

The New Management: Transforming Samsung to Global Leadership

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The New Management

- Before getting into the specifics of HR's role in the New Management System, let me present a model of what makes for effective HR.
- This was based on work done across four universities (Cambridge, Tilburg, Cornell, and Insead) based on case studies and quantitative research on over 20 global companies

HR Capability Dictionary: Overview

There are a number of “layers” to the Dictionary.

In our study, we have found that human resource effectiveness can be categorized into three key dimensions: HR practices, HR systems and HR delivery.

Within each of these dimensions lies a further set of dimensions that explore the detailed competences required to make human resource system work well.

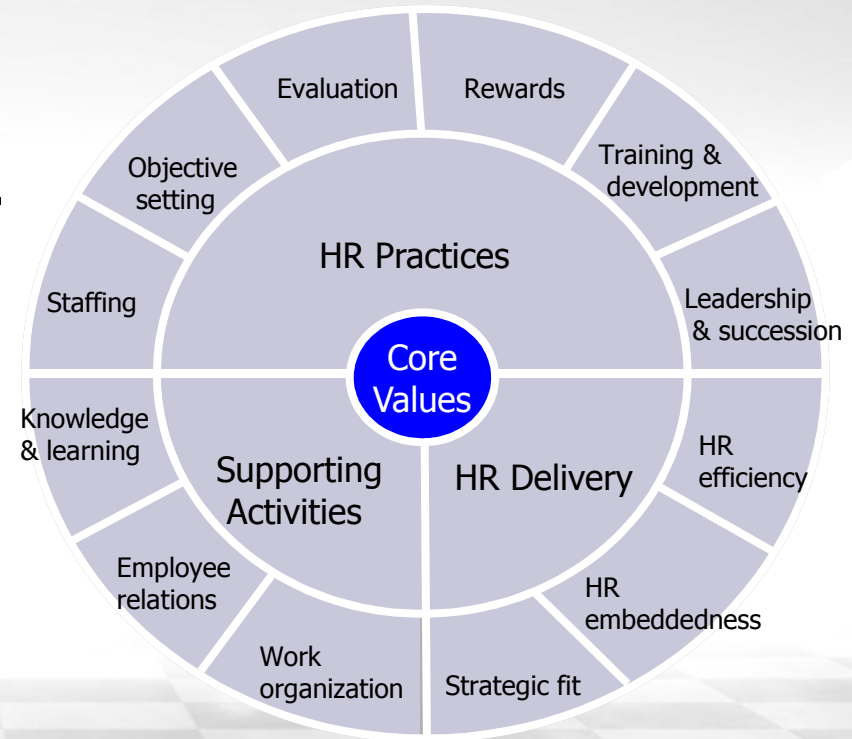
Finally, there is a system by which each detailed dimension can be scored and judged as to its effectiveness.



HR Capability Dictionary: The Inner Core of the Wheel

We have developed an “HR capability wheel” to represent the key components of the Dictionary.

At the center are the core values of the firm, which have to be the guiding principles upon which the entire HR system is based



HR Capability Dictionary: The Key Dimensions

The next ring of the dictionary describes the three dimensions that link the specific practices into a coherent system and determine overall effectiveness

