

HR Strategy is integral in Business Expansion

Case Study of Samsung India

Deepika Verma

Department of Commerce, University of Delhi, Delhi, INDIA

Abstract: The presented paper is about the strategic development of Samsung Company in Indian region. The Samsung is dealing with various mobiles and electronics development and selling them in India. Currently Samsung holds a high percentage of market share in Indian Mobile segment. But stiff competition from other players makes it vulnerable to maintain that ratio in the market. So the purpose of this study is to look for various business expansion strategies for Samsung in India where apart from urban market, rural market also holds high potential and plays a significant role in generating good revenue for the firms. The research objective is to focus on the various HR Strategies that may be required by Samsung to expand in India and penetrate in all forms of market. Based on their Business Strategy, the Human Resource Strategies and HR Practices are discussed. This study shows the importance of proper HR Strategy which is useful for any business organization in business growth and expansion.

Keywords: HR Policy, HR Strategy, Human Resource Management, Samsung, Strategic Management, Business Growth, PESTLE Analysis, SWOT Analysis

I. INTRODUCTION

An organizational structure runs on the foundation of 3 basic resources, viz. Technology based, Finance based and Human based [1]. The highest contributing factor towards the growth of an organization is human resource [2] and that varies in Product and Service Industry. Human resource of an organization remains to be the priority investment with its chief aim being, to keep up the other resources fully functional and delivering maximum output. And a lot of strategies are being studied [3] and developed by organization in HRM for this purpose. Human resource is the one resource that fulfills both the abstract and objective goals of an organization. It is responsible for all the executive, operational and service level management. To keep it running holistically and providing maximum return on investment, it is important to keep it engaged and facilitate an all-round development both on the personal and professional front, understanding that the dynamics of this resource are dependent on several external factors as well, and failing to service this resource can eventually affect the functioning of the other two resources as well. Lots of research studies exist on the same too [4] [5] [6].

According to [1], Factor which plays a key role in success of an organization is the way in which it manages its human resources. Human resource management helps companies in gaining competitive advantage. Most basic resource of any contemporary organization is humans and their development is their main goal. The development of employees results in growth and development of the company and also helps in achieving competitive advantage. It also lays the basis of development of modern economy. One can say that human resource development is eternal part of organization.

As per [5], Human Resource Management is of foremost importance in any industry because HR policies promote and strengthen work related behavior and attributes of the employees and thereby enhance the customer value, quality service, satisfaction among customers and increase their loyalty. This is related to the superior performance of an organization. HR department helps in building organizational trust as it treats all the workers fairly and respectfully [3]. This trust in turn plays a positive role in performance of the firm. Planned and strategic layout of activities of human resources helps organization to achieve its target. From basic level like by effective selection of human capital followed by proper trainings and developments and then development HR management plays an important role in firm's performance. It creates employee satisfaction and improves their productivity. There are several categories in which we can study the various HR policies of a firm. It is shown in Figure 1.

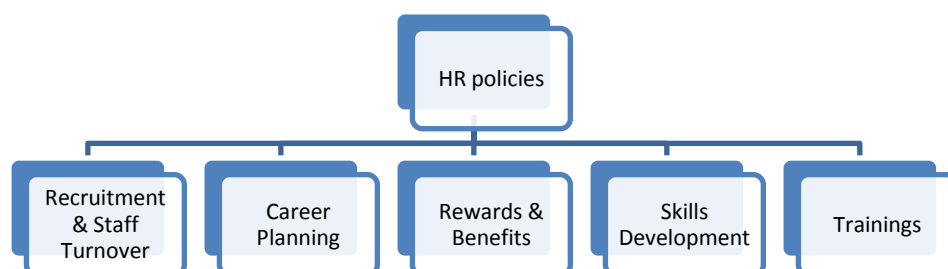


Figure 1: Various categories of HR Strategies

Starting from recruitment and staff turnover, as we know the basic and essential resource of a company is human resource. So their effective selection and retention of talented and skilled employees is important task for a company. Firm should prepare a strategic recruitment policy linked to its HR policies. Organization policies and economic conditions play a great role in the process of recruitment. Sources of hiring candidates can be external and internal. There should be stricter levels for the interview and other selection procedure. Most importantly analyze the turnover rate of staff, why they leave on basis of past information for various departments.

