

Win-Win Growth of Large Companies and Small- and Medium-sized Firms (LCSMF) Through Platform Strategy

Focused on Cases of Samsung Electronics and CJ Jeiljedang

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Abstract— This study presents specific measures for a platform strategy for LCSMF win-win growth. To this end, literature was examined to derive the platform strategy process, and cases of Samsung Electronics and CJ Jeiljedang were analyzed. The analysis revealed that while platform opening time varied according to industrial characteristics, it was important to construct open platforms based on trust, and that the constructed platform created new values when it was maintained and managed through participants' positive exchange and competition. This suggests that a platform strategy enables win-win growth.

Keywords—Platform Strategy, Win-Win Growth, Business Ecosystems, Case Study

I. Introduction (Heading 1)

After the 2008 global financial crisis, corporations steadily increased their profits, but the corresponding benefits were not diffused across the society, deepening polarization and unbalance problems between companies and classes.

Also, competition patterns changed from competition between individual companies to competition between business ecosystems, thus making it important to construct a business ecosystem surrounding individual companies like organisms [1].

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Overseas research on measures for constructing such business ecosystems is being activated. In particular, increasing is the interest in a platform strategy intended to construct a business ecosystem by putting together individual technologies being developed and to lead industrial innovation [2]. Likewise, at home, the importance of business ecosystems is recognized, and in particular, increasing is the interest in the win-win growth of LCSMF forming such ecosystems. However, win-win growth is considerably related to policies, and its specific action measures have yet to be examined positively.

Thus, based on the analysis of cases, this study examines the possibility of implementing platform strategies for the win-win growth of LCSMF forming business ecosystems, and presents corresponding specific measures for platform strategy.

II. Theoretical Background

A. Win-Win Growth

South Korean government and the National Commission for Corporate Partnership define win-win growth as “cooperative activities of LCSMF to preserve and evolve business ecosystems from the mid and long-term perspective.” As such, win-win growth refers to activities by which large companies explore and support small and medium firms with innovation capabilities in a bid to grow business ecosystems in the long term and to construct sustainable growth grounds [3].

Also [4] defines win-win growth as “a policy which, by constructing power-balancing systems and infrastructures between large companies, and small and medium firms, triggers behavioral changes in economic entities, thus creating an industrial ecosystem that produces creation and innovation,” and emphasizes the importance of establishing a Korean-type win-win growth model.

Win-win growth, in a word, is a principle of coexistence by which to share results and opportunities, and is a business model by which organizational members all share the results of their efforts and opportunities for growth which they achieve through innovation and creation. In this rapidly value-shifting era in the industrial environment, diverse

organizational members should combine their efforts and intelligence to achieve creation and innovation.

Creation and innovation will come from participants' horizontal and open cooperative relationships, and such future-oriented cooperative relationships will be formed based on high trust. Win-win growth is an ethics- and value-oriented paradigm, and at the same, it is a survival strategy to survive in the global economic environment.

B. Platform Strategy

Platforms have been discussed in diverse individual areas. However, such discussions have yet to be combined, and to date, only [5] has attempted to combine such discussions. [5] indicates that platforms from the perspective of products, platforms from the perspective of technology, and platforms from the perspective of trading are all structurally similar. [6] states that platforms from the perspective of products and platforms from the perspective of technology are essentially similar while they are different in their application scope, namely, inside the company or across the industry.

This derives common elements from such diverse platforms and defines a platform as "a key module which supports diverse interactions or which is commonly used for such support."

Such platform strategy consists of the construction, maintenance, management and effect of platform, and in the platform strategy, the role of the platform leader who leads such platform construction is important.

First, to construct a successful platform, the platform leader should have a differentiated product technology leading the system, distinctive business areas in relation to diverse external complementers, collaborative capabilities, and a responsible impulsion organization [7].

Second, in relation to maintenance and management, the platform leader should steadily offer visions and distinctive standards to participants, promote competition, and continuously innovate and expand the platform[8].

Third, such platform will eventually cut search and manufacturing costs for both the platform leader and participants, as well as provide the direct and indirect effects of networking by increasing the number of participants [9].

III. Case Analysis

A. Framework

This study, based on a theoretical review of previous studies, develops the platform strategy process including construction, maintenance, management and effect, and presents the following case analysis framework.

