

# Good strategic management - analysis of samsung company report example

[Business](#), [Company](#)



## **Executive summary**

### 1. Introduction

This is an era of accelerating changes and the reason behind it is rapid advancement in technology. With mission and vision to remain competitive, companies now thrive to go to any extent to attain long term competitive edge and sustainability (Graiser and Scott, 2004). Firms not just in electronics sector but all industries such as IT, finance, retail, construction, banking, real estate etc are developing strategies to maintain a strong customer base (Kennerley and Neely, 2003). Similarly is the case of an international electronic goods manufacturer i. e. Samsung Electronics (Samsung). Samsung is one of those Multinational Enterprises ( MNEs) that aim to deliver both innovation and outstanding values to its customers all across the globe. Taking the above thought into consideration, this paper aims to critically analyse the case of Samsung from different perspectives, including market pressure, consumer needs, innovation, low operational costs and technology advancement. The analysis takes into consideration SWOT analysis, Porter's Five Forces Framework and PESTEL analysis.

### 2. Vision Statement, Mission Statement and Values of Samsung

The company's mission is to develop smart and unique products and transform the entire world into a better place to live (Official website of Samsung, n. d.). Further, the company believes that by technical enhancements, it would be able to discover solutions required to deal with the challenges. From technology arises the opportunity for the organizations to expand and formulate new possibilities (Lero, 2009). This latest vision illustrates Samsungs' dedication to stimulating its societies through

leveraging company's three chief strengths namely; new technology, creative solutions and innovative products and to encouraging new value for company's core channels i. e. industry, staff members as well as partners.

### 3. Objectives of Samsung

Just as other companies, Samsung too has set certain objectives which are quite appropriate with its operations and practices. The foremost objective of the company is to be recognized as the leader of innovation. Since the period of its establishment till the late 1980's, Samsung was a follower instead of being a leader (Official website of Samsung, n. d.). The change came with reasonable decision taken by the management to pursue the course of modernization and become an active leader and innovator than being a follower always. Since its premeditated judgment during the end of 1993, the company has taken numerous initiatives to drive itself up and through making a globe-leading move to innovation leader from just being an innovation follower (Official website of Samsung, n. d.). So far, innovation has paid off tremendously well for the company and helped it emerge as an international consumer electronics leader.

Additionally, the company still needs to work towards being a first step mover in the industry. Second objective is to ensure growing profits. In terms of financial growth and figures, the brand has been continuously growing since last few years (Annual Report, 2011). As per the data published in 2011 annual report, Samsung achieved sales revenue of approximately KRW 165 trillion in 2011 with an overall operating income of KRW 16 trillion, a rough increase of 6.7% in sales over 2010. The third objective of the company is to remain ahead of its competitors. The chief benefit which Samsung has as

compared to its rivals is the fact that it offers a product range which is graded through a high level of quality as well as receptiveness to the requirements of the buyers.

#### 4. Internal Analysis of Samsung

##### 4. 1 SWOT Analysis

SWOT framework, also referred as Strengths, Weaknesses, Opportunities and Threats analysis tool is today known as one of the most powerful techniques for detailed analysis of any company or even an individual (Houben et. al., 1999). Below is the SWOT Analysis of Samsung Company.

(Kenney and Pon, 2011; Official website of Samsung, n. d.)

##### 4. 2 Core Competencies

Samsung is no more the same organisation that it used to be before. It is one of those companies, which has invested significant time and resources to earn a global reputation (Lero, 2009). Further, the company still constantly thrives to retain its position and keeps on taking regular initiatives. The brand has a wide product range serving millions and billions of people across the world. Samsung is regarded as the worldwide leader of consumer electronic items and is also a household brand within several fractions of the world. According to Lero (2009), Samsung is an excellent example of a family operated corporation, which is a vital component of South Korean business environment

##### 4. 3 Key Success Factors

Samsung with its headquarters located in Seoul, provide goods and services to more than 100 distinct nations all over the globe. According to the research studies, Samsung group forms the globe's biggest corporation with

respect to profits and the actuality that Samsung amounts to around 20% of the exports of South Korea provides an idea regarding its extent and scale of its operations (Lero, 2009). Samsung is at present viewed as the modernization leader within the segment of consumer electronics goods. Moving ahead, Samsung functions in consumer electronics and consumer appliances sector as well as produces and markets a huge variety of products which include TV's, Washing Machines, DVDs, mobile phones, AC, refrigerators, computers and many others (Samsung's Business Overview Report, 2011).

