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Managing Cross-Cultural Environment in Samsung Company: Strategy in Global Business

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Abstract
Samsung is one of a sustainability multinational company (MNC) that successful in global business especially in producing electronic appliances. The success and popular products of Samsung are smartphones, various smart televisions, refrigerators, washing machines and so on. This Korean company had gone through a long historical journey before becoming a successful company. The behind story of Samsung was its culture in business. Hence, globalization era made Samsung become bigger and expand throughout multiple countries. That leads this company facing different cross-cultural issue in global business. Both, employer and employees have different roles in achieving company mission and managing cross-culture issues. The purpose of this study is to learn on what is culture in global business and how Samsung success going through a long journey before coming out as the market leader in producing electronic products. The focus of this study is based on managing cross-cultural in the global business. That would include on how Samsung overcome issue in communication with internal and external stakeholders. The finding also include on how Samsung transfer information into company strategy in throughout different country and market.
Keyword: Sustainability, MNC, cross-cultural, global business

1.0 Introduction

Samsung was started in 1938 as a small trading company located in Su-dong near Daegu city, Korea. It was founded by Lee Byung-chul. At that time, he had only forty employees. The company's major business was production and distribution of groceries within the city. In 1947, Lee put up their office in Seoul. Then he started a sugar refinery which also succeeded in a very short span of time. Lee was a very ambitious person and in 1954 he built the largest woolen mill in Korea located in the suburbs of Daegu city. After that, he had ventured into various sectors like insurance, retail and securities. He was a firm believer in industrialization and wanted that Samsung Group to become the industry leader in almost all the sectors. In the 1960's the Samsung Group entered the electronics industry confidently. Samsung was able to release its first product which was a black and white television set. By now it has more than 6 divisions each focusing on individual products like the semiconductor, telecommunications, hardware and so on.

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The company began to create its name as the biggest electronic company in the world started with three days speech from Lee Kun Hee who was Samsung's Chairman from 1987 in German Hotel 1993. He went on a world tour to see how his company doing internationally. From the trip, he was not satisfied on what he saw. He stated that his company must be like General Electric (G.E.) by the year 2000. In June 1993, he called hundreds of Samsung's executives for a big meeting which held in Falkenstein Gran Kempinski Hotel. He listed the blue print on his vision and what they have to do to become successful.

His speech became "Frankfurt Declaration of 1993". The famous speech was "Change everything but your wife and children". The content of the Frankfurt Declaration is called New Management, its principles distilled into a 200 pages book that's distributed to all Samsung employees including the cartoon version for the employees who couldn't read. That lead Samsung revaluated their culture for its sustainability in the global business. Today, Samsung is the world's biggest supplier of memory chips, televisions and smartphones, with the company also being one of the world's top display panel manufacturers.

2.0 Nature of Culture

Culture is determined of the way people think, speak, perceive, and behave. Culture shared understanding of meaning and it is the core of society stability (Corn & Kanter, 1994). In other word, it is used to describe the behaviors that represent the general operating norms in an environment (Fariza, Abdul Rahim, & Asmat Nizam, 2007). Cultural also explain how members behave toward each other and with other groups. First, culture is relative. That means culture is neither right nor wrong. There is no cultural absolute. People of different nationalities simply perceive the world differently. Each culture has its own view of what is acceptable and not acceptable behavior. Second, culture is not about individual but it is about group behavior. It refers to a collective occurrence of shared values and meanings. Third, culture is not inherited. It is derived from the social environment. In other word culture can be learned and be adapted.

The fact is people in different countries have different ways of conducting their daily lives. Anthropologist view culture as a biological evolution and the main means of human adaption to the world; therefore culture encompasses several elements in human life (Fariza, Abdul Rahim, & Asmat Nizam, 2007). It covers spiritual, material, intellectual, and emotion features of society or a social group. It also includes arts and literature, lifestyle, ways of living, values, traditions, and beliefs. Samsung like other MNCs have its own company culture.

