



저작자표시-비영리-변경금지 2.0 대한민국

이용자는 아래의 조건을 따르는 경우에 한하여 자유롭게

- 이 저작물을 복제, 배포, 전송, 전시, 공연 및 방송할 수 있습니다.

다음과 같은 조건을 따라야 합니다:



저작자표시. 귀하는 원저작자를 표시하여야 합니다.



비영리. 귀하는 이 저작물을 영리 목적으로 이용할 수 없습니다.



변경금지. 귀하는 이 저작물을 개작, 변형 또는 가공할 수 없습니다.

- 귀하는, 이 저작물의 재이용이나 배포의 경우, 이 저작물에 적용된 이용허락조건을 명확하게 나타내어야 합니다.
- 저작권자로부터 별도의 허가를 받으면 이러한 조건들은 적용되지 않습니다.

저작권법에 따른 이용자의 권리는 위의 내용에 의하여 영향을 받지 않습니다.

이것은 [이용허락규약\(Legal Code\)](#)을 이해하기 쉽게 요약한 것입니다.

[Disclaimer](#)

Master's Thesis of Francesca Lisotti

**A New Perspective of Diversification
Strategy:
A Success Case of Samsung Electronics in
the Smartphone Industry**

사업다각화 전략의 새로운 관점:
스마트폰 산업에서 삼성전자의 성공 사례

August 2022

**Graduate School of International Studies
Seoul National University
International Commerce Major**

Francesca Lisotti

**A New Perspective of Diversification
Strategy:
A Success Case of Samsung Electronics in
the Smartphone Industry**

Ahn, Jaebin

Submitting a master's thesis of International Studies

August 2022

**Graduate School of International Studies
Seoul National University
International Commerce Major**

Francesca Lisotti

**Confirming the master's thesis written by
Francesca Lisotti**

August 2022

Chair Oh, Yoonah

Vice Chair Yin, Wenyan

Examiner Ahn, Jaebin

Abstract

A New Perspective of Diversification Strategy: A Success Case of Samsung Electronics in the Smartphone Industry

Francesca Lisotti
International Commerce
Graduate School of International Studies
Seoul National University

The literature on firm diversification from advanced countries emphasizes the benefits of related diversification and its positive impacts on firm performance. On the other hand, studies on firms from emerging markets highlight the positive influences of unrelated diversification on business performance. However, firms can benefit from both related and unrelated diversification. Therefore, what is important is not the industries in which diversifying, but how synergies can be created among various sectors. This is consistent with Moon's argument of the ABCD model, that not only "what" factors but also "how" factors are important to comprehensively explain diversification strategies. How factors are particularly critical in recent times since the gap in resources and technology endowment narrows and firms find themselves with similar levels of resources.

In order to achieve a better understanding of diversification effects on firm's performance, this paper highlights that diversification should be comprehended through the ways and processes it is performed. This study uses the ABCD model's convergence factor and the four conditions for synergy-creation filling the void in the diversification branch of the strategic management field. This paper analyses Samsung Electronics as a case study and shows the applicability of the convergence factor in explaining how Samsung's diversification contributed to its success in the smartphone industry.

This research finds that Samsung adopted a form of combined diversification hence, both related and seemingly unrelated diversification. The member companies are highly compatible since they share resources and know-how among sectors reducing potential costs. Their strengths and weaknesses are complementary thanks to continuous business restructuring and cross-investments. Each company is supported by a solid

network system connecting different activities' operations. Finally, they show strong partnerships which can deliver superior commercial value in comparison with stand-alone competitors.

Going forward, to sustain its competitiveness, Samsung Electronics will need to improve the convergence of different segments. It will be especially fundamental to enhance the complementarity of strengths and weaknesses coming from its business segments. From the theoretical perspective, the how approach, applied through the convergence factor, proved to be the best method to comprehensively analyze business groups in an era in which there are similar resource levels.

Keywords: business diversification, Samsung Electronics Corporation, smartphone industry, convergence, synergies.

