

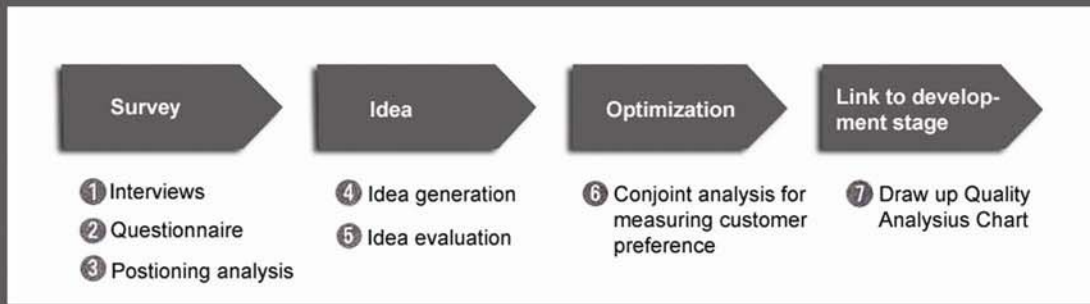


IV. Customizing VI to make Samsung's own version

The theory of Value Innovation was first introduced to Samsung Electronics through a special lecture in 1997 by Professor W. Chan Kim, the co-founder of the theory. Impressed by Professor Kim's argument to "capture non-customers rather than focusing on competitors", the top

management made a decision to apply this theory to the everyday business at Samsung. However, applying a very new theory in business strategy to real life was a daunting task. Consequently, Samsung established the basic framework for its own version of VI by redefining a process and creating various supporting tools. A good

case in point is using "7 Tools", developed by Professor Kanda Noriyaki of Seijo University in Japan, for the quantification of customer needs. We introduce the know-how of Samsung's version of VI through the example of the Sense-Q laptop computer.



Evaluation of VI Level through rigorous quantification

In 2001, a "special order" was given to the Computer Systems Team under the Digital Media Business Unit of Samsung Electronics, "Develop a laptop computer to enter the Japanese PC market."

"Special Order" for world-class laptop computer

Korea's current Minister of Information and Communication Dae-Jae Jin, then President of Samsung's Digital Media Business Unit, issued a special order to produce a world-class laptop computer. Returning from a business trip abroad, President Jin mentioned, "During the international conference, the CEOs of other electronics companies used state-of-the-art notebook computers for their presentations, but I had to use a

very old model." Japan was picked as the pilot market because if the product can do well among Japanese customers who are known to be very demanding, then success would also be guaranteed in the American and European markets.

As soon as the order was given, the Computer Systems Team started to work on the upgraded version of the Sense-Q notebook computer. As this project was the top item on the agenda, the team members put in great efforts to generate the best ideas. Unfortunately, the result was not so great. Numerous development proposals were rejected by President Jin, who said the ideas were not innovative, but instead, focused on improving existing functionalities, such as the

modem, CPU and memory capacity.

As a result, in February 2002, the order was handed to the VIP Center, Samsung's think-tank for value innovation. A decision made based on the observation that value innovation is needed in order to move away from the engineer-focused functionality improvement to creating customer value. Immediately, a cross-function team (CFT) was created by members from various departments, including development, design, and sales. The name of the project: "Cetus". The immediate task was to find out Japanese customers' preference in order to analyze value factors, those which are essential or dispensable from customer's point of view. The team members could not, however, find a



Since 1999, Samsung Electronics holds the "internal contest for best VI case" as one of its many efforts to customize VI into making its own version. Vice Chairman Yoon (first from left) and other senior executives take a close look at the project results exhibited at the contest.

specific method to find the value factors by merely studying the Harvard Business Review report written by Professors W. Chan Kim and Renée Mauborgne. While looking for a tool for capturing a product that meets customer needs, they came across Professor Kanda's "7 Tools," which helps develop products based on the quantification of market survey results. Japanese companies such as Nissan and Pioneer reaped great results from using this tool.

The Samsung team members visited Professor Kanda for consulting. After a week of teaching, some 30 team members launched a full-fledged analysis of the Japanese market. They launched a survey of 226 Japanese workers who use laptop computers in the office to study their user preference and attitude towards Samsung notebook.

