Samsung Electronics Co., Ltd.
Organizational Development & Change
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Abstract

This paper will focus on the organizational development of Samsung and how I might assist this company as their external organizational development practitioner. Currently, a main problem for Samsung pertains to their ongoing litigation battles in court, which are costing excessive amounts of money. To remain profitable, I recommend Samsung create a product line that compensates for their losses. This paper will give the history of the company, talk about my role as the practitioner, and analyze the diagnosis process and my change recommendations for Samsung. The diagnosis process will include an in-depth analysis of their general and industry structures and a SWOT analysis for Samsung.

Company Background and History

Samsung Electronics is a multinational company headquartered in Gyeonggi-do, South Korea and operates in Asia, Europe, and North and South America. Originally, Samsung Electronics manufactured televisions and expanded its product lines with household appliances, such as washing machines and refrigerators. Samsung expanded into the United States, built its first plant in Portugal, merged with a Semiconductor and Telecommunications Company, formed a joint venture in France, opened a plant in Czechoslovakia, and created a joint venture in China. Samsung formed strategic alliances with Yahoo, Microsoft, and AOL, expanded its product line, formed a partnership with Maytag, started a development partnership with IBM, and created a joint venture with Toshiba and Sony. Samsung worked with Time Warner Cable, formed a strategic alliance with IMEC, and created widescreen monitors for personal computers, high definition televisions, and memory chips. In 2009, Samsung developed various types of memory
chips, modems, and phones, and acquired an appliance manufacturing firm in Poland. In 2011, the Samsung Galaxy Indulge was launched, new cameras were introduced, and they opened a fabrication plant in China. Samsung introduced GALAXY Nexus, the latest release of the Android platform on the smartphone, introduced the GALAXY S III mini, and in 2013, they launched the GALAXY S4 and the tablet GALAXY Tab 3 (Marketline 2013, pages 5-9).

According to Samsung’s website, their vision statement says, “Samsung is dedicated to developing innovative technologies and efficient processes that create new markets, enrich people's lives and continue to make Samsung a digital leader” (Values & Philosophy n.p.). Samsung has five core values: people, excellence, change, integrity, and co-prosperity (Values & Philosophy n.p.). Samsung is a global company with brand recognition. Their core competencies are a strong market share because of their stellar products and their ability to compete with Apple, Panasonic, and other technology-oriented companies.

More recently, litigation has put a dent in Samsung’s profits. According to Martyn Williams’ article, he claims the $930 million that Samsung paid to Apple because of infringing on their patents was equal to 16 days’ worth of profit (Williams n.p.). Another costly lawsuit forced Samsung to pay $650 million to Ericsson for using touchscreen functions without asking permission (Parrish n.p.). Samsung is facing many more counts of infringement of other companies’ technology, and may continue to lose more money due to these practices.

Analysis of Company’s Development

The role of organizational development for Samsung is to help overcome any potential issues when implementing a strategic intervention, in this case, the revitalized product line. A
strategic intervention brings about a fit between business strategy and the larger environment of Samsung. Being an external practitioner gives me the ability to use my expertise and objectivity. My role as the external practitioner is to bring a different and more objective view to the company while trying to make the transition smooth at Samsung. I will practice being marginal, straddling the boundary between two groups, both upper-management and members, with differing goals. The steps of entering and contracting are particularly important. In the first step of clarifying the organizational issue, Samsung will present its problem with the increase in patent litigation. The next step is to determine the relevant client, those employees who will be working on the revitalized product line as well as upper management. The final step is utilizing the practitioner based on their expertise and ability to form interpersonal relationships. Relationships start with me knowing about Samsung’s culture and require me to listen to members’ feelings. This step is vital for me to establish trust and rapport with the members so I can effectively share relevant information. Establishing trust could be challenging if the members do not feel comfortable around me or are not ready to talk to me because they do not understand the recommended change. Because of my experience and proven track record of success, I feel that Samsung can benefit from my role as practitioner. I can help them make this transition work and recover from the loss of revenue due to litigation.

