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SUPPLIER PARTNERSHIP STRATEGY AND GLOBAL COMPETITIVENESS: A CASE OF SAMSUNG ELECTRONICS

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Abstract

Samsung Group has accelerated its management innovation process, following the announcement of 'New Management' by the CEO Lee Kun-Hee. Particular attention must be paid to the smart-phone business of Samsung Electronics, which is the core company of the Samsung Group. In 2009, as Apple entered into the Korean market, the domestic smart-phone market faced the so called 'Apple Shock' due to its choice of a monopolistic and closed operating system. In response, Samsung Electronics introduced the innovative Galaxy series, replacing the old model of Omnia series. This move reaped dramatic success by dominating the world smart-phone market. Samsung Electronics ranked first in the 2012 world smart-phone market, and in 2013 it sold over 300 million devices for the first time in history, thereby solidifying the number one spot with a market share of 32.3%. Samsung Electronics' achievement in its management innovation process was successful, due to its internal innovation and its partnership with sub-suppliers. Samsung Electronics strengthened its supplier partnership strategy, which in turn, led to an internalization of subparts assembly and process technology. By conducting the final assembly process on its own, it established the global supply chain that accompanies a high level of efficiency and operational elasticity. Samsung Electronics successfully systemized several hundred suppliers into an effective partnership and created an eco system where cooperation and competition can co-exist in its supply chain network. In sum, Samsung Electronics has successfully created the Samsung Production System that brings an economy of scale and allows prompt response. On the other hand, Apple did not get involved with subparts production, besides design and product design. This research identifies the effectiveness of Samsung Electronics' supplier partnerships in its global competitiveness by examining characteristics of supplier partnership strategy and its evolution process of strategy, which plays a vital role in the Samsung Production System. For this purpose, the paper evaluates the importance of supplier partnership strategy of Samsung Electronics in the Samsung Group's management innovation process, since the announcement of New Management in 1993. Furthermore, it evaluates how supplier partnership strategy is affected by the CEO's ideology and external environments. It discusses the strategic implication of Samsung Electronics for ensuring its continuous global competitiveness.

Keywords: Supplier Partnership, Management Innovation, Samsung, New Management, Case Study

1. Introduction

Today, with the rise of the digital economy and the advent of network business world, the competition between companies is fierce and more complex. In order to respond to a fast-changing business environment, companies began to pursue a strategy of innovation from a long-term perspective, rather than the conventional management paradigm such as short-term profit maximization. Iansiti and Levien (2004) stated that the performance of firms derives from something that is much larger than the companies themselves: the success of their respective business ecosystems. As Moore (1993) said in Harvard Business Review that, in a business ecosystem, companies co-evolve capabilities around a new innovation: they work cooperatively and competitively to support new products, satisfy customer needs, and eventually incorporate the next round of innovations. In the case of manufacturing industry, for example, supplier involvement in product development, production, supply chain, etc has a significant effect on buyer's global competitiveness (Fine, 1998). Cooperation between companies helps build the core competence or competitive advantage of each company, and supports acquisition of information, cost reduction, quality improvement, and new product development (Powell, 1987; Sabel, 1993; Bastos, 2001; Tidd, 1995; Shin *et al.* 2000; Beamon, 1999).

Samsung Group was founded in 1938 and showed a steady growth for seventy five years ever since. In 1987, Lee Kun-Hee became Chairman of Samsung Group. Since Chairman Lee's Frankfurt Declaration and his New Management in 1993, Samsung Electronics, undoubtedly the biggest company in Samsung Group, has been growing dramatically and its innovation efforts have been accelerated more rapidly. Since then, sales of Samsung Electronics have increased by one thousand percent and its employment by three hundred percent, and the company's innovative products such as the Galaxy S and Galaxy Note series, Smart TV, etc have grown to become industry-leading products. In 2013, Fortune ranked Samsung Electronics in the 14th place with 178.6 billion dollars in revenue (Aju Business Daily, 2013). Also, Samsung Electronics rose to the 8th position in Interbrand's 2013 ranking (Asia Business Daily, 2014).

