

# **SAMSUNG, AN ORIGINAL AND COMPETITIVE SOCIAL MODEL:**

## **THE ROLE OF THE FOUNDER, LEE BYUNG-CHULL<sup>1</sup>**

by

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In 2006, the economic value of the Samsung brand stood at 20<sup>th</sup> place, ahead of Dell, Apple, Philips and Panasonic...<sup>3</sup> Samsung or the “three star” company was established in 1938 by an extraordinary entrepreneur, Byung Chull Lee (1910-1987)<sup>4</sup>. His business acumen combined with an extraordinary intuitiveness gave the group its originality within the world of Korean *chaebols* (conglomerations)<sup>5</sup> where Samsung became the symbol and archetype for all others<sup>6</sup>. Right from the beginning, thanks to its small and focused range of operations, the group

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<sup>1</sup> This paper is founded on long research in archives. The result is a recent book: Rang-Ri Park-Barjot, *Samsung. L'œuvre d'un entrepreneur hors pair*, Byung Chull Lee, Paris, Economica, 2008, 266 p.

<sup>2</sup> The research was supported by the Academy of Korean Studies Grant (ASK-2009-R-01).

<sup>3</sup> « Clin d'œil : Samsung, un nouveau modèle de gestion pour faire face à la mondialisation », *Entreprise et Histoire*, n° 32, 2003, p. 177.

<sup>4</sup> Rang-Ri PARK-BARJOT, « L'ascension d'un entrepreneur exceptionnel : Byung Chull Lee », in Dominique BARJOT, Rang-Ri PARK-BARJOT (eds.), « Aux origines du miracle coréen », *Conflits Actuels*, n° 22, 2008-2, p. 38-53.

<sup>5</sup> Seung-Ho KWON, Michael O'DONNELL (dir.), *The Chaebol and Labour in Korea: The Development of Management Strategy in Hyundai*, London, Routledge, 2001.

<sup>6</sup> Dominique BARJOT, Rang-Ri PARK-BARJOT (eds.), « Aux origines du miracle coréen », *Conflits Actuels*, n° 22, 2008-2. See too : The Korean Overseas Information Service, *Handbook of Korea*, JungMoonSa Printing Co. Ltd., Seoul, Korea, 1978, 12<sup>th</sup> edition 2003. ; Byung-Nak SONG, *The rise of the Korean Economy*, Oxford, Oxford University Press, 1997; Hyng-Koo LEE, *The Korean Economy. Perspectives for the Twenty-First Century*, New

was successful for its high tech products. It became one of the worldwide leaders of the *digital sidae*- (digital era). In spite of its attitude of diversification, its success in the fields of electrotechnics and electronics is due to its most important subsidiary, Samsung Electronics.

Using the internal records of the company, Rang-Ri Park-Barjot's work explains how Samsung's success in comparison to its Korean and foreign competitors as well as other chaebols<sup>7</sup> was the result of two generations of family business<sup>8</sup>. Moreover, it also explores the cultural influence of Confucianism upon the group in a meaningful way. Neither of these factors alone can completely account for the company's resistance to the financial crisis of 1997, but under the direction of Byung Chull Lee and later Kun Hee Lee, the firm was able to adjust to changes in worldwide demand and tastes of Korean society, accomplish a merger between the Asiatic neo-Confucian capitalism and the American model of a multidivisional and managerial firm, invest in human capital to fill the technological gap with regards to the USA and Eastern Europe, and then go on to assume leadership in the flow of innovation that characterizes the "digital era". The history of Samsung group both was the result of a strong and regular growth, and the product of the decisive action of the Samsung founder, Lee Byung-Chull (1910-1987).

## **1/ SAMSUNG, A STRONG AND REGULAR GROWTH**

During the chairmanship of Lee Byung-Chull, the history of the Samsung Group was divided into two periods.