3.0 Nature of Culture in Global Business

Nowadays, the ability to communicate effectively can be a challenge in a global environment. Although when two parties speak in the same language, there are still being misunderstanding due to ethic and cultural differences. There are researches and findings that show how poor

communication can lead to poor company performance. So it is crucial for company to understand the impact of globalization on cross-culture communication and it is vital for organizations looking for creating a competitive advantage in the global market. The economic challenge today, emphasizes the need for organizations to develop the internal communication capacity necessary to monitor and control external threats. People are more globally connected and there are increasing in ability to communicate across cultural boundaries. MNC must understand how to communicate with employees and customers from different cultures in order to fulfil the company's missions and gain values for stakeholders. Even though culture clash or misunderstood that can potentially lead to obstacles in trying to increase profits and market share. Usage of technology had a profound impact on how business communicate globally and market their products and services.

Company involved in global business operations, shows that the relationship of management and employees is very important. In research conducted by Thomas and Ravlin (1995) it was found that participants to whom nationality was more important indicated lower perceptions of similarity with the manager, lower intentions to associate and lower perceptions of managerial effectiveness. The results of the study strongly indicate that teaching members of different cultures to behave like each other is an ineffective approach to improving intercultural interactions in business settings (Thomas & Ravlin, 1995). The core should focus on using diversity in culture to create innovation (Cohn, Katzenbach, & Vlak, 2008). Training and development of individuals involved in intercultural interactions should consist of more than simply promoting cultural adaptation.

Effective communication for business is crucial in guiding to explain whether their product and services differ from their competitors. The successful company in communication cross-culture may have advantages and they could avoid spending too much time and resources for solving communication issues either internally or externally. As an individual person, communication is important to express ideas to other persons. It same goes to group. Without that, there might be a chaos and the mission won't be achieved of what are the actual ideas are all about to tell. So the communication through cultural understanding is vital to prevent misunderstanding which could be caused by prejudices and personal biases.

The study on cross-culture communication is focusing on understanding how individual differences influence our ability to communicate with others. Since most individuals grow up within a single culture having to interact with others from a different culture or background can represent a challenge (Fink, Neyer, & Kölling, 2006). The exposure in different cultures affects the ability to communicate with others. Fink, Neyer, and Kölling (2006) propose that researchers involved in cross-cultural studies should develop an understanding of the interrelations between cultural dimensions, cultural standards, and personality traits. That would help individual to manage their own cross-culture awareness.

Reza Najafbagy (2008) refers to co-orientation, the ability to familiarize all aspects of one's own life in relation to someone of a different culture, as a primary component of intercultural communication. Individuals that have experienced different cultures are more cognizant on how to alter their communication styles so that others understand the information they are trying to deliver. Research conducted by Seak and Enderwick (2008) revealed the importance of providing cross-cultural communication and training skills for expatriates assigned to foreign locations in particularly, China, Hong Kong, Taiwan, Japan and South Korea. Now more than ever global organizations must ensure that their employees have the skills required to communicate across cultural boundaries. Cross-cultural communication enhances innovation by allowing for collective problem solving and the open dissemination of information (Matthews & Thakkar, 2012).

Cohen and Levinthal (1990) define the term absorptive capacity as an organization's ability to identify and recognize the value of new external information, absorb it, and implement it into their business operations. Company that understand the importance of external information is better in using their core competencies to create a competitive advantage. Cross-culture communication enhances an organization's absorptive capacity because it provides a new of perspective in satisfying the needs of stakeholders. However, when information flows are random and there is no apparent directive of how to apply the outside knowledge the organization will not benefit (Cohen & Levinthal, 1990). Productivity decreases when company management are not able to communicate clearly to transfer into the expected result. Furthermore, conflict and tension arises when workers do not understand how their personal efforts contribute to the overall success of the company.

In research conducted by Choi and Chang (2009) it was noted that organizational culture directly impacts the attitudes and motivation of employees towards innovation. He added that the researchers identified three organizational factors of management support, resource availability, and support for learning as key enablers for innovation. He also said that all three factors were found to be significantly correlated to implementation, however; only management support was determined to be a significant predictor of innovation. Furthermore, the finding aligns with the conclusion that when worker fully involved in the innovation process, they will success. Therefore, company should implement procedures that encourage innovation throughout the entire company.

4.0 Managing Corporate Culture in Samsung

The company held "Startup Samsung" event at its tech compound in Suwon with its workers and executives to seek how to get rid its hierarchical practices. Samsung eliminate its long-decade rigid corporate structure along with its changing leaderships which to cope with market weak demand and increasing competition. The company is cutting its internal ranking system from seven to only four levels which to remove a senior-based evaluation system. That is seniority-based performance system – Sawon (Level 1, 2 and 3), Daeri, Chajang and Bujang to

four level of Career Level (CL) system (CL l, 2, 3 and 4) only. The company now allow all employees to call each other by their English names to improve their communication skill.

