

## ZAPTHINK ZAPNOTE™

### SAMSUNG SDS LEADING THE PACK FOR WEB SERVICES IMPLEMENTATION IN THE FAR EAST

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#### Abstract

Samsung SDS is the IT services arm of the Korea-based Samsung Group, one of the largest conglomerates in the Asia/Pacific Rim region. In 2002, Samsung SDS implemented a strategy to become the regional leader in Web Services and Service-Oriented Architecture (SOA) implementations, in spite of the fact that their customer base was largely unready for these emerging technologies. To this end, Samsung SDS built a core team focused on emerging Web Services and SOA technologies Web Services team with the necessary expertise to implement large-scale Web Services implementations, as well as architectural expertise. To date, Samsung SDS has implemented a number of successful Web Services projects, most of which are for sister companies within the Samsung Group—a strategy for building expertise and reference projects that has worked well for them in the past.

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## Samsung SDS: IT Services in Asia and the Pacific Rim

Samsung SDS is the IT services arm of the global conglomerate Samsung Group. Samsung Group's revenues exceeded \$120 billion in 2003, and consists of over thirty affiliated companies. Established in 1985, Samsung SDS provides mission critical IT services for all Samsung-affiliated companies as well as external clients worldwide. Samsung SDS, headquartered in Seoul, Korea, has eight offices throughout Korea and offices in the USA, U.K, India, China and Japan, as well as in other parts of the world. Samsung SDS employs over 7,800 employees globally, and had revenues of around \$1.5 billion in 2003.

Samsung SDS offers IT services, such as consulting, business integration, packaged software, IT outsourcing, data center services, and training. Samsung SDS has five major divisions: Public (Government) Business, Business Integration, Service Delivery, Service Delivery Support, and Samsung Support and Services. The company also has smaller business units, which include Packaged Software Solutions, an IT R&D Center, Education, and Strategy & Marketing, among others. Samsung SDS also operates Samsung Group's Internet data centers in Seoul, Korea, and New Jersey, and also operates Samsung Group's enterprise portal for over 180,000 employees. The Public and Business Integration organizations are primarily responsible for selling solutions to government and business clients, while the Service Delivery and Service Delivery Support groups perform the actual consulting and engineering activities. In addition, the Samsung Support & Services Division focuses solely on providing services and support to other Samsung companies.

Samsung SDS has over 300 customers globally, of which their top 10% represent more than half of their total annual revenues. Samsung SDS's customers are most heavily concentrated in the Asia/Pacific Rim region, but Samsung SDS also has a broad customer base around the globe, including North/South America, Europe, and the Middle East. Customers are evenly divided by industry, including the public, financial, manufacturing, services, and media and communication industries. The manufacturing and financial industries, especially insurance, is their core focus. The typical pattern for Samsung SDS is to start a new consulting offering like Web Services with Samsung affiliated companies and expands the business offering to clients outside the Samsung Group, often utilizing the valuable expertise gained from within the Samsung Group.

## Web Services at Samsung SDS: A Forward-Looking Investment

The Korean and broader Asian markets are very slow to adopt Web Services technologies, lagging approximately 18 to 24 months behind North American markets in their rate of adoption and purchasing. Nevertheless, based on the increased acceptance of Web Services and SOA worldwide, Samsung SDS is investing in Web Services technologies for the long term. Web Services and SOA are regarded as key technologies for their future. They have a fully dedicated Web Services team of thirty people, which has been in existence since 2002, and they have completed about a dozen Web Services projects for clients.

While Web Services have seen some limited acceptance in the Far East, the application of

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SOA, however, has had an even slower adoption rate. Most of Samsung SDS's customers primarily use Web Services for point-to-point integration. However, SOA has finally begun to emerge in 2004, and Samsung SDS is actively working on a couple of projects involving SOA, and they see bright prospects ahead. Even these current Web Services and SOA projects are very small compared to the typical size of projects that Samsung SDS undertakes with their customers. Samsung SDS, however, has the luxury and foresight to be able to invest for the long term, because of their size, resources, and dominant position within their industry. They are already looking beyond the simple point-to-point integration of Web Services to a Services-based business model incorporating SOA. Samsung SDS is already developing and testing ideas such as Web Services networks, business Service providers, and business process outsourcing based on SOA. Samsung SDS has also made strategic alliances with Web Services vendors AmberPoint and Systinet, and they expect to add additional Web Services/SOA vendors to their list of strategic partners.

