Samsung – 252 words – college essay

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2. We now turn to the future. Articulate three alternative strategies for Samsung going forward, i. e.

, state which products/markets and which competitive advantages Samsung should emphasize, with particular emphasis on the threat from China. Compare and contrast these strategies, and choose one as a strategic recommendation. After thoroughly analyzing all the data we consider three strategies that Samsung could take in order to face the increasing Chinese competition are: •Partner with a Chinese company •Go to China and build plant •Status Quo (i. . stay in Korea and don't worry about Chinese competition) The first strategy stems from the low labor cost that China has. The advantages of this strategy are twofold.

First, partnering with a Chinese producer could further reduce Samsung's average cost by exploiting a cheaper labor (Chinese labor is on average 57% cheaper, see Exhibit 7a). Second, partnering with a Chinese company could potentially enable Samsung to get government subsidy which could then use to increase its R&D budget. However, this strategy has its disadvantages. To start, IP rights in China are not well protected so there is a great risk of giving away information for free in the case that the partnership didn't work out or there was some information leakage.

Another disadvantage is the effect on its corporate culture. One of the company's competitive advantages has been its ability to shed its traditional Confucian culture with its emphasis on hierarchy, position, and age for more democracy. The clash with the more dogmatic chine culture could generate communication problems which could translate into problems of all sortsThe second option is to go to china and build plants there to make use of the cheap labor. This strategy avoids the licensing of technology like the first but it has some disadvantages.

First, it is uncertain if the company can settle in China without a Chinese partner. If it can't, the Intellectual Property rights problem mentioned before appears. Second, building plants in China and leaving the integrated Korean production site brings up again the problem with coordination and culture. In Korea, having everyone working close has allowed them to quickly solve design and process engineering problems together. The third, and final strategy considered is for Samsung to stay as it is at least until it faces real threat by some competitor. However we consider it should decrease production of old technology DRAM chips, to focus on the high-end memory market.

Additionally it should increase investment to further develop Flash memory. A close look at Exhibit 5 shows that the low-end DRAM market (SDRAM & DDR DRAM) is overcrowded leaving Samsung practically alone in the high-end DDR2 SDRAM market. The incorporation of Chinese SMIC puts further pressure on the low-end market, decreasing margins. Increased investment into flash memory should also be targeted since this market is more correlated with digital cameras, digital phones, and LCD's markets that are currently booming. The proposed " Hwang ' s Law", with flash memory density doubling every 12 month, it's a further indication that this market is much more attractive than the DRAM.

Weighing its advantages and disadvantages of partnering with a Chinese company we come to the conclusion that however small the outcome of a scenario were something goes wrong with the partnership is, we believe that the negative consequences of this scenario outweigh its advantages. Furthermore, the strategy seems even riskier since today Samsung doesn’t need to partner with anyone since it is years ahead in technology versus rivals and it beats nearly all its competitors in every aspect. Hence the opportunity cost of partnering is very high. The second strategy could avoid the IP rights problem but hampers one of Samsung’s key competitive advantages at a time that it does not need to do so.

Our recommendation is to go forward with strategy three that strengthens Samsung’s competitive advantage and adjusts for the decreasing margins in the DRAM market.