On March 11th 2017, under the terms of M&A agreement and in attempts integrate and boost competitiveness in the automotive market, Samsung Electronics has made its biggest acquisition and bought Harman International Industries Incorporated for $8 billion giving Harman stakeholders $112.0 per share in cash (Samsung, 2018; Kim et al., 2019).

4.6. Samsung’s innovation through M & A- the rise of new contender

Samsung Electronics Co., Ltd. is best known as a global leader in smartphones, high-tech electronics manufacturing and digital media and Apple’s competitor (Kim et al., 2019; Nasdaq, 2017). From 2016, Samsung has focused on emerging and securing automotive industry-related technologies such as autonomous driving, ADAS and ECU (Electronic control Unit) software by considering prospects of innovation, merging and acquiring start-ups.

Amid constant transformation and competition, knowledge is the most important strategic asset. Companies cannot craft solely from within, but they require external influences and need cross-border M&A to gain important knowledge, however this is not always a guaranteed superior
success since ‘knowledge is often tacit, specific and complex. Firms must go through a process of acquisition, assimilation, transformation, and exploitation in order to apply newly acquired information to innovation (Zahra et al., 2002). Absorptive capacity is widely recognized as the ‘ability to recognize the value of new, external information, assimilate it and apply to commercial ends’ (Cohen et al., 1990; Kim et al., 2019). The knowledge stock of the firm becomes important for heightened absorptive capacity as it will be able to understand as much as it knows. It is understood that such absorptive capacity is part of a firm’s dynamic capability, allowing the firm to assimilate, learn from and take advantage of knowledge stock newly gained through the M&A.’ (Zahra et al., 2002; Kim et al., 2019).

In the end, Samsung will have to adapt the recently learned information to produce knowledge synergy, which is an institutionalized method of producing, disseminating, and reusing information where the latter is formalized and shared internally to produce new value. For instance, car related M&As welcomed 10 start-ups: buying shared worth of $90 million of TT Tech (Austrian start-up in software for connected cars safety and self-driving ones), TetraVue (processor of flash LIDAR technology), Brodman17 (an Israeli based self-driving innovator), Mapillary and Solid Power (start-up providing solid-state batteries to OEMs).

Sensing, seizing, and transformation were identified as the three key components of the dynamic capacities’ framework by Teece et al. (1997). As the sixth manufacturer of electric vehicle batteries globally and a member of the Samsung Group, Samsung SDI gave the company the ability to monitor and predict client demographics and the demand for electric vehicles. Samsung possessed extensive electronic understanding, and it was able to swiftly grasp the importance of and absorb many of the technologies needed in the upcoming new era of the automobile industry.

Samsung also held patents that enabled the business to take advantage of prospects in the creation of smart electric vehicles. In order to integrate and accommodate a promising new market area, Samsung had to quickly restructure and transform its business to identify a lucrative new market niche as well as to accept and integrate a new business partner.

4.7. Samsung’s innovation through M & A- the rise of new contender

The flagship business of the Samsung Group, Samsung Electronics Co., Ltd., generated more than 70% of the total income for the organization in 2012. Around 308,745 people are employed by Samsung Electronics, which has assembly lines and sales networks in 80 nations. By revenue, it is the biggest chip, consumer electronics, and Technology firm in the world. In October 2017, the market capitalization of Samsung Electronics was $372.0 billion as of October 2017 (Lee et al., 2007). The top market leader in TV (since 2006) and mobile phones (since 2011), Samsung has become a significant global supplier of consumer electronics, claims a press statement from the company (Samsung, 2018). Samsung Electronics surpassed Intel to become the world's largest manufacturer of semiconductor chips in July 2017.

The company's experience with autos might be linked to Samsung's ambitious present push into the automotive sector. Samsung Motors Incorporated (SMI), a renowned technology hub for the Korean automotive sector, was founded in 1995. The "SMS" project was shortly launched with backing from the Nissan Motor Company, unveiling its first midsize sedan based on Nissan's global hit, "Maxima." Yet, the company received both good and bad news in 1998.

The first SMI factory was finished and prepared for operation. The Asian financial crisis, on the other hand, contributed to a stagnating economy that seriously hurt SMI's sales. Only 45,000 automobiles were sold by SMI. Even worse, the company's earnings rapidly declined because it was primarily sold to employees of the Samsung group (Lee et al., 2007); Kim et al., 2019).

During a brief heyday, Samsung Holding Company was no longer able to support its auto production facility and declared bankruptcy. Soon after, Renault acquired SMI for US$562 million, and Renault Samsung Motors was founded in 2000 in Busan Samsung's dream came to an end, but the company believed that failure had come from unfavorable external settings rather than from within the company. Samsung had faith in the strength of its brand and its workforce. Additionally, it thought that it could still benefit from and work in concert with Samsung Electronics. So, it came as no surprise that Samsung remained committed to the automobile sector even after its first attempt had failed. The Chairman Lee Gun-Hee was particularly hopeful about the potential for
convergence between the vehicle and electronics sectors since he anticipated it would result in transactional synergy (Lee et al., 2007).