Second is role of HR in career planning and development. There should be definite career path set by organization and pay linked to performance. Employees should effectively participate in training programs. Managers should give them adequate time to learn.

Third category is rewards and benefits. It plays an important role in firm's growth and development as it is directly linked to individual performance. There should be annual strategic bonus system and incentives should be given to employees. Incentives can be on individual basis or according to group performance. There should be annual performance appraisal. It motivates them to work harder.

Benefits can be life insurance, health insurance, child care, parent care, flexible work hours, paid holidays, compensation insurance, and Retirement benefits. It should be according to needs of the workforce.

Organization need to focus on development of the skills of its employees. Purpose and design of training is linked to the objective of the organization. There should be adequate trainings and development programs to keep staff update latest technology and to make new employees understand work and structure of firm.

Employees reward system is an integral part of firm's policies and practices [8]. It is linked to their market value, skills and experience. It comprises of financial rewards, non-financial rewards and employee benefits. Flexible benefits give employees an advantage to alter their benefits package according to their needs. They can take these allowances or can take them as cash [8].

In formulation of rewards and benefits scheme, views and wants of the workforce should be kept in mind. This would result in employee satisfaction and will motivate them to put their best efforts [8]. As per [9], providing rewards and benefits result in effective management of people and the only positive result of this management is increase in firm's performance.

Keeping in mind the outcome of these benefits, there should be different strategies for HR policies [9]. There should be performance appraisals whether on individual performance or completion of goals of group. Jobs should be the way that would help the employees to improve their skills which allows them to move in other positions in same firm. Compensation systems must reflect internal equity. Even if pay is low, employees must have flexibility in choosing their benefits like bonus. There should be enhancement and development in quality and for that HRM practices must comprise involvement of employees in decision making. Not only this, employees should be treated on equalitarian basis and there is need to satisfy with job security to some extent. Up gradation of skills of employees must be done by effective training and development. It would help employees to connect with company's objectives and easily adapted to new technology and more work. Salary hikes also encourage employees to work hard.

In above discussion what we see is the theoretical framework of Strategic Human Resource Management. Considering our case study of Samsung, what we observe is the need to strategize the expansion plans of Samsung must follow a proper HR strategy or else ignoring the importance of this may lead to ineffective working of the various units being planned to setup in the various parts of the country.

The paper discusses the case of Samsung India and its business Strategy in further sections. How this expansion plan requires the support of the HR Strategy will be studied in the findings.

II. SAMSUNG INDIA

Samsung started its operation in India around 2 decades back. It started in the area of electronics, IT and telecom. The major market was captured in the field of electronics. But mobile segment particularly performed greatly in the recent times by overtaking the shares from mobile giant Nokia in India. By 2010, the Samsung produced a turnover of US dollar 3.5 billion (Samsung Official Website <http://www.samsung.com/in/aboutsamsung/samsungelectronics/india/index.html>, Accessed on December 30th, 2013).

Samsung invested in both the development area as well as the Research & Development area. Overall the employee engagement crossed the mark of 8000 working with Samsung India with almost 75% of them engaged in the activities related to Research & Development area for Samsung electronics and phones. Samsung's net sale in India in 2012 was recorded as US 268.8 billion dollars. The Samsung also recorded the highest market share in the year 2012-13 [10] surpassing Nokia. With the launch of Galaxy series in smart phones, Samsung increased its share dramatically in the market. It recorded a whopping increase of 43.5% as compared to the previous year.

Samsung would like to continue with the leader position in the mobile segment and keep on launching various products as per the specific needs of the Indian market. The potential of Indian market is huge and thus Samsung will need to strategize well for its growth and development.

III. STRATEGY IN INDIA & ITS RATIONALE

The business strategy for Samsung will depend upon the environment where it wants to grow. As per the official site of Samsung business in India, Samsung's goal is to become the best digital company in India. To be specific, they want to become the market leaders of the mobile segment in India for which they even surpassed Nokia in the year 2012-13.

Samsung looks forward to have a business strategy oriented towards achieving its goals. The market expansion in India lies in the increase of market share in rural India. Mobile segment should reach in every corner of India in order to make the presence felt like once Nokia had in India. The rural campaign of Nokia was really tough to beat once in the 90s and start of 21st century but after the downfall in the share and introduction of many low cost mobile phones producing companies, it is now important to target the rural markets of India.