### **1.1/ "Learning by doing" (1938-1969)**

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York, State University of New York Press, 1996 ; Byun-Nak SONG, *The Rise of the Korean Economy*, Hong Kong, Oxford University Press, 1997 ; In-Joung WHANG, *Economic Transformation of Korea, 1945-95 : Issues and Responses*, Séoul, The Sejong Institute, 1997.

<sup>7</sup> Myung-Hun KANG, *The Korean Business conglomerate. Chaebol then and now*, Institute of East Asian Studies, University of California, 1996; Seung-Ho KWON, Michael O'DONNELL (eds.), *The Chaebol and Labour in Korea. The Development of Management Strategy in Hyundai*, London, Routledge, 2001.

<sup>8</sup> Concerning the Samsung's History, there are three internal books: Samsung Group, *Samsung. Fifty years of History*, Seoul, Samsung Publisher, 1988 (in Korean); Samsung Group, *Samsung. Fifty years of History*, Seoul, Samsung Publisher, 1998 (in Korean); Samsung Electronics, *Samsung Electronics. Thirty years of History*, Seoul, Samsung Publisher, 1999 (in Korean).

The first one corresponds to the apprenticeship of the company, as supported by the theories of the American economist Kenneth J. Arrow<sup>9</sup>. The firm, at this stage, is “learning by doing” according to the evolutionist plan depicted by Richard R. Nelson<sup>10</sup>, following a “path dependency”. Samsung established during the Japanese occupation, a time of economic exploitation and forcible modernization<sup>11</sup>. Born on February 12, 1910 at Kyungsangnamdo, Lee Byung Chull received a strong Confucian education from his father and mother before entering a western school at Jinju. From 1930 to 1931 he studied at the Waseda University in Japan after which he launched out into business. In 1936, along with two partners, he founded a company for the decortications of rice, took control of a transport company and made some investments in the real estate business.

The eruption of the Chino-Japanese war in 1937 brought him to orient himself toward the import-export business. Having divested himself of his businesses (at a good price), he established Daegu Samsung Sanghoi. Specializing in the import-export business, the new company made good profits. By 1939 they had acquired permits to make an investment in the brewery business (Chosun Yangjo) and the company began to produce not only refined alcohol (takju), but also sake (cheongju), essentially delivered to Japanese people. After the Japanese defeat, in trying times marked by the many difficulties in supplying raw materials as well as a great number of social movements and upheavals, Lee Byung Chull enacted an import-export business with China and established the newspaper *Daegu Ilbo*. In 1947, he moved the headquarters of Samsung to Seoul. One year later, he established Samsung Moolsan, a company that made exchanges with Hong Kong, Macao and Singapore. The Korean War (1950-1953) worsened the business situation at a time when Samsung was playing a predominant role in imports from China, Japan, the United States and Great Britain. Having moved to Busan during this period, the Samsung group went back to Seoul in July, 1953.

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<sup>9</sup> Kenneth J. ARROW, *The Limits of Organization*, New York, Norton, 1974.

<sup>10</sup> Richard R. NELSON, *An Evolutionary Theory of Economic Change*, Cambridge (Mass.), Harvard University Press, 1982.

<sup>11</sup> Woo-Keun HAN, translation Kyung-Shik LEE, publisher Grafton K. MINTZ, *The History of Korea*, The Eul-Yoo Publishing Company, Seoul, Korea, 1997.

The 1950's was a decade characterized by reconstruction and the substitution of exports (1950-1960). The tough consequences of the Korean War (in the Southern area, 450.000 people died or went missing, most cities were destroyed, and the country was divided) forced Samsung to begin all over again. The reconstruction, then the stabilization of the economy from 1957, created new conditions for the activity of the firm. Samsung Moolsan revived itself from the brink of destruction thanks to the national policy of substitution of imports. This strategy spurred Samsung forward into the industrial world. This was the first step in a remarkable expansion that involved the domestic market as well as the international one. From 1953 forward, the group involved itself in a policy of substitution of imports. Lee Byung Chull invested in sugar fields (Cheil Jedang, which accounted for two thirds of national production), and also in the textile industry (with Cheil Mojik). Thanks to the contribution of German technology, Samsung was responsible for 35% of the wool available to the domestic market in 1959. Beginning in the 1950's, Lee Byung Chull developed diversification in his group, up to and including the banking and insurance businesses. During those ten years, his diversity and entrepreneurial style produced the first principles of management: priority in the direction of human resources and entering contests as way of recruiting.

