Capstone Project

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# Introduction

Samsung and Apple are brand names to reckon with all over the world. Since the founding of the two companies, they have grown significantly to attain significant share in the technology industry. Apple, Inc. was founded in 1976 as Apple Computer Inc., however, the name was later changed to Apple Inc. in 1977 when the company’s activities were expanded beyond computer services (Heracleous 2013). Today apple is the second largest telecommunication corporation after Samsung (Johnson, Li, Phan, Singer & Trinh 2012). The company is headquartered in Cupertino, California in the famous Silicone Valley; it has a well-diversified telecommunications portfolio which includes designing and manufacturing of personal computers, computer software, provision of online services and other consumer electronics. Some of its renowned brands include: the IPhone, the IPad, the IPod and Mac computers (Johnson, Li, Phan, Singer & Trinh 2012). The company enjoys the highest brand loyalty in the world, its revenues rose to one hundred and eighty two billion dollars in the financial year ended October 2014. On the other hand, Samsung is a multinational conglomerate founded in 1938. The company has a highly diversified portfolio, which includes electronics, insurance and ship-building among other portfolios (Laughtin 2011). The conglomerate comprises several subsidiaries, the largest of which are Samsung electronics and Samsung Heavy industries. Its diversification strategy has been highly consequential in maintaining profitability for the company since it was founded (Laughtin 2011). Revenues for the company rose to an all times high three hundred and twenty seven billion dollars in 2013. The company was ranked the largest telecommunications company in the world in 2012 (Laughtin 2011). This paper will analyze the strategies applied by both companies which have enabled them attain remarkable competitive advantage across the globe.

# Existing business strategies in Apple and Samsung

The existing business strategies for Samsung include innovation, differentiation and diversification (Laughtin 2011). The company significantly relies on the three strategies in attainment of competitive environment. Through innovation, the company continuously releases new and more appealing telecommunication gadgets in the market. For instance, it has constantly improved its Galaxy S and Galaxy Note Smartphones (Laughtin 2011). The innovation strategy has seen the company to attain the largest smartphones’ market share in the world. Differentiation is also a key strategy in the company; it enables the company’s smartphones devices attain relevance in the market despite there being other Smartphone brands in the market including the IPhone, alcatel; Nokia and Techno smartphones (Laughtin 2011). The company’s outstanding investment in research and development has enabled it to come up with differentiated product features which its consumers prefer over those of competitors. Diversification is also an outstanding strategy in Samsung’s business; the company has a very wide portfolio which includes: electronics, medical technology, life insurance and advertising. The diversification strategy has enabled the company maintain profitability even when some of its businesses incur loses; this is because losses in one field are offset by high profits in other businesses (Laughtin 2011).

On the other hand, the existing business strategy for Apple includes innovation, differentiation and competitive pricing (Johnson, Li, Phan, Singer & Trinh 2012). Apple was able to smoothly transition from the feature phones era into the era of smartphones owing to its innovation strategy era. It did not suffer the detriments of lack of innovation like Nokia its counterpart, whose lack of innovation saw the company’s profits slump significantly (Heracleous 2013). Through innovation, the company has constantly improved the quality of its IPhone. Differentiation has also been a significant strategy for the company; this has enabled its IPhone maintain competitive advantage in a market flooded with smartphones (Johnson, Li, Phan, Singer & Trinh 2012). The company also relies significantly on pricing strategies which include penetration pricing and skimming. It uses penetration pricing when venturing in high competitive markets, like South Korea, where it sets lower prices for its gadgets in order to gain market share; the prices are then gradually increased to normal levels (Heracleous 2013). Skimming is used in the introduction of new high quality brands; for instance, its IPhone brands (Johnson, Li, Phan, Singer & Trinh 2012). Whenever a new IPhone is introduced in the market, its price is significantly high, the price is then gradually lowered as competition increases and new brands come up. The skimming strategy enables the company enjoy supernormal profits in the introduction phases of its products (Johnson, Li, Phan, Singer & Trinh 2012).

The two companies operate both in the local and global markets. To be successful in both environments, both have embraced the diversity strategy. The companies embrace talent from all parts of the world; both companies are equal opportunity employees irrespective of origin or race. The companies also welcome diverse contributions from their employees (Barney 1995). Embracing diversity has enabled the companies compete effectively in both local and foreign environments. Both of the companies operate in the telecommunications industry which is characterized by high level of competition (Heracleous 2013). The companies face stiff competition from the large array of companies in the telecommunication industry. For example, the smartphones market today is flooded with cheaper devices such as Techno and alcatel. Therefore, the two companies must constantly revise their strategies in order to attain a competitive edge in the market (Barney 2001). Both companies have high internal abilities, owing to their cutting edge technology and their wide pool of talent. Apple and Samsung are ranked as global leaders in technology innovation; the technology is matched with high talent; through the companies’ diversity strategy, which ensures that the companies attract the best talent across the globe (Barney 1995).