(1) HR practices

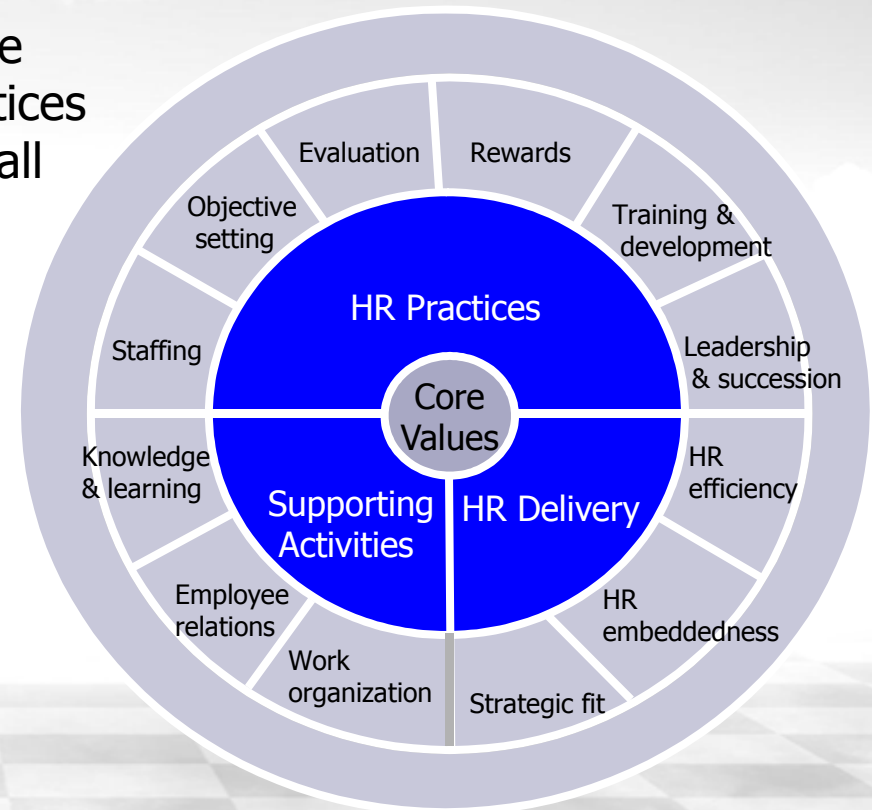
: the core disciplines that help to deliver the strategic aims of the business

(2) Supporting systems

: the systems that ensure that there is a supportive context within which HR works

(3) HR delivery

: how HR is communicated and embedded within the organization



HR Capability Dictionary: The Practices/Processes

The next ring of the Wheel is composed of a number of practices and processes that have emerged as important from both the literature review and the case data of companies.



HR Capability Dictionary: Key Success Drivers

Within each dimension of the dictionary four major criteria can be used to assess whether the dimension is effective:

1. Strategy linkage

: the degree to which the practice, system or delivery is linked to the strategy of the business

2. Manager engagement

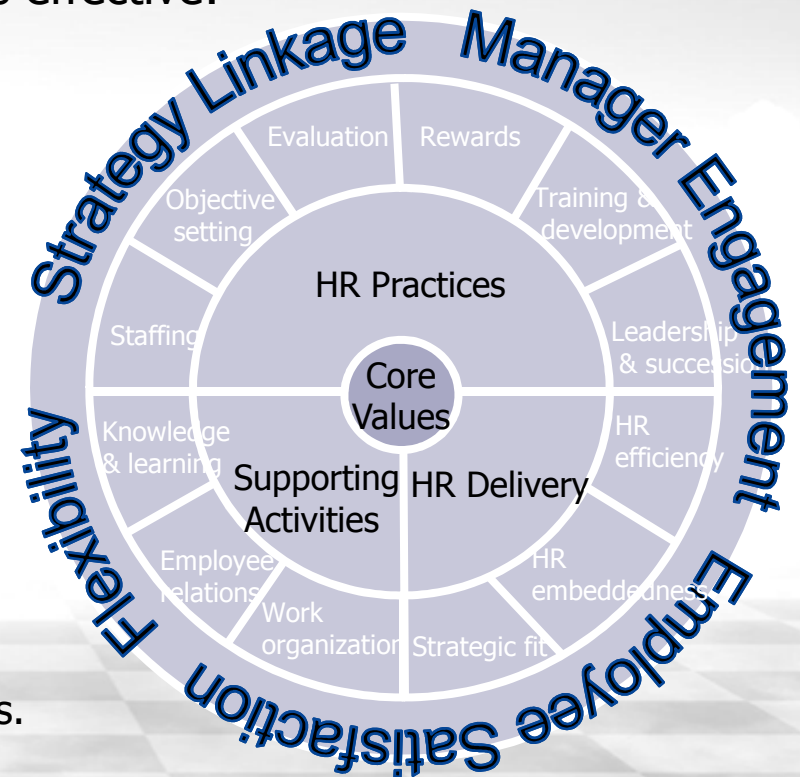
: the degree to which the practices of managing people are embedded in the performance of line managers