As explained by [11], the adoption of mobile phones in the urban market has already been driven in the first half of mobile revolution all around the world, its now the chance of second half to flourish. The second half corresponds to the rural population living around the world. With India and China having so large population that it becomes very important to keep a check over the penetration in their rural markets.

The Indian segment can be targeted through the rural mission, which will require extensive research and development towards the needs of rural India. This will make these centers important and will help in producing the handsets in sync with rural environment. The various mobile phones and specific software can be designed and developed to cater the rural demands more efficiently.

IV. STRATEGIC ANALYSIS OF SAMSUNG: PESTLE & SWOT

The PESTLE analysis (Accessed from <http://pestleanalysis.com/> on 23rd December, 2013) is used to analyze and assess the environment in which any business house operates. The PESTLE analysis for Indian market, where Samsung is planning to grow, will give clear insights about the situation behind development of Business Strategy.

Politically, the Indian government is encouraging for various projects setup in rural India. Since, the majority of Indian vote bank lives in the rural areas [12], anything for their benefit is generally accepted and proposals generally make it to the final execution level for corporates.

Economically, the condition is getting quite stiff for the mobile companies to compete in the open market. With entry of so many mobile handset players, that the market is divided amongst them. Though, Samsung occupies largest pie of the market share [10], still the entry of so many players will make it tough for it to maintain the top position. So new market exploration is the need of the hour.

Socially, the Indians are very much concerned about the equality and overall development in the country. With so many policies, and social responsibilities being targeted towards the rural India, it becomes very much acceptable if Samsung starts with the rural market penetration. This will solve dual purpose of new market generation as well as socially responsible behavior in India.

Technologically, Samsung already has got its majority of workforce in the Research and Development wing for better products for the Indians. This will help in the extension of R&D centers in rural market as well. The already established Indian R&D centers will adapt themselves to rural conditions in a better way as compared to somebody else starting a totally new center in rural India.

Legally, the hindrances for Samsung to open up and expand its R&D centers are very less. Since already the infrastructure and all the legal permissions are already available, there seems to be very less problem with the extended setup.

Environmentally, the rural market and rural areas of India are very much eco-friendly. Any non-environment friendly activity may lead to creation of negative brand image for Samsung. The company will need to take care of the e-waste generation and will need to follow ethical practices while expanding the markets to the rural parts of the India.

The external environment for the strategic formulation is really important for any organization. The SWOT analysis (Accessed from http://www.mindtools.com/pages/article/newTMC_05.htm on 24th December, 2013) gives the feedback about the internal and external environment of the organization where it operates. The Opportunities and Threats are a part of the External Environment which will make it possible for the Samsung to analyze the various potential opportunities and possible threats while working towards the business strategy execution.

Opportunities: The first and foremost opportunity for Samsung is the availability of huge potential in the rural market of India [13]. The penetration level is very high in Urban market while in rural it's just above 20%. The market will offer lot of players an opportunity to enter the segment and create an impact.

The second is the increasing luxury segment in the mobile phone segment in segment. With the increasing number of millionaires and billionaires, it becomes important to keep a check over the luxury segment market. And when the millionaires form a part of rural market it becomes even more important to target them.

The third major opportunity for the Samsung to work favorably towards the fulfillment of the goals and objectives is that it can get the Indian youth as workforce in the IT sector for the various centers to be opened up rural market. This is due to the fact that average Indian age is around 24 years and thus young working crowd can give a lot of support to the rapid development plan.

Threats: The major threat for the Samsung working in expansion of rural India will be environment awareness and related activities. The company cannot get indulged into practices which may harm the environment. Also the political parties play an important in corporate expansion plans and that too in rural parts of the country. Samsung will have to take care of the various regional level political parties and will have to strictly follow the norms set as per the region.

Low cost phone is seen as a big thing and even Apple has introduced the lower version of its products in terms of rates for the Indian market. So Samsung will have to be on toes always to see that market share doesn't get attracted by the new players or the existing players working on the similar expansion plans.

