

Strategic management of samsung



Executive Summary

Samsung Electronics is a multinational company that provides a wide range of consumer electronics and IT solutions. It is a major subsidiary of Samsung Electronics Group and was founded in 1969. Samsung Electronics Group has operations in over 60 countries in the world with an estimated workforce of over 200, 000 people (Lee, 2006). Samsung Electronics has its headquarters in Suwon, South Korea. Samsung Electronics' first pioneer products were mainly electronics and electrical appliances such as televisions, refrigerators, and washing machines. This, however, has seen the inclusion of a variety of other more advanced products including semiconductors, telecommunication solutions, dynamic random access memory, and, of course, mobile phones and computers.

Over time, Samsung Electronics has acquired, and in some cases (Lehman Brothers) attempted to acquire, numerous business entities too. Successful acquisitions included Rollei watchmaker, Fokker Dutch aircraft, AST Research, and FUBU clothing and apparel to mention a few. As it is, Samsung Electronics has overcome numerous challenges to become a leading electronic and IT solutions provider in the modern world. Samsung Electronics was named a leading mobile phones manufacturer by unit sales in 2009 after thrashing its erstwhile competitor Nokia.

Based on current market trends and Samsung's impressive strategic management, its position as a top electronic producer and IT solutions provider is undisputed. This does not downplay the formidable competition from established companies like Apple and Nokia. It simply means that

Samsung Electronics is well placed to face the challenges and that it has necessary financial strength to guarantee its top position. A close study of Samsung's external and internal environments shows that the company is economically stable and has what it takes both to maintain its current market share and to occupy new market niches.

Samsung Electronics has managed to remain profitable by constantly adjusting to the ever changing internal and external environment. At the same time, Samsung Electronics has maintained people's centered corporate culture that values and respects employees, clients, and the environment.

Analysis of Samsung's Internal Environment

Mission and vision statements of Samsung Electronics are best spelt out in company's goal to contribute to South Korea's economy by prioritizing its human resource and pursuing rationalism. These ideals are coupled with company's management philosophy in the statement " We will devote our human resource and technology to create superior products and services, thereby contributing to a better global society". This philosophy has given the company an edge over competitors in the market. Furthermore, Samsung Electronics has strived to live up to its vision and mission statements and, more importantly, Samsung Electronics has adopted a culture of refining these statements according to the prevailing trends. Therefore, it is no wonder that this company has managed to grow from a domestic company to a multinational giant that it is today.

In addition to having corporate culture that is centered on people, Samsung Electronics is organized in such a way that various departments are

competing to achieve set targets on time. For instance, the digital media, which deal mainly with such electronics as television sets and cameras, have a set target to outcompete its mobile phones counterpart in terms of unit sales and product invention. Such competition is quite healthy for high-end product designs and distribution since each department aims at coming on top. This competitive nature has been boosted by reduced bureaucratic processes associated with the clearance of new products.

Its worth noting that Samsung's competitors, like Sony and Apple, have stringent clearance policies for new products. This means that employees of Samsung Electronics are more motivated to come up with new products than its competitor's counterparts. This explains why Samsung Electronics has diversified products in the world as compared to Sony and other competitors like Apple.

Managerial leadership style of Samsung Electronics is appealing to human resource. It involves empowerment of line managers and employees to take up responsibility in their respective lines of work. The traditional norm of channeling instructions and commands from top management to low cadre employees has been scraped and substituted with an all-inclusive decision making model where opinions of these junior staff are considered.

Consequently, employees of Samsung Electronics are highly motivated and empowered to carry out their duties diligently and dutifully.

Samsung's SWOT Analysis

The afore-mentioned values and clear objectives of Samsung Electronics corporation have made the company a formidable player in the electronic

market. This clearly shows in company's SWOT analysis. Its strengths are firm enough to facilitate an economically viable expansion and growth. Strengths Substantial investments in research and development have paid off and made Samsung Electronics a global brand. Its various products are sold in over 200 countries. Diversity and customization of these products have made Samsung Electronics a darling brand to consumers and strengthened its position as a leading IT solutions provider. Samsung Electronics has a wide base of products to satisfy changing needs of its customers. These products include mobile phones, tablets, cameras, home appliances, and computers. Sleek designs of its products have made Samsung's products attractive to consumers, which keeps them happy and loyal. The company is economically stable due to the steady revenue from its worldwide operations. This provides a crucial financial strength to make its investments in innovative products.

These strengths provide Samsung Electronics with enviable comparative advantage in its operations. Consequently, the company is able to stand the pressure from completion in the electronic market.

Weaknesses

Samsung Electronics is facing stiff competition, especially in the mobile phone sector. Companies like Sony and Apple are heavily investing in development of competitive products that provide similar benefits for consumers as Samsung Electronics products. The outcome of this are the recently witnessed patent conflicts between Samsung Electronics and Apple

over the smartphone. Activities of trade unions in South Korea are also gnawing into company's profits as they bargain for high wage rates.

