

CAPSTONE PROJECT

Student's Name
Institution



Capstone Project

1. DEFINITION OF TERMS

Business strategy

Business strategy refers to the means that a given organization puts in place in order to realize the set objectives. It is the main business decision that is concerned with sourcing of resources and their allocation to potential investment projects. It also involves the scope of activities that a given company undertakes as set out in the object clause of its memoranda and articles of association.

Domestic and global business environment

Business environment refers to the internal and external environmental factors that impact the nature and operation of any business. Domestic business environment comprises factors that affect a given company, which is based within the boundaries of a given country that is the primary operating country. A global business environment, on the other hand, refers to environmental factors that affect the successful operation of any business, which is located outside the country of primary operations. The business organization has little or no influence on the factors in the global environment.

Domestic and global business environment

Industry business environment refers to a group of companies that are related in terms of the similarity of the primary business activities they undertake. Such grouping ensures that there is comparison amongst the companies in a given industry in terms of the financial performance and share price performance, so that investors could make informed investment decisions.

Internal capabilities

Internal capabilities refer to the technical, human resources and financial abilities of a given company that enable it stand above the competitors in the same industry. These are the organizational strengths, which help in creating competitive advantage and over which the company has significant influence or control.

Long-term goals

Long-term goals are the aims that the company wishes to meet. They are usually long-term in nature and are developed and implemented by the top level management. Long-term goals comprise of organizational mission, vision and goals. The mission is a broad statement of what the company intends to achieve in its existence. The vision is a statement that indicates where the company wishes to see itself in future, while goals include objectives, plans and programs that help in reaching the aims.

Strategic direction

Strategic direction can be defined as the specific direction that the business wishes to undertake in order to achieve the stated objectives. A business may wish to adopt a given strategy to realize the long-term objectives and goals.

SWOT analysis

SWOT analysis is a tool used to analyze organization's competitiveness. It involves analyzing the organization's strengths, weaknesses, opportunities and threats. Strengths and weaknesses comprise of internal environmental factors that are within the control or influence of the company. Opportunities and threats are environmental factors that exist within the external environment that are outside the influence or control of the organization.

Business level strategy

Business level strategy can be of two types: vertical integration strategy or horizontal integration strategy. These are the forms of business that are used in order to sell the company's products or deliver the product or service to the final customers.

Business leaders

They refer to the management and top leadership of any business organization who are involved in the day to day management of the organizations, including making major decisions with regards to product decisions, pricing and placement. These leaders also make important decisions with regards to investment decisions, financing decisions, asset management decisions and dividend decisions.

Global markets

These are the international markets for an organization's product. The decisions made in these markets must take regard to the increased complexity of such markets, the language and geographical barriers that exist. Global markets represent a lucrative market given the high number of customers and diverse geographical dispersion that gives rise to cultural differences.

Cultural differences

Cultural differences refer to the existence of diverse ethnic groups within an organization. It may arise as a result of differences in their places of origin, nationality, race or tribe. The management of such firms with individuals of diverse ethnic background is faced with a daunting task of managing these different groups of individuals.

Entrepreneurial capabilities

Entrepreneurial capabilities are organizational competencies developed as a result of the creativity and innovativeness of the company's technical staff.

The ability to come up with new designs of the existing products, improvement in product quality and brand positioning, improvement in technical specifications, continuous improvement in quality and performance are all signs of entrepreneurial capabilities of the entity.

Strategic outsourcing

Strategic outsourcing refers to the variety of services, which are provided by outside service providers that are custom designed to meet the customers' needs and support the organizational goals.

Diversification strategy

Diversification strategy is a strategy adopted by business organizations that involves venturing into multiple businesses. It is meant to reduce risk by ensuring that there is a risk diversification and, therefore, the organization avoids the risks that are associated with industry specific risks.

Multi business model

The multi business model is a model operated by an entity that uses more than one model and combines them. Such model requires a greater coordination of resources in order to manage the numerous activities effectively.

Organizational structure

It refers to the vertical or horizontal organizational structures, which represent the type of management that firms adopt. Vertical organizational structures are characterized by tall management structures with management and control concentrated at the top level management. Horizontal organizational structures are characterized by flat organizational structures, whereby decision making is distributed to lower level management.

Unethical behaviors

This refers to such business practices that do not conform to the business ethics. Ethics refers to the generally accepted rules of behavior that are

expected of a given company or individuals within an organization.

Control

Control refers to the significant influence that a person has over the other company in terms of the acquisition of voting rights and right to receive dividend. A company is said to exercise significant influence over the other firm if it owns 50% or more of the voting power of the acquired company.

