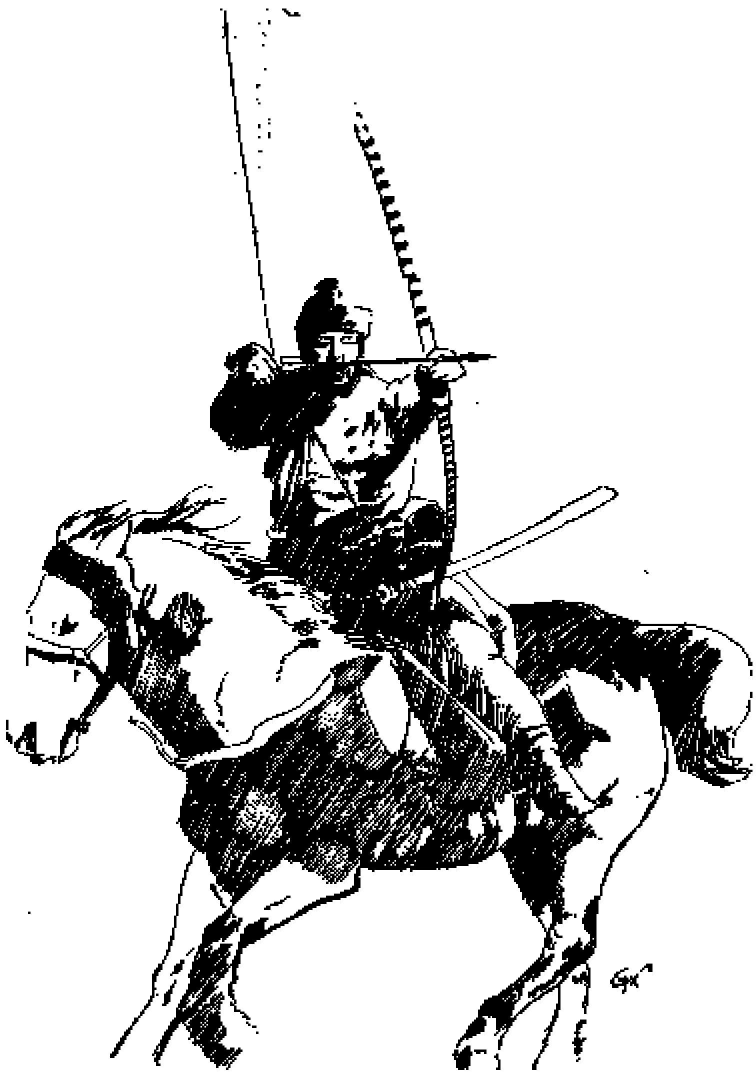
Sun Tzu on MER



Sun Tzu's Art of War is the oldest military classic in Chinese literature. It is also the most revered and well-known military text outside China.

The business world is not unlike the battlefield. To succeed in business one needs to have well-thought planning, employ good people and execute strategy carefully and in a timely manner.

Introduction

"If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle."

"If you know the enemy and know yourself, your victory will not stand in doubt; if you know Heaven and know Earth, you may make your victory complete."

It is clear Sun Tzu was an early advocate of SWOT analysis. As in SWOT, Sun Tzu recommended an analysis of Strengths and Weaknesses through knowing oneself, and analysis of Opportunities and Threats through knowing the enemy (your competitor), and the heaven & earth (environment as in industry & business outlook).

In Sun Tzu's 13 chapters Art of War script, at least 3 chapters address the enemy and strategy, while 3 chapters are devoted to analysis of the environment. Components of assessment and analysis are also distributed over the whole script.

Sun Tzu on Environment

As noted, while the enemy and the company are the two most crucial factors in winning the war, victory will not be complete if the general does not assess the terrain and weather properly, and use it to his advantage. Namely, it is critical for a manager to assess the industry and business outlook so as to align his strategy towards getting the most out of the market.
There are two important elements mentioned in the Art of War, the terrain and the ground. The terrain configuration (地形篇) is a fixed factor once the war begins, while the ground (九地篇) is the battlefield ground the general chooses to pick in waging his war.