## 5. External analysis of Samsung

### 5. 1 PESTEL Analysis

PESTEL analysis is one of those approaches that helps deeply understand the external environment of any organisation (Kotler and Armstrong, 2004). PESTEL Analysis of Samsung has been illustrated in the below sections.

### **Political**

Samsung experiences noteworthy political risks within different nations wherein it functions despite the fact that in most of the nations, the political condition is favourable for functioning of the company. In countries such as China and India, Samsung has a favourable political atmosphere which makes possible for it to focus on the consumer market in a much better way (Yu, 1998).

### **Economic**

The company definitely follows effective approaches within the marketplaces it functions on the basis of strength and economic size of the customers with

respect to variables such as disposable income (Friedman, 2005). Provided the actuality that Samsung requires huge amount of disposable income from the customers to purchase the goods that it manufactures, the organization has tagged along a targeted marketing approach intended towards middle classes in different nations where it functions (Jonathan and Lee, 2008)

## **Socio-Cultural**

In spite of originally being a South Korean based corporation, the brand has well managed to align itself in emerging markets for various business opportunities. One worrying facet has been the organization's approach towards local individuals in matters related to bribing so as to get its business performed. The organization attempts hard to maintain a balance amid the target values of customer preferences and the income levels which they hold.

## **Technical**

Samsung prides itself for its ground-breaking strategy to technology and utilizing it for developing products which make use of cutting edge techniques and features in their features and design. The technological abilities of the corporation are well recognized and the Samsung is particularly powerful on this factor (Kenney and Pon, 2011).

## **Environmental**

Samsung remains mindful about its environmental as well as social responsibilities as mentioned in its strategy to green policies and Corporate Social Responsibility (CSR). Several of the production units of the corporation

are established on ecologically sustainable patterns and Samsung is also taking on other practices in this respect. These include say no to plastics and CO2 emission.

## **Legal**

### 5. 2 Porter's Five Forces Analysis

Porter's five forces framework helps companies and individuals in evaluating where actually the power exists within a business (Porter, 1980). The section below illustrates the way Porter's five forces surround the competitive environment of Samsung.

### **The threat of new entrants**

The threat of new entrants in case of Samsung is low since high capital is needed to step into the electronic segment. It is very difficult to enter an industry where there exist a large number of highly recognized companies, which operate on differentiation approaches. New companies would face issues related to patents in case if they don't focus on their R&D in order to develop an exceptional product (Park and Gill, 2006).

### **Bargaining power of suppliers**

The suppliers bargaining power is somewhat limited for the reason as there exist several suppliers within the consumer electronics marketplace. For instance, there are a large number of suppliers in South Korea as well as throughout the globe for different types of parts, which the company requires for producing its electronic appliances (Official website of Samsung, n. d.).

## **Bargaining power of buyers**

The bargaining power of buyers is a mixed element within the consumer electronics sector. This is for the reason that purchasers have a broad array of choices as well as a variety of products to select from at any given time.

## **Threat of substitutes**

The threat of substitutes for an organization such as Samsung is indeed quite high. Provided the actuality that consumer durables sector is characterized through cut-throat competition with companies launching products similar to ones offered by Samsung on regular basis, it is not surprising that Samsung needs to be highly attentive in order to remain competitive and ahead of competitors (Jonathan and Lee, 2008).

The affect of this force on Samsung is undoubtedly high due to the existence of other companies such as LG, Sony, Motorola, Nokia and many others. The level of competition is highly intense and fierce, chiefly within the budding and developing markets such as India, (Apple and Samsung: A Defining Rivalry In A Changed Mobile Market, 2012)

### 6. Appropriate Strategy for Samsung

#### 6. 1 Porter's Generic Strategic Strategy for Samsung

Since the company is focusing upon few segments, it should take on a focus strategy. The company attempts to propose a lesser cost in that extent (cost focus) or distinguish itself in that particular scope (differentiation focus). In taking up a narrow focus, Samsung should preferably focus upon some target marketplaces (also known as a segmentation approach or niche approach). In addition, this requires of diverse teams holding specialised



requirements. The option of offering low costs or differentiated services or products should depend upon the requirements of the chosen sector and the capabilities and resources of the company (Hollensen, 2010). Samsung, through way of this strategy would typically look for gaining a competitive benefit by product innovation as well as brand marketing instead of efficiency.