We infer that Samsung Electronics achieved the outstanding business performance due to the internal innovations and the collaboration in buyer-supplier relationship (Lee, 2013). However, Apple is different from Samsung Electronics. It produces highly innovative products, which combine product design and product development. Apple established a unique relationship with suppliers based on the exclusivity agreements. Samsung Electronics and Apple are competing fiercely in the global smart phone market, using very different strategies. Apple targets the market with few cutting-edge products combining superb design while Samsung Electronics with a lot of various products creating excellent hardware functions.

In this study, we focus on how Samsung Electronics is promoting the partnership strategy and how this strategy has an effect on management innovation of Samsung Electronics. For this purpose, we examine the evolution process of Samsung Electronics' recent supplier partnership since the announcement of New Management in 1993, and, analyze how this supplier partnership strategy has been affected by CEO's business philosophy and change in the external business environment. Finally, we try to find a dynamic interaction between Samsung Electronics' supplier relationship and its global competitiveness.

2. Strategic Response against 'Apple Shock'

Apple launched the iPhone in Korea in November 2009. And, this has brought a huge shock to Korea's smart phone market. Apple's iPhone recorded sales of 210,000 units during just two months in 2009, and iPhone 4, which was released in 2010, was sold 1.71 million units in that year, and iPhone 4S, 2.58 million units in 2011. These iPhone series recorded the largest

annual sales in Korea. In 2009, feature phone dominated Korea's mobile phone market, and the number of smart phone subscribers was 550,000, which was just 1 percent of the entire mobile phone subscribers in Korea (Baik *et al.* 2012).

Samsung Electronics released, for the first time its smart phone Omnia based on the Windows Mobile operating system in November 2008. At that time, the company emphasized the phone's unique features, instead of expanding application services (e.g. video calls, DMB and large battery capacity), but consumer response was yet insignificant. Samsung Electronics launched Samsung Apps in September 2009 on Omnia series, and released its second smart phone Galaxy S in June 2010 (Park *et al.* 2010). Galaxy S had a 19.9% share (97.4 million units) of the global smart phone market within a year of its release. After that, Samsung Electronics launched the new Galaxy series products every year. In 2013, the Galaxy S series recorded sales of over 300 million units and became the top-selling smart phone in the global market. In that year, Samsung Electronics' worldwide market share was 32.3 percent (Herald Business, 2014). It can be seen that Samsung Electronics' outstanding business performance was achieved by expanding customer base through cross device strategy as well as providing a variety of contents (Kim and Rhee, 2011).

One of the key success factors for Samsung Electronics in the global smart phone market is manufacturing competitiveness. Vertical integration has become a major advantage under New Management. Samsung Electronics not only has accelerated the development of new products, it has reinforced the competitiveness of its overall ecosystem through technology and management advice to subcontractors. At the same time, Samsung Electronics' vertical integration ensured both a stable supply of components and materials and a stable source of demand, allowing it to set attractive conditions for its largest customers, while increasing its bargaining power (Song and Lee, 2013). That is, it can be said that the manufacturing competitiveness of Samsung Electronics stems from its supplier partnership strategy.

3. Samsung Production System

Since the early 2000s, Samsung Electronics began to think about the need for a new production system in order to cope with the technological convergence and the changes in customer needs. To meet this need, it has created a speedy innovation ecosystem through close cooperation with about 1,000 primary suppliers as a strategic supplier partnership. This strategic supplier partnership has enabled Samsung Electronics to establish a unique and flexible SPS (Samsung Production System), a system of developing and producing a variety of models to meet the global demand as quickly as possible. This unique production system was created by a combination of economies of scale and flexibility, and is based on Samsung Electronics' internal innovation and partnership with its suppliers. Samsung Electronics' parts procurement is characterized by just-in-time delivery that keeps inventory at a minimum, attained through close cooperation and sharing of information with suppliers via its own online portal. To this end, Samsung Electronics has built joint complexes with both other electronics affiliates and suppliers to increase speed and reduce delivery costs. It has built a purchasing information system connected to its SCM system that provides suppliers with forecasts on products (including descriptions and quantities) and production schedules three months in advance, ensuring timely delivery of materials and decreased need for parts inventory (Song and Lee, 2013).

