

## ***A Conversation***

### **Driving Culture Change at Samsung Semiconductor**

*Dr. Ho-Kyoon Chung and Grant Gustafson*

Samsung Electronics Co. Ltd., since its foundation in 1969, has developed a broad range of electronics and related items from semiconductors and finished home appliances to telecommunications hardware and multi-media products. A listed company on the Korean Stock Exchange, Samsung Electronics' sales reached US\$20 billion in 1996.

Samsung Semiconductor, the largest of Samsung Electronics' four core business divisions, is one of the world's leading semiconductor makers. In 1995, Arthur D. Little conducted a corporate assessment of Samsung Semiconductor in Korea. The assessment delivered one essential message – while the company's historical success was based on being an exceptional technology/product follower with a mass production focus, future success would require technology/product leadership and a strong customer focus. One key characteristic of the historic success model was a rigid, authoritative organization and culture. In workshops with Samsung Semiconductor's top executives, it became evident that a more fluid organization and culture is required for Samsung Semiconductor to achieve its future success model.

Samsung Semiconductor recognized the need for guidance and facilitation in implementing a process to enable it to achieve this challenging vision. It turned to Arthur D. Little for assistance.

The challenge for Arthur D. Little was to identify the critical cultural objectives on which to focus and the critical levers with which to implement those objectives. The Arthur D. Little case team worked side by side with the culture change process owner, Executive Managing Director Ho-Kyoon Chung, several executive advisers, and a cross-functional group of Samsung Semiconductor personnel. By employing shared-visioning techniques, this core team established the future cultural characteristics that would enable Samsung Semiconductor to achieve its strategic business objectives.

The Samsung/Arthur D. Little core team adopted a comprehensive approach to uncovering the crucial issues hindering achievement of the key cultural characteristics. An Unwritten Rules of the Game™ analysis focused on management behavior, while employee focus groups established employee stakeholder needs and critical „satisfaction gaps.“ Bringing these analyses together, the core team was able to model in a systemic fashion the interrelationships among prominent organizational behaviors and clearly identify the leveraged opportunities for change within the system.

The core team uncovered many cultural issues that hinder achievement of Samsung Semiconductor's business objectives and identified a „short list“ of critical cultural objectives that presented disproportionate opportunity for future business success. For example, one critical objective for the company is to convert managers from a „task master“ (or command-and-control) orientation to a coaching orientation. Based on a thorough analysis of the company's people management and development processes, 11 key implementation initiatives were developed to address Samsung's high-priority change objectives.

Samsung Semiconductor has adopted these implementation initiatives and is moving forward to create the cultural foundation needed to ensure long-term business success. For example, senior executives and managers have recently been through a new intensive course on employee evaluation and development skills. Over and above specific topics, such as performance planning and communication, the interactive course helps managers recognize the need to change their behavior and truly follow through on such change. This ongoing course is complemented by changes to underlying human resource processes (e.g., evaluation and promotion systems).

In December 1996, Grant Gustafson, a Director of Arthur D. Little's activities in the Asia Pacific region, had the opportunity to discuss the culture change program with Dr. Chung in Korea and identify the lessons learned from his experience.

**Grant Gustafson:** What was the driving force behind the recognition of the need for cultural change within Samsung Semiconductor, and what are the objectives of the change process?

**Dr. Chung:** Like many other companies worldwide, Samsung Semiconductor is faced with radical change in the environment in which it has historically operated.

Traditionally, Samsung Semiconductor operated in a sellers' market. With low-cost, mass production of a standard product, we were able to achieve global leadership in the DRAM memory business. However, over a very brief period, there has been a dramatic increase in competition and an emerging trend for customers to require products and services tailored to their specific needs.

This change in market dynamics required Samsung Semiconductor to change its strategy to focus on being more responsive to customer needs by developing innovative and customized products. The senior management group

recognized that it would not be possible to effectively implement this change in strategic focus within the existing rigid and centralized culture of the company.

As an organization, we must be more receptive to new ideas and innovations. The objective of the culture change effort is to move to a more flexible and fluid culture in which individual and organizational creativity and innovativeness is encouraged and recognized as valuable.

**GG:** What aspects of overall Korean society make culture change within Samsung Semiconductor a special challenge?

**Dr. C:** Koreans are taught from youth that obedience to parents, elders, and superiors is a real virtue. This is reinforced throughout our lives by our Confucian culture, our strong family values, and our educational system.

The culture within the Korean workplace reflects these values. We tend to listen passively to what we are told and seldom challenge superiors. Although this is changing within the younger generations, employees undertake tasks as they are directed, and it is still rare for managers to be constructively challenged.