There can easily be a link established between the Samsung's Goals and the PESTLE/External Environment Analysis which is:

- Potentially Indian Rural market is untapped and current existing market has a stiff competition
- To make presence felt in India, one needs to focus on rural areas as well along with urban markets
- Mid segment and low cost phones can be targeted to be sold over the rural network

The internal environment of the organization determines the ability to execute the various strategies by converting them into plans. For Samsung, the strengths and weaknesses are as follows:

Strengths: Firstly, The existing Product Range is very good for Samsung with lots of devices on the display. Thus Samsung can use their experienced team to produce more handsets in quick time. Secondly, Samsung has the support of good Korean team working parallel with the Indian team to develop vast range of products which can be supported globally. So, new products designing can be discussed with global people as well to make the product more globalized along with being localized. Thirdly, New R&D centres open in the Metro cities of India gives confidence to the company that more centers can be setup in various parts of the country.

Weakness: Firstly, There is a requirement for more centres to tackle rural market. If not worked exclusively on the rural market area, the share may get distributed amongst the other players. Secondly, Better staffing opportunities needs to be targeted to understand Indian Culture and markets where more Indians with rural market related background will give realities about the market. Thirdly, New Indian employee needs rigorous technology training as new technology and better software development will require good hands on experience on the various platforms that Samsung uses in various mobiles.

V. POSSIBLE HR STRATEGY

The Human Resource strategy formulation is an important part of the overall strategic plans of the organization [14]. As can be seen from the figure below, it is an integral part of the whole system. The basic Human Resource strategy will be laid around the rural market expansion plans in India.

The Human Resource Strategy for Samsung will be to recruit the new and fresh talent in India and train them to be fit for the system. The training should be targeted towards more specific rural needs and one will be able to get the desired output for the Indian rural market.

This strategy will be important as without the Indian human resource support, it will be difficult to maintain the position and expand in the various parts. Since the culture and diversity in the region changes at every place in India, it becomes important for the Samsung to deal with these kinds of changes through the local talent. Otherwise a foreign cultured workforce will not be able to effectively capture the rural share and local companies will take the advantage of being from the local region in the market share.

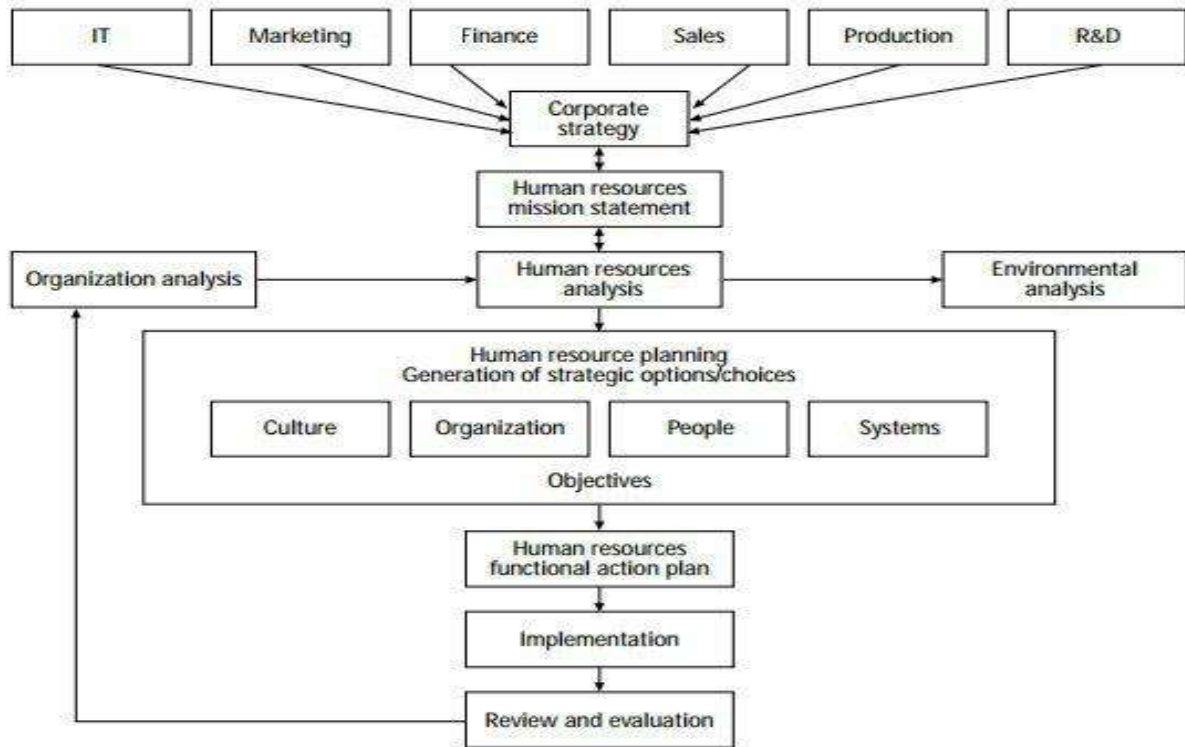


Figure 2: The Strategic Management for an Organization (Source: <http://borjaburguillos.com/what-is-hr-strategy/hr-strategy/>)