The characteristics of this system can be divided into speed, flexibility and high quality. Firstly, Samsung Electronics has tried continuously to improve the product launch speed. In order to achieve such improvement, Samsung Electronics has transformed its production method based on product's platform, reduced its inventory, line and manufacturing lead time. Furthermore, to meet the needs of customers' short term delivery, Samsung has secured a global base for supply, and carried out manufacturing operational enhancement through utilizing the Global Supply Chain Management (GSCM) system. Secondly, Samsung Electronics has the flexibility to meet the diverse needs of the global smart phone market. It adopts a flexible production system that mixes cellular manufacturing and modular production system for each product. Modular manufacturing system enables skilled workers to use the simplest integrated

combination of processes, machine systems, tooling, people, organizational structures, information flows, control and computer systems necessary to perform a given task (Rogers and Bottaci, 1997). Its benefits include increase of the productivity, inexpensive facility investment, cost-efficient work space, easy model change, and so forth (Wemmerlov and Johnson, 1997; Sengupta and Jacobs, 2004; Johnson, 2005; Ruiz-Torres and Mahmood, 2007).

Generally speaking, it is very hard for a company to adopt this type of small quantity batch production to maintain the production capacity and cost competitiveness on a global level. To compensate for this, Samsung Electronics has evolved cellular manufacturing system in various ways and has utilized modular production system according to the characteristics of each product, which proved to be a quick response to customers' demands. Modular production system is a production method that a certain company assembles the modularized parts, which are made and delivered from the partner companies (Rogers and Bottaci, 1997; Sako, 2003).

Such production method could cope rapidly with demands due to its module item coupling scheme, which enables diverse production. The introduction of cellular manufacturing and modular production system, not only contributed in a fast response, but also led to an increase in productivity and quality improvement. Moreover, to quickly manage production and supply, Samsung Electronics has synchronized the process on resource management, production planning, and manufacturing execution. Samsung Electronics also managed an on-line bilateral information system, Glonet, to deliver requirement plans and execution information to suppliers and in return receive information on supply capacity, inventory and payment. Thirdly, Samsung Electronics has a world class level of quality assurance. Samsung Electronics' emphasis is demonstrated well in its process of quality assurance, which covers quality control ranging from production design to finished products. In order to secure production quality, Samsung Electronics conducts a monitoring system on Surface Mount Device (SMD) and its assembling process that tracks defective products, execute factorial analysis, and provide countermeasures on a real-time basis (Samsung Electronics Partner Collaboration Center, 2011).

Samsung Electronics' production system has its ground on supplier partnership strategy. Corresponding production system facilitated Samsung Electronics to launch innovative products such as Galaxy Note's S Pen, Galaxy S4's Sound and Shot/Smart Scroll/Dual Camera, Galaxy S3's Smart Stay/Direct Call etc. These products have contributed in winning the first place in worldwide mobile phone sales in 2013 by taking a total market share of 67.9%, leaving behind Nokia and Apple (HankookIlbo, 2013).

Besides Samsung Electronics' own advancement, supplier partnership strategy has made a significant contribution to its suppliers' technology improvement and management innovation. For instance, MELFAS has achieved management innovation as being the only company in the world that can produce all the core components of touch screens, from modules to chips. As a result, MELFAS became a dominant player in the industry, for which its sales have increased from 34.9 billion won in 2008 to 383.3 billion won in 2012. As with Bujeon Electronics, which has been accompanying Samsung Electronics for 22 years, developed the world's first slim speaker in 2001, commercialized the module in 2004, and became one of the world's big 3 mobile phone speaker makers. Alongside such progress, through communication and technological exchange, Bujeon Electronics created convergence products with other suppliers. A voluntary technological cooperation among suppliers, including KMW, Elentec, and Bujeon Electronics, has developed a protective helmet i-Met. Also, as a part of Samsung Electronics' supplier support programs, Shinheung Precision successfully accomplished family business succession through next generation management training, and experienced an increase in productivity via ERP implementation. Such progress not only has led Shinheung Precision to grow in terms of size, but its management process could now stand in comparison with other global companies (The Korea Economic Daily, 2013).