Changing people within this environment to be more aggressive and proactive is not an easy task. Employees must want to be proactive and managers must facilitate this. Koreans individually are very innovative and creative. What we need to do is encourage this to surface and help it flourish in the collective work situation. If we can achieve and reinforce this throughout the work environment, we will experience great success.

**GG:** What are the most critical issues that need to be addressed for successful culture change in Samsung?

**Dr. C:** The key issues for the change program center around managers' behavior and their role within the organization. Managers so far have acted as task masters, controlling and directing employees in each task they undertake. Managers must take responsibility for developing and motivating employees so they are ready to accept challenges, take initiative themselves, and fulfill broader roles.

Managers have seldom been asked, even in their formal evaluations, how they are coaching or developing their own people. We need to train our managers to be more than task givers and task masters. This training must be thoroughly reinforced through both formal and informal processes if it is to be successful... for example, in how we promote people and how executives demonstrate such behavior.

**GG:** What have you done so far to address this key issue?

**Dr. C:** We are currently implementing a number of initiatives centering on manager development, including selection of managers, how they are trained, and how they are promoted. For example, there is a new emphasis on evaluation and development systems and training managers to use these tools effectively for their own and their staff's development. We have also implemented a dual ladder progression to ensure that managers are truly managers and technical contributors are truly technical contributors.

**GG:** What have emerged as the major surprises or obstacles in your work so far?

**Dr. C:** There is much pride in the past success of the company. Many managers only see the strength of the organization associated with past successes. In certain cases, while there is not complacency, the pride and confidence in past success is more than expected. It is very difficult to break out of this historic success paradigm. A continuing challenge is to create overall organizational recognition of the need for culture change and the specific requirements for it to be achieved.

**GG:** As leader of the change process, what are the main lessons that you have learned to date?

**Dr. C:** The key lesson is the importance of buy-in, from senior management down to individual employees, to the success of major change initiatives.

Many of the problems we experience are deeply rooted in Korean cultural norms. They are such collective behaviors that it is impossible for any one person to change the whole company. Across the board, we have recognized the interrelationships and vicious cycles and identified the high-leverage opportunities for change. However, individual managers are so busy with day-to-day work that they have often not internalized these problems and assumed the short-term pain necessary to break out of these cycles.

It is imperative for the change program to be owned by individual managers, with the Human Resource function providing a supportive rather than a leadership role. There must be an ongoing internal marketing and promotion program in support of the change initiatives, directed at senior and middle management and employees, that facilitates the participation and regular briefing of all staff.

**GG:** What have you found most useful thus far in the culture change effort?

**Dr. C:** Overall, Arthur D. Little's systematic approach to analyzing all the issues has been very helpful. The top-down and bottom-up approach to identifying the critical issues in the culture and organization with employee focus groups, manager interviews, and systems evaluation worked extremely well. This approach has enabled us to identify the critical opportunities to focus on, which can be difficult in an environment where the natural tendency is to attempt to fix all the problems at once.

The close collaboration between Arthur D. Little and our core team members was essential and worked very effectively in generating meaningful change efforts and the results we have achieved to date.

**GG:** Moving forward with the culture change project, what do you see as your major personal challenges?

**Dr. C:** Culture change is not a short-term project. Change must be pursued consistently, and often results will not become apparent until after periods of time. The major challenge is to keep the momentum going over long periods of time, especially in such a rapidly changing business environment.

We currently have a core cross-functional team of managers working in a reviewing role for each of the implementation initiatives. It is imperative that this team maintain the momentum that characterized the first phase of the culture change process.

**GG:** What are the key business benefits you expect to achieve as you move forward with the culture change program?

**Dr. C:** There is an incredibly strong work ethic within Samsung Semiconductor. Once we have a clear understanding and internalization of what is required, we mobilize all resources to achieve that objective. There is large potential to improve the bottom-line performance of the company by combining this work ethic with the culture change process.

Employees will be significantly more motivated, and that motivation will be directed toward a common goal for Samsung Semiconductor. Employees will have personal objectives consistent with the company goals rather than simply dealing with day-to-day tasks. They will work in a culture that encourages risk-taking and rewards people who raise issues and propose change rather than those who merely „listen to the boss.“ They will also work in an environment that increases personal responsibility for results.

With motivated employees working within a more flexible and fluid culture, where individual creativity and innovativeness are encouraged and recognized as valuable, Samsung will be able to maintain its leadership position in the increasingly changing and competitive semiconductor marketplace.

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