Samsung SDS reports that they have completed about a dozen Web Services projects. The majority of these implementations are for other companies within the Samsung Group, with the a few other projects for the Korean government. Samsung SDS is also looking to expand their Web Services projects beyond Korea, focusing on China, Japan, Singapore, and Hong Kong. Samsung SDS has also found that there are very few Web Services opportunities in China yet, mainly due to the difficulty in selling high-cost, enterprise implementations in a country that does not highly value intellectual property rights. Samsung SDS is also looking at the Japanese market, which they find is slower than Korea in their adoption of Web Services, due to ongoing economic issues. However, they have found some significant interest within the Singapore market, including a government-funded project on the Microsoft platform, as well as interest within the Hong Kong government, which is currently exploring the use of using Web Services.

## **Samsung SDS's Organization and Approach to market**

Samsung SDS has separate business units responsible for architecture and new technologies. The architecture group is part of the Center for Advanced Software Engineering, which in turn is under the Service Delivery Support division. New technology is the responsibility of IT R&D Center, which identified Web Services as the key to Samsung SDS's future success back in 2002.

The Web Services Advance Force is also currently apart of the IT R&D Center, but operates as a semi-independent business unit. The use of this advance force speeds up the incubation period for early-adopting technologies, raises the competitiveness of the new technology, and enhances the business synergy with other business units.

When it's time to introduce a new technology or approach to customers, Samsung SDS takes the following steps: evangelize the technology, implement a pilot project, build a strategic reference with an early adoptee customer, build a broader service offering based on such early adoptees, an then transfer the approach to their operational business line.

## **Web Services Case Study: Samsung Financial Consolidation Package**

One of Samsung SDS's early successes in Web Services was for their parent company's financial division. The Samsung Group lacked an automated process and an integrated system to tabulate and audit the financial records of its subsidiaries. They also lacked an integrated database for handling financial records. Nevertheless, financial audits take place five times per year, requiring the manual collection and tabulation of financial data, which led to inefficient, error-prone, and inconsistent results under their former system. Samsung's existing financial consolidation software consisted of a database and a Microsoft Excel client. Auditors received data in an Excel file, crunched the numbers in Excel, and then entered the numbers manually into the database using a Web-based client. The auditors at headquarters

also collected Excel files from all over the world via email and manually analyzed them for errors.

The new financial consolidation package that Samsung SDS built for their parent company eliminated the manual entry step. It incorporated Web Services, using the Microsoft .NET Framework for Office, directly into the Excel client. Samsung SDS then built a smart client on top of Excel that enables auditors to import data directly into Excel from the database, crunch their numbers in Excel, and then export the pertinent data back to the database automatically in XML format using Web Services. The smart client reduces errors and time, and also provides other key features, such as collaboration, automated tabulation, analysis, and automated data validation. The financial consolidation package runs in a Windows environment and includes Oracle 8i and a J2EE environment based on TmaxSoft, an application server and development platforms built by a Korean firm.

Instead of using email to handle manual error correction and analysis, each of the auditors and accountants accesses the same synchronized data in the centralized Oracle database. Furthermore, the smart client allows for automated processes and richer feature set and experience than basic Excel. The new financial consolidation package reduced the time to complete an audit from 32 days to 12 days, and reduced labor costs by over 70%.

## Samsung SDS Services

### Samsung SDS Web Services Advance Force

#### Overview:

Samsung SDS offers Web Services consulting as part of its IT research and development arm and the Technology/Infrastructure service layer. These service layers cut across the multiple vertical market categories, and focus on customer strategy and implementation.