Likewise, Samsung Electronics' supplier partnership strategy has brought an increase in job creation within both Samsung Electronics and its suppliers. For instance, during the period of Samsung Electronics' overseas expansion into Vietnam, 25% of all raw materials and components were supplied by its suppliers. As a consequence, employment increased from 544 in 2009 to 10,077 in 2012, which is comparable to an 18 fold increase. Again, the establishment

of Cheonan-Asan Multi-Industrial Complex has resulted in a huge employment increase, from 5,412 in 2004 to 40,055 in 2012, by primary partners (Kim *et al.* 2013).

4. Samsung Electronics' Supplier Partnership Strategy

For 20 years since Chairman Lee's declaration of the New Management in 1993, Samsung Electronics' supplier partnership strategy has gone through three phases.

The first phase ranges from 1993 to 1997, the year of the declaration of New Management to the time before Korea was hit by the foreign exchange crisis. During the first phase, Samsung Electronics acknowledged a limitation on its strategy that was based on quantitative growth that generates high cost and low-productivity; whereas, it required high productivity and quality (Samsung, 1997). This phase has been designated as the era of New Management. This was a phase when Samsung Electronics initiated its action and set core direction on supplier partnership, which is improvement in procurement, fair management, and social trust management. As Corporate Procurement Strategy team being responsible for supplier partnership, it carried out support through transferring innovation methods to suppliers, such as process innovation, and education on Six Sigma. Moreover, the team has exerted in improving the manufacturing sites, and supported the establishment of IT infrastructure, including 3D-CAD and ERP (Samsung Electronics, 2011). These activities mainly focused on the advancement of productivity and quality in the manufacturing sector. As a consequence, it was during this phase that Samsung Electronics has established its strong foundation of social trust.

The second phase, known as the overcoming the crisis, started off with the 1997-1998 Korean financial crisis and ended just before the global financial crisis in 2008. Due to the development of global business standards, change in the environment of international and domestic politics, and emergence of strong competitors such as Apple, Samsung Electronics has been drawn into an intensified global competition. In order to survive among the fierce competition, Samsung Electronics has put an emphasis on suppliers' innovative capabilities. In addition to handing down its innovation techniques, supporting the entry into the overseas market, and establishing IT infrastructure, Samsung Electronics has enforced in suppliers' innovative capability through financial support, plant advancement, technology development, and human resource development (Samsung Electronics, 2011). The main focus of this stage was to remain competitive in the global market rather than earning short-term immediate performances.

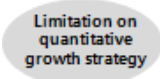
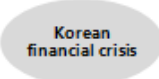

The third phase, from 2008 to 2013, is when Samsung Electronics' supplier partnership strategy became more established. This phase is known as the "leap to global first class status". At the time of leap to global first class status, Samsung Electronics elaborated on its management philosophy – improvement in procurement, fair management, and social trust management – to an increase in the global competency, transparency, and establishment of a trust based culture. In addition, to attain mutual growth in the overseas market with the partner companies, Samsung Electronics formalized supplier partnership strategy and practiced it systematically. Furthermore, Samsung Electronics reorganized its corporate procurement strategy team to a partner collaboration department in 2008, which was once again extended to a partner collaboration center in 2011. During the third stage, Samsung Electronics applied and developed its business philosophy to strengthen the capability of suppliers, and position as a globally competent firm, which is managed with transparency with a trust based culture. The following shows how Samsung Electronics has reorganized the relationship with suppliers via transforming its management system.