The vision and mission statements of both companies match to the companies’ long-term goals and strategic direction. Apple’s vision statement is embedded in its mission which is commitment in bringing best personal computing to educators, students, professionals and consumers around the globe through innovative hardware, software and web services (Johnson, Li, Phan, Singer & Trinh 2012). This mission and vision statement is aligned to the company’s future goal of dominating the telecommunication market and to maintaining the relevance of its products to users (Johnson, Li, Phan, Singer & Trinh 2012). The vision and mission also influence the company’s strategic direction in that the company commits a significant part of its resources to innovation. Samsung’s vision is to inspire the world and create the future; its mission is to follow a simple business philosophy and to devote talent technology to the creation of superior products and services to contribute to a better global society (Laughtin 2011). The vision and mission statements of the company are aligned to its future goal of maintaining a competitive edge. The statements also influence the strategic direction of the company; this is apparent from the company’s significant investment in research and development (Barney 1995).

# SWOT analysis of the companies’ business-level strategies

Both companies have eminent strengths in their business strategies. The strengths of both companies lie in their cutting edge technology in the world and their possession of top-level talent in their workforce (Laughtin 2011). Nevertheless the companies have weaknesses, for instance, the companies have significantly invested in their local markets and cheap labor markets across the world to cut down expenses such as taxes; this is in contravention to the principles of corporate responsibility (Barney 2001). The companies have eminent opportunities because technology is an ever growing field; through innovation, the companies can constantly come with new products to increase their competitive edge. Threats faced by the companies are usually posed by competitors, for instance, the smartphones market today is flooded with cheaper devices; this is a big threat to Apple and Samsung’s market share in developing countries, where both companies’ products are considered relatively expensive (Lado & Wilson 1994). Each sector in both companies differently influences their competitive position in the industry. For instance, through the Research and development sectors, the companies have constantly innovated new products and product features; for instance the new Samsung S5 and IPhone 6. The sales sector also influences the competitive position (Barney 1995). Both companies have well-structured supply chains formulated by their sales departments; this ensures that the companies’ products reach global markets effectively. It is through the commitment of the different sectors the organizations that Samsung and Apple have been able to attain a steady competitive advantage (Lado & Wilson 1994).

# Strategies to adapt to cultural differences by Apple and Samsung

Business leaders from both organizations have embraced diversity and geocentric culture in an attempt to adapt to cultural differences in diverse areas served by the two companies across the globe (Barney 1995). Adopting a culture with a global perspective has enabled the company penetrate diverse markets in the world; also it has fostered effective management of the two ventures in foreign markets (Lado & Wilson 1994). In addition, diversity ensures that the two companies are equal opportunity employers; this enables them to attract best talents from the global labor market irrespective of their areas of operation. An example of such strategies in Samsung is the presence of whites, blacks, men and women in its labor force (Lado & Wilson 1994). The company supports cultural activities such as sports in its diverse areas of operation; the company is an eminent sponsor of word football. On the other hand, Apple provides equal opportunities for both men and women, this is exemplified in the latest offer by the company, to freeze the eggs of its female employees; this would go a long way in ensuring equal opportunities for men and women in employment. Apple also embraces corporate social responsibility in its diverse areas of operation; it sponsors cultural activities in different countries including sports such as football (Lado & Wilson 1994).

# Organizational Competences in Samsung and Apple

Both Samsung and Apple have key organizational competences. Entrepreneurial capabilities of the two companies are apparent the companies venturing in diverse global markets in which they are not able to momentarily gauge the performance of their products (Barney 1995). Organizational design capability is also apparent in both companies. The organization’s junior staff interacts freely with the senior staff (Lado & Wilson 1994). Also, the companies have significant strategic capability, which is fostered by both companies’ significant investment in research and developments which ensures that the companies constantly come with new products to foster survival in the future (Laughtin 2011). An example organizational competence in design in Apple is evident in the company’s organizing of annual recreational events where employees can interact freely with senior managers (Lado & Wilson 1994). An example of Organizational competence in strategic capability in Samsung, is the recent introduction of Galaxy Note 4, this indicates that the company is committed to production of products of the future; the company’s vision which is to inspire the world and to create the future also supports its strategic capability (Barney 2001).

# Strategy Recommendation for Both Companies

I would recommend the diversification strategy for Apple. The company has a significantly narrow portfolio; it has only invested significantly in telecommunication (Barney 1995). Diversifying would assure more profitability for the company because there are still more fields in the global markets that have not been exhausted; for instance, investing in medical research could result into new products which would lead to more profits and increased competitive advantage (Lado & Wilson 1994). On the other hand, I recommend the pricing strategy for Samsung. This strategy would result into more profitability and increased competitive advantage (Barney 2001). For instance, when venturing in new markets especially in developing countries, the company should use penetration pricing where its products are introduced at relatively lower prices and the prices gradually increased to normal levels in future (Lado & Wilson 1994). The strategy would ensure increased market penetration for the company and in turn assure the company of more profits and increased competitive advantage (Barney 1995).