In business, terrain is identical to the type of industry that a company is engaged in. Industries possess general characteristics that cut across geographic regions. An organization entering a certain industry is bound to make investment and operate in a certain manner pertaining to its industry.

Ground, on the other hand, is synonymous with changing market conditions. While the terrain or industry is a fixed situation, the ground or market situation is more dynamic. A general can easily decide the type of battleground on which he or she wishes to fight. If the ground is to his disadvantage, he may choose not to fight. Thus, battleground is a variable factor and is, to a larger extent, a controllable element.

Terrain Configuration as a reflection of Industry

In the Art of War there were 6 types of terrain:
1. Accessible terrain.
2. Entangling terrain.
3. Temporizing terrain.
4. Narrow passes.
5. Precipitous height.
6. Expansive terrain.

1. Accessible Terrain

An accessible industry analogous to the accessible train is an industry where there are low entry and exit barriers. Capital and technology are readily available without major obstacles.

"If we can go forth and the enemy can also advance, it is termed accessible."

A typical industry corresponding to accessible terrain would be consumer products, certain type of retail industry (shops), food service (cafes and restaurants) or personal services (hairdressers, beauty salons). As there would be sufficient demand to go around, there could be many competitors in the industry. Competitors range from large companies down to simple mom-and-pop stores.

Competitors in this industry can choose their own pace, either to be highly competitive-vying for a large share and lucrative returns, or to take their time and be content with a specific niche market.

Examples of companies who managed to secure their position well in an accessible industry include McDonalds and Wal-Mart. McDonalds secures its loyal customers through its consistency in quality, service, cleanliness and value, coupled with aggressive marketing and promotion. Essentially McDonalds delivers what the customer wants. In the same context, Wal-Mart provides value, choice and convenience for its customers, thus securing its position with customers seeking "value – no frills" type products.

" In an accessible configuration, first occupy the heights and yang [side] and improve the routes for transporting provisions. Then when we engage in battle, it will be advantageous."

"Occupying the heights and sunny side" can be likened to becoming the market leader within the industry. For most consumer goods companies, winning leading consumer mind share is key to success in the industry. In attaining the "heights", customer support is crucial, as well as promotion and advertising.

The other competitive success factor necessary to sustain success in this type of industry is: ***"improving routes for transporting provisions."*** This implies good support systems that allow employees all the necessary tools and knowledge to do their job well.

Both McDonald's and Wal-Mart won leading market share globally as a result of clear market understanding and positioning. Both also possess superior fulfillment systems that enable them to run operations efficiently and cost effectively.

Among the relevant aspects of Market Environment Research to accessible terrain are:
- To study market characteristics to determine the best route to achieve "heights" and "yang".
- To determine the most efficient distribution system in order to improve fulfillment, hence increasing profitability per unit of sales.
- To study the "weather" or "climate", to identify how the market will change. This is analogous to studying the economy and market situation, such as cultural movements, fads, new technologies, etc

In Singapore, McDonalds lifted sales of hamburgers when it offered "Hello Kitty" collectible sets with value meal. McDonalds used its dominant market position and its vast market knowledge to identify an item with mass consumer appeal (Hello Kitty) and relate it to Singaporean tastes in an innovative way.

2. Entangling Terrain

Wetlands such as marsh and swamps may look enticing. They offer food such as fish, and the soil is soft. However, their nature is entrapping. Once entered upon, it is difficult to exit.

"If we can go forth but it will be difficult to return, it is termed entangling (suspended)."

Industries analogous to entangling terrain are the ones that are easy to enter but difficult to exit. Examples of industries with entangling characteristics are businesses requiring high capital investment such as exploration, mining, and construction; as well as businesses requiring low capital investment but high operational cost.

High operational cost becomes an entangling factor when there are strong labor unions that prevent management from retrenching workers.