First, Samsung Electronics began to frame its support on finance, technology and human resources. Financial support is comprised specifically of development fund, co-prosperity fund, cash payment as to ensure suppliers' liquidity. In case of technology support, it was through customized support, which Samsung Electronics gave the opportunity to benchmark outstanding manufacturing sites and provided guidance to improve productivity and quality. It also supported in unused patent technology transfer and environmental safety. Furthermore, Samsung Electronics sought to bring management stability of its partners

through providing trainings and seminars for employees and future managers. Second, to practice a transparent management, Samsung Electronics established and managed a system for fair trade, which includes the reflection of changes in raw material prices and technology escrow. Third, Samsung Electronics has put efforts in building confidential relationship in order to strengthen mutual partnership. As a part of relationship building, Shared Growth Day was designated since 2011, a day which Samsung Electronics' CEOs visit suppliers regularly to listen to their concerns and difficulties. It also has its door wide open in communicating with suppliers via conferences and cyber petition system (Samsung Electronics Partner Collaboration Center, 2011). Such supplier partnership strategy enabled Samsung Electronics to reinforce competitiveness in manufacturing and obtain effectiveness and flexibility through discovering and developing innovative suppliers and their ideas.

The following table summarizes Samsung Electronics' transition in supplier partnership strategy along 3 phases. Samsung Electronics' exertion in supplier partnership has been a long-term implementation that lasted for 20 years and in each phase it expanded with great sophistication.

Table 1. Development Stages of Supplier Partnership

Classification	Era of New Management (1993 -1997)	Overcoming the Crisis (1998 -2007)	Leap to Global First Class Status (2007 -)
Changes in management environment	<ul style="list-style-type: none"> • Prolonged bubble period • High cost/ low productivity leading to a profitability crisis 	<ul style="list-style-type: none"> • Expansion of global standards • Intensified global competition - Beginning of fierce competition 	<ul style="list-style-type: none"> • Slowed growth engine • Creative competition for innovation (Fast Follower → Innovator)
Crisis (Inflection Point)			
Leading organization	Corporate Procurement Strategy Team	Corporate Procurement Strategy Team	Partner Collaboration Department (2008) → Partner Collaboration Center (2011)
Purposes	<ul style="list-style-type: none"> • Support for higher productivity and quality in the manufacturing sector 	<ul style="list-style-type: none"> • Increased support for innovation efforts 	<ul style="list-style-type: none"> • Building of Samsung Electronics' mutual growth model <ul style="list-style-type: none"> - Establishment of sustainable partnerships
Activities	<ul style="list-style-type: none"> • Improvement of the manufacturing site <ul style="list-style-type: none"> - Eliminating waste, introduction of 3 Rights and 5 Practices • Support for obtaining quality certification <ul style="list-style-type: none"> - ISO 9000 and 100 PPM • Transfer of innovation methods <ul style="list-style-type: none"> - Process innovation - Education on Six Sigma - Selection of good innovation examples • Support establishment of IT infrastructure <ul style="list-style-type: none"> - Establishment of 3D-CAD infrastructure - Support for establishment of ERP 	<ul style="list-style-type: none"> • Financial support (loans at zero interest) • Support for localization of technology and development <ul style="list-style-type: none"> - Securing new technology and techniques/future technology - Localization of facilities and parts • Advancement of plants and support for entry into the overseas market <ul style="list-style-type: none"> - Improvement of quality, productivity and IT infrastructure - Joint research on the overseas market and joint building of complexes - Establishment of plants and stabilization in the initial stages • Support for nurturing talent <ul style="list-style-type: none"> - Training talent into experts and next generation managers 	<ul style="list-style-type: none"> • Support for partners <ul style="list-style-type: none"> - Management stability - Higher technological capabilities - Enhancement of workforce capabilities • Fair purchasing <ul style="list-style-type: none"> - Establishment and management of a system for fair trade - Reflection of changes in raw material prices - Technology escrow • Building an environment for mutual growth <ul style="list-style-type: none"> - Mutual Growth Day - Meeting with partners - Online complaint report system

Source: The authors modified the contents based on Samsung Electronics (2011).

5. Analysis of Samsung Electronics' Supplier Partnership Strategy: An Evolutionary Approach

Following study carried out an analysis of Samsung Electronics' supplier partnership strategy based on environmental transition. Process of management innovation could be researched through an analysis on process of evolution and attributions during each phase.