The line between the "automotive" and "electronics" industries was likely to become significantly hazier by 2010 when 30% of all parts in the automotive industry were predicted to be electrical or electronic. When the automobile business started to experience significant changes and growth, opportunity appeared. A strong technology-based portfolio and synergies from all angles were needed because electrification, digitization, and autonomous driving were all happening under the same roof of the automobile (McKinsey, 2015; Kim et al., 2019). Samsung found this to be a compelling opportunity to investigate linked technologies, particularly vehicle electronics. In fact, the business had previously designated this sector as a strategic priority, anticipating that the market would exceed $100 billion by 2025.

In addition to changes in the external environment, Samsung was simultaneously searching internally for its next-generation growth engine. Samsung would be able to establish a strong foothold in the automotive component market by acquiring Harman because it was already a well-known Tier 1 supplier and had long-standing connections with a variety of clients, including well-known brands like General Motors and fast-growing businesses like Tesla (Harman, 2023). In fact, Harman was a pioneer in linked automotive and infotainment solutions, with its embedded infotainment, telematics, connected safety, and security systems currently installed in more than 30 million vehicles (Forbes, 2016).

The union of two companies with top-tier brand values would foster synergies that would enable the company to benefit from one another's design and marketing strategies, and strong relationships with car OEMs would allow them to seize further chances for innovation and rapid expansion. Samsung's expertise in linked mobility, semiconductors, user experience, displays, and its international distribution networks would also be useful to Harman (Forbes, 2016; Kim et al., 2019). In June 2016, Harman has an estimated 24 billion worth of backlog orders from its automotive clients. At the time, Samsung was also an important business partner of Harman, providing DRAMs, flash memory, and screens to meet the rising demand for automotive application components. Samsung would be able to improve its software engineering capabilities to some level if the M&A transaction went through, as Harman has a group of about 8,000 software engineers focusing on cloud-based consumer and enterprise experiences as well as end-to-end services for the automotive industry.

4.8. Samsung and Harman

The revelation that Samsung had paid $8 billion for Harman International Corporation, a world-class supplier of AV (Audio Video) systems and automotive application components, stunned the technology industry in November 2016. Samsung was looking for a way to enter the expanding market for smart cars in addition to upgrading its products with high audio and video equipment. Samsung sought to enter the connected car industry with both hardware and software, in contrast to Apple's CarPlay and Android Auto's software-only strategies. It was anticipated that Harman would complement Samsung's expertise in IT technology and help Samsung further establish itself in the automotive sector. The M&A deal wasn't entirely easy, as there were originally slight objections to Harman's promise to forgo seeking out other prospective purchasers while engaging in negotiations with Samsung. However, the M&A deal was successful thanks to the backing of more than 50% of shareholders at the shareholders meeting held in February 2017 and the approval of antitrust authorities (Samsung, 2022).

Samsung was considering acquiring either Harman or Magneti Marelli until the very last minute. Magneti Marelli produces technology for in-car entertainment, telematics, and lighting, which are used by Fiat-owned brands such as Fiat, Chrysler, Jeep, Maserati, and Alfa Romeo. Samsung's affiliates, such as Samsung Display and Samsung Electro-Mechanics, had already formed partnerships with Fiat for automotive displays and camera sensors. Therefore, it is not surprising that Samsung heir, Lee Jae Yong, has been a board member of Magneti Marelli since 2003. Despite some issues regarding overlapping businesses, Samsung is still interested in Magneti Marelli as a potential future business partner, as demonstrated by their ongoing commitment and confidence in the automotive industry following their acquisition of Harman.
4.9. Samsung and metaverse

Samsung has announced their construction of its own metaverse and virtual reality (VR) by working already in extended reality devices such as, VR headset. “TM Roh, Head of Samsung mobile experiences business, confirmed that such a device is in the works, but did not offer a launch window for the hardware. However, he reported the involvement of Qualcomm, the fabless chip maker, and Google, as partners.” On Feb. 1, Roh told The Washington Post: “Many different companies … have been making these announcements about different realities, so we have also been making similar preparations, no less than any others” (Goschenko, 2023).

![Figure no. 4. Samsung’s 837X and Decentraland](image)

Source: (Samsung, 2022)

Samsung has partnered with an ethereum-based virtual world platform by opening its own metaverse version of its flagship NYC store in Decentraland called Samsung 837X (Lee, 2022; Samsung, 2022). “Samsung 837X, one of the largest brand land takeovers in Decentraland, will be open only for a limited time.”

5. Conclusions

Starting as a small manufacturing unit, the company Samsung widens its portfolio and explores different paths, taking risks that challenge the company.

There were several points in Samsung’s journey when they had to rethink its strategy in order to remain relevant and maintain its place in the global market. One such time ultimately led to the creation of “Samsung Men”. More precisely, Lee realized the significance of people management and hired and trained only those who would remain loyal to the company.

Samsung’s strong vision, leadership style of its chairmen, and determination to grow have contributed to making the company a tech giant. Even though, in the past decade, Samsung took many bad business decisions due to poor management, which led to events such as the Samsung Debacle, the company still managed to bounce back and regain the customers’ trust. As a result, the company still manages to be on the list of “the most valuable brands in 2023”. Today, the brand continues to innovate and grow while keeping its vision alive.

6. References