"In an entangling ground, if the enemy is unprepared, go forth and conquer them. If the enemy is prepared and we sally forth without being victorious, it will be difficult to turn back and this is not advantageous."

The key to survival in this terrain is preparation. The organization has to be prepared to invest heavily before reaping the benefit, while still remaining alert in reading environmental conditions.

Due to its capital investment and many workers involved in operations, car manufacturing can be categorized as an entangling ground industry. So far the Japanese car manufacturers have proven to be the survivors in this entangling industry, mostly because of their tight financial management and corporate culture that manages employer-employee relations. On the other hand, US and Korean car manufacturers are entrapped within the industry. Most Korean and US car manufacturers are experiencing severe profitability problems some of which are related to industrial relations problems.

The entangling structure of being easy to enter and difficult to abandon has significant implications for research. Market Environment Research is needed to wisely assess the risk involved in the industry before a player enters, as well as to constantly evaluate the threats that may be lurking.

Sun Tzu said: "***When you cross salt marshes and wetlands, concentrate on quickly getting away from them; do not remain***." Many contractors that became the victims of the Asia property crisis had borrowed heavily from financial institutions to finance their projects. Proper MER might have helped identify the threat of a property bust earlier, thus saving many property companies from bankruptcy.

"If you engage in battle in marshes or wetlands, you must stay in areas with marsh grass and keep groves of trees at your back." In entangling terrain, it is important to identify factors that will reduce the uncertainty and risk inherent in the industry. MER can help identify the risk as well as the safety factors.

3. Temporizing Terrain

In temporizing terrain it is difficult to move around. It is difficult to enter, and once entered also difficult to exit. However, mastering temporizing terrain may lead the troops to occupy the best location (like the peak of hills, or the river behind a forest).

"If it is not advantageous for us to go forth nor advantageous for the enemy to come forward, it is termed temporizing (stalemated) terrain."

Temporizing ground's most distinguishing characteristic is that there is no advantage in taking the initiative. Accordingly, temporizing industries normally requires large capital or technology investment, but subsequently low manufacturing and operational cost. Thus, it is more beneficial for the followers in the market to avoid competing with the leader head-on but rather indirectly, through "copying."

Temporizing industries reflect business situations where the competitive advantage is very narrow. The pharmaceutical business, to some extent possesses temporizing characteristics as many big companies invest substantially in R&D and human resources, however, out of their substantial R&D efforts, only a handful of lucrative patents will emerge.

"In a temporizing ground, even though the enemy tries to entice us with profit we do not go forth. Withdraw and depart. If we strike them when half the enemy has come forth, it will be advantageous."

In a temporizing industry caution is the best policy. An organization has to constantly evaluate the threat and potential of the market to decide the best move. Sometimes the threat outweighs the potential profit, in which case it is best for the organization to retreat and let another organization take the lead.

As the temporizing industry is prone to influence from many factors (e.g. in the pharmaceutical industry, a review from academic bodies or health authorities of a certain product can make or break the company), MER can help the organization decide on which way is best, prior to investing too heavily.

In particular, competitor intelligence is critical. Incidence of "industrial espionage" or unethical competitor intelligence is understandably high in temporizing industries, because of the large stakes involved.

"When on the flanks the army encounters ravines and defiles, wetlands with reeds and tall grass, mountain forests or areas with heavy, entangled undergrowth, you must thoroughly search them because they are places where an ambush or spies would be concealed."

4. Narrow Passes

"If we occupy them first, we must fully deployed throughout them in order to await the enemy."

" If the enemy occupies them first and fully deploys in them, do not follow them in. If they do not fully deploy in them, then follow them in."

A narrow pass can only accommodate a limited number of troops at the same time. The terrain may be flanked by rivers at both sides, or may be situated at the top of a mountain or cliff.

The industries in this category have only a limited client base, or require great concentration and patience to master.

If the accessible terrain is analogous to the general retail industry where opportunity is abundant, the narrow-pass is analogous to the luxury brands business. Rolex and Cartier are the narrow pass lords of the watch business, as Gucci and Dior are for the dress-maker business.

