

How the CEO of Samsung SDS sets a course for ‘humble and speedy’

Won-Pyo Hong, CEO of Samsung’s information- and communications-technology arm, explains how a collaborative approach helps his South Korea-based company drive digital transformations globally.

Asia is driving a more digital world, and Samsung SDS is at the soul of the machine. The company—which South Korean powerhouse Samsung Group established in 1985 to run its information- and communications-technology operations—develops solutions for a gamut of industries, from manufacturing and logistics to finance and retail, not only within but also well beyond the Samsung Group. As CEO of Samsung SDS since 2017, and throughout the rest of his 12-plus years at Samsung (including nine years at Samsung Electronics), Won-Pyo Hong has helped lead mission-critical initiatives on the Internet of Things (IoT), the cloud, big data analytics, artificial intelligence (AI), and blockchain. Among other accolades, Samsung SDS has been recognized by Gartner as both an IoT platform leader and an RPA¹ leader and ranked by *Forbes* among its Global Top 50 Blockchain Companies.

With that track record, you might expect Hong to speak first and ask questions later. In fact, he counsels the opposite: leaders should listen to their customers, not push them, and defer to employees on the front lines. This, he finds, fosters a culture of “humble and speedy”—and a road map for success. In August, Won-Pyo Hong spoke with McKinsey’s Richard Lee, Jason Li, and Joydeep Sengupta to share his perspectives on Asia and to explain how a more collaborative approach with partners, employees, and customers makes all the difference.

¹ Robotics process automation.

The Quarterly: *How do you assess Asia's trajectory, and what does that mean for Samsung SDS?*

Won-Pyo Hong: Asia will become more potent and powerful, economically speaking. Roughly 60 to 65 percent of the world's population lives in Asia, so we can expect Asia to make a greater impact on many different things worldwide.

Right now, we're seeing both growing economic interdependence and nationalism. Trade wars can have a huge impact on corporates like Samsung. But even though, at the country level, you may see more nationalism, the strong trend at the lower levels is greater interdependency between companies. We can now clearly see who our true partners really are, and we can move on together to cultivate win-win strategic relationships. We identify our partners based on trust and want to be very honest and open with our partners. We also want them to be very transparent and honest with us. We share information and the challenges we're all facing. I believe that will create strong bonds to bolster the companies.

The Quarterly: *Does that suggest a global standard?*

Won-Pyo Hong: We're doing business in 140 countries. Samsung is a global company that is also a pretty *local* company. Globalization requires a very large amount of localization. When we bring the knowledge and technology developed in another region to a new country, we have to change or localize the technology for the customers. For example, the products and services that we're offering are completely customized and reintegrated with local content to make sure that they're relevant and valuable to the customer. From a strategic perspective, globalization and localization may look very different, but they're actually closely linked.

The Quarterly: *How does a company based in South Korea keep up with that much variation around the globe? What advice would you offer other leaders?*

Won-Pyo Hong: It will be different from company to company, but I think companies need to be humble and speedy. You need to listen very humbly to your customers and partners, and then take action very quickly. One thing I pay a lot of attention to is hearing and understanding what other companies are seeing, as well as the concerns they have. Companies that won't do well embody the opposite traits: they'll be slow, political, and a little bit arrogant. They'll tell the customers what they're trying to do instead of showing what value they bring.

One of the first things that differentiates Asian companies from most Western companies is the way an Asian company tends to interact with customers and broader stakeholders, especially local and federal regulators. In my opinion, South Korean companies are a little more humble than their Western counterparts. That applies to the relationships between the private and public sectors here, and it resonates with how corporates interact with their customers, fostering strong relationships.

The Quarterly: *How does technology fit with that approach?*

Won-Pyo Hong: Digitalization is now a buzzword for most companies; they're trying to bring higher value to their customers. We've been highly fortunate because we redefined our company vision in early 2018—we wanted to become a data-driven enabler of digital transformations. We've put in a lot of hard effort turning our company into a digital-transformation enabler for our customers.