3. Flexibility

: the degree to which the practice, system or delivery is capable of being revised in light of new strategic or environmental information.

4. Employee satisfaction

: the degree to which the practice, system or delivery is viewed as fair, motivational and consistent by employees.



The New Management

- The New Management served as the catalyst to transform Samsung from a low-cost regional manufacturer to a high margin, innovative, global leader
- The transformation illustrates the competitive advantage that stems from a strong link between business strategy, people strategy, and HR strategy.

The New Management

- Steps to creating competitive advantage:
- Strategy Formulation:
 - Define unique customer value
- Strategy Execution:
 - Identify core capabilities
 - Connect critical human capital pools
 - Design, Develop, and Deliver HR systems and processes to manage those human capital pools

The New Management: Customer Value

From:

- Low-Cost
- Manufacturing Advantage

To:

- Innovative Products
- Quality Advantage

* Unique aspect is that these are added on, not replacing the old advantages

The New Management Strategy Execution

- New customer value requires new capabilities within the value chain

The New Management: Transforming Samsung Capabilities

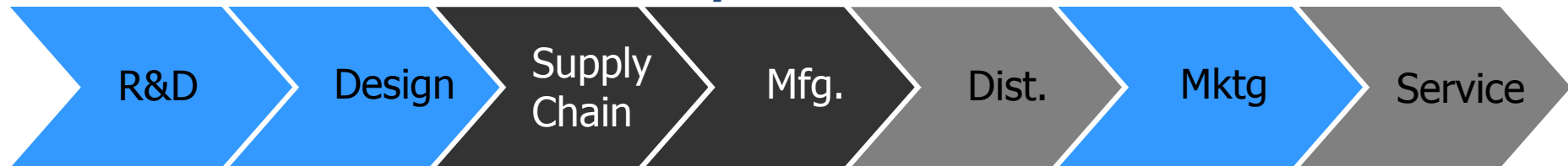


Samsung's Transformation

Old Capability
Advantages

New Capability
Advantages

Capabilities



Engineers
Scientists

Designers

People

Advertiser
Marketers

570%

572%

94%

The New Management: Strategy Execution

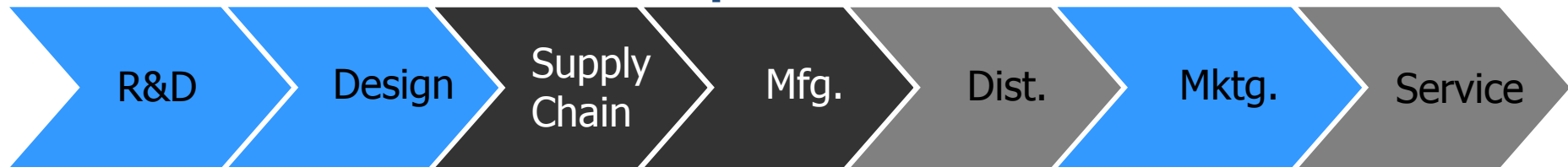
- New human capital pools require new and different ways of attracting, developing, motivating and retaining those people.
- This requires HR functions to design, develop, and deliver HR systems and processes