During the 1960's, the Korean economy encountered a new dynamism. Samsung was already the biggest conglomerate in South Korea. In spite of the late launch of the chemical fertiliser factory at Ulsan (the Hanbi Company), Lee Byung Chull adapted himself to new national targets. Thanks to an active export strategy, Samsung reached its maturity in this period. Faced with new development strategies set by President Park Chung-Hee<sup>12</sup>, the "Korean Bismarck", Samsung Moolsan Corporation became popular as an important player in the national exporting strategy and Lee Byung Chull achieved a central role in the Korean process of industrialization. It was a major presence in the industry of consumption, thanks to the Cheil Mojik (textile), the Cheil Jedang (sugar), and the Cheonju Jeiji (paper) industries. Always present in the consumer industries (clothes, sugar, paper), thanks to the Cheil Mojik (textile), the Cheil Jedang (sugar), and the Cheonju Jeiji (paper) industries, he made spectacular progress in the advanced industries by founding Samsung Electronics in 1969. Always tending to

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<sup>12</sup> Tae-Gyun PARK, "W.W. Rostow et son discours sur l'économie en Corée du Sud dans les années 1960", in Terushi HARA, Isao HIROTA (eds.), « Historiographies japonaise et coréenne », *HES (Histoire, Économie, Sociétés)*, n° 2, 2006, p. 281-289 (in French).

diversification, he invested in insurance, distribution (Shinsegae), healthcare and real estate. Lee Byung Chull reinforced his social influence and instead of becoming involved in politics, he established the newspaper *JoongAng*. In addition, it supported radio development, became a pioneer in private television (Dongyang or TBC), and pledged to redistribute its gains to the Korean society through universities (University of Daegu, later Sungkyunkwan) and foundations (Samsung Foundation of Culture).

## **1.2/ Access to the multinational firm (1969-1987)**

From 1953 to 1986, the group Samsung benefited from the activities of Byung Chull Lee in the internal and foreign markets<sup>13</sup>. From 1953 to 1986, Samsung played an important role in the international market. The group was an example of extraordinary growth. Facing the double pressure of a changeable market and continuously growing costs, Samsung defined a strategy of efficient growth, dependent on mobilization. This factor is enhanced by more productive labour, significant investments to improve the efficacy of production and a strong willpower to obtain new technologies. Strong profitability that assures independence provides a secure foundation for the firm. Samsung saw a vigorous increase in profits and in spite of a belated release of financial constraints, the group kept to its goal of maintaining a balance between self financing and distributed profit. As global financial balance was achieved, the group was able to focus on its most important target: to reach high profitability in order to stop deterioration of financial independence. This efficient strategy produced a steady progression of return on equity in the group.

Then, by 1969, a second period in Samsung's history had begun. Involved in local and international markets, Samsung derived many benefits from the drive of Lee Byung Chull. During the 70's, Samsung began to invest in electronics and heavy industry. The group focused on new industrial activities and their services. Lee Byung Chull adapted himself to the new conditions, such as the 1973 admission to the stock market of his most important branches (Cheil Jedang, Cheil Mojik, Samsung Electronics, and Samsung Moolsan) and the adoption of the Japanese model of society of general commerce by Samsung Moolsan. He modified the strategy of his group to the profit of heavy industry with Samsung Petrochemicals, Samsung Naval

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<sup>13</sup> Rang-Ri PARK-BARJOT, « Mondialisation et avantage concurrentiel. La percée internationale de Samsung (1953-1986) », *Revue Economique*, vol. 58, n° 1, janvier 2007, p. 231-258.