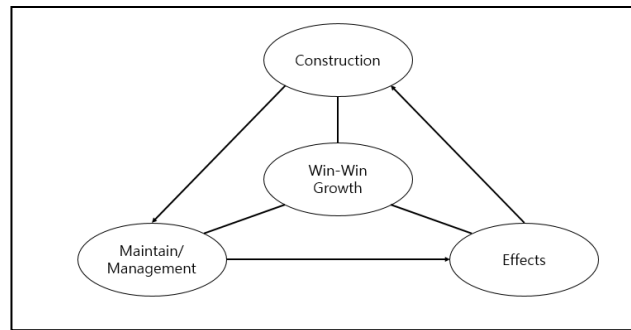


Figure 1. Framework of Case Analysis

B. Subject of Case Analysis

This study analyzed cases of Samsung Electronics (the country's leader in the manufacture of electronics and parts) and CJ Jeiljedang (the country's leader in the production of foods).

Samsung Electronics engages in six kinds of finished products, namely, display, consumer electronics, wireless, IT solution, network, and digital imaging, as well as in three kinds of parts, namely, memory, system LSI, and LED, a total of nine categories. Samsung Electronics pursues its win-win growth platform strategy based on its philosophy of trust, transparent management, and enhancement of global competitiveness [10].

CJ Jeiljedang engages in five categories, namely, foodstuff materials, processed food, pharmaceuticals, biotechnology, and biological resources. CJ Jeiljedang pursues its platform strategy focused on qualitative growth rather than on quantitative growth, based on three win-win growth principles of sincerity, continuity and effective assistance [11].

To this end, employees of the two companies were interviewed twice from 2011 to 2012.

IV. Results

The analysis revealed this: the two companies implemented diverse policies for the win-win growth platform strategy.

The comparative analysis of two companies' win-win growth platform strategies is outlined as follows.

First, Samsung Electronics and CJ Jeiljedang construct platforms basically based on trust with their subcontractors. They do not intrude their subcontractors' areas of business by clarifying their business categories, and positively gather their subcontractors' opinions by expanding the channel of communication and by operating an exclusive team.

Second, the two companies positively encourage exchanges with and competition among subcontractors. Samsung Electronics benchmarks excellent domestic and overseas manufacturing firms by visiting them, thus providing opportunities to exchange technology and information to subcontractors.

TABLE I . Platform strategy factor analysis of Samsung Electronics and CJ Jeiljedang

| | Construction strategy | Maintenance and management strategy | Effects of platform strategy |
|----------------------------|--|---|---|
| Samsung Electronics | <ul style="list-style-type: none"> - Constructs an open platform through open sourcing and invitation to new technology competition - Expands channels of communication such as win-win growth day and friendship meetings with subcontractors, thus building up trust - Establishes a win-win collaborative center in 2004 to promote the win-win growth culture internally and externally, and to implement a systematic platform strategy - Implements a system of sharing revenues | <ul style="list-style-type: none"> - Provides comprehensive support involving finance, manpower, and manufacturing technology to foster global small yet strong firms - Encourages mutual exchanges through benchmarking of excellent manufacturing companies, exchange of technology with overseas companies, exhibitions, and seminars with subcontractors' CEOs - Bolsters competitiveness by providing support for finance, manpower and technology | <ul style="list-style-type: none"> - Evaluated as excellent in the win-win growth index assessment (2011) - Cuts costs through the local manufacture of parts - Samsung Electronics steadily expands its sales - Boosts subcontractors' sales, thus stabilizing their finance (the direct effect of networking) - Secures opportunities for subcontractors to enter overseas markets (the indirect effect of networking) |
| CJ Jeiljedang | <ul style="list-style-type: none"> - Operates a closed platform according to industrial characteristics - Stabilizes the finance of subcontractors through the minimum profit guarantee system and cost innovation share - Establishes a win-win management center, comprised of employees responsible for planning and operating in 2011 - Implements the system of sharing revenues | <ul style="list-style-type: none"> - Provides support across the whole processes of R&D, production, marketing, sales, logistics, distribution, and customer service, thus launching the subcontractors' common brand Happy Joint Travel - Supports the exploration of markets through exchanges with the group's affiliates - Develops joint technology through agreements between communities, subcontractors and CJ Jeiljedang - Shares win-win VOC with subcontractors to construct networks with customers - Bolsters competitiveness by providing support for technology, finance and manpower | <ul style="list-style-type: none"> - CJ Jeiljedang steadily increases its sales - Subcontractors increase their sales, thus stabilizing their finances (the direct effect of networking) - Subcontractors secure opportunities to enter overseas markets (the indirect effect of networking) |
| Common factors | <ul style="list-style-type: none"> - Clarifies a distinctive business category and possesses product technology - Constructs leadership based on trust - Operates a win-win growth team - Implements a system of sharing revenues | <ul style="list-style-type: none"> - Creates new values (global small yet strong firms, Happy Joint Travel) in association with subcontractors - Explores markets and bolsters competitiveness by activating exchanges - Manages the quality of platforms by providing support for finance, technology and manpower | <ul style="list-style-type: none"> - Stabilizes subcontractors' finances through the platform leader and by increasing their sales (the direct effect of networking) - Explores markets through the platform leader (the indirect effect of networking) |