VI. SUGGESTED HUMAN RESOURCE PRACTICES

There are various Human Resource practice areas as shown in Figure 1 which are available for the organizations to follow and get maximum output of their employees. But as per the Human Resource strategy of Samsung, the major practice area is depicted as follows:

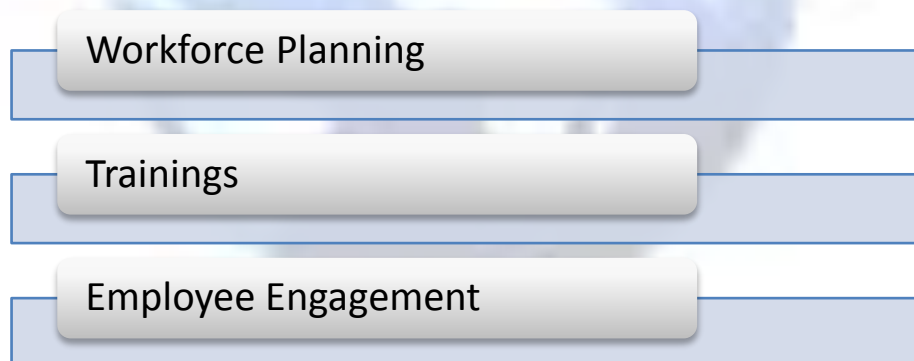


Figure 3: Human Resource Practice Areas for Samsung

The three practice areas will have a good impact on the execution of overall HR strategy in the organization.

Workforce Planning: The workforce planning is very important in the execution of the HR strategy. It will include key factors of staffing estimation and recruitments planning. Staffing estimation will be dependent on the number of units planned and the target sales generation as per the number of units produced. The recruitments will be done in phases. The staffing requires human resource management as per the centres being opened up in India. Samsung’s R&D centres will be opened up in Phases where it will start with Tier 1 cities, Tier 2 cities and go on to smaller district level. Every region will have humans from similar culture and region’s requirement awareness.

Campus recruitment looks the most efficient and effective way of recruitment as lot of Indian educated students at cheap prices can be target easily with lesser expenditure on them. Also since every region has an engineering college related to Information Technology, so the regional background mixed with technical knowledge along with lower cost of recruitment will be favourable for the Samsung.

Trainings: New product and new services will require training of the employee. On Job training will be best suited as lot of research will also be involved. The past project simulators may be used to give the actual feel to the employees before giving them the live experience. Behavioural level will be checked for training's effectiveness. The soft skills and regional level skill training will be important to cover up the rural market requirements.

Employee Engagement: The Employee engagement activities are important for the HR practices as it makes the employees feel more associated with the organization. And India being a culture centred organization, the employee engagement activities will give a boost to the various HR practise. Rural India will require the motivation of the employees to work for new products and Design and the confidence to get involved with large number of employees in the development domain will be important. India is a country of lots of festivals. Better cultural connectivity through offs on festive seasons in India will be a good practice for the employees in the regional areas. Frequent new trips to get beneficiary benefit at Korea will give the employees a global perspective to their thinking and working pattern.

VII. CONCLUSION

The Samsung has a lot of opportunities to penetrate the rural segment of India and widen the gap between the top two market shareholders in mobile segment in India. To reach at top is good for Samsung but maintaining the position will be important as well. For the rural segment, effective HR Strategy and practices can make the plan executed well and thus achieving the goal of becoming best digital company in India.

We can also observe from the study that HR strategy and practice formulation will play an important part in the Business expansion and growth. Without suitable HR plan, the company may falter in expansion policies. Other companies may take inferences from the study to develop their own specific HR practices for business expansion in emerging markets like India.

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