Opportunities

Favorable economic conditions and government policy in South Korea are facilitative of Samsung's quest to remain a leading electronic producer. Credit is readily available to the company to finance expansions and research. Warm reception of company's products globally can only mean that Samsung Electronics brand has a future. A cordial relationship between the company and its suppliers is also a good sign that business can only get better for the company.

Analysis of Samsung's External Environment

External environment of Samsung Electronics includes customers'/public opinion, legal/political, social system, competitors, and economic systems. The interaction of these components has a bearing on the status of Samsung Electronics as a company. A positive twist in any components will have a positive impact, which may be directly proportional or, in some cases, more than proportional changes. For instance, in the recent past, Samsung Electronics has been on the receiving end of unfavorable legal decision over some of its brands. A good example is the court order stopping the sale of its smartphone (Galaxy) in the European Union. This decision significantly cut Samsung's revenue.

In the case of competitors, existence of cheap substitutes in some market niches like China is threatening Samsung's market share. Possible use of

underage children by suppliers has also caused jitters to the company as they way the options of discontinuing their contracts. This would then require the company to seek alternative sources of supplies, which may be expensive.

Entrance of new players to the electronic market is perhaps the biggest threat to Samsung. For instance, the entrance of Huawei technologies into American market has spelt doom as far as Samsung's earnings are concerned. In fact, Huawei has overtaken Samsung Electronics in North American market in the sale of large television sets.

Fortunately for Samsung, public opinion about its products is positive and is improving gradually. Most consumers are happy and loyal to Samsung. Customization and sleek designs of their products has and will continue to demand attention of the market. Social setups in South Korea are also poised to benefit Samsung. The government of the day has passed social laws that allow people to associate in all ways, including the Internet. Consequently, social networks have been licensed to operate in the country, hence opening up a ready market for personal computers and Internet-enabled mobile phones. Samsung Electronics will definitely have a huge chunk of this market since South Korean government is keen to protect national companies.

The fact that traditional competitors of Samsung, like Sony have recently invested more in new products to tame Samsung's expansion is not helping. Huawei, Apple, and Motorola technologies are gaining more market by adding value to their products to earn a reputation against Samsung.

Assessment of Samsung Shareholders

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Samsung Electronics is a giant multinational corporation with its beginnings in South Korea. Many people love to think that Samsung Electronics is a South Korean company. This may be true due to the fact that it was founded and headquartered there. However, a look at shareholders will paint a totally different picture. The biggest shareholders are foreigners. A whopping 55% of total shares (both common and preferred) are foreign owned. In fact, Korean Nationals own a paltry 5% of total shares in Samsung.

Powers and Influences of Samsung Shareholders

A general meeting of shareholders is the ranking authority and the ultimate decision maker. It is charged with setting strategic policies and regulations, which are to govern running of the company. Its decisions are binding to all Samsung Electronics managers, employees, suppliers, and customers.

Meeting of shareholders can either be ordinary, in which case is held within three months after the end of a fiscal year or extra-ordinary. Extra-ordinary general meeting of shareholders is held when situations call for it. For example, when there is an urgent need for policy change, which may hurt company's profitability should it wait for the next ordinary meeting.

According to Samsung's articles of incorporation, those empowered to call for a general meeting are: Board of directors; The audit committee; Shareholders, whose outstanding shareholding exceeds 1.5 % and have held onto these shares for a period exceeding six months.

Shareholders of Samsung Electronics are mandated to elect new office bearers depending on the number and type of shares they hold. Every shareholder has one vote per each share held. As such, the higher the

number of shares held, the more votes one holds. Such a system may appear to pose avenues in which minority shareholders may be exploited by major shareholders, but this is not the case. This is made so by company's keen interest to protect minor shareholders from greed of their major counterparts with a help of clear and transparent elections.

During its elections, a resolution is only adopted if it passes a quarter thresholds of outstanding shares and is passed by the majority of shareholders present during the annual general meeting. On top of electing office bearers, shareholders also play a role in setting official's remuneration and setting their duties. Shareholders also approve or disapprove fiscal statements, revise articles of incorporation, and deliberate on impending mergers and acquisitions before the management can proceed.

Interests and Expectations of Samsung Shareholders

Shareholders of Samsung Electronics have a vested interest in how the management runs the company. They are keen to know how management is implementing adopted resolutions and what returns are due in place of such implementation. Their expectations are that the management will dutifully carry out the passed policies and that their dividends are justified and paid on time. At no time will Samsung Electronics shareholders accept any form of exploitation to any shareholder due to the number of shares they hold.