Business performance and competitiveness

Business performance refers to the financial performance of a company as represented by the statement of comprehensive income. A company is said to have better e-economic performance if comparative analysis indicates that it improved from the previous year's performance and is better than the competitors' performance. A company is said to be competitive if its financial performance is as profitable as possible, which is maintained over a sustained period of time.

Internal management

Internal management refers to the control that is exercised internally within the organization. This means that only the internal staff is involved as part of the management and external persons are not involved at all.

Influences competitive position within the industry

An organization can undertake value creating strategies that are aimed at allocating manpower and financial resources towards acquiring improved market share from its competitors. By increasing its market share, it affects the competitive position in the industry.

Organizational design capabilities

The nature and form of organizational structure influences its ability to implement the company's strategy and rapidly adapt to change. An organizational design capabilities enables the organization to transform its strategy objectives to organizational requirements, improve productivity

while maintaining low cost, reduction of organizational complexities, and aligning organizational capabilities to the configuration of the company.

Increased performance and profitability

This is an indicator of the company performing well if it posts good financial results in its annual financial statements. This is supported by increased revenues and operating income as compared to the previous year's financial results.

New business strategy; maximize profitability and improved competitiveness

The sole objective of any business is profit maximization. Improved competitiveness involves superior financial performance than the competitors'. This is a new strategy that businesses should adopt which are value-increasing which will result to increased market share.

Corporate-level strategies

Corporate-level strategies refer to strategic decisions that a business undertakes involving the allocation of resources and human resource which affect the organization as a whole. These can be value creating strategies, value-neutral strategies, value-reducing strategies and value-neutral strategies.

Horizontal integration and vertical integration

Horizontal integration refers to business combinations involving companies within the same industry that is companies that deal with the same products and services such as competitors. Vertical integration refers to the acquisitions and business combinations involving the acquisition of suppliers of certain raw materials in the production chain.

Internal leadership

This refers to the form of leadership generated within the organization without regard to the position held, office or authority but from the desire to make ones surrounding environment within the organization a better place.

Functional, business and corporate strategies

These are levels of strategy within the organization. Corporate strategy refers to the techniques, philosophy and direction that is used to guide the general direction of the company towards achieving its overall mission and vision. Functional strategy is a roadmap that guides the functional level of the organization towards achieving the objectives of the department. Business strategies on the other hand represent a roadmap towards achieving the objectives of product lines, business units or centres of business activity.

2. INTRODUCTION

Apple Inc.

Apple Inc. is the holding company of fully-owned subsidiaries that deal with the manufacture, marketing and sale of personal computers, mobile communication devices, portable digital music players, peripherals, services and networking solutions (Apple Inc., 2014).

Samsung Electronics

Samsung Electronics is a South Korean based company with a focus on electronic appliances, construction, heavy industry and defense industries. At the moment, Samsung Electronics is the single major rival to Apple incorporated with regard to mobile computing technologies. It was formed by Lee Byung-chull in 1938. The company contributes a big percentage of the South Korea's economy accounting for almost one fifth of its net exports annually (Samsung, 2014).

Products and Services

The primary products for Apple Inc. include MacBook®, MacBook® Pro, Mac® Pro, MacBook Air™, Mac® mini, iMac®, Music Products and Services, Xserve®, iPod® classic, iPod® shuffle, iPod® nano, iPod® touch, iPhone™, iTunes® 8, Apple-branded third party Mac-compatible peripheral Products.

The company sells a variety of third-party Mac-compatible peripheral Apple-branded products, widescreen flat panel displays, Apple TV®, Mac OS®, software products and computer technologies. Samsung Electronics deals with products in mobile communications, TV and memory chip (Apple Inc., 2014). Samsung Electronics deals with products in mobile communications, TV and memory chip.

Markets and Distribution

Apple's customers are majorly consumers in government, education, enterprise and creative markets. The company's products distribution is done through wholesale, retail, resell and catalogues. Apple also sells majority of its products and other Apple-branded third party products directly to the final consumers using sales personnel and online stores. Both Samsung and Apple share similar customers owing to the similarity of products and services that they offer. The company also has wide marketing outlets, which are spread all over the world. Samsung's flagship brand, the Samsung Galaxy Series, has attracted a high number of customers and thus, increased its market share.

3. BUSINESS LEVEL STRATEGY AND INTERNAL CAPABILITIES

Apple Inc.