The first phase is "Era of New Management", which was initiated in 1993 with the declaration of New Management and ended just before the foreign exchange crisis in 1997. The New Management was announced by the Chairman Lee Kun-Hee in June 1993 in order to

overcome the threat followed by its concentration on quantity, and to support quality improvement instead. Chairman Lee Kun-Hee emphasized flexibility and diversity as core values in the organization, which he believed will deliver internal innovation and stronger management. In addition, he emphasized the importance of partnership with suppliers. By defining supplier partnership strategy as making the pie bigger through competition and collaboration, Chairman Lee suggested the need of a synergy from combining with outstanding supplier firms, which would be given support to fortify its capability (Samsung, 1997). Since the announcement of New Management, as a part of supplier partnership strategy, Samsung Electronics reinterpreted the perception of procurement and promoted suppliers' proactive participation through gathering procurement information. As a means to put supplier partnership strategy into action, Samsung Electronics has set its key philosophy based on improvement in procurement, fair management and social trust management (Samsung Human Resources Development Center, 2010). This has been a critical starting point for the supplier partnership strategy. According to Joseph Schumpeter (1934), innovation is required for an economy in static equilibrium to develop into a dynamic economy, and the dynamic activator of innovation is the entrepreneur. This supports the notion of CEO's philosophy being the key factor in achieving management innovation. As a first step to Samsung Electronics' supplier partnership strategy, Era of New Management is a phase that has been driven by the CEO's management philosophy. During this phase, internally Samsung Electronics has put an emphasis on corporate partnership based on social trust management, whereas externally on bottom-up and varied innovation (Samsung, 1997). However, as Era of New Management is a phase driven by the philosophy of the CEO, it is difficult to recognize the phase as creating a momentum for management innovation. Therefore, the phase seems to have initiated Samsung Electronics' innovation momentum through internal innovation and supplier capability reinforcement.

The second phase, "Overcoming the Crisis" ranges from 1998 to 2007. During the second phase, Samsung Electronics' supplier partnership strategy was affected by political environment change and appearance of strong competitors. Innovation has been forced by the various circumstances of Samsung Electronics, one of which was political demands for corporate partnership by the Roh Moo-Hyun administration and Lee Myung-Bak administration, and iPhone's emergence have formed a competitive composition within the mobile manufacturing industry. As Michael Porter (1990) pointed out that business environment is one of the critical factors in achieving management innovation, to overcome the threats incurred by the change in business environment, Samsung Electronics strengthened its supplier partnership strategy through combining environment with its management ideology. To get over the limits in innovation by utilizing its internal resources, Samsung Electronics exerted in establishing a firm relationship due to its recognition of the importance of networking with various external stakeholders. In other words, Samsung Electronics sought to gain competitiveness, as a way of confronting the changes in the external environment, through its proactive partnership with its suppliers. The main feature of "Overcoming the Crisis" phase is that management innovation via supplier partnership strategy was a reaction to its change in the environment. As a solution to manage crisis that Samsung Electronics confronted, it increased support for supplier capability to keep their competence in the overseas market.

The third phase is the "Leap to Global First Class Status", which ranges from 2008 to 2013. As experiencing the Overcoming the Crisis phase, Samsung Electronics began to put extra attention to innovation, therefore initiated development of its unique business model. Corporate Procurement Strategy Team was systematized as Partner Collaboration Department in 2008, and once again in 2011, the team expanded to Partner Collaboration Center. Based on such expansion, Samsung Electronics tried to extend the supplier relationship and utilized external resources. This was a part of a strategic innovation on rapid change in technology and diverse consumer needs. In the case of Samsung Electronics, it has discovered competent supplier firms' ideas through open sourcing, technology exhibition, and promoted their growth by classifying those firms into 3 categories: Innovative Companies Association, Samsung Partners Association, and Global Hidden Champions. As a result, the number of suppliers who wished to start business with Samsung Electronics has increased rapidly, followed by 651 technology consultation (Samsung Electronics, 2012).

The start of the Leap to Global First Class Status phase was when Samsung Electronics' supplier partnership strategy has become materialized. Its supplier partnership strategy at this stage initiated to have a balanced combination of ideology (I), environment (E) and strategy (S), and as a result, formed a management innovation momentum (M).