All in all, Samsung Electronics shareholders expect fair representation by the management. They are interested in seeing their company rake in profits but at the same time require transparency and respect for the environment,

employees, and customers. Shareholders also expect the company to play by the laws of countries in which any of their company operates.

Samsung's Strategic Capabilities

Strategic capability refers to company's potential to attain a viable growth using resources at its disposal. Strategic capabilities of Samsung Electronics are impressive to say the least. It managed to grow from a small time localized entity to a giant multinational. Its tremendous growth is not a work of a magician. It is simply pegged on an all inclusive results achieved by strategic management. When Lee started Samsung Electronics, it was a pale shadow of what it is today. At the time, Sony was an imposing player in mobile phones and home appliances market. No one could imagine that in some time it would be ranked second after Samsung.

Samsung's founder saw an opportunity in providing alternative products to the market and set down to assemble a management approach that would ensure that he clinched market from Sony. He started by recruiting young designers to produce sleek phones and home appliances meant for the high-end market and the rest is history. This question seeks to show driving forces that have made the company capable of funding its expansion yet keep its shareholders happy due to handsome profits. These strategic capabilities are discussed further.

Suitable philosophical values.

Samsung Electronics company has a result-driven mission statement, which seeks to gain benefits both for itself as a company and also for its

employees, customers, and the environment too. Its corporate culture is people-centered and always seeks to recognize efforts of their employees and appreciate loyalty of their global customers. It does not see its position as that of a business entity, whose only aim is to earn profit at the lowest possible cost. Instead, it sees itself as a stakeholder with a responsibility both to the society and to the environment as a whole. This attitude has won Samsung Electronics brand admiration and loyalty both from its customers and competitors.

This admiration and loyalty from customers is an asset that has returns to the company from two angles. Firstly, a loyal customer base provides security since the company is assured of continued revenue from these customers. At the same time, it places a challenge on the company to produce more appealing products to keep customers happy. Secondly, loyal customers will definitely encourage friends and relatives to buy Samsung Electronics products. The consequence of this is widening the market niche for the company. This means that the company will spend less on advertisements. Funds are instead invested in research and development to create better products, hence giving the company a comparative advantage over its competitors.

Ability to adapt to technological changes.

Samsung Electronics has both financial and technical capacities to blend into technological changes. Since its inception, Samsung Electronics has successfully transformed its operations and products to reflect changing times. Its products include modern smartphones, intelligent home appliances

like fridges, microwaves, high intensity precision cameras, and complex computers. Actually, Samsung Electronics has been a major player in initiating paradigm shifts in the technological world. The ease with which Samsung Electronics adopts new technologies ensures that the company is dynamic enough to anticipate and prepare for any changes in the future. With this anticipation, Samsung Electronics is in a position to acquire necessary resources long before these changes take effect. It is important to note that early preparation is crucial to every manager and company for that matter. In this way, Samsung Electronics gains comparative advantage by appreciating the dynamic nature technology.

Highly motivated human resource.

The leadership styles of Samsung Electronics is favorable for new ideas that stir up new inventions. Samsung Electronics management approach is focused on making decisions collectively. More importantly, the opinions of young designers who are in touch with market trends are valued. This approach of decision-making gives room for a wider ideological scrutiny at all levels of management. This culminates in picking the most appealing ideas. At the same time, the company gets an opportunity to cast its net wide in anticipation of a bigger catch. By so doing, Samsung Electronics gets an edge over its competitors, who believe in issuing directives without any regard to consultation.

Of all electronic and IT solution providers, Samsung Electronics has the most diversified product line in the market. The products range from mobile phones to chip manufacturing and from home appliances to digital products

like cameras and camcorders. To top it all, in an effort to spread its risks Samsung has acquired other business concerns like the Rollei watchmaker, FUBU, and insurance brokerage. This action has diversified Samsung's sources of revenue and also earned an opportunity to open up new markets by doing what they know best – high quality production. This follows that Samsung's business experience and customer handling are broader and more successful than those of its competitors like Sony and Huawei, which are sticking to the same field of production. It is this exposure to a varied customer base that has earned Samsung Electronics a clean reputation in consumer handling over its competitors. Consequently, Samsung Electronics operates from a vantage position as compared to its competitors.

Impressive utilization of opportunities.

Samsung Electronics has made it a culture to swiftly exploit an opportunity. This contradicts its competitor's action of imposing bureaucratic processes on new ideas before implementing them. In most cases, the opportunity slips out of their grasps long before they conclude their visibility studies on the idea. On its part, Samsung Electronics is swift yet careful in selling the idea. This would perhaps explain existence of a wide range of Samsung's products in the market. Thus, Samsung Electronics put the belief that time is money into profitable use and benefits from it unlike its competitors, who are too pre-occupied with limiting risks to see the comparative advantage of seizing an opportunity.

Conscious expansion strategy.