Apple's innovative products and services are a testament to the increasing commitment to providing its customers with the best services with regard to personal computing services, mobile communication and portable music services. The company leverages on its loyal customers who range from students, education institutions such as universities and colleges, businesses and government agencies. Apple's business strategy lies in its ability to develop and innovate on new products and services, which are easy to use given that they are extra-user friendly, have seamless integration and interesting design that is unique and catchy (Young & Simon, 2005).

Samsung

Samsung's successful strategy is copying competitor's best practices such as the acquisition of competitors' patents and then letting the courts delay the litigation process. This has seen the company embroiled with Apple in court battles.

4. ORGANIZATIONAL INTERNAL CAPABILITIES

Apple Inc.

The company has invested in continuous development and research activities so that to ensure improvement of its products and services. The company has in the past and presently taken advantage of the convergence in PC's, digital products and mobile communication devices by introducing new products such as the iPad Air, iPhone 6, iTunes store and Apple TV. All these are new innovations that present the creativity and technical prowess of the Apple team. The company recognizes that CSR is an important aspect for any business to be a success in the creation of social welfare and fostering good financial performance. In this regard, Apple has set aside a huge amount of funds towards community development (Young & Simon, 2005).

Apple supports the development of third-party peripheral products, which complement the company's developer programs. The company offers a range of third party application software and hardware accessories that are Apple-branded. Software applications for the company's mobile platform, iPhone are available on iTunes App-store.

Samsung

The company's strengths lie in its ability to learn from its competitors by reading the market well. By focusing on what the competitors are working on and any new innovation that is introduced into the market, Samsung

introduces its own version of the innovation. An example of its internal capabilities are in realizing the market demands, pushing successes, more aggressive and effective marketing and excellent customer service through providing customers with what they really want (Samsung, 2014).

5. DOMESTIC AND GLOBAL ENVIRONMENTS

Apple Inc.

Apple's single largest geographical market is in the United States. The assembly and manufacture of the company's products is done in its manufacturing facility based in Ireland in addition to the externally sourced manufacturers in California, South Korea, China and the Czech Republic. However, the final assembly of almost all of the company's portable products is done by the third party vendors based in China. International sales account for at least 44% of the total net sales. The international market is not as stable as the local market in the US as it was affected adversely by changes in foreign exchange rates, international trade regulations, tariffs and legal hurdles in the new foreign markets.

Samsung

Samsung Electronics' domestic market is majorly in the home country of South Korea. However, the global market for its products is more developed than the domestic market given that the company has operations in over 120 nations worldwide.

6. SWOT ANALYSIS

Apple Inc.

Apple is faced with an increasing threat of competition in all areas of its

business. The major competitor is the South Korean IT giant, Samsung Electronics followed by Huawei, Microsoft corporation, Nokia and Techno among others. The industry is highly competitive especially since this market is very attractive and profitable. The market is also characterized by rapid advancement in technology both in hardware and software development. These components have increased capability thus, leading to the introduction of competitive prices, improved technical features and improved performance (Carlton, 1997).

As a result of the cut-throat competition, price wars exist in the market especially influencing the company and Samsung Electronics. The company's close competitors have specifically cut the prices of personal computers, which drives customers to purchase low cost products from them at the expense of Apple. It has led to a decline in the profits and sales margins of the company by taking away its market share. This has also resulted in more conflicts between the two companies, which have led to the courts, whereby Apple sued Samsung for breach of its patents. These are the threats that exist in the market facing the company, including future intrusion of its patents from competitors.

Due to such unethical practices by these competitors, Apple's financial condition has suffered adversely in addition to downward pressures that affect the whole industry. The main competitive factors include price, relative price/performance, product quality, reliability and performance. In addition, these factors include marketing and distribution capability, design innovation, corporate reputation and availability of after sales service and support. Also, there exists an increasing threat of the Internet given the increased reliance on it by the users of personal computers. This has also been encouraged by the reported increase in the number of Internet devices, which come with more advanced characteristics such as simple, small in size and reduced costs. They compete with the company's products and, thus, posing a threat of reducing its market share and profitability.

Apple has maintained its competitive advantage within the IT market given its tradition in offering superior innovations and total integration of all its IT solutions. Competition is, however, expected to intensify in the near future as

a result of the competitors' attempts to integrate their operations to conform to the company's integration strategy. The competitors also collaborate with each other so that to offer customers more integrated solutions than what they currently give to their customers owing to the pooling of substantial resources and increased economies of scale. Due to the aggressive pricing, product innovations, evolving technology, the ever-changing design approaches, product advancements by its competitors and high elasticity of demand by the customers, the company may face lots of different threats (Carlton, 1997).