"To cross mountains follow the valleys, search out tenable ground, and occupy the heights. If the enemy holds the heights, do not climb up to engage them in battle."

"If you want to engage the enemy in battle, do not array your forces near the river, but look for tenable ground and occupy the heights. Do not confront the current's flow."

As in the accessible terrain, the best strategy is to occupy the "heights". A "heights" by Sun Tzu's definition could be a tenable ground in the middle of a mountain, or a tenable ground not to close to the river.

In this terrain, the "heights" could mean customer mind share. If a competitor has obtained mind share leadership in a certain position or a certain product category, it is best not to compete head on with them, but rather to stake out a different brand position.

While Mercedes-Benz takes the position of luxury car for the affluent consumer, BMW occupies the position of luxury car for upwardly mobile professionals.

Sun Tzu also warned against moving against the current's flow. In the luxury fashion industry, we will see the established brands creating a certain theme for a specific season. However, a company, which tries to ride on fads it has not created, although it may achieve transient success, will not last long in lieu of sustainable competitive advantage.

5. Precipitous Terrain

Precipitous terrain is like the high slippery slopes leading to the peak of the mountain. People are standing on uneven ground, and normally the higher the position, the better the advantage is.

"If we occupy the precipitous ground we must hold the heights and yang sides to await the enemy."

Precipitous industry is very much a capital-intensive industry where high levels of capital and technology commitment present major barriers to entry. Competitors should keep their business focus on core business activities.

With its capital intensity and high entry barriers, the airline industry can be likened to a very precipitous industry. Competitors who survive the industry typically reap high profits during the good times, but during the down times, the weak can be wiped out.

"If the enemy occupies them first, withdraw our forces and depart. Do not follow them."

Knowing one's strengths is very important in this industry, as well as targeting and reacting to the right market segment. Southwest Airline's strategy, avoiding direct competition with established airline service providers in the US, proved to be a winning strategy. By carefully choosing its routes and target segment, and operating its service accordingly, it lets the competitors occupy the "yang" side of the business so that they can occupy another side.

6. Expansive Terrain

"If our strategic power is equal, it will be difficult to provoke them to combat. Engaging in combat will not be advantageous."

Sun Tzu did not specify the characteristics of an expansive terrain. It could be a situation where the distance between one's troop and the enemy is widened. This could be analogous to a situation where an organization that appears to be in close competition with another at the outset, due to changes in either its own or the competitor's core competences, has drifted apart and is no longer considered a key competitor. An expansive industry situation may throw up new competitors that established players should keep an eye on.

The emergence of the internet as a new platform for business has in turn shaken up many traditional business, hence creating an expansive terrain situation. While previously the book-retail-industry was characterized by book shops and led by large chains such as Borders and Barnes and Noble, the emergence of B2C e-commerce has thrown up new players, some presenting a bigger threat than the current brick and mortar players. Suddenly, Borders realized that their biggest competitor was no longer Barnes & Noble, but instead it was Amazon.

Ground as a reflection of Market Situations

Nine kinds of ground situations were depicted in the Art of War, namely:

1. Base / dispersive ground
2. Frontier ground.
3. Serious ground.
4. Open ground.
5. Key ground.
6. Focal ground.
7. Difficult ground.
8. Hemmed-in ground.
9. Desperate ground.

1. Base Ground

"When the feudal lords fight in their own territory, it is base ground."

"On base ground, do not engage the enemy."

" On base ground unify your army."

Base ground is the home ground market. Base ground relates not only to sales revenue but also to the company's and the country's pride. It refers to the geographic region where the company has strongest historical and cultural roots. Japan is a base ground for Fuji as the US is for Kodak.

It is important to avoid a war in your own territory because the enemy will be more aggressive when they are invading other people's territory. Local defenders also have more at stake, which makes their fighting spirit weaker. Hence it is crucial to protect the base ground by putting up entry barriers and not letting competitor get a foot in the market.