Samsung Electronics has many outlets in over 200 countries and is in the process of opening more in order to serve its ever increasing number of customers and clients. This gesture of goodwill has been rewarded by loyalty and attraction of new customers, who appreciate Samsung's act of reaching out to them. Furthermore, this act of building bridges allows Samsung Electronics to be in touch with its customer base. This allows the company to understand its customers hence creating ways of serving them better.

Corporate responsibility.

Samsung Electronics has created the image of a responsible corporation. It has come up with ways of giving back to the society. These ways include financing community projects, like building and facilitating schools and hospitals, funding and taking part in environmental clean-ups, and sponsoring needy students. In so doing, Samsung Electronics corporation has endeared itself to the world at large. People now see it as a partner and not as a private entity. Such positive image has a positive impact on company's performance and ratings. Positive public opinion means bigger customer base, hence more sales and revenue collection. This gives Samsung Electronics a viable comparative advantage over other players in the market.

Samsung Electronics business practices are unique and suitable to its case. Practices like market segmentation have given Samsung Electronics comparative advantage over its competitors. In this marketing strategy, Samsung Electronics studies various markets for its products and classified each of them based on the respective output and performance. For instance, a market zone, like the European Union, has been classified as an extensive

market segment due to its tendency to demand a wide range of products from home appliances to personal computers. Such market normally requires no specialization unlike East Asian market, where demand is almost limited to mobile phones due to the reigning restrictive government policy on social media.

In such markets (East Asia), Samsung Electronics employs a selective market segment approach, which makes it supply only mobile phones and not personal computers. This adaptation of Samsung Electronics to markets reduces operation costs and maximizes a chance of making profits. This gives Samsung Electronics a comparative advantage over its competitors who employ blanket marketing strategies.

Production and supply of sleek phones.

Samsung Electronics technologies are known for quality products that have the ‘wow’ factor. The fact that these come with competitive prices means that Samsung Electronics is on top of its game and is keen to preserve and conquer new markets. Samsung Electronics has maintained this advantage over its competitors by observing high quality standards of its products, while at the same time keeping prices affordable.

Established infrastructure.

Samsung Electronics has a well developed infrastructure to guarantee low-cost production. It is well equipped to suppliers and distributes its products far and wide. Sound human resource management that observes merit and not connections or seniority is an asset to the company. This ensures that

qualified personnel hold right positions. This led to a continued production of high quality products and adoption of sound policies in production process.

Attractive remuneration of Samsung Electronics personnel has ensured smooth running of the company free from industrial action that plaque some of its competitors. At the same time, a well-paid worker would remain motivated enough to produce quality products. In addition, a good pay facilitates new ideas. These practices of Samsung Electronics have kept it at the top of electronic market.

In conclusion, Samsung Electronics corporation has by far succeeded in utilizing its strengths to company's advantage. In its own right, it has managed to pull through with its mission of utilizing human resource to produce high quality technological products. By constantly adjusting its values and mission to current trends, Samsung Electronics demonstrates its conscious management strategy that is aimed at being an IT solution provider of choice. Investments in research and development show company's commitment to operate with sustainable comparative advantage.

Possible Strategic New Directions for Samsung

It is undisputed that Samsung's current strategies are well designed and well placed to facilitate its ambition of retaining its position as mobile phone producer of choice. Its policies and values are impressive and relevant to its current aims and objectives. However, there are some recommendations that will certainly benefit the company. These include: A review of its marketing mix. Samsung Electronics should review its marketing strategies, especially in regions like North America, where it has lost significant

television market to Huawei technologies. Samsung Electronics should not concentrate much on its legal battles with Apple at the expense of losing market shares as it was the case with North America. It needs to introduce high quality television product that is affordable to check the growing influence of Huawei in North America. Invest more in smartphones. Samsung Electronics is trailing in smartphone production and distribution. It should put more effort to raise its stakes in its production. This would be in line with its ambition of being a leader in the mobile phone industry. Restrict payments of materials to periods when the company has received payments for the products produce. This is meant to improve its cash position. It should employ the just-in-time (JIT) tool of inventory management in order to ensure timely supply of materials by suppliers. This will go a long way in limiting cases of production interruptions resulting from material shortages.

Samsung Electronics should manage stakeholders' dividends to ensure that company's liquidity is stable and that the company can meet its expenses before payments to shareholders are made. Samsung Electronics should start producing high-end products for high level markets to make up for the loss of Chinese markets to low priced products. This will give the company impressive returns, especially with the market research showing that high-end market for such products as memory chips and semi-conductor is growing. Due to the popular belief that low-priced products are of low quality, Samsung Electronics should consider a small price hike for its mobile phones. This will attach some value to its products and, at the same time, increase its revenues.

Employ experts, who can make company's products customer friendly. There have been complains that company's products have complex setups.