

Team 16 Executive Summary

The goal of this report is to provide a history as well as an organizational analysis of Samsung Electronics, to draw conclusions about both its successes and failures as a company, especially relating to the Galaxy Note 7 case last year. The scope of the report focuses specifically on smartphone business of Samsung Electronics.

Founded in 1969, Samsung Electronics is the largest subsidiary of the Samsung group, accounting for approximately 70% of the group's revenue. As the world's second largest IT company by revenue, Samsung Electronics employs 370,000 people and builds a wide variety of electronics such as TVs, semiconductors and smartphones.

Our approach was to analyse many different aspects of Samsung's organization, including organizational structure, corporate culture, external environment, manufacturing and approaches to innovation. Additionally, we researched the case of the Galaxy Note 7, considering the causes behind the defect and the aftermath of the recall.

We found that Samsung has a very rigid and mechanized organization, made up of a functional and divisional structure. The organization is deeply rooted in Korean corporate culture, with a bureaucratic top-down hierarchy and all overseas operations run by Korean expatriates. This structure means that decisions made at the top are passed down efficiently throughout the whole organization.

Samsung's success has in large part come from its highly efficient supply chain and manufacturing process. Since Samsung Electronics controls the entire manufacturing process, they can bring products to the market more quickly than its competitors. Also, their cheap manufacturing centers in Vietnam and China mean that even their high-end products can be manufactured at a low cost.

However, Samsung's rigid structure has issues as well. We found the lack of horizontal coordination within the company to be a major factor in the Galaxy Note 7 disaster, making the organization more prone to accidents as a whole. Other causes for the Galaxy Note 7 case include a tight development schedule to release before the new iPhone, unrealistic expectations set by Samsung HQ, and an excessive amount of pressure placed on the designers.

Our recommendations for Samsung Electronics are based on the issues we found related to the development of the Galaxy Note 7. We recommend increased horizontal communication between suppliers and among departments, involving middle management in the decision-making process and improving the quality control and testing processes. With these improvements, Samsung should be less prone to accidents like the Galaxy Note 7.