Constructions, and Samsung Defence Industries. The group Samsung was very successful in the electric and electronic industries. The launch of new products opened the way to technological progress in the areas of semiconductors and telecommunications. The activities of service became increasingly more important. They were adopted into the media field thanks to JoongAng Broadcasting Corporation (press, television), as well as in the fields of tourism, advertising, insurance and department stores (Shinsegae). Lee Byung Chull also formulated stronger ties in the real estate business. Intensifying his social action and his patronage (HoAm Art Museum), he devoted himself to the preservation of the natural environment (Yongin Natural Park).

Samsung didn't escape the new national and international challenges of the early 80's, such as the advantage acquired by the USA, the reappearance of protectionism and the financial crises of the new developing countries. The political crisis of 1979-1980 for example, forced Lee Byung Chull and his group to get rid of the television sector, a challenge they accepted. By giving priority to R&D, Lee Byung Chull made Samsung successful in semiconductors, biotechnologies, aviation and robotics. The group advanced to the status of multinational, thanks to the creation of firms abroad, exportation and the development of an international cooperation. In 1986, according to *Fortune*, Samsung ranked thirty-fifth in worldwide companies, employing 140.000 people directly or in its branches. At the death of Lee Byung Chull on November 19, 1987, Samsung had exceeded in dynamism its most important national competitors and was one of the most important movers of the Korean economy.

## **2/ LEE BYUNG CHULL, INVENTOR OF THE SAMSUNG SYSTEM**

Inventor of the Samsung System, Lee Byung-Chull both adopted an original philosophy and developed a pragmatic application of this one<sup>14</sup>.

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<sup>14</sup> Concerning the Lee Byung Chull, the Korean bibliography is : Byung Chull LEE, *My biography by himself*, HoAm, Autobiography Seoul, Joongang Ilbo Sa, 1986 ; HoAm Foundation, *Thoughts and quotations of HoAm*, Séoul, HoAm Foundation, 1997 ; HoAm Foundation, *The HoAm's Life and the thought*, Seoul, Samsung Human Resources Development Center, 1994 ; HoAm Foundation, *HoAm philosophy and management*, Seoul, Samsung Economic Research Institute, 1988 ; Kun Hee LEE, *Essay of Kun Hee Lee : regard on the world thinking*, Seoul, DongA Ilbo Sa, 1997. *Business History Journal*, The Korean Academy of Business Historians (in Korean):-"Byung Chull Lee, Samsung's founder", *Business History*, The Korean Academy of Business Historians, special issue, 4, 1989; "Byung Chull Lee, Samsung's founder", *Business History*, The Korean Academy of Business Historians, special issue, 15, 1997; "Kun Hee Lee, Samsung's Chairman", *Business History*, The Korean Academy of Business Historians, special issue, 38, 2005.

## **2.1/ Lee Byung Chull: an original philosophy**

The success of Samsung is the success of its founder. Deeply set in the culture of his country, Lee Byung Chull contributed to its emergence as an economic power, thanks to a philosophy conceived in rationalism. This philosophy comes from the basis of Confucian ethics<sup>15</sup>. It was developed around three principles: the economic contribution to the nation, the priority given to human resources and the achievement of rationality. Lee Byung Chull was one of the most important Korean entrepreneurs. During forty-eight years of management, he was able to integrate the Confucian Korean system, the typical ways of running a business in a Japanese firm, and develop them according to his own vision. His trip of January 1960 to Tokyo was an essential step for him. Following is the « plan of Tokyo », in five points:

- 1/ listen to the Japanese mass media about the direction given to the economy;
- 2/ invite economic journalists for lunch or dinner, in order to ask questions about the highest performing sectors;
- 3/ meet with Japanese economists in order to obtain simple answers regarding paths of development;
- 4/ invite and speak with entrepreneurs, in order to ascertain the reasons for their success and their opinion about it;
- 5/ make a plan, from which the presidential staff can derive directives.

