

SAMSUNG STRATEGIC PLANNING

by (Name)

The Name of the Course

Professor

The Name of the University

The City and State where it is located

The Date

Samsung Strategic Planning

Executive Summary

Strategic planning is essential to the success of business organizations. The strategic plan contains the vision, mission and the kind of outside-the-box thinking that is necessary for an enhancement of the achievements of business to be attained. It gives a description to the company and the stakeholders on where they want their business to go and leaves room for multiple approaches towards this end. However, just like other means of travel, if one does not know where to go, the establishment of the details on how an individual wants to get there does not provide any meaning. The strategic plan does define 'where' the organization is heading. The manner in which the enterprise plans and rolls out its operations is a vital ingredient of market leadership. The aim of the essay is to illustrate the purpose of strategic plans to Samsung as established in the case study. A study of the planning systems highlights the core functions and the roles of strategic planning. The study revealed a system plans of which rose such that the systems of strategic planning gives a mechanism for the coordination of the decentralized strategy towards the formulation of whatsoever structures that set demanding targets and vivid corporate guidelines.

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The Key Changes in the Strategic Position

Leadership

In the year 1987, Lee took over the company as the new chairman immediately after the death of his father who was the founder. Later, in the years between 1988 and 1993, Samsung grew rapidly about two and half times but at the same time Lee had the ambitions to make it a world-class corporation. The position of the company as a global firm would have given Samsung competitive advantage over its rivals, and this would only mean increased profitability and productivity. In the year 1993, a meeting was convened by Lee. It comprised of all the executives of the firm from various branches. Lee engaged the team in laying down his vision for the future success of the company and what ought to have been done to ensure that Samsung becomes one of the biggest electronic producers globally. Based on the case analysis, it has been shown that the meeting was the genesis of what came to be known as a New Management. It was the corporate revitalization initiative for Samsung which set out a new course for the firm. They also came up with three distinct strategic pillars that would support the New Management. They include: quality, internationalization and synergies. Lee thus focused the company operation from quantity to quality, from low cost to massive brand differentiation and lastly, from the wage advantage to a technology and brand. In the year 1998, the company was reported to have had a debt-to-equity ratio of approximately 300 percent and went through large-scale restructuring as a result of the Asian financial crisis. However, Lee persisted with the adopted New Management by entirely focusing on other critical success factors such as speed to market, new product development, supply chain management, human resources and marketing.

Speed to Market

With time the management saw the need to invest heavily on speed to market as one of the primary sources of competitive advantage for the company. The administration came to realize

the importance of speed when competing in the semiconductor industry. As a result of this, the firm turned to be the world's largest memory chip manufacturer upon developing about 256 million dynamic random access memory semiconductors in the year 2000. As a result of the rapid speed of development that the company adopted, Moore's law observed that the total transistors on the integrated circuits doubled in number every two years, but the company experienced a sharp decline in the cost after a year on the market as other new technologies were also developed. The fast drop in the technology price was evident with both the LCD TVs and the semiconductors (Gretzky, W. 2010, 23).

New Product Development

The Corporation attained the speed in the new brand development through investing in technology with a vivid trajectory in addition to a higher ROI for a particular R&D investment also referred to as parallel development. It is evident that there was an increased level of internal competition among the development units. Studies have demonstrated that the company's excellent design skills in addition to its short design cycles allowed it to release about 8 to 10 platforms quarterly. In addition to this, the firm focused on the development and production of brands.

Supply Chain Management

The supply chain management of the business ensures short lead period in addition to ultimate flexibility. The company became integrated vertically in primary components manufacturing including the memory chip, LCDs and even the modern chips. Manufacturing's insourcing in Korea instead of outsourcing from China led to high-cost competitiveness, speedy delivery in addition to high quality. The company further has been shown to have robust external suppliers it selected based on its loyalty, quality and speed. Therefore, due to this synergy, the

primary suppliers only required about ten days to complete the process of prototyping the working samples.

Marketing

Upon realizing that the firm had no precise brand throughout the 1990s, Samsung established a global marketing organization (GMO) that would develop robust promotional strategies. They controlled the price plans through tracking the firm's price and those brands of rivals companies. In addition to this, the strategic awareness creation approach enabled the corporation to focus their resources on brands, channels and markets associated with high ROI. It led to the avoidance of discount stores and focused on buyers' power, on the advertising budget on the mobile phones and even on sports marketing. Further, it led to the allocation of strategic marketing resources throughout ten emerging markets of the highest priority.