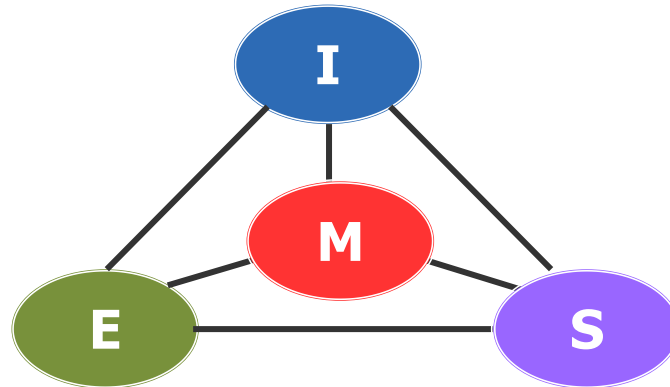


Figure 1. Momentum of Management Innovation: M-ies Model
Source: Lee (2013).

Since 1993, Samsung Electronics' supplier partnership strategy have gone through 3 phases of Era of New Management (I-drive), Overcoming the Crisis (I+E-drive), Leap to Global First Class Status (I+E+S-drive), which in the end formed management innovation momentum by a balanced combination of ideology, environment, and strategy. In the late 2000s, such momentum facilitated the introduction of the innovative Galaxy series, which led to increased market share in the international market and strengthened its position as a global leader.

A company's innovation momentum is a momentum to autonomously accumulate energy and accelerate growth, which in turn enables reduction in spending resources and, at the same time, allows to achieve high profit (Jean, 2009). For the past 20 years, Samsung Electronics' innovation momentum has formed a balanced combination of ideology, environment, and strategy. And such innovation momentum was formed to create a tipping point that promoted performance beyond its existence to accomplish its innovation outcome. By definition, tipping point is a point where phenomena grow exponentially. When such tipping point arises in a business activity, its massive influence will generate an innovative outcome. A tipping point is comprised of three factors: influence from a few, influence from unique situations and environments, and stickiness (Gladwell, 2012).¹ New Management's ideology could be applied as influence from a few, and its unique situations and environments as circumstantial changes in Samsung Electronics. In terms of Samsung Electronics' management strategy, it will be applied to stickiness among the three factors. This once again implies that for an innovation momentum to take place, management ideology (I), management environment (E) and corporate strategy (S) should be in a balanced combination.

6. Summary and Discussion

This study carried out an analysis on the transition and performance of supplier partnership strategy, which initiated from the declaration of the New Management.

Supplier partnership strategy can be divided into three phases. First is the Era of New Management phase (1993-2007), which has its base on Chairman Lee's ideology. Second, the Overcoming the Crisis phase (1998-2007) has been driven by the changes in the business environment due to political requirements and overheated competition. Third, the Leap to Global First Class Status phase is when Samsung Electronics strengthened its stance as global first

¹ According to Gladwell (2012), stickiness means spreading specific content through the influence of a few and making it stick.

class. During this stage, Samsung Electronics extended its organization that is in charge of supplier partnership to fortify corporate partnership and expand partnership culture.

Based on the analysis of cases, Samsung Electronics' supplier partnership strategy is formed in a balanced combination of ideology, environment and strategy throughout the phases. Going through such process, Samsung Electronics could reinforce its innovation momentum through forming key factors of management innovation in equilibrium. Such innovation momentum not only enabled the establishment of Samsung Production System, but also contributed to the performance of suppliers in the aspect of technological innovation, market expansion, and job creation.

This study shows that supplier partnership strategy could bring a new solution towards a company's sustainable growth. It also means that supplier partnership strategy can achieve something that is beyond maximum profitability and create a shared value to accomplish sustainable growth. To remain competent in sustainable growth, a company should provide opportunities and collaborate, so as to evolve to an advanced level of supplier partnership.

The following are the implications found from this research that the solution to current increase in the attention of sustainable growth is through partnering with suppliers.