After this trip, he made other journeys to Germany, Italy and United States of America. The creation of Samsung Electronics on January 13, 1969 was an important event. From its inception, the firm encompassed an important research center. According to Lee Byung Chull, Samsung Electronics had to obey to three principles: to reach large scale production; to develop total integration; to gain and preserve a competitive advantage in innovation and the capacity for development. To reach this goal, in March-April of 1982, Lee Byung Chull made a three-week trip to the United States. There he met the president of General Electric and other entrepreneurs,

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<sup>15</sup> Rang-Ri PARK-BARJOT, Tae-Sik RHEE, « L'éthique confucéenne et l'esprit du capitalisme : l'exemple des cadres et dirigeants d'entreprises en Corée du Sud », in Flora BLANCHON, Rang-Ri PARK-BARJOT (eds.), *Le nouvel âge de Confucius*, PUPS, 2007, p. 211-233.

journalists, scientists and politicians. These meetings focused on the subject of semiconductors and were considered very successful.

By 1959 Lee Byung Chull had established a council that included twenty people, one of whom would serve as director. He continued to expand in terms of workforce and competences, specifically with the creation of the house of commerce Samsung Corporation in May of 1970. During the 70's, this council had many activities in different fields. It gathered information, it elaborated upon surveys and it outlined projects. At the same time, it dealt with systems of information, national and international finance, management of human resources, supervision and inspections, advertising and technology. It welcomed many young people that went on to have successful careers in the group. It organized regular meetings for branches of the group. This collective operation allowed Lee Byung Chull the opportunity to better explain his vision of general management. He felt that a good and efficient manager must have a strong personality and personal prestige. Moreover, he would be able to withstand a test of creativity and show real clearness of judgment as well as possessing a sense of responsibility and resourcefulness. That is why Lee Byung Chull took part in filling management positions. For him, the rule was always the expression of Confucian virtues toward the simple attitudes of life.

The philosophy of Lee Byung Chull made Samsung « the enterprise of the people ». This concept rested on three principles. Samsung, as a company, had to give its contribution to the economic and social development of the country. From its creation, at Busan in January 1951, Samsung Moolsan imported into Korea the products of prime necessity which were previously absent in the country. Cheil Jedang and Cheil Mojik acted in the same way. Thanks to their low prices, they made their products available to all Koreans. They created new jobs and contributed to the stabilization of life level of Korean citizens. In the same way, the establishment of Samsung Electronics in 1969 was the origin of a national and international penetration into the high tech industry (semiconductors, computers, telecommunication in optical fibbers).

The second principle involves the priority importance given to human capital. In October 1982, Lee Byung Chull declared to the monthly magazine *The Koreans* (Hangukin): « it is necessary to make an effort to form human capital in order to come into the group of developed countries and to contribute to the progress of human society ». This was the culmination of the effort begun in 1957 when Samsung established the first official contest of hiring, a procedure



that still stands today. Lee Byung Chull later created, in January of 1977, the first center for training in Korea. At the time of his death, Samsung had invested as much money in the training of its employees as in the construction of production centers.

The pursuit of rationality corresponds to the third and last principle. Even before the creation of Samsung, Lee Byung Chull understood the necessity of rational management. In effect, deprived of his bank credit because of the Chino-Japanese war, he was forced to close down his first company. From this event, he realized that it is important to:

1/ understand conjunctural and structural changes affecting the national and international market;

2/ prevent a too-strong desire of making money;

3/ avoid speculations;

4/ practice anticipation because it fosters good planning.