CJ Jeiljedang also, through exchanges with its affiliates and overseas subcontractors, supports domestic subcontractors to explore overseas markets. Through this exchange and competition, the two companies create new differentiated values.

Third, the two companies provide support for finance, technology, markets and manpower to enhance the quality of their platform. Such support enhances subcontractors' capabilities, which in turn are brought back to the platform. This delivers high-quality products to customers, increases the frequency of customers using the products, and boosts the number of users. Through this process, the two companies create a virtuous cycle of enlarging the whole platform pie size.

After all, Samsung Electronics and CJ Jeiljedang create competent subcontractors, develop technologies, and cut costs, while subcontractors explore domestic and overseas markets, thus maximizing the effects of networking.

In addition, higher-level platforms enhance brand recognition, and higher brand recognition increases the number of platform users. Thus, Samsung Electronics and CJ Jeiljedang each year increase their sales, and enjoy No. 1 domestic market share. Subcontractors also achieve a rapid growth in sales. This demonstrates that win-win growth can be achieved through platform strategy.

However, the two companies are different in the way of opening platforms. Samsung Electronics positively open its platforms, while CJ Jeiljedang, which handles many small food businesses, passively opens its platforms. This suggests that platform strategy differs in the time and method of opening platforms according to industrial characteristics.

v. Conclusion

Though a theoretical review of previous studies and an analysis of cases of Samsung Electronics and CJ Jeiljedang, this study verified that the role of the platform leader is important to achieve win-win growth through platform strategy. To construct a platform, the platform leader should determine an appropriate time of opening the platform, and have a relevant team intended to pursue the platform.

Also, to maintain and manage the platform, the leader should ceaselessly encourage competition and exchanges among participants, thus enhancing the quality of platform. Thus, the platform produces the direct and indirect effects of platform, thus providing participants with capabilities of creating new values and the effect of cutting costs. This win-win growth platform strategy is presented as the following model.

In conclusion, with regard to the presentation of specific strategic measures for win-win growth platform strategies which are closely related to policies, this study presents the following implications.

First, for the platform strategy, the electronics and food manufacturing industries were analyzed unlike many existing platform strategy studies focusing on the categories of IT, media and contents.

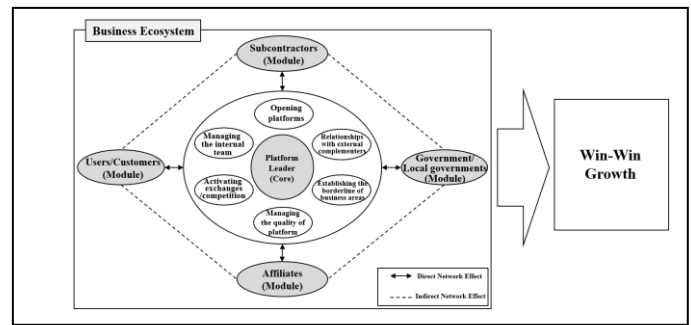


Figure 2. The Model of Platform Strategy for Win-Win Growth

Second, beyond the existing prospective of product platforms intended to bolster corporate competitiveness, this study analyzed the platform strategy from the perspective of LCSMF win-win growth, thus providing specific strategic measures for win-win growth.

Third, this study analyzes and explores cases, thus offering a direction for future research.

However, given the nature of analyzing cases, the findings of this study cannot be generalized.

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