

Analysis on the Internationalization Strategy of Samsung Group

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Abstract: In recent years, multinational enterprises have become an important part of international business activities. As the largest multinational corporate group in Korea, Samsung Group has many other subsidiaries, like Samsung Electronics, Samsung Corporation, Samsung Life Insurance. Samsung group's success depends on its internal change and the development strategy of generations of leaders. Based on the analysis the development course of the Samsung group, this article use SWOT, porter five competitive strategy and competitive analysis to find out the advantages and disadvantages of the Samsung group's internationalization strategy, and accordingly puts forward Suggestions for the development of the Samsung group.

1. Introduction

Samsung Group, the largest enterprise group in South Korea, with a 82-year history, including numerous international subsidiaries, the subsidiaries includes Samsung Electronics, Samsung C&T, Samsung Life Insurance, etc. , whose business covers chemistry,finance, electronics,machinery and other fields. Samsung Electronics is its biggest subsidiary.

Samsung Group, as the largest multinational enterprise group in South Korea, includes plenty of international subsidiaries, including Samsung Life Insurance, Samsung Electronics, Samsung Products etc. Its business covers machinery, finance, chemistry, electronics and other fields. Samsung Group, that is founded in 1938 by Lee Byung-chull, is a family enterprise,and it is inherited by the Lee family. All of the Samsung industries are family businesses and hey are managed by other members of the family. The leader of the group has been heritaged to the third generation of The Lee family [1].

Subsidiary include: Samsung electronics, Samsung securities, Samsung SDS, Samsung motors, Samsung heavy industries, Samsung corning, Samsung network, Samsung SDI, Samsung, Samsung fire products, Samsung engineering, Samsung and Samsung life, Such as management within family members, including three subsidiaries of Fortune 500 companies in the world. Samsung Electronics is its largest subsidiary, ranking 40th among the global 500 companies in 2009. It ranks 50th among the world's most admired companies and 19th by brand value, up two places from 2008. It was worth \$150 billion in 2011[2].

Samsung's wholly-owned Chinese subsidiaries have invested a total of us \$10. 87 billion in

China, with an estimated total investment of US \$15 billion, Li said.

In April 2020, Samsung announced that it would exit the LCD panel market and close all its LCD panel production lines in South Korea and China by the end of 2020.

2. Analysis of the Firm

2.1. SWOT Analysis

Strength: Technology is world-leading; High brand trust and long history. The detection and information system is comparatively perfect. Stable executive ability; Enterprise diversification, strong self - sufficiency; the design is simple and international.

Weakness: Intricate industry management; Intricate industrial production lines; Product personalization is not obvious; High price, sex ratio is lower than price; the size of the company and the breadth of its business make it inefficient

SO: Strong technical foundation, can better meet the higher level of consumption; A variety of products, high market coverage; the corporate culture is highly praised; the brand image is generally good,

WO: Industry management to improve corporate culture and brand grades; involving areas must be expanded.

Opportunities: Strong consumer acceptance; the level of consumption increases; the consumption demand increases, the consumption surface is broader; the shortening of the replacement cycle for electronic products.

Threat: Competition among similar companies; Consumers have higher requirements for products; the cost of production is increasing; There are not enough good people; Technology changes rapidly

ST: Improve the technical level to satisfy the needs of consumers; Show their own brand advantage to compete with the same kind of companies; the product variety satisfies the consumer

WT: The complex industrial line increases the production cost; improper management affects the talent development.

2.2. Analysis of Porter's five Forces model

2.2.1. Competition Intensity among Existing Enterprises

(1) Comparison of the strength and number of existing competitive enterprises

Samsung's home appliance business more competitive globally, such as Japan's Panasonic, SONY, South Korea's LG, etc, the business scope of these enterprises is as wide as that of Samsung, and the quality and performance of their products are quite competitive, too. Mostly, every business area of Samsung will face strong competitors, therefore, in its factory environment, Samsung can be described as a rival, facing a great number of challenges. [3]

(2) Cost structure analysis

This kind of electronic products, it ought to said that a considerable amount of fixed asset investment is needed, and the proportion of fixed costs is large, so that enterprises should share much more fixed costs on output, therefore, enterprises can take advantage of the effects of economies of scale. The purchase cycle of products with vast fixed investment requirements (capital-intensive products) is normally longer, and the volume of purchase in each purchasing cycle is relatively less, hence increasing the pressure on enterprises to expand their production in order to recover investment. The higher and higher technical content of electronic products and the improvement of consumer demand will also lead to the increase of product differences, thus

reducing certain competitive intensity and improving industrial value.

(3) Analysis of product differences

Due to the rapid development of science and technology, the technical content of its products is getting higher and higher, and the speed of renewal is getting faster and faster. The R & D ability of another enterprise is also an important factor leading to product differences. Differentiated products can attract some customers and make enterprises gain a certain monopoly position in some market segments, but the current trend of the electronic products industry is the weakening of product differentiation, which will also improve the competitive intensity of the industry.

(4) Analysis of exit barriers and transfer costs

The electronic products industry is in the period of development, but due to most of the enterprises in the industry are capital-intensive, this kind of industries usually have high fixed asset investment, and their exit obstacles and transfer costs are quite high, especially some large companies, their position in the product market has become stable. Production has formed a considerable economy of scale, coupled with the synergy between some businesses, the withdrawal or transfer of some businesses may affect the normal development of other businesses. Therefore, the exit obstacles and transfer costs of the electronic products industry are higher.