In the business environment, market leaders protect their base market by influencing the government's law on protectionism regulations. Market leader should also pay attention to their customer's needs so as not to give a reason for customers to deflect to competitor.

2. Frontier Ground

"When they enter someone else's territory, but not deeply, it is a frontier ground."

"On frontier ground, do not stop."

"On frontier ground I have my army group together."

In a frontier ground an entering company gains an easy win. It could be because it is a new market where there is demand with no established players yet. It is then important that the entering company does not lose its momentum. At this point, it is necessary to commit resources so that the company has the backing needed to access a deeper base.

A mistake that is common among many SMEs is to continue to generalize after they have won some profit, thinking that they will experience easy ground all the way. However, once penetration is significant, one has normally left the frontier market situation and entered a serious market.

Sun Tzu said, in a frontier market it is best to continue to innovate and become more organized.

3. Serious Ground

"When one penetrates deeply into enemy territory, bypassing numerous cities, it is termed serious ground."

"On serious ground ensure a continuous supply of provision"

A company that has successfully launched an aggressive strategy into a new market, which has cut into its competitor's territory, yet is still not firmly established, can be classified as being in a serious market condition.

To survive in this situation, the organization has to maintain continuous resources and constantly increase the morale of its people.

In a serious situation, capture and secure optimum revenue in as much territory as you can, as quickly as you can.

While MER in the frontier ground can help in identifying the barriers & supporting factors, thus helping the company penetrate the industry more efficiently and effectively, MER in the serious ground is significant in monitoring market changes, thus allowing the organization to ride on supporting wave and fend of threats.

4. OpenGround

"When we can go and they can also come, it is traversable or open ground."

"On open ground do not allow your forces to become isolated."

"On open ground I focus on defense."

When the market has large excess capacity and exploitation is equally easy for everybody, it is termed an open market situation.

In an open market situation, defense is important. Competition must be blocked, while you gather your resources to capture as much market as possible.

Companies have to be constantly on their toes to act fast and be decisive. Communication (PR and advertising) is also very important, as there is a need to react quickly to volatility in the market.

P&G China's Defense Against Counterfeiting

P&G made its first foray into the Chinese market in 1988. Being one of the world's largest producers and distributors of daily consumables, it soon won the favor of Chinese consumers. After ten years of development in China, it ranks as one of China's "star enterprises" in the domestic chemical industry, which boasts more than 10 joint-ventures or exclusively-owned enterprises in Guangzhou, Beijing, Chengdu, and Tianjin.

By 1999 P&G ranked among the top-three foreign investors in China. While P&G goes from strength to strength in China and wins an increasingly generous slice of the Chinese market, it finds itself troubled by the ever-rampant production and sale of fake P&G products.

Counterfeiting seems to be a necessary by-product of the development of the Chinese economy. Because of the multitude of famous brands owned by P&G, P&G China was the first victim of counterfeiting and probably has suffered more than most. Taking advantage of the nation-wide fame P&G has established through extensive advertising campaigns in China, counterfeiters having been amassing fortunes from their production of "P&G" products.

According to a conservative estimate by P&G China, various counterfeit P&G products hold more than a 15% share of the domestic market. For some brands, P&G fakes are even sharing the market on a 50-50 basis. More than 80% of P&G shampoo sachets on sale in the Chinese market were fakes. P&G China loses $ 150 million each year on these shampoo sachets – the same as sales value of 300 million bottles of 400 ml Rejoice shampoo.

P&G China did not take counterfeiting very seriously when they first became aware of the availability of fake products. Out of fear of losing the favor of Chinese consumers, P&G chose to keep silent and failed to develop any countermeasures. "Once consumers learnt that P&G products on sale in the market are a mixture of genuine and fake, our product sales would decrease drastically", Liang Yu, PR Manager of P&G China said, justifying the company's failure to take prompt action.