Human Resources

They created an execution-oriented culture founded on a robust discipline and loyalty in addition to ethics. The firm further focused entirely on recruiting highly potential staff and at the same time attracted the top talents from Korea; about 12 percent of them had MS or PhD degrees. The group level strongly supported Lee's strategic direction while at the same time the operational decisions were all delegated to the managers of every state. In addition to this, the employees worked collaboratively and intelligently. In a more general view, the New Management focused on the synergies and quality of the products the company made in order to be a leader in technology worldwide. In 2000, they had attained a two-year lead in the technological growth for cell phones over the Chinese, European and American's rivals.

Internationalization

It is considered as the third vital pillar of the New Management and played a critical role in the journey of Samsung towards becoming a world-class corporation. The management saw the need to create a global Samsung and establish a business model that would suit the local environment. The company thus focuses its attention on the emerging markets as a primary source for the new clients and additional research and manufacturing abilities. It, therefore, established manufacturing facilities in Malaysia, Vietnam, Thailand, Indonesia, Mexico, China, Bangladesh, India, Egypt, Brazil and Russia. In addition to this, they also established R&D centers in China, Brazil, Russia, India and Bangladesh. The internationalization strategy together with Samsung's organizational capabilities drove the success of the firm in the developed and emerging economies. An international business activity has been associated with increased opportunities for the company. One of the major international prospects for the enterprise is increased sales (McDougall, P. et al. 1994, 470).

Critical Evaluation of how Samsung Responded to the External and Internal Challenges

The company strategy of internationalization played a critical role in the success of Samsung. They have a greater emphasis on their international opportunities because when operating internationally, the company is in a better position to expand their customer base and increase sales volumes. According to McDougall, P. et al., (1994, 473), the firm will further be able to experience improved profits from massive sales that would be made in this market. In the international market, there is a stiff competition that would further push the company to move away from their comfort zones and improve the quality of their products and adopt brand diversification. Through exporting, the company can enjoy the economies of scale that might not be available in the domestic market.

Effective leadership is another important theme critical to the success of the strategic planning as well as the organization in general. There is a need to diversify products and come up with new products to attract and retain customers; hence, product development leadership is a crucial theme to organizations that plan to maintain a competitive advantage. The following objectives guide the strategic theme: to sustain and expand the organization's market share, to satisfy changing customer needs and increase the organization's profitability (Grant, R. 2013, 491). A comprehensive strategic plan included a change of leadership, but it is impossible to understand if this is necessary without a precise evaluation of the present regiment (Eby, G. 2013, 19). The focus of Samsung on supply chain management was highly critical and efficient to the success of the company because it resulted in short lead times in addition to maximum flexibility. The main advantage of the vertical integration is that it guarantees adequate supply and demand while the major disadvantage is that it goes through a greater deal of inefficiencies.

The other tactic adopted by Samsung was producing a different level of quality. By improving the quality of brands, customers would be willing to purchase it. It is also critical to develop high distribution channels. The last tactic in product development is to improve technology; for instance, tablet has taken over most laptops. With improved technology, the tablet brand is highly portable and very light than a laptop. These three strategies can be used to introduce a new brand in the current market (Steiner, G. 2010, 17). Samsung has been bringing a new product to the market every month. In using product development strategy as business level strategic alternatives, a company will be able to gain brand equity and at the same time acquire a premium positioning in their customer's mind. However, the challenge associated with brand development is increased technological advancement that would require constant adjustment, the risk of product

imitation and increased substitutes in the market. A relevant competitor in this strategy is that which produces a brand that is a close substitute to the company's product.