## **2.2/ Lee Byung Chull: a pragmatic application**

In the management of the firm, the man is more important than capital and technology. Not only did Lee Byung Chull continue to employ the managers of the companies bought by his group, he also required his employees to participate in the management of the company as if they were its owners. This principal of sharing responsibilities leads to management by dominion or sector. Operating by departments shows the characteristics of each different field. It explains and highlights the division of powers and responsibilities surrounding the president. This system started at the beginning of 70's when it was adopted in the creation of Cheil Mojik, Joongang Broadcasting Corporation and JoongAng Gaebal (Development). In September of 1975, Samsung extended the system to all of its branches. Samsung was the first Korean company to adopt this system. Lee Byung Chull wanted to identify the sources of profit and make them independent. This idea was then adopted by many other Korean enterprises. In March of 1986, the system was adjusted by Lee Byung Chull to suit individual use. Every employee had to establish his work objectives and then manage them and give an evaluation of his activity.

Lee Byung Chull thought that confidence influences the activity of the firm and its image. Samsung checks the quality of its products in order to preserve the confidence of its clients. This policy of trust was introduced into the construction, heavy industry, chemical, electronics and high tech industries. This aspect depends on four elements:

1/ Spirit of creation: It is important to deliver the best products and ultramodern technology by exploring, researching, learning about and conquering hard sectors;

2/ Ethical spirit: It means to act with honesty, justice and rationality. In June of 1976, Byung Chull Lee was speaking about the business world when he declared to the economic journal *Seoul Gyengje* that « most important is the spirit of honesty. Frankness is at the first level in human relations »;

3/ Spirit of ambition;

4/ Spirit of coexistence: It is necessary to establish a reciprocal respect among employees, between the workforce and the consumers, the clients, and the shareholders. At the same time, it is important to decide to give something back to society. This rule had already been presented by Lee Byung Chull during the 1971 New Year speech.

The application of the principles of management explained by Lee Byung Chull is focused on two aspects. The first one is the early creation of the economic research center of Samsung. This institution permitted the company to develop more accurate and believable estimates of growth. In fact, Samsung had become more and more important in the Korean national economy as well as the international market. Between 1975 and 1985 the cash flow of Samsung increased 35 times. That is why in July of 1986, it established the research center. Secondly, Samsung took advantage of an efficient network of sub-contractors. Without them, Samsung would never have had such fast growth. By 1986, 1,156 enterprises had already been in relationships with the group for three years. The six branches of Samsung organized regular meetings with their sub-contractors in order to obtain an efficient coexistence and establish some rules of common management.

The efforts of Samsung can be organized into three different aspects:

1/ the technical council: It deals with the management of quality, the formation of technology in the Samsung training centers, the organization of business trips, study missions and meetings. Thanks to this council, Samsung contributed to the improvement of quality in the production of sub-contractors, to the economy in terms of cost price, to the growth of production, to the development of technology and to the rationalization of plants.

2/ the financial aid council: Samsung Moolsan supported using its own financial resources for the rationalization of the industry. On the other hand, Samsung Electronics intervened financially in a direct way or in the warranty of bonds given as aid to its branches and sub-contractors by the government.

3/ the management council: thanks to the network of branches established abroad, Samsung was able to transmit pieces of information to sub-contractors. At the same time, it convinced them to obtain certification regarding international standards, to organize seminars and managing consultations, and to train managers according to the company's principles.

In 1985, Samsung had 40,000 shareholders and 140,000 employees. The group was at the head of the Korean industrial world, and was considered « the firm of people ». Under the strong drive of Lee Byung Chull, the group didn't only contribute to the progress of Korean industry, it also helped in the development of different sectors such as the press, department stores and durable industry. Perhaps most important, its system of management (entrance contests, training of employees, systems of evaluation of capabilities, quality of workforce and language tests) had been adopted by other Korean companies. Enterprise lighthouse, representative of the international penetration of South Korea, it played a fundamental role in the economic development of the country, somewhat like the role of patron.