First, this research has analyzed supplier partnership management in the perspective of management innovation, which in turn justified supplier partnership strategy as a new paradigm. Business management, as of now, has been weighed towards internal efficiency composed of pursuit on individual value, vertical restriction, and short-term profit maximization. However, the study indicates that strengthening internal capability of a company at an individual level will not be able to survive under cutthroat competition and rapid change in the environment, which will fail to fulfill sustainable management. As demonstrating the importance of supplier partnership strategy through case studies, the research suggests a need of a new business model that considers various stakeholders. Second, by going over the phases that created a combination of ideology, environment, and strategy as key factors of management innovation, the study has shown the need of expanding the research on management innovation with a wider perspective. Third, due to the fact that collaborative partnership among companies not only resulted in management innovation, but also created jobs throughout the business ecosystem, it has been demonstrated that a policy, which promotes collaborative partnership among companies instead of supporting companies at an individual level, is essential. In this context, the government should put forth policy with certain rule that promotes fair competition and cultural expansion, and incentivize collaboration.

However, this research has limitations on certain points. First, it has shown the process of how Samsung Electronics created innovation momentum in a certain period. The study lacks on how momentum could be maintained and extended. Second, since the research has been focused heavily on Samsung Electronics' business environment and its unique culture, the research is difficult to be viewed as a representative of its Group as a whole. Third, since Samsung Electronics already has a firm position as a global leader, it is difficult to apply all the cases of other companies that are under the performance of Samsung Electronics. Fourth, the research was based on Samsung Electronics' supplier partnership strategy in terms of its management innovation after the declaration of the New Management. Therefore, it may not have taken into account factors, such as labor management, cost, corporate image, marketing and so on.

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Appendix

Samsung Electronics' Strategic Initiative since 2008

Since 2008, Samsung Electronics pushed forward a supplier partnership strategy based on its innovation momentum. While initiating the supplier partnership strategy, Samsung Electronics has set mutual trust as its core principle, which has facilitated communication with its partnering companies. As a part of the supplier partnership strategy, since 2011 the Samsung Electronics' CEOs periodically visited the sites of the suppliers and listened to their issues and difficulties. In addition, Samsung Electronics designated a 'Corporate Partnership Day' that provides opportunities for both CEOs and employees of Samsung Electronics and its suppliers to gather and share information to the extent of forming a consensus. Particularly, for those divisions that work directly with the suppliers, such as development, corporate procurement and quality management divisions, Samsung Electronics' executives visited the suppliers' sites once in every 2 months to enhance communication (Samsung Electronics Partner Collaboration Center, 2011).

On the other hand, as a means of supporting the partner companies to take a competent position in the international market, Samsung Electronics has been providing exhibitions and technical exchange gatherings in connection of global leading companies. Another way of reinforcing suppliers' capability is to provide opportunity to benchmark domestic and global companies through arranging a couple of information sharing sessions for partner firms' CEOs and staffs each year. Regardless of being an existing partner, companies with innovative technology and ideas are given the opportunity of being suppliers to, which in following three fields should be given support: technology development, collaboration of developmental projects, and new product development. As a result, the number of suppliers started off with 24 partner companies in 2010, whereas a year later 7 companies were added making 31 partners in total (Samsung Electronics Partner Collaboration Center, 2011). Such actions contributed to \$511 million increase in sales of partner companies and 2 suppliers have been recognized as companies with most successful performance (Samsung Electronics, 2012). Furthermore, since 2011, Samsung Electronics has put extra effort in a fostering system of global hidden champions. This is practically different from former programs, which mainly focused on problem solving, whereas current strategy figures out the necessities relating to technology, finance, and infrastructure management based on mid to long term roadmap providing a timely and customized support. Such actions have motivated partner companies to create innovation, which in turn stimulated quality improvement and price competitiveness. For instance, Samsung Electronics' collaboration with partner firms in 2009 has successfully set up a venture company Silicon Meisters, in order to invest in localization of PMIC (Power Management IC), which is a component of LCD that Samsung Electronics relied heavily on import. In consequence, Samsung Electronics achieved cost reduction of \$12 million through technology independence and combination of 7~8 parts of the LCD into a single component. In addition, Silicon Meisters' sales showed a rapid growth from \$24 million in 2009 to \$98 million in 2011 (Samsung Electronics, 2011).