The future financial performance and current financial performance are greatly dependent on their ability to develop and introduce innovative products and services in each of its markets. In order to realize this, it has to strengthen competitive position of the company and improve its current trading practices.

Samsung

In the end of 2013, the company managed to oust Apple Inc. as the leading smartphone seller, driven by the launch of the new Galaxy S range of smartphones. The company has extended leadership in its core business activities in mobile telecoms, memory chips and TV. The competitive advantage was advanced by growth in smartphone sales, tablets and TV. It maintained number 1 position in smartphone and smart TV sales in 2013, thus reinstating its position as the leading company along with Apple. The company's strengths include the reinforcement of the company's core competencies in research, development and design. Acquisition of new talent and restructuring that was undertaken by the company was all meant to position the company in the global map (Hill & Jones, 2014).

Samsung plans to build a new research and development center, which will enable the company to come up with future technologies for its products and services. The company, however, faces the increasing threat of competition from Apple Inc., which has dominated the global smartphone market for years.

7. HOW THE STRATEGIES ARE ADAPTED TO CULTURAL DIFFERENCES

Cultural differences exist in the two organizations owing to the diverse international markets that the 2 organizations operate in. An example is the product differentiation and premium pricing strategies in addition to using

litigation in order to position itself in the market and counter the unfair trading practices from competitors, more especially Samsung. These strategy is very flexible as it can adapt to any cultural environment. An example is the premium pricing strategy which can apply in any environment.

Samsung has the tradition of the willingness to bend and break the industry rules. This means that the company is flexible enough to adapt to different situations in business. Beating Apple Inc. is the foremost strategy for Samsung with a series of patent infringements. The company has employed a culturally diverse human resource in its international business. An example of such is the latest infringement of Apple's smartphone patent rights which ended up in the U.S. courts.

8. THE SUPERIORITY OF EACH ORGANIZATIONAL COMPETENCIES

Apple Inc.

Apple can be described as the hub of entrepreneurship minds, starting with the founder Steve Jobs. It has a strong entrepreneurial culture that mirror's Google's whereby employees are allowed at least 20% of their work time in developing new ideas, introducing prototypes and exploring new concepts. Apple's had a vertical organizational structure during the leadership of Steve Jobs when everything went through him. However, the company now has adopted a more collaborative approach between the hardware and software teams. The company has built a capability for design whereby new product

innovations are given priority, this is evidenced by the innovations in iOS 7, iPad Air and iPhone 6.

An example of Apple's superiority is its enabler model that it has adopted with regards to organizational entrepreneurship, organizational design and strategy whereby employees across the organization are given full management support to develop new concepts. There are clearly set guidelines that they must pursue, transparency in decision-making, there are clear guidelines on applications for funding and the hiring and retention of employees who are entrepreneurially-minded.

Samsung

The entrepreneurship culture at Samsung is evident given that it has established R&D design, services and content centres worldwide which are involved in developing new products and features that can become a success in the local market. The company's organizational structure is a horizontal structure, major decisions are made by Samsung Electronics, the holding company. It includes the apportionment of authority and responsibility amongst people and the hierarchical subordination of departments which enables it improve goal congruence. The company's strategic capability lies in its design ability. It hires a bigger number of design consultancy firms to assist the internal design team in improving their brand or product design.

Samsung's strategic success emanates from the major decisions it makes which are rooted in its organizational processes and the political behavior of its executive team. An example of its capability with regards to the above is its partnership with Dianpin, a hotel app developer. This has enabled it demonstrate its ability to deliver quality products in addition to hiring and retaining entrepreneurial employees, working on an execution period of 6-12 months rather than the conventional 3-5 year term and continuous fostering of entrepreneurial spirit within the team.

9. AN APPROPRIATE NEW BUSINESS LEVEL STRATEGY

Apple Inc.

Apple Inc. should adopt a vertical integration strategy. This is an integration strategy whereby there is an acquisition of a lower level firm in the production and supply chain in the industry that the company is operating in. Therefore, the given holding company has complete control over the whole supply chain of its products and services that it deals with. Even though the production of these products may be different in terms of their specifications, they are all meant for a given market segment. Therefore, for Apple Inc., being the industry leader, it is good to adopt such strategy, so that to ensure its supply

chain is streamlined. It can properly monitor the demands of its customers against its capability to deliver to the customers (Carlton, 1997).