Lee Byung Chull had developed a strong presence of patronage, becoming a leader in the field. From the time of the Japanese occupation, he was a member of the Eul Yu Hoi association. It united the entrepreneurs and the most influential local men. Of course, the Eul Yu Hoi association bought *Chosun Minbo*, the local journal of Daegu, later known as *Daegu Minbo*, but

it tried to preserve the ancient paintings, handwriting and ceramics. Without any doubt it was from this moment that Lee Byung Chull discovered his interest in antiques and, particularly, in ancient paintings. In 1965, Lee Byung Chull established the Samsung Foundation of Culture. It received the objects collected by HoAm (see above) and was the origin of the HoAm Art Gallery and the Rodin Gallery. Following the example given by HoAm, this foundation devoted itself to the preservation of Korean art.

Since its very origins, the activity of the Samsung Foundation of Culture exceeded what would be logical to expect from a company. Its first action was the acquisition of the Confucian University Sungkyunkwan<sup>16</sup>. Established in 1398, it is the oldest royal academy founded by the royal dynasty of Joseon. On May 12, 1965 the foundation restored the park of General Lee Sunshin. There are trees (citron, pine, fir, for example) and plants totalling thirty three species. By 1971, its activities included Samsung editions, prizes for young and talented writers, movie production for the education of Korean people, financial backing in the fields of social and pure sciences and a prize for filial piety. During the board of directors meeting on February 17, 1975 Lee Byung Chull Lee decided to establish the HoAm Museum which opened on May 19, 1978. Eventually, the Samsung Foundation of Culture changed its name, becoming the Samsung Foundation of Arts and Culture. Lee Byung Chull donated forty years of personal collections to the Museum. His contributions number 2,500 objects, principally paintings, of which eleven are considered national treasures.

Located at Everland, an amusement park in the Gyunggi region, the museum HoAm is comprised of a traditional Korean building and a huge garden. The main building is 3900 square meters of which 390 are used as temporary exposition rooms. With the additions of a room for ancient paintings, another one for ceramics, a library and a room for video-projections, the HoAm Art Museum has long been considered the largest private museum in Korea. The main collection has 15,000 pieces that range from the prehistoric to the contemporary period. Today, among these objects, one hundred are considered national treasures. Most of them are ceramics

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<sup>16</sup> Rang-Ri PARK-BARJOT, « L'Institut de Philosophie et de Culture Confucéennes. A l'Académie des Etudes Extrême-orientales de l'Université Sungkyunkwan », in Flora BLANCHON, Rang-Ri PARK-BARJOT (eds.), *Le nouvel âge de Confucius. Modern Confucianism in China and South Korea*, PUPS, 2007, p. 49-53.

of the Gorye and Joseon time, statues of Buddha, objects made of gold and paintings of Joseon period. The collections of HoAm Museum permit one to better understand Korean history thanks to the activity of its archeometric research center, the Conservation Institute of Cultural Properties, which was established in 1989.

### **Conclusion: what-is the heritage of Lee Byung-Chull today?**

It is possible to distinguish three important conclusions:

1/ as founder, he was able to realize a real system. Confucian ethics is at the heart of Korean capitalism and it exerts a strong influence since the new-Confucianism included the value of progress. In the firm, hierarchical relationships are strongly marked by Confucianism. In the field of education, Confucianism exerts a deep influence on social hierarchy, labour relations and ways of communication. The result is a strong culture of enterprise based on an original philosophy of management. Beginning from the idea of the return of experience, the activity of the company moves around three principles: contribute to the social and economical development of Korea, give priority to human resources and pursue rationalization. The work is realized in a pragmatic way, adopting management by departments and in a trusting atmosphere. The achievement of leadership rests on two specific aspects: the growth of the R&D department and the efficiency of the sub-contractor network. The work of Byung-Chull Lee also reflects an exemplary history of patronage. Under his direction, the group became a leader in the area of enterprise patronage, first with the Samsung Foundation of Culture, then with the creation of the Museum HoAm and the establishment of the Samsung Electronics History Hall.