However, appeasement brings disaster. What were formerly trickles of counterfeit products have gradually developed into deluges. Finding the outrageous acts of counterfeiters beyond its endurance, P&G was given no choice but to declare war against counterfeiting.

P&G initially launched anti-counterfeiting campaigns, which included more than 2000 anti-counterfeiting attacks at various levels and setting up an anti-counterfeiting hotline. However, all their efforts seemed to be to no avail as new "underground factories" kept popping up and the Chinese public seemed to be still prepared to accept counterfeit products.

P&G's recent anti-counterfeit initiatives have placed more emphasis on getting the attention of the Chinese government and getting central government and high-level leaders' support in their crusade against counterfeiting. P&G's recent moves have seen a more combined effort, which utilizes all resources as its defense.

- <u>Entrusting the investigation of underground counterfeiting plants to international investigation companies.</u> Once the investigators collect enough evidence against counterfeiters, P&G will ask the assistance of the Chinese business administration or even public security authorities to bring counterfeiters to justice and obtain due penalties according to laws.
- <u>Carrying out effective and active cooperation with government at various levels and enlisting government support.</u> A joint effort by P&G China and the Chinese Association of Foreign invested Enterprises has resulted in the formation of the QBPC (Quality Brands Protection Committee) which will extend its influence by inviting famous anti-counterfeiting experts to China and by establishing a database of counterfeiters and counterfeit products.
- <u>Cautioning P&G personnel against any involvement in counterfeiting</u>. Employees of P&G have all signed a contract with the company, where any involvement in counterfeiting will be taken as a breach of their employment contract.
- <u>Designing new security features</u>. P&G conducted a series of experiments to develop new security features, on one hand to make it nearly impossible to counterfeit their products, and on the other hand to make it easier for consumers to tell counterfeit products from genuine ones.
- <u>Launching large-scale public awareness "crusades" via the mass media.</u> Public attention was directed toward the issue and a "people's war" against counterfeiting was encouraged.

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5. Key Ground

"If we occupy it, it will be advantageous to us, while if they occupy it, it will advantageous to them it is termed key or contentious ground."

"On key ground do not attack."

"On key ground I race our rear elements forward."

A key market situation is a market or region that will be advantageous to the company that occupies it. If we arrive first, then we should not be complacent. Constant innovation is a must.

Conversely, one should not launch a direct offensive against a market leader who holds a key market situation. We can draw the competitor away by pretending to take off and move swiftly in other directions, thus distracting the enemy and indirectly softening the ground for future attack.

6. Focal Ground

"Land of the feudal lords surrounded on three sides, such that whoever arrives first will gain the masses of All under Heaven, is focal ground."

"On focal ground unit and form alliances with the nearby feudal lords."

A focal market situation arises when market dominance within an industry is determined by a small area that is left open. Should this area prove profitable it will be important to capture and secure it. It can provide an edge that may be significant for a business.

Once mastered, the focal market is a profitable area. Incumbents must thus prepare for competition to come in.

The Fight for the Browser Industry

When the PC gained popularity and become a necessity in every household and office, the operating system industry became a key market for a software company. Microsoft has occupied this market early with its DOS and WINDOWS products. However, it overlooked the internet browser industry for some time. As a result, a small startup company named Netscape managed to occupy this section of the industry.

In a deliberate attempt to build fast market share, Netscape Communications gave away its software. This worked brilliantly as the company was suddenly thrust into the spotlight as the Internet began to really take off and spread its popularity beyond the narrow band of academics that had been using it until then. Within five months from its introduction, Netscape had grabbed 70% of the growing browser market.

Revenues from its other products started to roll in and by the end of its first quarter it had sales of $4.9 million. Quarter two saw $11 million, and by the end of 1995 the company had revenues of $80.7 million.

Although Netscape had not yet made a profit, Wall Street went crazy when it was floated on the stock market in August 1995. The flotation had intended to offer 3.5 million shares at $14 per share, but demand was so high that the opening of trading saw the price to be $71 per share.