The unnecessary meeting was reduced with encourage of internal discussion and online meetings. That is how they see how far faster and quicker policies are implemented. The company also limit their internal meeting to only one hour time. All members are encouraged to speak on key topics during meeting. There is a must for management to listen and respect to the ideas during that meeting. These changes in Samsung's new business models increase its stakeholder concern and reflect its corporate sustainability. The model come based on faster implementation, innovative thinking and creativity. Hence, it's also resulted on time delivery, output commitment and competitive pricing.

The globalization and the rise of inexpensive Chinese products lead Samsung to loose in manufacturing powerhouse. That make the company focusing to prepare imminent action plans to change the firm's cultural. So Samsung took a sudden action to improve management efficiency by selling its non-core assets and restructuring its business unit with overlapping functions. Now Samsung is on track to understand the latest trends in Silicon Valley by getting patents in important areas such as mobile payment, Internet of Things which all of these were recognized by the company as bring the next growth engine.

Under the new system, a new guideline to evaluate the employee's performance has been setup. Employees who are competitive and don't have disciplinary report will be promoted regardless of seniority. The change makes company's executives feel inferior and even think underpaid compared to executive at their age in other company. The top-down hierarchy system has long functioned as a key integral part of Confucian-oriented Korean corporate culture, that make some said eradication of the hierarchy won't be that easy.

Samsung is unique because of its focus on human resources and risk taking initiatives (Matthews & Thakkar, 2012). Samsung is recognized as a global industry leader because of its inner capacity to take advantage of distinct initiatives (J. Ku-Hyun, 2009). It hires a small percentage of non-Koreans inside Korea but employs a higher percentage of non-Koreans outside of Korea (Matthews & Thakkar, 2012). The culture of the organization is very family centric. So decision would allow communication at all level of organization.

However in Samsung, obstacles of cross-cultural communication arise when employees feel they are not being appreciated. Each worker expected that they would stay on a job until that task given was finish. It did not happen that way since the increasing of young workers joining the company. Management made the decision to change the workday from five-to-nine to seven-to-four (Lee, Lee, Lee, & Choi, 2005). The change of working period required workers, supervisors and managers to work together in completing daily tasks. The seven-to-four schedule was a cultural shift that was instigated by new employees entering the company with a different outlook towards work and personal time (Matthews & Thakkar, 2012). Workers

were expected to stay and work proactively on the job until the assignment was finished before the office closed at four and everything stopped in time.

Furthermore, the others competitive advantages of Samsung include commitment to work that is translated into speed, highly skilled engineers and technicians, and talented and expert management. Samsung has used these competitive advantages to enhance its relationship with customers and develop globally.

5.0 Samsung's Strategy in Global Business

The Samsung products were sold in million unit everyday around the world to customers. With a worldwide customer base, Samsung does not subscribe to a one size fits all philosophy ("Samsung Designs Globally and Adapts Locally for Worldwide Success," 2013). In addition, its employees pride themselves on finding inspiration from observing people's lives and giving them options that meet their varying cultural and regional needs.

At IFA 2013, Europe's largest consumer electronics show, Samsung outlined its strategy in becoming the number one home appliance brand by 2015, highlighting its year-on-year 14% growth in digital appliances ("Samsung Designs Globally and Adapts Locally for Worldwide Success," 2013). The key of success is the research that the company know how the customers approach and use new technology. So Samsung has created and sell the app (Lowell & Bharat, 2012) that fit those needs.

Samsung plays an active role in each region in which it operates and understands that cultures can be subtly different ("Samsung Designs Globally and Adapts Locally for Worldwide Success," 2013). Samsung believes that understanding and meeting local needs is the principal to create the best possible experience. Therefore, Samsung creates product based on local need and taste.

Samsung had setup five Lifestyle Research Labs in Delhi, London, San Jose, Beijing and Singapore. The Labs forecast future ways of living and describes innovation designs. These labs also define products behavior to predict consumer's future needs and values including how family evolves to working environment, education and cultural trends.