# Corporate-level strategies for Samsung and Apple

Apple has not substantially utilized the horizontal integration strategy. Apple has apparently not entered into partnerships, mergers or acquisitions with businesses at their same level operations (Johnson, Li, Phan, Singer & Trinh 2012). However, Samsung has utilized the horizontal integration strategy through, for instance, Samsung Total is a 50-50 joint venture between Samsung and Total S.A business group. The two companies have significantly ventured into vertical integration, For instance, the two companies own distribution outlets in their diverse areas of operation (Barney 2001). Both companies have acquired band refurbished stores in foreign countries and subsequently use them for distribution of their products. Strategic outsourcing is a crucial strategy used in both company; the strategy is made possible through the diversity strategy embraced by the two companies (Barney 1995). The two organizations have employees from across the world. In their talent hunt frameworks, the organization’s doors are open to employees from across the world. Outsourcing has enabled Apple and Samsung attract and retain the best talent from the global labor markets (Lado & Wilson 1994). Diversification is also imminent in both organizations. Samsung has different arms of business which venture in different industries; for instance, the company has activities in the advertising, ship manufacturing, life insurance and telecommunication industries; this reinstates the company’s commitment to diversification (Lado & Wilson 1994). On the other hand, Apple has diversified its activities but only in the telecommunication industry; for instance, it produces personal computers, computer software, and online services such as iTunes (Johnson, Li, Phan, Singer & Trinh 2012). The strategy that has been most useful in the creation of multi-business model for Samsung has been the diversification strategy; the investment in diverse fields ensures that the company maximizes its profits even one certain arms of its business operate in loses. On the other hand, strategic outsourcing has been of high importance in creation of a successful business model; the strategy has ensured that the venture has cutting edge talent to drive the company towards its strategic objectives (Lado & Wilson 1994).

# Strategies by Apple and Samsung to discourage unethical behavior

Both Samsung and Apple have a high commitment to ethical practice; as a result, the two companies have taken various measures to discourage unethical behavior. To begin with, internal leaderships in both companies have established disciplinary frameworks which punish unethical behaviors at work (Pfeffer1995). For instance, through the frameworks, anyone found engaging in unethical practices such as racial abuse at the workplace may face salary deductions. The disciplinary frameworks in both companies have different measures of dealing with different magnitudes of misbehavior; extreme misbehavior in both companies is punishable by dismissal from the companies, this discourages employees from engaging in unethical behavior (Pfeffer1995). Also, internal leaderships in both companies have reward schemes for employees for engaging in ethical behavior, through which employees who abide by the organizations’ ethics get rewarded. For instance, the schemes reward those who devote more effort in production; employees in both companies are rewarded for coming up with innovative products. The framework discourages unethical practices such as laziness at work (Lado & Wilson 1994). Internal leaderships in both organizations have embraced transparency and openness in all organizational activities; for instance promotion and employee appraisal are very transparent processes in both Samsung and Apple corporations; this discourages unethical behaviors in both as organizations such as bribing leaders to achieve promotions (Pfeffer1995).

# Changes in strategies that would improve business performance in Apple and Samsung

To improve business performance, I would recommend different strategy changes for Samsung and Apple. In the functional strategy, I would recommend Apple to increase marketing campaigns for its products in developing countries; currently, the company concentrates the marketing of its products in the developed world (Johnson, Li, Phan, Singer & Trinh 2012). On the other hand, in the functional strategy, I would recommend Samsung to increase automation in its production processes and reduce manual labor, this would increase efficiency in production and at the same time reduce the company’s staggering wage bill (Laughtin 2011). In business strategy, I would recommend apple to increase its horizontal integration framework; increased partnerships, mergers or acquisitions in foreign business environment would open up new markets for the organization’s strategy (Pfeffer1995). On the other hand, I would recommend Samsung to refine its supply chain by opening more outlets for its products and reduce its reliance on franchises and third party businesses for distribution of its products; this would increase the organization’s profits by cutting down the cost of commissions and at the same time increase the company’s control over its supply chain (Laughtin 2011). For corporate strategy, I would recommend both companies to increase their corporate social responsibility, for instance, through the companies increasing their usage of green energy and funding global campaigns against climate change. Increasing corporate social responsibility would go a long way in attracting new customers and improving business performance as it will make customers feel that the organizations have a high commitment to their welfare (Barney 2001). The change that I would propose for both organizations in their structure is for the organizations alleviate all forms of bureaucracy in their structures; both companies would benefit from this in different ways. For instance, the change will ensure effective communication in all areas of operation; this would speed up the rate of activities (Lado & Wilson 1994). Also, alleviating any form of bureaucracy would ensure that the organization is more open to information sharing and new ideas from employees. Increased engagement of employees in major organizational process will open up the organizations to more new opportunities because there would be a wide pool of ideas that the company would be able to use to refine its strategy; this would in turn improve the companies’ performance and competitive advantage (Barney 1995).

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