However, Netscape then made a mistake by reading its ground wrongly. They thought that they had occupied the key ground, and were immune to competitors' attack, while in fact they only occupied enough ground to be deemed a focal ground.

Microsoft, a company extremely large in resources and capability compared to Netscape, started to recognize the importance of a browser and was then gearing up to build its own internet browser, the Internet Explorer.

Netscape made the second mistake by ignoring the importance of a strong ally. In 1996, most internet service providers provided their user with Netscape Navigator. The exception was the biggest internet service provider, AOL, which had been using its own browser. The company realized that their own browser was inferior, and decided to replace it with either Navigator or Explorer.

While Netscape took a hard negotiating stance, wanting a license for every free copy and resisting pressure to make any changes, Microsoft obligingly built an alliance with AOL by offering a free supply of Explorer, and bent backwards to be flexible.

A selling blitz quickly persuaded nearly all the other commercial online service and Internet access providers to make Explorer the standard tool for their customers to find their way around the Web. Before the browser war began, Netscape had license agreements with more than 1,000 Internet service providers. Two years later it had none.

7. Hemmed – In Ground

"Where the entrance is constricted, the return is circuitous, and with a small number they can strike our masses, it is encircled or hemmed-in ground."

"On encircled ground obstruct any openings."

"On encircled ground use strategy."

When companies have grown and hold an entrenched position, they are difficult to beat because these positions are established and strongly defended. The continuous expansion of product lines and new models designed to hold positions and fill market gaps makes this market situation very fiercely contested.

Creativity through ingenious intellectual property defense strategies or other creative market strategies is especially important in this situation, to prolong the period of entrenchment. MER can help in observing any loopholes or exploring potential areas.

8. Difficult Ground

"Where there are mountains and forests, ravines and defiles, wetlands and marshes, wherever the road is difficult to negotiate, it is entrapping or difficult ground."

"On entrapping ground move through quickly."

A difficult market situation happens when economic and market conditions are unfavorable, generating minimal income and growth is slowed or recessed. There will be many instances that could lead to the demise of a company, if care is not exercised.

In an encircled (hemmed-in) situation the environment may not be very harsh, but a company may experience difficulty because competitors are closing in, while in an entrapping (difficult) situation a company is experiencing problems because of the external environment, independent of the existence of competitors.

The situation in a difficult ground situation is typically beyond the company's control. Hence it is best to use conservative measures. A company should try to navigate a way out of this situation rather than stay put and build a business in this situation.

9. Desperate Ground

"Where if one fights with intensity he will survive but if he does not fight with intensity he will perish, it is desperate ground."

"On desperate ground engage in battle."

"On desperate ground I show my army that we will not live."

"It is nature of the army to defend when encircled, to fight fervently when unavoidable, and to follow orders when compelled by circumstances."

An army needs to fight for its life in a fatal ground, in the same way as a company's survival is at risk in a desperate market situation. In such a market situation success can only come through an aggressive and merciless strategy.

The company must focus on the territory or core business that they are assured of holding and keep away from any activity that drains resources or risks losses. The CEO holds a crucial position as a change agent during this time.

The difference between a difficult situation and a desperate situation is that a difficult situation mostly happens because of uncontrollable factors external to the company, while a desperate situation is inflicted by the internal system of the company. Some companies have grown so complacent that by the time they realize that they need to change, they are already in a desperate situation.

A General in a Difficult Situation - Yun Jong Yong, CEO of Samsung Electronics

Yun Jong Yong had become Samsung Electronics' CEO less than a year before the Asian financial crisis hit in late 1997. With Korea's currency trading at depressed levels, many of its giant corporate chaebol were cranking up production in an attempt to flood foreign markets. After all, the mantra in South Korea had long been to build market share, no matter what.

But Yun, a 30 year Samsung veteran, broke with tradition. He slashed production of TV's and other appliances, cut a third of Samsung's workforce and streamlined inventories, shaving $3 billion in costs and accounts receivable.