Five Product Innovation Teams research had been setup from the labs which support Samsung's product division to create innovative and solution concepts. They produce product concepts 18-24 month ahead of present market. The process started with two until four month's period by conducting research in term of consumer views. From that, researcher gathers the finding and gives to team designer division to build and refine ideas innovatively. The other unit formulates a business strategy and creates the concepts of the products.

Complementing these two divisions are six Design Centres in San Francisco, London, Delhi, Tokyo, Shanghai and Seoul, working to bring the research and concepts to life with award-winning design excellence. This undertaking is part of Samsung's extensive research and development commitment that saw a $10.8 billion investment in 2012 and encompasses over 60,000 employees ("Samsung Designs Globally and Adapts Locally for Worldwide Success," 2013).

Finally throughout the whole world, Samsung localizes its products to suit specific market needs and desires. The following are a few examples of market and its local products. In United States – French Door Refrigerator with Sparkling Water Dispenser. By observing the increasing demand for sparkling water in the United States, Samsung introduced a refrigerator that dispenses carbonated water at the touch of a button. In Bulgaria – Samsung create Smart Oven MC32F. On the other hand, yogurt is an important part of the local diet so Samsung developed an oven able to produce the perfect homemade yogurt in seconds.

While in Africa, firstly, Samsung produce SafeSurge TV – To protect against the region's frequent power surges and outages, Samsung created LED TVs with increased pressure resistant capacity. Secondly, Free Satellite TV – Satellite tuners were installed directly into TVs to enable viewers to watch free TV services in isolated regions with no cable access. Thirdly, Duracool Refrigerators – These specially insulated refrigerators keep food fresh for eight hours in the event of a power cut.

In Turkey, Samsung produced Top Mounted Refrigerator RT55. The local taste for fresh vegetables led Samsung to reduce the size of freezer compartments by 21% and made the fridges narrower to fit the space better available in Turkish homes. Meanwhile in Middle East – Samsung produce DVM Desert which to handle the region's scorching 40°C+ temperatures, Samsung built air-conditioners with specially-developed compressors.

In India, Samsung produce Twin Top Washing Machine. This a range of washing machines have been fitted with wheels to ensure they can be easily moved and connected to alternate power or water sources in the event of outages. They are also fitted with a special basin to meet the custom for hand-washing certain clothes before the full wash-cycle.

In China market, Samsung produce Fu Yun Monitor, Ji Xiang Fa TV F4280, Ru Yi Hong TV F5080. This colour red and the number 8 are considered lucky, so Samsung's Chinese product line includes PC monitors with red back-covers and LED TVs fitted with 8-shaped stands.

While in Korea, Samsung produce Kimchi Refrigerator M9000. Koreans have kimchi, a fermented vegetable delicacy, with almost every meal, so Samsung developed a bespoke refrigerator that keeps the air-flow and temperature just right for the perfect kimchi.

In China and Korea market, Samsung create Q9000 Air Conditioner. With the growing desire for minimalist product design in evidence, Samsung developed a sleek, ultra-slim standing air-conditioner perfect for design conscious customers. Samsung constantly seeks to discover the trends and desires that drive consumer needs around the world.

6.0 Discussion and Conclusion

There are numbers of proofs for Samsung outstanding achievement. According to The Forbes (May, 2016), Samsung is number 18 of the world's biggest public company with value of USD 161.6 billion, and number 11 in world's most valuable brands. According to *Samsung Electronics Ranks 7th in Interbrand's Best Global Brands* (2016), Samsung in the 7th ranking of the best global brands. While according to *The Fortune 500* (2016), Samsung is number13th in revenues. (Fortune 500, 2016)

Challenges in global business are a process that Samsung have been facing. As a global player, Samsung had successfully doing business in 61 countries. This sustainable company succeed in managing cross-culture issues worldwide. The problems become challenges and turn into opportunities that create innovation of various products. The need of China market may be different from the need in Africa and so on.

Successful in managing cross-cultural communication creates a dialogue, which is a continuous transfer of information. This process of transferring information leads our assumptions and clarifies the points which we do not understand. It also provides the opportunity for us to ask questions and confirms the information that has been received. Having a dialogue will reduces conflict in cross-culture issue. It can be managed well when any issues arise. The dialogue only occurs when both parties agree to share information and ensure the transfer of information to happen.

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