Diagnosis is an important step because it forms understanding about how Samsung is currently functioning, and it provides relevant information needed to design successful change interventions. At the organizational level, there are two key inputs, the general environment and industry structure, which affect the way Samsung designs its strategic orientation. The General environment is the combination of external forces that affect the attainability of Samsung’s
goals. I conducted a PEST analysis to understand the general environment. The results of the analysis are as follows: Samsung has faced many lawsuits regarding patent infringements with other companies and has lost a significant amount of money in these cases. High unemployment in the United States has affected all Americans. When work is hard to find, people are more sensitive to spending money on non-essential products. Samsung should be aware that sales might decline if people are unwilling to spend money or Samsung can reconsider price points to attract those people. The socio-cultural aspects could be classified as the change in culture in the United States. Most people today have smartphones and access to the internet. This growing trend has proved that there is a reliance on technology, which benefits companies like Samsung. Technological factors include software and applications exclusively licensed to specific companies. The functionality of a product is also a competitive advantage among the industry.

The second important input into strategic orientation is industry structure, which Michael Porter defined as consisting of five forces (supplier power, buyer power, threat of substitutes, threat of entry, and rivalry among competitors), and I have assessed each of the these forces for Samsung. Supplier power can increase prices and divert attention away from Samsung’s more important needs. Although Samsung makes most of their components (vertical integration), thus making the supplier power low, they need to be aware of it when they do purchase components. Michael Porter’s second force is buyer power, which has a big impact on companies. Consumers who do not want to pay for a Samsung product might switch brand loyalty to a more affordable option. The third force is threat of substitutes that can replace existing offers. Apple and Motorola have products that function similarly to Samsung. The threat from new entrants is low because of the high barriers; however, Samsung should be sensitive to up and coming
companies. Finally, rivalry among competitors must be considered. According to Marketline’s report, they state Panasonic is Samsung’s biggest rival. With that being said, I think Samsung’s biggest rival right now is Apple, because they are siphoning money from Samsung with the lawsuits. To combat this competition, Samsung needs its revitalized product line to be successful and earn revenues to make up for the millions of dollars they are forced to pay other companies.

A SWOT analysis is also an important tool for diagnosing, by looking at internal strengths and weaknesses and external opportunities and threats. Marketline’s Company Profile conducted a SWOT analysis of Samsung. Marketline states that strong market position and brand value are strengths of Samsung. They have significant market share in the smartphone market, notching 30.4% in 2012 (Marketline 2013, page 19). Patent litigations have plagued Samsung and are undoubtedly a weakness. Samsung is paying billions of dollars for these patent infringement lawsuits. The positive outlook for the smartphone and tablet market is an opportunity for Samsung. The demand for these products continues to increase and could prove to be a source of additional revenue. The weak economic outlook in the United States and high unemployment could be a possible threat for Samsung. The results of the 2008 Recession still have an effect on consumers and companies. In addition to job loss, the economy has not recovered. I agree with Marketline’s assessment of Samsung and think their comprehensive report is accurate and credible.

When collecting data from employees of Samsung, I will use a combination of questionnaires and interviews. The reason for utilizing questionnaires is that they are inexpensive and can obtain a large volume of data. Interviews allow data collection on a range of possible subjects and are a source of rich data. Additionally, unobtrusive measures could be taken by
collecting data in the form of records of absenteeism or tardiness, grievances, or financial reports, which are recorded at all companies. Both methods have their advantages, but I will use interviews because they will provide me relevant, rich data, and are most applicable in this step. Once I have collected the data necessary to my research, I will then analyze the data. I could use content analysis, force-field analysis, or a combination of both methods. Using content analysis, I would categorize the comments into themes that would summarize the issues into groups. Using force-field, I would be creating a list of reasons people resist change and then rank them in importance. The most applicable method would be using content analysis because, from an organizational standpoint, the results would be more easily understood.