The business marketplace for Samsung Company is part of the mature market (Moore, M. 2000, 183). With the high level of maturity, studies have shown that there comes a high level of sophistication. The evolutionary nature of marketing communication has played a huge role in the market by encouraging companies to satisfy their increasing demands. Evidently, Samsung key competencies have been associated with cost in addition to the highly established strategic drive for the company to enter the market, implying that it has high possibilities to enter the overseas market. The customers of Samsung have successfully developed a brand name loyalty to the various brands offered by the company as a result of the strategy of low-cost differentiation (Fred, D. & Forest, R. 2016, 21). Therefore, it can be argued that the Company is one of the most successful, dynamic and sophisticated companies because of the long-term delivery of quality services. The firm is believed to be dedicated to its global clients by making use of its unique management values.

The highly educated and competent human resource is a big asset to the company. The teams have managed to direct the success of the firm and giving it the competitive advantage. The company is believed to be dedicated to its global clients by making use of its unique management values (Kriemadis, T. & Theakou, E. 2007, 23). It has thus enabled the Company to remain competitive and relevant in the market regarding offering quality computers. Public relations as argued by many are a vital element of the marketing mix, and this has enabled Samsung Company to be termed as an expert one in product innovation. The company's efficient means of communication is through advertising, media (both printed and unprinted) focusing on the target

audience. The organization also established a robust marketing strategy to market the new products through the existing channels of distribution (Cuppen, E. 2016, 22).

Basis and Sustainability of the Competitive Advantage of Samsung

Samsung Company deals with the production of ranges of products that can be considered easy to learn and understand. Studies have shown that the company offers a high level of customer service in addition to an in-store service experience. To be competitive, Samsung Company uses an explicit strategy of staying ahead of all its competitors for about two years, and further it has many geniuses when it comes to product designing. Samsung Computer Company's primary strategy is the firm's competitive advantage. The company is considered highly innovative. The major competitors to Samsung include Google, Apple etc.

The international competitive strategy that Samsung should adopt is the red ocean competitive advantage. This approach will give Samsung competitive advantage through venturing into the current market and at the same time build upon the weaknesses of the competitors. It is critical since the firm will identify areas that they might not be doing well and what competitors are excelling in to ensure that they enhance their competitiveness. Using this strategy, Samsung will further be able to remain competitive through flooding their markets with wide ranges of their brands often produced on a monthly basis. Ocean strategy might not be practical to Samsung because it is suitable for those companies that are pioneer producers of a particular brand which is very expensive. The global market offers abnormal opportunities for the company. Still, one of the major threats facing the company is the stiff competition. Most of the competitor's ample resources have been argued to bring in threats for the company to develop with success.

Samsung Company has remained one of the most reputable companies in the world for years. The technological factor is one of the external factors that have impacted the company substantially giving it the competitive advantage in the industry. Technological advancement has provided various opportunities for the firm. It is evident that the market is rapidly growing; hence, Samsung is in a better position to successfully explore the possibilities presented in the technological dimension globally.

Samsung's products in addition to ranges of software are argued to target various markets, since it is believed that each market will offer an array of essential characteristics that determines demand giving the company competitive advantage. The firm for many years made use of direct business approach and further sold the production directly to its large consumers. Through this method, Samsung Company has been able to survive in the stiff global competition. Based on the financial ratios of Samsung Company, it is well established to match the already established global businesses in the market. Further studies have indicated that the rival's strategic environment consists of a major business condition that has for a long time affected the company's strategic performance.

The marketing organization used at Samsung Company is the elastic organization. As marketing continuously evolves, it is evident that the organizational structure of Samsung also adapted to the needs that emerged. The company adopted agile marketing, hence was able to keep a steady stream of relevant and innovative ideas. The marketing manager uses logical decision on what specific ideas to implement and further develop futuristic outcome predictability. This organizational structure is believed to be flexible, hence allow for the possible addition of headcount as the firm's product mix evolves. Marketing organization often flows through the company's product marketing manager who partners with various functional experts across

various sub-departments to make marketing success. The company uses a differentiation strategy when launching the products into a new market. The vertical marketing system employed in the enterprise allows for cooperation between the various channels of distribution with different members of the organization working to promote efficiency and further scale of economies (Andersen, T. 2000, 184).

