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Samsung's dauphin prepares for a whole new court battle

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Lee Byung-chul had high hopes when he set up his vegetable trading company, Samsung Sanghoe, in a Korean market town. However, he could never have imagined that 74 years later, his grandson would be sitting down in California to negotiate on equal terms with the head of the world's most valuable company.

Samsung may have lost its epic US legal battle with Apple, but the hard-fought case highlights just how far the company has come in the space of a lifetime that has seen South Korea's rise from penury to prosperity. And the man set to be the embodiment of this extraordinary transformation is **Lee Jae-yong**, chief operating officer of Samsung Electronics and the group's probable next chairman, who appears poised to break with the traditionally austere leadership style of Korea's family-run chaebol conglomerates.

The chaebol tower over South Korea's economic landscape, spanning virtually every area of business - and Samsung is by far the biggest, with its companies accounting for a fifth of the country's exports. A century after the fall of the Choson dynasty, many Koreans describe the **Lee** family in terms usually reserved for royalty - and Mr **Lee**, the 44-year-old crown prince and heir apparent, is the subject of fierce curiosity.

He has done little to indulge this interest, keeping public remarks to a minimum. But away from the public glare, Jay **Lee** - as he prefers to be known outside Korea - has become the first point of contact at Samsung for many key customers and competitors, and to high-ranking officials from China to the US. Fluent in English and Japanese, immaculately turned out in rimless glasses and tailored suits, he presents the modern, global face of a group widely seen as secretive.

The only son of **Lee** Kun-hee, the chairman, he was groomed for the succession from an early age. As a child, he grew used to Samsung executives visiting his father, who has long preferred to work from home. "The family atmosphere was very strict for him," says **Yanagimachi Isao**, who gave him weekly Japanese lessons in the 1980s. "He didn't want rumours [about him], so he kept a close circle of friends . . . he knew that one day it would be his duty to manage Samsung, so he had to study hard."

Mr **Lee** enjoyed fast cars as a youth and indulged a love of sport: his horsemanship skills won him a place on South Korea's equestrian team. But the preparation for the succession was never forgotten. After completing a history degree in Seoul, he spent two years studying business at Tokyo's Keio University, gaining fluency in Japanese and a deep insight into Japan's business culture.

After returning to Seoul, Mr **Lee** spent more than a decade in low-profile positions, before in 2007 he was assigned to manage relationships with major customers. It was a mark of his successful business diplomacy that - despite the legal wrangle between the companies - he was the only Asian executive invited to last year's memorial service for Steve Jobs, Apple's founder. But he has work to do to win over the South Korean public.

This is an awkward period for the chaebol. As South Korea's growth falters, there is growing criticism of their economic dominance, and their perceived choking of smaller businesses. With a presidential election in December, politicians are jostling to be seen as proponents of "economic democratisation", and are lining up attacks on the shareholding structures that keep control of companies like Samsung with their founding families. Mr **Lee** has already suffered the indignity of a Supreme Court hearing on a 1996 convertible bond transaction that substantially increased his holding in the group, although the court ruled there was no impropriety.

Mr **Lee** risks becoming a touchstone for popular discontent with hereditary privilege, argues Chung Sun-up, editor of a popular news website on Korean chaebol. "Mr **Lee** has to prove his management ability because an increasing number of Koreans are now raising questions about why he has to take over Samsung. . . People are not taking it for granted any more that the son should succeed his father."

His detractors argue he lacks the experience to run a group as large and diverse as Samsung, with activities ranging from life insurance to shipbuilding and weapons technology. His promotion to COO in 2009 has put him close to the very top. However, he has not yet been given overarching responsibility for one of the group's major units. "He hasn't had many chances to prove his management ability because his father is in full control," says Kim Sang-jo, an economics professor at Hansung University.

Such barbs are unfair, argues one person who has worked closely with Mr **Lee**, saying that his modesty and deference to his father have made him play down his contribution to recent successes, which have seen its share price more than double since mid-2009. "His fingerprints are all over the Galaxy," the person says, referring to the device range that allowed Samsung to overtake Apple early this year as the world's biggest smartphone maker by unit sales.

Mr **Lee** also spearheaded the drive into sharp-looking organic LED displays, the person adds. Analysts see these as the killer feature of the popular Galaxy S3. He was behind the company's decision to double investment over the past two years in application processors, the smartphone "brain" chips of which it is now the world's leading producer. He is known to share Mr Jobs' fascination with product and design.

He has a hard act to follow. His grandfather turned a vegetable trader into an exporter of ships and televisions; his father made it a world leader in high-end technology products from memory chips to smartphones. Samsung's putative third chairman has given little indication how he would stamp his mark - but it's a challenge for which he has spent decades preparing.

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