The respondents' preference towards Samsung stood at 16%,

an insignificant level compared to that of Japanese brands like Sony (96%) and NEC (96%). Despite a heavy burden on their chests, the members could not slow down since the future of Samsung notebook computers would be determined by this important project. Crossing the waters between Seoul and Tokyo, Professor Kanda's research team and the Samsung CFT members worked day and night on developing a product that would appeal to the customers of Japan, and of the rest of the world.

Moving away from relying on intuition

After five months' work, the CFT came up with two different models. One slim with wireless LAN connection on the body and a LAN cable connected to the docking station and another enabling a DVD ROM to be connected to the docking station while the body is

disconnected.

These models were adapted to the Japanese office environment which is not equipped with wireless LAN facilities. Even President Jin, who rejected time and again all the proposals, accepted this proposal, which was based on objective data.

Design, mobility, convenience of value-added feature, price, and functionality were highlighted as value factors. Rather than improving functions, such as modem, CPU, and memory capacity, the team focused on improving the wireless LAN function and battery life. In particular, battery life was doubled from 2 hours to 4 hours to provide greater convenience to customers.

Sense-Q, a slim laptop computer made by Samsung Electronics using its VIP process, successfully gained ground in the Japanese market at the end of 2002, and positioned itself as a high-end notebook computer in the American and European markets as well. And sure enough, top executives at Samsung Electronics started using the Sense-Q to give presentations at international conferences.

Sense-Q received the first runner-up prize at an internal contest for best VI case held in November 2002, citing the successful introduction of "7 Tools" as a new method to bring Samsung's own version of VI to life. During the award presentation, Vice Chairman Jong Yong Yoon ordered that the 7 Tools be used in all other projects commenting, "The team made a good application of a methodology to standardize and systemize something which product developers had previously used only their intuition to obtain." Since then, "7 Tools" has become a main tool used in all VIP Center projects.

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Accumulating, publicizing, and sharing success stories

Samsung Electronics for years tried to customize VI through trial and error and as a result many tools, including the "7 Tools" introduced during the Sense-Q project, "TRIZ" – a contradiction-solving methodology developed in Russia – and "DFX," an assembly-line methodology for productivity improvement were tried. In order to facilitate the absorption of VI into its corporate culture, Samsung Electronics holds the internal contest for best VI case every year. In this contest, introduced in 1999 and led by Vice Chairman Yoon, the best VI cases among the projects that underwent the VIP process are selected, followed by an award ceremony and exhibition. This contest has become one of the most important events at Samsung Electronics.

The projects entering the contest are those conducted at the VIP Center or those that underwent the VI process at their respective business units. In

particular, are eligible only products that have been commercialized and mass-produced for more than three months. Innovative ideas do not necessarily translate into profits, so the actual sales figures

is officially recognized as a corporate-wide, top-rated project.

Every year, one grand prize, four first runner-up, and five second runner-up prize awards are awarded. Last December, the grand

promote value innovation specialists, awards with prize money are also given to a number of highly talented CVS (Certified Value Innovation Specialist). Consequently, Samsung employees are all the more interested in VI.

The success stories accumulated through contests have been essential in publicizing VI and raising awareness within the company. In particular, the process through which VI has been successfully implemented is explained in detail. This helps other projects very much. Jung Hoon Kim of the VIP Center, project manager for Sense-Q comments, "During the award presentation, we disclosed the process of introducing "7 Tools" and drawing up of development plans based on analyses of quantified survey results. As a result, "7 Tools" could be rolled out to other projects as well."

after commercialization are considered in the evaluation process. The evaluation criteria consist of process compliance (60 points) and results of commercialization including profit improvement (40 points). The judges include the CTO and other executives of management innovation, finance, and marketing – an indication that the awarded project

prize went to the digital camcorder with first runners-up the color laser printer, network computer, drum-type washing machine, and system air-conditioner. In 2002 and 2001, the digital TV and "Combo" DVD player, respectively, received the grand prize. All of these are best-selling Samsung Electronics' items. Moreover, as a measure to train and