Strategic Options Available to Samsung

Corporate Level Strategic Alternatives

Horizontal Acquisition

According to Mehta M. and Rudy H. (2004, 12), the key to success associated with the horizontal acquisition is the opportunity available for the company to enter into a new business at the same stage of production as current company's business activity. The organization also should have a robust marketing strategy to market the new product through the existing channels of distribution. The horizontal acquisition gives the company an opportunity to increase its brand ranges and at the same time enhance its revenues through selling more brands to the existing clients. The company further can improve its distribution coverage for their brands if the other firm has an excellent consumer base throughout various geographical territories. The horizontal acquisition has been established to have an unyielding linkage with the long term achievable objective. The horizontal acquisition is cost effective because the businesses that merge often share the cost incurred in producing products, promoting the brand and further share the profits.

Concentric Diversification

Concentric diversification is simply a form strategic alternatives of corporate level where the firm acquires or even creates new products or services with the aim of reaching more consumers. The new brands and services produced by the company are often closely related to the

company's existing products and services. Concentric diversification is a diversification strategy that is aimed at increasing shareholder's value. The key to success associated with concentric diversification is resource sharing which is critical in attaining economies of scale and at the same time reducing costs (Rijamampianina, R., Russell, A., and Yumiko, F. 2003, 362). The other key to success is the strategic partnership where two firms enter into a formal business relationship with the aim of obtaining greater benefits than they can have on their own. Another key to success is an availability of acquisition where two firms of approximately equal status combine via the exchange of stocks and only one entity remain. It entails buying of one company (Lu, W. 2010, 1320). A company will pursue this strategy to attain synergy where the company will perform better as a whole than just as the sum of their parts via sharing resources, combining its operations and even transferring critical knowledge. Through combining skills and resources, the two firms are in a better position to attain their goal faster.

According to Rijamampianina, R., Russell, A., and Yumiko F. (2003, 364), the company takes a chance to benefit from the economies of scale. The major disadvantage is the risk of acquiring a product that is not appealing to consumers which will end up experiencing lower sales volume. Further, it is very expensive to develop a new product and create public awareness on it. Concentric diversification has also been shown to have adamant linkage with the company's long-term attainable objective because the existing and new product can be aligned to the company's long-term goal.

Business Strategic Alternatives

Product Development

A successful product development strategy will rely on three tactics that should be adopted. The first one is developing new features. The second tactic is producing a different level

of quality. By improving the quality of brands, the organization will be able to attract more customers (Calantone, R., Rosanna, G., and Cornelia, D. 2003, 91). It is also critical to develop high distribution channels. The last tactic in product development is to improve technology; for instance, tablets have overdone the laptops. With improved technology, the tablet brand is highly portable and very light if compared with a laptop. Samsung has been bringing a new product to the market every month. In using product development strategy as business strategic alternative, the company will be able to gain brand equity and at the same time acquire a premium positioning in their customers' minds (Grant, R. 2016, 21).

Market Development

Market development strategy is adopted by a company when an existing brand is offered in the new market. The company uses this approach to intensify its market. There are distinct strategies that are used in market development. The first strategy is product development used when introducing a new brand in a currently existing market. The second strategy is diversification strategy where the company enters into a new market with a new product. Market penetration is the most commonly employed strategy today, since now the market is becoming gradually crowded with new product. Market development is beneficial to the company because the firm will be able to target a huge customer base that would then translate into increased sales and profitability (Covin, J. et al. 2015, 751).

Strategic Choices

The most suitable business level strategy that the firm should implement is horizontal acquisition through merger (Mehta, M. and Rudy, H. 2004, 24). Concentric diversification might not be appropriate in this case because it is costly, and the company might acquire a product that may not do very well in the market. Focusing entirely on product development might not be

beneficial as a result of increased brand substitute in the market. With this strategy, Samsung can obtain an opportunity to expand their ranges of brands and experience higher revenues.

Additionally, the firm will be able to create a significant market share and lower the level of competition particularly when the organization merges with a competitor (Ireland, R. & Hitt, M. 1999, 43).

A prospective corporate level strategy that Samsung should adopt is the market development strategy. Using this strategy, Samsung will be able to extend its current brand to the new markets that are believed to be a potential of resulting in increased sales volume and profits. The strategy is viable because the company will not be required to innovate a new brand, unlike product development that is costly. The latter will require improving the current product or developing a new brand. The cost of brand awareness will be minimal if compared with introducing a new product in the market. In using this strategy, the company will be able to increase its reach and enter new markets.

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