**Recommendations for Organizational Development**

Due to the increasing number of patent lawsuits, I recommend product diversification for Samsung. Samsung’s competition with Apple has increased dramatically with the ongoing litigation. The compensation and punitive damages have been stiff and are having a negative impact on the company’s profit. It is important that I, the practitioner manage change effectively. There are five major activities of managing change: motivating change, creating a vision, developing political support, managing the transition, and sustaining momentum. As the practitioner, motivating changes includes creating the readiness for change by sensitizing the members of Samsung to the environmental and internal pressures by encouraging leaders to cultivate external networks with different perspectives. I need to reveal discrepancies between current and desired states and convey credible positive expectations for the revitalized product line. It also includes overcoming the resistance to change, which includes technical resistance, political resistance, and cultural resistance. While this is important, I do not expect much
resistance because the change involves revitalizing the product line. Creating a vision for Samsung is important to the members so they understand where the company wants to go. The third activity is developing political support. This step is important because I need the executives of Samsung to believe this change is necessary and give me the needed power to make the change happen. Managing the transition includes activity planning, commitment planning, and change-management structures. Finally, in order to sustain momentum, Samsung needs to provide the necessary resources, build a support system for those involved, develop new competencies and skills for their members, reinforce new behaviors, and stay the course I have recommended.

Since this change is going to have a major impact on Samsung, they should consider using organizational development to achieve greater effectiveness. Organizational development is a behavioral science that focuses on the result in system-wide changes, transfers knowledge and skill, and focuses to improve effectiveness. Trends shape changes in organizations. The three main trends are globalization, information technology, and managerial innovation. I recommend Samsung use the Action Research Model, a theory of organizational change. The model focuses on planned change as a cyclical process in which initial research about the organization provides information to guide subsequent action. The Action Research Model has eight main steps: problem identification, consultation with a behavioral science expert, data gathering, feedback to a key client, joint diagnosis of the issue, joint action planning, action, and data gathering after the action. Samsung is losing money over lawsuits and needs a way to recover from its losses. I will assess Samsung in attempt to establish a working environment. Then I will begin the data gathering process (aforementioned in the analysis section). After collecting the data, I will
present the feedback of the members’ feelings toward the change to upper management, then to all employees of Samsung. Also, I will explain the effects that the litigation are having on Samsung, specifically tailoring the information to the members’ individual jobs. The results will be kept confidential, and members will only see relevant data. Once everyone has seen the relevant data, joint diagnosis will begin. I will break the members into their departments and have them explore the problem and determine possible solutions. The solution I am recommending is product diversification, by revitalizing their vacuum, refrigerator, and microwave product line. The next step is jointly deciding on taking action on the identified problem. I will summarize the data and present it to the client members for their validation. A common mistake practitioners make is regarding this step as a doctor-patient model. If I do not establish a frame of reference, it could lead to a faulty diagnosis. The next step is joint action planning, which involves implementing the product line and marketing it to college students. After the action, I will determine its effects by data gathering using quick and inexpensive questionnaires.

I recommend two types of interventions for Samsung to assist with implementing the change. They should use a strategic intervention in regaining market share by adding a product line. A strategic intervention involves deciding what products Samsung will provide and the markets in which they will compete as well as transforming to the changing conditions within the industry. Samsung should focus on a integrated strategic change that allows them to come up with a unique, high-return product line and will be cost effective while capturing a large sample of consumers to make up for the losses from the patent lawsuits. An unknown area of products that Samsung manufactures is vacuums, refrigerators, and microwaves. A potential product line
could be redesigning all three products and targeting college students to upgrade their college dorm. Even though there is an upfront cost, and potentially could be risky if Samsung cannot compete with others who offer this type of product line, there is a greater opportunity to generate revenue. According to the National Center for Educational Statistics, over 20 million students were expected to enroll in colleges and universities throughout the United States in 2013. Many students use vacuums, refrigerators, and microwaves in their dorm or apartment. This potential revitalized product line, if priced strategically and marketed effectively, could bring in revenue that would surely offset the losses Samsung is currently incurring.

The magnitude of change should be quantum, allowing Samsung to alter how they operate in the revitalized product line department. This method of change is best for Samsung, keeping them competitive in the industry. It is important to note that along with this recommended change, Samsung must develop their capacity to solve problems that face the company and achieve high levels of performance and quality of work life. I recommend the degree of organization to be under-organized because this is a revitalized product line and leadership roles need to be clarified, a set of procedures needs to be created, and the department employees need to know their specific jobs. My job as the practitioner is to reinforce the process to the client system.