(5) Analysis of production capacity expansion mode

There are at least two requirements for the expansion of production capacity: first, the expansion of production capacity stays the step with the changes in market needs at the right moment, second, the expansion of production capacity is consistent with the structure and quantity, and it is required by the market in terms of technical level and output types. From the point of the electronic products industry. Since it takes a lengthy time to make real productivity expansion come true, it will result in inconsistency between production capacity and market requirements, and it will force enterprises to bear the pressure to adjust their industries.

(6) Competitor type analysis

Since a large sum of the electronics industry should be busy in larger enterprises, competition is still mostly concentrated among larger enterprises, such as Panasonic, Samsung. Samsung's competition from the perspective of view of the Chinese market, the open economy allows more foreign investment join, which results in the improvement of the competition intensity in the industry.

(7) Analysis of industrial investment purpose

In the electronic products industry, the aim of enterprise investment often depends on the long-term development strategy and financial interests, so the strength of competition between investments is very high.

2.2.2. Analysis of Potential Entry Threats of new Entrants

Electronic products industry is a capital-intensive industry, and it requires great investment and has obvious economies of scale; the difference of products will be an important element for new entrants to stabilize the market; because of the vast investment in fixed assets, the capital specificity is very high, too. So it is necessary for new entrants to have considerable capital strength. In addition, due to high fixed costs and economies of scale, the transfer costs of enterprises are same high.

2.2.3. Supplier Capability Analysis

It ought to say that a majority of the enterprises in this industry have fairly stable suppliers, and long-term and firm cooperative relations make the management of enterprises in procurement become comparatively mature. Most enterprises operate smoothly in the business of suppliers

2.2.4. Buyer Analysis

As an electronic product, the buyers are in great demand, and with the increase of consumption standards, the frequency of customers buying new products is getting higher and higher, which requires enterprises to produce differentiated products, in case of attracting consumers. In terms of demand structure, consumers' demand for products is much different, and the demand for high-end products is also on the rise with the improvement of living standards.

2.2.5. Analysis of Substitutes

At the beginning of the 21st century, Samsung's products are highly irreplaceable. However, nowadays, the electronic product industry is full of flowers and fierce competition, and manufacturers imitate each other, resulting in high substitutability of each manufacturer's products. Consumers hardly need to bear any conversion cost when switching from one product to another.

3. Value Creation Strategy and Potential Hypothesis

At the heart of Samsung's strategy is the talent strategy put forward by Lee Kun-hee, its former chairman. Samsung regards "talent first, highest aspiration, leading change, right way of operation and pursuit of win-win" as its five core values, and "talent first" as the top of its five core values, which also reflects Samsung's insistence on building world-class products and promoting high quality of products through the cultivation of talents.

This is to continue to carry forward Li Bingzhe's talent business philosophy, enrich the new business philosophy published in 1993 and the connotation of Samsung's human spirit, and at the same time to meet the new business environment, to achieve the core value needed for the sustainable development of the enterprise.

Under the strategic core of talented people, Samsung also put forward its overall development strategy, including: total cost leadership strategy, independent innovation strategy, differentiation strategy, diversification strategy, brand strategy, localization strategy and research strategy.

Although Samsung has gone through several stages of development, talent has always been the core of its business philosophy. Throughout the whole process of its business development and business reform, Samsung's talent management is not a closed system, but a global open system, as well as an innovative system in which talents come out in large Numbers.

But this talent strategy also has some shortcomings. Samsung brings in high profile talent and divides it into three levels of management, but the group's complex class structure actually reduces the efficiency of talent utilization. At the same time, the nature of Family businesses of Samsung Group limits the possibility of employees' promotion to the management level to a certain extent, which makes some ambitious elite employees who want to enter the management level lose their enthusiasm.

4. Strategic Analysis

4.1. Factors Affecting the Strategy

4.1.1 Positive Factors.

The overall strength of the company is strong, which is conducive to attracting and retaining talents[4];

Good brand image, high staff loyalty;

An active corporate culture can attract more creative new talent

4.1.2 Negative Factors.

Due to the fierce competition in the industry, various companies are scrambling for talent resources;

The large organizational structure of the company is easy to cause low efficiency of personnel management and operation[5];

The huge product line of the enterprise has a huge demand for talents, which is easy to cause the shortage of talents in the market;

The nature of family business has a great obstacle to the development of talents to senior management.

and "talent first" as the top of its five core values, which also reflects Samsung's insistence on building world-class products and promoting high quality of products through the cultivation of talents.

4.2. Factors Affecting the Strategy

4.2.1 Advantages.

Samsung's long-term emphasis on talents and scientific research has laid a solid technical foundation for it.

The horizontal and vertical technologies brought by the diversification strategy and the interdisciplinary and cutting-edge talent support have made significant contributions to its core business;

The company's emphasis on talent and innovation creates a free and efficient corporate culture, which is conducive to Samsung's sustainable development;

Through inter-company cooperation, sending talents abroad for in-depth study, and establishing technology and design research institute, Samsung has improved its technological and design innovation ability, which has created its unique competitiveness of products.

4.2.2 Shortcomings

The redundant organization caused by numerous subsidiaries reduces the operation efficiency.

As a result of the market position strategy, Samsung has been continuously gobbled up market share in the fierce competition.

The obsession with high-end image leads to the loss of most of the middle and low-end market.

Lack of self-sufficiency, and there is a great risk of being sanctioned by other parts suppliers

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