#### Description:

Samsung SDS organizes its offerings on its *Service Line Map*. The Service Line Map helps to identify the demands of customers in different sectors and then offer integrated solutions to those customers. The Service Line Map has three main categories: Service Layers, Customer Business Process and Industries. The service layers are then subdivided into business, application, and technology/infrastructure. Likewise, the customer business process lines are classified by strategy, implementation, and operation; and vertical industries fall into 33, largely public, financial, manufacturing, and services sectors.

#### Value Proposition:

Samsung SDS has established itself as the Web Services thought leader in the Far East by building expertise ahead of customer demand. They now have several completed projects for the Samsung Group, and they are able to take that experience to their customers.

## The ZapThink Take

To understand Samsung SDS's approach to the Web Services and SOA markets in the Far East, it's important to grasp the fact that in the Far East, business is based upon long-term, face-to-face relationships more than in the West. Samsung SDS decided to become a leader in the Web Services market at least two years before that market materialized in their region. Such forward thinking in the US would be characterized as being ahead of the market, but that would be an incorrect assessment of Samsung SDS's strategy. In fact, Samsung SDS is shrewdly building Web Services expertise by conducting projects within the Samsung Group, while maintaining relationships with their established customers. When those customers are ready for Web Services or SOA, Samsung will be the natural choice.

Profile: Samsung SDS	October 2004
<b>Funding:</b> A division of the Samsung Group (public Korean company)	
<b>CEO:</b> In Kim	
<b>Employees:</b> More than 7,800	
<b>Services:</b> Web Services consulting, system integration, IT outsourcing, training, and packaged software delivery within their Technology/Infrastructure group	
<b>Address:</b> 707-19, Yoksam-2Dong Gangnam-Gu, Seoul, Korea, 135-918	
<b>URL:</b> <a href="http://www.sds.samsung.com">http://www.sds.samsung.com</a>	
<b>Phone:</b> +82-2-6484-1041	
<b>Contact:</b> Patrick Koh <a href="mailto:patrick.koh@samsung.com">patrick.koh@samsung.com</a>	

## Related Research

- *SOA Consulting* Foundation Report (ZTR-WS109)
- *Mphasis* ZapNote (ZTZN-1151)
- *EDS* ZapNote (ZTZN-1154)
- *Accenture* ZapNote (ZTZN-1155)
- *SAIC* ZapNote (ZTZN-1160)
- *Infosys* ZapNote (ZTZN-1162)



## About ZapThink, LLC

ZapThink is an IT market intelligence firm that provides trusted advice and critical insight into XML, Web Services, and Service Orientation. We provide our target audience of IT vendors, service providers and end-users a clear roadmap for standards-based, loosely coupled distributed computing – a vision of IT meeting the needs of the agile business.

ZapThink's role is to help companies understand these IT products and services in the context of SOAs and the vision of Service Orientation. ZapThink provides *market intelligence* to IT vendors who offer XML and Web Services-based products to help them understand their competitive landscape and how to communicate their value proposition to their customers within the context of Service Orientation, and lay out their product roadmaps for the coming wave of Service Orientation. ZapThink also provides *implementation intelligence* to IT users who are seeking guidance and clarity into how to assemble the available products and services into a coherent roadmap to Service Orientation. Finally, ZapThink provides *demand intelligence* to IT vendors and service providers who must understand the needs of IT users as they follow the roadmap to Service Orientation.

ZapThink's senior analysts are widely regarded as the "go to analysts" for XML, Web Services, and SOAs by vendors, end-users, and the press. They are in great demand as speakers, and have presented at conferences and industry events around the world. They are among the most quoted industry analysts in the IT industry.

ZapThink was founded in October 2000 and is headquartered in Waltham, Massachusetts. Its customers include Global 1000 firms, public sector organizations around the world, and many emerging businesses. ZapThink Analysts have years of experience in IT as well as research and analysis. Its analysts have previously been with such firms as IDC and ChannelWave, and have sat on the working group committees for standards bodies such as RosettaNet, UDDI, CPExchange, ebXML, EIDX, and CompTIA.

Call, email, or visit the ZapThink Web site to learn more about how ZapThink can help you to better understand how XML and Web Services impact your business or organization.

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