I am responsible for designing an effective intervention, which requires paying careful attention to the needs and dynamics of the change situation and creating a change that will be effective. There are two types of contingencies that affect the success of the intervention. The first type of contingency is related to the change situation. More generic contingencies include readiness for change, capability to change, cultural context, and capabilities of the change agent.
A possible setback would be if the employees do not have the proper knowledge and skills, then I would have to train them before Samsung engages in the intervention. The second type of contingency is related to the target of change which focus on organizational issues and the level of the organizational system. Strategic issues for Samsung would be deciding what products to provide in their revitalized product line and how they will compete with other companies in the industry. Technology and structure issues for Samsung would include how to divide the new work amongst the employees in the revitalized product lines department. Human resources issues should be low due to Samsung’s reward system already in place, and human processes issues would be low, too, due to Samsung reassigning employees rather than hiring new ones.

A secondary recommendation for Samsung is to use human process interventions because it is related to competencies, relationships, and group dynamics which will be vital in the success of the revitalized product line geared to college students. There are five interventions: coaching, training and development, process consultation, third-party intervention, and team building. Samsung will need their executives to clarify their goals of the revitalized product line to the members who will be working in the department. I will coach management to be more effective with their leadership skills. I recommend Samsung train their employees in the existing, revitalized department to help them perform their jobs at a higher performance level. I recommend Samsung allow me to meet with the members and consult with them to diagnose group functioning and prepare them for any potential problems with the revitalized product line. I recommend Samsung consider third-party interventions if problems arise during and after the change. Finally, having team building workshops will be beneficial to everyone and help with team cohesion.
As the practitioner, I need to evaluate Samsung’s development interventions. I will use both during-implementation assessment and after-implementation assessment, which provide Samsung’s members with feedback of the intervention. Measuring the success of the change includes selecting the variables and designing good measures. My expectations of the proposed revitalization of the product line geared to college students has great potential of earning back the lost monies going to legal fees and lawsuits with Apple.

**Conclusion**

This paper covered Samsung’s history, a brief overview of the company’s legal problems, and my recommended course of action to be taken to make up for their lawsuits. The planned change is the revitalization of the product line using the Action Research Model. The two recommend interventions are strategic and human processes. These interventions will make the revitalized product line more successful. Without them, the change will be too big for the employees to overcome and could cause chaos within the company. It is important for Samsung to recover monies lost to patent lawsuits and my planned change gives the company the best chance of accomplishing their goal.
Works Cited


Appendix

Samsung’s PEST Analysis

<table>
<thead>
<tr>
<th>Political:</th>
<th>Economic:</th>
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<tbody>
<tr>
<td>• Action lawsuits</td>
<td>• High unemployment</td>
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<tr>
<td>• Patent lawsuits</td>
<td>• Less purchasing power affects products being sold</td>
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</tbody>
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<tr>
<th>Socio-Cultural:</th>
<th>Technological:</th>
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<tbody>
<tr>
<td>• Increase of information</td>
<td>• Software and applications are exclusive network infrastructure</td>
</tr>
<tr>
<td>• Technology advancements and increased consumption</td>
<td></td>
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</tbody>
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(My own analysis)

Samsung’s SWOT Analysis

<table>
<thead>
<tr>
<th>Strengths:</th>
<th>Weaknesses:</th>
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</thead>
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<tr>
<td>• Strong market position and brand value</td>
<td>• Patent litigations</td>
</tr>
<tr>
<td>• Consistent emphasis on research and development</td>
<td>• Dependence on Android</td>
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<td>• Diversified geographical presence</td>
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<tr>
<th>Opportunities:</th>
<th>Threats:</th>
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<tr>
<td>• Positive outlook for smartphone and tablet market</td>
<td>• Intense competition and increasing commoditization of mobile sector</td>
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<tr>
<td>• Robust outlook for smart TV</td>
<td>• Declining average selling prices may strain margins</td>
</tr>
<tr>
<td>• Growing adoption of 3D flash memory</td>
<td>• Weak economic outlook for the U.S. and Europe</td>
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(Marketline 2013, page 19)