This strategy is advantageous and useful to Apple Inc. as it helps in the reduction of uncertainty in the market place, thus creating up new opportunities for investment that never existed before. Current strategy is also important for Apple Inc. as it favors the local companies against multinational companies that may want to access the local market. Given that Apple Inc. has significant ground within the US market, this strategy will be key in helping Apple Inc. maintain its market share within the US and thus, creating an opportunity for expansion to the international markets (Hill & Jones, 2014).

Samsung

The best business strategy that fits Samsung is a horizontal integration structure. A horizontal integration strategy involves the creation of similar organizations downward in the channel of production for similar production units. This type of integration is evident in acquisitions whereby the threat of competition is high and the horizontal merger is the only solution in eliminating competition. The resultant effect is the creation of monopoly

through monopoly pricing. It is in contravention to the principles of a free market economy due to suppression of customer interests. The positive outcome of this method of integration is an increase in the market share of the company due to acquisition of the acquirer firm's customers (Chang, 2008). This strategy is best suited for Samsung as it will lead to economies of scale due to expansion of output, thus leading to a reduction in the unit cost of production. In addition to this, it will also increase the influence of Samsung in the coming up and implementation of key market decisions with regard to prices and output level. Also, given that this strategy brings an aspect of monopoly, it will be instrumental in diluting the near-monopoly of Apple products in the market. Samsung will also use current strategy to boost its sales through the elimination of domination by the industry leader, which is Apple Inc., given the influence in the industry price determination and the ability to adopt an integration strategy that is similar to the competitors.

10. THE SUCCESS OF EACH COMPANY'S CORPORATE LEVEL STRATEGY

Apple Inc.

Apple Inc. has been able to post record sales to the end of 2013, owing to the business strategy that it has adopted. For instance, in the year 2008, the company recorded net sales of \$32,479 million against a record of \$24,006 million in 2007 in spite of the global economic crisis. Such excellent financial performance is attributed to the total integration strategy that the company undertook by integrating its mobile technology solutions, portable music player devices and software and application development. It has also been possible due to the improving on the creativity, innovativeness and technical design of these products and services. The success of Apple, therefore, can be attributed to the integration strategy adopted by the company (O'Grady, 2009).

Samsung Electronics

Samsung Electronics has a strong commitment to continued product innovation and transformative technologies so that to create a new experience to customers. The company stands above the other competitors, especially in the smartphone market. Samsung's strategy focuses on three key pillars: challenge, creativity and collaboration. The success of this can be attributed to the company's contribution towards evolution of technology and creating change in the world (Chang, 2008). In the year 2013, the greater focus on growth and innovation strategy led to the company posting good financial results. The record number of sales revenue of KRW 229 trillion, an operating profit of 37 trillion and a net profit of 30 million represented a 14%, 27% and 28% increases from the previous year.

11. STRATEGIES TO DISCOURAGE UNETHICAL BEHAVIOR

Both companies have undertaken implementation of corporate governance framework principles within the company policies. Corporate governance framework sets out the guidelines that all staff should follow. Samsung has a tough policy with regards to adherence to specific set of ethical standards, which must be followed by all staff members. There is also a corrective mechanism that is established, which is used to administer punishment to staff members who flout the rules. Apple also has adopted a similar strategy. Consequently, ethics and CSR are integrated as part of the key business objectives and are, therefore, taken seriously (Rothaermel, 2013).

11. THREE WAYS IN WHICH APPLE AND SAMSUNG COULD ALTER THEIR EXISTING STRATEGIES

The first way is implementing change in stages, by first introducing the change on a gradual basis. This ensures that the employees are familiar with changes and become accustomed to them. The second way of introducing change is getting everyone involved. By involving the entire staff members and management, the company ensures a unified support. Thirdly, through encouraging the staff members to own the process and make them feel that it is their own responsibility. It is achieved by letting the staff members know their impact on implementation of changes and the resultant effect on profitability (Carlton, 1997).

References

Apple Inc. (2014). Apple Info. Retrieved from <https://www.apple.com/about/>

Carlton, J. (1997). *Apple: The inside story of intrigue, egomania, and business blunders*. New York: Times Business.

Chang, S. (2008). *Sony vs. Samsung: The inside story of the electronics giants' battle for global supremacy*. Singapore: Wiley.

Hill, C. W., & Jones, G. R. (2014). *Strategic management: Theory & cases: An integrated approach*. New York: Cengage Learning.

O'Grady, J. D. (2009). *Apple Inc.* Westport, CT: Greenwood Press.

Rothaermel, F. T. (2013). *Strategic management: Concepts & cases*. New York: McGraw-Hill Irwin.

Samsung. (2014). *About Samsung | Samsung*. Retrieved from http://www.samsung.com/africa_en/aboutsamsung/index.html