

## Samsung Has A New CEO, New Rules

Written by Bob Snyder  
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Now both of the two contenders for world leadership in consumer electronics have new leaders. While Tim Cook inherited Apple's top job after the death of Steve Jobs, Dr. Oh-hyun Kwon [shown in photo] will step into the job as Samsung's CEO after Gee-sung Choi steps down.



**But the CEO job that Kwon accepted will not be the same job Choi had.** Nope. Not at all.

Chairman Kun-hee Lee, third son of the Samsung founder, oversees all at Samsung with an iron hand. He wants to separate the consumer and component segments (with consumer product division leaders, such as TV and phones, not reporting to the new CEO.)

Why? Obviously, Samsung like many Asian suppliers is a tangle of OEM and branded products. On one hand, they supply you parts and pieces...on the other hand, they bash your brand and push their own in world markets. Imagine Apple's position: as a component supplier to Apple, Samsung knows almost every move Apple will make before public, press and other competitors. Today Apple is about 5% of Samsung's total business and Samsung is Apple's Number One competitor in the marketplace...

The reason to put up a [Chinese wall](#) between consumer and component divisions is to free up the consumer side to better compete in the brand war (without fear from the components side of losing business). And the act of separation generally allows the Asian manufacturer to point self-righteously at this division of "church and state" as a way to calm down irate OEM buyers who later find Samsung their biggest competitor.

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**What's the point of a CEO that's not chief executive to all departments?** Good question. As Vice Chairman and head of components business (chips and display), Kwon grew Samsung's position in memory chips to almost 50% global market share, and expanded into non-memory, or logic chips (now 40% of Samsung's overall semiconductor revenue). Oh-hyun Kwon made Samsung the sole supplier of the mobile processors that power Apple's iPhone and iPad. He led a restructuring of Samsung's LCD flat-screen business.

Somebody has to have the title; it's expected. So they gave it to their most important guy, and Kwon's promotion signals that Samsung, true to its roots, values its OEM business over its brands.

Former CEO Choi will not be put out to pasture: he's taking over Corporate Strategy (probably reports direct to K.H.) and one more important, very important job: Choi will be chief mentor to the current COO... Jay Y. Lee, son of K.H. Lee and expected heir to the Samsung empire.

And Jay Y. 's ascension may come soon: Kun-hee Lee, 70, is under attack from three lawsuits from relatives who claim around \$1 billion of Samsung assets were hidden from them by Lee.

Real management change at Samsung will come only when Jay Y. gets the Chairman job. And K.H. is a hard act to follow...

19 years ago, **K.H. famously told Samsung executives they should change everything except their wives and children** to improve the firm's then below-standard product quality.

He resigned as Chairman 2008 because of the Samsung slush funds scandal (a slush fund allegedly used to bribe prosecutors, judges, and political figures in South Korea). On the run from government prosecutors who sentenced him to jail time, he ignored the sentence and stayed out of Korea until a government pardon in 2010.

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Turns out they really needed his help to bring the Olympics to Korea.