## 6. 2 Ansoff's Model for Samsung

Samsung should adopt a diversification strategic approach for maintaining the growth. On one side, with the speedy technical modifications as well as short product life cycle of the products, it is quite explicable that the corporation has invested significantly in the development of the new product and technology research. On the other side, the present product also could discover new marketplaces for expanding the business level and bring proceeds to the firm in return. As a result, the corporation should take up a diversification approach featured by sourcing advancement momentum through way of devising new products along with new marketplaces (Hollensen, 2010).

## 7. 4Ps Marketing Mix for Samsung

### **Product**

Samsung holds a wide portfolio of products and its existence is in various diverse product segments. The brand recognition drivers for the company are its Smartphones. The advantage of Samsung with respect to its product and services is that there exists trust on every Samsung product due to the manner in which Samsung products have functioned during the past some

years (Lero, 2009). With its Smart phones, the company has attained a good standing among its buyers. At the same time, the company is also recognized for its service and individuals very well know that Samsung offers a speedy service for any of the offered product (Kenney and Pon, 2011).

## **Price**

### Place

Samsung operates by way of several different channels within the marketplace. It operates according to channel marketing conception where there are three different segments i. e. service and sales dealers, retail stores and lastly, distributors. Samsung being a highly branded item, retailers are forced for keeping Samsung product like an option for their buyers (Lero, 2009). Samsung's distribution network is highly interesting. In various regions, Samsung holds one distributor via whom they ensure distribution all through the region. As a result, all products of Samsung are sold to one distributor who further offers the products to the retailers (Official website of Samsung, n. d.).

## **Promotions**

Samsung makes use of different types of promotion strategies. Samsung believes in attracting the buyers towards themselves by way of advertising however at the same time makes use of sound means for pushing the product towards the buyers by way of sales promotions (Lero, 2009).

Therefore on one hand, the company makes use of several marketing means throughout the year including festive seasons and non festive time. In contrast, it gives several discounts and offers to its trade associates for

motivating them to sell products of Samsung above competition (Official website of Samsung, n. d.). By making use of such an approach, Samsung's brand is rising so that the push and pull strategy is functioning simultaneously in Samsung.

#### 8. Implementation Process for Samsung

Implementation is regarded as a vital fraction of the strategic planning procedure and companies, which devise strategic plans, need to expect to encompass a procedure for executing the plan (Jonathan and Lee, 2008). The particular implementation procedure could differ from company to company, reliant greatly upon the particulars of the strategic plan, however few fundamental steps could help in the procedure and make sure that implementation is effective as well as the strategic plan is sound. Likewise, in the given case, Samsung needs to implement the diversification and focus approach. For doing so the company needs to take proper implementation steps. The steps to be followed by Samsung include:

Step 1: The foremost step during the implementation procedure is stepping back and ensuring that the individuals involved and the company properly understand what exactly the strategic plan is. Reviewing it properly and highlighting any aspects of the plan which may be particularly challenging (Hollensen, 2010).

Step 2: Creating a vision for executing the set strategic plan. Additionally, this vision may be a sequence of objectives to be accomplished, stage by stage, or an overview of items which must be accomplished.

Step 3: Selecting team members for helping in implementing the set strategic plan. Choosing a team leader, who could motivate the team for

addressing issues as and when they come up.

Step 4: Involving top management where suitable. Keeping the company's executives notified about what is occurring and providing progress reports for plan implementation.

## 9. Conclusion

There is no doubt in the fact that the history of Samsung is extraordinary, if not unique (Dick, 2006). Through innovative services and products, expert employees, a responsible strategy to business, worldwide citizenship and alliance with customers and other organizations, Samsung has moved the world in inventive directions. The company has successfully managed to compete with and surpass, in many instances the rival companies in Japan and United States. Additionally, this success has been accomplished in the advanced technology field, requiring the company to not just adapt attained techniques effectively but also to devise its own.

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