Samsung's Transformation

Old Capability
Advantages

New Capability
Advantages

Capabilities



Engineers
Scientists

Designers

People

Advertiser
Marketers

Hire Best
Empower
Merit Pay

Hire Best
Empower
Merit Pay

HR Practices

Hire Best
Empower
Resources

The New Management: Competitive Advantages through HR

- Attraction – Willingness to engage ignored human capital pools
 - Women
 - Non-Koreans
 - Non-college applicants
- Motivation
 - Performance-based rewards
- Development
 - Talent Management Processes

HR's Role in the New Management Evaluation

- Key Dimensions:
 - HR Practices – State of the Art

Staffing - EEO

- Samsung began “open recruitment” which excluded discriminatory factors that were unrelated to an individual’s ability such as gender and academic background.
 - Specifically, the application review process during recruitment was abolished and a job aptitude test was introduced. This has expanded to disadvantaged social groups, making sure that at least 5% of new Level 3 employees were from low income households and 35% from local universities.
 - Consideration for the recruitment of high-school graduates and those from vulnerable social groups is also being strengthened on a separate level.
- At IBM, Diversity has become highly successful because they have made it a market-based issue. In other words, a diverse workforce will be able to understand today’s multicultural and diverse global environment

Rewards

- Samsung implemented a performance based reward system (both pay and promotion).
 - While emphasizing individual performance more than most Asian companies, it simultaneously emphasized group/company performance
- One UK company embraces performance based pay as a means of aligning the financial interests of employees to those of the company. Performance based pay extends to an 'at-risk' element of base, short term incentives (bonus), long term incentives (LTI- where eligible) and competitive flexible benefits.

Training and Talent Management

- Samsung's Talent Assessment and Review program (STAR), a management system for in depth reviews of people in the talent pool that covered everything from the selection of candidates to the management of results, was introduced.
 - Through these efforts, Samsung was able to realize comprehensive management tools that facilitated the selection and review of core personnel, as well as their fostering and maintenance.
- A UK-based company tracks talent from their entry into the organisation, or their designation as a member of the leadership population.
 - Drawing upon many of the performance leadership assessment tools such as 360 degree peer appraisal, behavioural performance feedback and the business planning process, leaders can be enrolled on specific leadership development programmes targeting any and all development needs revealed by the outputs of the performance leadership assessment.

HR's Role in the New Management Evaluation

- Key Dimensions:
 - HR Practices – **State of the Art**
 - HR Delivery – efficiency, embeddedness, strategic fit

Strategic Fit

- Samsung has led the world in developing strategic fit.
- The focus on identifying key talent pools, differentiating talent, etc. have provided effective implementation of the innovation strategy

- HR in most global leading companies seldom leads the business, but does play an integral role in acquiring core talents, usually consulting with business leaders

HR's Role in the New Management Evaluation

- Key Dimensions:
 - HR Practices → State of the Art
 - HR Delivery → Displays a world-class delivery of HR in a way that is efficient, embedded, and aligned with the strategy

HR's Role in the New Management Evaluation

- Key Effectiveness Indicators:
 - Strategy Linkage
 - Manager Engagement
 - Employee Satisfaction
 - Flexibility

HR's Role in the New Management Evaluation

Key Effectiveness: Strategy Linkage

- This is where Samsung has been a global model for HR.
- The linkage through key talent pools and practices developed and delivered to attract, motivate, develop and retain them display world class effectiveness

HR's Role in the New Management Evaluation

Key Effectiveness: Manager Engagement

- It is clear that managers have embraced the importance of managing people, and use the HR processes as tools to do so effectively

HR's Role in the New Management Evaluation

Key Effectiveness: Employee Satisfaction

- Samsung's success and world-class HR systems have created a highly engaged and highly satisfied workforce.

HR's Role in the New Management Evaluation

Key Effectiveness: Flexibility

- The HR systems developed to enable the transformation of the New Management has constantly evolved to meet new challenges and achieve new objectives.

The New Management: Summary

- Samsung's business transformation is a model for all modern multinationals
- Samsung's transformation has had people at the center
- The HR function at Samsung has played a critical role in enabling this transformation