Next came the restructuring. Samsung sold or spun off dozens of companies unrelated to its core business and wrote off investments in such money losers as Samsung Motor and computer maker AST. Most importantly, Yun has diversified into new high-margin businesses.

Back in 1995, the company had been dependent on memory chips for 50% of sales. After the financial crisis, the dependence was down to 20%, while a high percentage of business was spread over telecom equipment, liquid crystal displays for computers, and other high-technology gear.

Emerging from the crisis, Samsung is stronger than ever. Sales increased annually at about 25 %, and share prices were up more than 200% in 1999. Well positioned for the digital revolution, Samsung is well positioned to rank alongside the likes of electronics star Sony. As for Yun, he has emerged as a model executive in Korea.

Yun's turnaround at Samsung displayed good leadership during difficult times. While the other chaebol organizations were still muddling over the difficult ground by trying to flood the market, Samsung moved quickly to cut out their unprofitable business, incorporate conservative measures and stick to what they do best, making profit as a priority.

A General in a Desperate Situation – Lou Gerstner, Jr., CEO of IBM

IBM had for decades dominated the computer industry. Since 1946 it has become the bluest of blue-chip companies with 350,000 employees worldwide. Between 1965 and 1985 IBM's revenue continued to increase to $ 50.05 billion with net profit of $6.65 billion.

IBM's early success was attributed to three core beliefs outlined by its founder, Sir Thomas Watson: respect for the individual, customer service, and excellence. During this period IBM had a centralized culture where decisions affecting product lines were made at the highest level of management and strict behavioral & dress codes were followed (the blue suit which earned IBM the nick name " big blue")

Things started to go downhill in 1986 when IBM started to see a slowdown in its performance that continued until 1993. Analysts commented that many factors contributed to IBM"s declining performance. The emergence of Intel and Microsoft led to a sharp cost reduction in PC manufacturing within the industry that resulted in many upstarts such as Compaq and Hewlett Packard producing cheap low-end personal computers.

However, more significant to IBM's performance decline was its own internal problems. Over the years it had lost its competitive edge in meeting market needs. It was slow-to-market as it wasn't moving products quickly into the pipeline due to its long standing policy never to ship anything until it was absolutely bug-free & perfect. Customers perceived IBM as aloof and unresponsive. While Hewlett Packard, Sun, and Compaq responded to customers in less than two weeks IBM customers were lucky to have a salesman call back in two months.

During the period of 1986 to 1992, IBM under John Akers did try many ways to restructure the company.

- Decentralized some of the decision making
- Broke up IBM into 13 divisions and gave each division more autonomy

- Consolidated & opened several manufacturing plants
- Re-deployed its employees
- Opened & closed new & old divisions.

John Akers' mistake was to treat the external threat from emerging PC companies such as Sun, Compaq, and Hewlett Packard as more serious that its internal problems. John Akers' approached the problem from a "hemmed-in" mode while in fact IBM 's main problem was rooted internally.

Lou Gerstner Jr. took over the position of IBM CEO in April 1, 1993, by which time IBM's earnings had dropped to a negative $8.1 billion

Fortunately for IBM, Gerstner took the right approach of reading the ground. During a press conference, Gerstner made this remark: "***The last thing IBM needs right now is a vision. What IBM needs right now is a series of very tough-minded, market driven, highly effective strategies in each of its businesses".***

During the initial period of his management, he moved quickly to stop the bleeding and create a winning team. One of his initial moves was to create a sense of urgency among the employee and tackle the corporate culture issue. He also:

- Eliminated bureaucracy. – Business reports must be kept to ten pages. Stressed on simplicity, and eliminated the blue suits & white shirt dress code
- Examined company's non-core assets divisions that did not fit in with IBM's long range plans.
- Streamlined manufacturing facilities all over the world and reduced the number of SKUS.
- Made some key investment and dis-investment decisions to shift the balance of its skills and capabilities toward high revenue growth.

In 1994 the company made its first profitable year since 1991, leading to many profitable years since.

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