2/ the death of Lee Byung Chull on November 19, 1987, brought a change of generations. Lee Kun Hee, the third son of the founder, took his place and assured the continuation of his father's work, preserving his spirit in the process. In every respect, Lee Byung Chull had created a model. As Protestantism encouraged the development of Occidental capitalism (as explained by the German sociologist Max Weber), Neo-Confucianism played a fundamental role in the industrialization of South Korea. Lee Byung Chull and Samsung are an excellent example of this concept. Lee Byung Chull infused the roots of Confucianism into a strong culture of enterprise that his sons preserved and strengthened. He defined three major management principles: contribute to the economic development of South Korea, give priority to human capital and

follow long term economic rationality. Even if the « Korean Rockefeller » belonged to the national culture, he adopted some aspects of the paternalistic model, as one can find in Western Europe or the USA. Lee Byung Chull learned from countries such as Japan, Germany and the USA, and because of this knowledge he was able to form a business model that would be able to respond to the challenge of globalization.

During Lee Byung Chull's lifetime, the success of the company cannot only be explained by an omnipresent Confucianism, but also by an original philosophy of management. It is necessary to consider the concepts of feedback by experience (the planning of Tokyo in 1960), group work, reliance on a real staff (the concept of staff was established in 1959) and the application of the principles of pragmatic management. Other important concepts included the idea of man being more important than capital or technology, the directive to employees to fix their own targets and then achieve them, and the necessity of reliance to the activity of the firm and its image. The Samsung culture stands on four factors: the spirit of creation (making the best products for an ultramodern culture), the spirit of ethics (always acting with honesty, justice and rationality), the spirit of ambition and the spirit of coexistence (reciprocal respect among employees, consumers, clients and shareholders). Incorporating all of these concepts and original philosophy, the firm must then seek excellent leadership.

Focusing on this argument, Lee Byung Chull's leadership centred around two aspects: the early creation of the Economic Research Center and an efficient network of sub-contractors that benefited from the councils of technology, financial aid and management. Lee Byung Chull brought Samsung into place as a worldwide leader, profiting from the processes of adoption, adaptation and hybridation underlined by the historiography of economic and technological Americanization. Samsung had realized the synthesis of Korean neo-Confucianism, organization in *zaibatsu* then *keiretsu*, German production methods and American management. It is from this point that the idea of a Samsung model developed; specific, but at the same time partially transferable to the West.

3/ the group was relaunched by Kun Hee Lee thank to a striking opening in technology. Samsung emphasized its character of specialization, developed new products, and reinforced technological collaborations. Before his death, Byung Chull Lee was able to train his son Kun Hee Lee to take his place. It was the “second generation” of Samsung. The new management

gave new impulse to the firm: priority was given to quality, customer service, spirit of enterprise and innovation. It continued on a path of active social politics and artistic, cultural and scientific patronage. The new manager began a reorganization of the group into four sectors, followed by the establishment of headquarters in foreign countries and finally, financing as a growing part of the activities of services. The industrial and financial strategy placed the group in growing dependence with respect to the great national programs of investment.

Effectively, after the terrible financial crises of 1997, there was an accelerated change from a familiar conglomeration to a multinational enterprise on the American model, with Samsung Electronics emerging as a worldwide leader<sup>17</sup>. In spite of a growing dependence in respect to the national market and difficulty in self financing heavier investments, the group restored its profitability. Its recovery depended on the success of Samsung Electronics. Its double opening toward technology and exportation coincided with substantial gains in productivity, a spectacular rise in financial independence, global return and an increase in self financing. Samsung Electronics gave to the group the means to consolidate and increase its worldwide technological leadership.

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<sup>17</sup> Dominique BARJOT (ed.), « Globalization-La Mondialisation », *Entreprise et Histoire*, n° 32, 2003.