As you know, there are multiple different companies under the Samsung brand umbrella.² Digitalization has been a key issue for each of the CEOs, and I've been quite busy helping them to assess their digitalization levels and what we can do to make them more innovative, flexible, and resilient in a changing world.

The Quarterly: *Did this greater flexibility help your company deal with the COVID-19 pandemic, and could it perhaps augur a broader change—for example, in remote work?*

Won-Pyo Hong: To be honest, we were fortunate to be able to keep operations running and keep our workforce safe and healthy without having employees work from home. The broader change will come from digital process improvements. This is what really matters in terms of a company's speed of operation. I'm always trying to make organizations flatter internally and to make interactions between organizations more horizontal. Synergies between organizations and collaboration among business units and divisions are getting more and more critical. I'm continually trying to remove layers in the middle of the decision-making process and trying to empower the heads of our business teams and small groups. If they can handle decision making by themselves, I tell them "act first and report later." My role is not so much to solve specific problems but to provide what teams need to make decisions at any given moment. But when they do encounter challenges that they cannot solve, they should elevate them quickly to upper management.

Data is so central to this that last year we created an internal employee program to train every one of our staff to be a data scientist, on a certain level. Since we are a software company, some of our employees are already well trained in software engineering and understand data structures. But not everyone. We trained over 1,200 employees last year, and our target for this year is 2,000. With this training, more employees will be able to understand the importance of data and how data must be handled to create more value. Recently, the South Korean government gave us a contract to train employees of other companies who might send their employees to this program.

The Quarterly: *What other technological innovations are on the horizon—and what do you expect this means for your employees?*

Won-Pyo Hong: Each Samsung company is making a sizable investment to bring AI capabilities into the portfolio of services and products. AI analytics will bring more value to our existing and potential customers. It will also help our employees. Labor law in South Korea makes it very easy to hire but very difficult to lay off. We also have a law

²These companies focus on, among other things, electronics, manufacturing, financial services, medical devices, and resorts.

that limits the number of hours each employee works per week to 52. This means that we have to use technology to make our employees more productive. Robotics process automation is one of these key tools that most of the Samsung companies are utilizing.

In our headquarters, Samsung SDS has 12,000 employees, and we have 23,000 employees in all globally. This year, we've brought RPA into our work process for more than 26,000 projects. As a result, we will be able to save around three million working hours by the end of the year—roughly speaking, about 10 percent of total working hours for all 12,000 employees at headquarters. Effectively, we've increased the number of employees by 10 percent by making the existing ones more efficient.

We think about the impact of this on jobs. Automation will help our employees save time, which means they can use those hours to take a course to learn a different type of work that requires more complexity. We bring in the new technology to be proactive, but our employees benefit on a personal level by becoming more capable of doing more valuable and intelligent work. This allows them to make use of job opportunities within and even outside the company.

The Quarterly: *That sounds a bit different from the traditional perception of South Korean companies as offering employment for life in a very hierarchical way.*

Won-Pyo Hong: I've spent about 13 years in the Samsung environment and, before that, 13 years in telecommunications. Despite the differences in the corporate cultures and business models in those industries, it is a widely accepted fact that the senior levels of executives do have more power. This is OK, but it's a mistake to ask people lower than you to just listen instead of discussing issues together. Thus, these days leaders in South Korea have started to confront this change and to shift how they lead, to make organizations more horizontal. Employees can definitely be more knowledgeable and smarter than executives in many different aspects. And younger employees do not necessarily accept a hierarchical style or attitude. I myself am also adapting to these changes by moving with resilience and boldness to lead in disruptive times. Q

Won-Pyo Hong is the CEO of Samsung SDS. This interview was conducted by **Richard Lee**, a senior partner in McKinsey's Seoul office, **Jason Li**, a member of McKinsey Publishing in the Shanghai office, and **Joydeep Sengupta**, a senior partner in the Singapore office.

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