Student Number: 2019-28951

Table of Contents

I.	Introduction	1
II.	Literature Review.....	4
2.1	Diversification Purpose.....	4
2.2	Related, Unrelated or Both Combined?	5
2.3	Diversification in Developed and Developing Countries	7
2.3.1	Highly Industrialized Context.....	8
2.3.2	Late Industrializing Context	9
2.4	A New Dynamic Approach to Competitiveness.....	10
2.5	Theoretical Background	11
III.	Methodology	14
IV.	A Case Study of Samsung Electronics.....	16
4.1	Company Profile.....	16
4.2	Previous Studies on Samsung Electronics.....	19
4.3	Convergence of Samsung Electronics.....	20
4.3.1	Compatibility of Member Companies' Strengths	20
4.3.2	Complementarity of Member Companies' Strengths and Weaknesses	24
4.3.3	A Solid Network System Supporting Various Activities' Operations	27
4.3.4	Partnership's Superior Commercial Value Against Standalone Competitors	
	29	
V.	Results	32
VI.	Conclusion.....	37
	References	42

Appendix 1 Articles and Books Regarding Positive Diversification Effects on Firm Performance.....	52
Appendix 2 Samsung Electronics Business Composition as of 2019	56
국문 초록.....	57

List of Tables and Figures

Tables

Table 1. Perspectives on Related and Unrelated Diversification	5
Table 2. Early Chronology of Samsung Electronics	17
Table 3. Samsung Smartphone's Most Popular Services	23
Table 4. Samsung C&T Corp. Annual Revenue and Operating Profits	25
Table 5. Evaluation of Samsung Electronics' Diversification in Relation to the Smartphone Business.....	33

Figures

Figure 1. The ABCD Model.....	12
Figure 2. Samsung Electronics' Core Businesses	16
Figure 3. Samsung Electronics' 2021 Business Proportion by Revenue	18
Figure 4. Samsung Electronics' Growth in Brand Value	19
Figure 5. Hands-Free Texting with Samsung's Ecosystem	29

I. Introduction

In the field of strategic management there have been extensive researches about business performance that received support from the academic community. Yet, business diversification is still a puzzling issue that divides experts. Hence, it is not clear whether it positively or negatively impacts firm's performance, and what are the effects of related and unrelated diversification.

Berger and Ofek (1995) view diversification as a mean of offsetting losses in some underperforming business segments against profits in others, and efficiently realizing tax savings. Chang and Hong (2000), instead, highlight the benefits resulting from sharing intangible and financial resources among group-affiliated firms including the efficient allocation of resources and the reduction of transaction costs.

In front of the dilemma between related and unrelated diversification, the majority of scholars (e.g.; Markides, Williamson, Wan, Hoskisson, Short, and Yiu) agree that related diversification contributes to firm performance. On the other hand, the same cannot be said for unrelated diversification which is seen as an ineffective and erosive strategy. One critical limitation of the previous literature (e.g.; "Diversification's effect on firm value" by Berger, P., and Ofek, E.; and "The future of business groups in emerging markets: long-run evidence from Chile" by Khanna, T., and Palepu, K.) is that studies focusing on advanced country firms emphasize the benefits of related diversification and its positive impacts on firm performance, whereas studies on developing country firms highlight the positive influences of unrelated diversification on firm performance.

These two perspectives on diversification result limited and inconclusive. The reason is that, in reality, firms can benefit from both related and unrelated diversification thus, the two strategies are not mutually exclusive. Therefore, what is important is not the relevance of various areas for diversification but "how" synergies can be created among

different areas. This idea is consistent with Moon's argument at the center of the ABCD model for which not only "what" factors but also "how" factors are important elements in explaining, comprehensively, diversification strategies.

To fill the void affecting existing theories on business diversification, the purpose of this study is to use the convergence factor from the ABCD model to analyze Samsung Electronics success in the smartphone industry. The business frame is centered on how firms lacking superior resources can still accomplish competitiveness. Moreover, due to improvements in technology and communication systems, the gap in resource endowment between two firms is narrowing. Therefore, understanding how resources are utilized is becoming increasingly more critical than what resources are used to build and reach competitiveness. For the above reason, also diversification is affected by the ways and processes through which resources are employed. Thus, convergence's two sub-facts, mixing and synergy-creation, as well as four conditions for synergy-creation will be utilized to systematically analyze Samsung Electronics' diversification in relation to the group success in the smartphone industry.

This academic research first reviews the existing literature on diversification effects on business performance including its two forms, namely, related and unrelated diversification. Next, diversification is explained in the context of developed and developing countries, highlighting the major differences. Then, the study discusses the need for a new dynamic approach to competitiveness focused on the processes rather than the resources. It introduces the convergence factor from the ABCD model as well as four conditions for synergy-creation. Subsequently, the convergence factor is applied to show Samsung Electronics strengths and weaknesses in its business structure. Finally, this study provides implications useful for Samsung Electronics and extendable also to other

business groups that wish to replicate SEC strategy or simply improve the one they already possess.

II. Literature Review

2.1 Diversification Purpose

Business diversification has never been subject to unanimous consensus from experts on whether it is positively or negatively related to business performance. Nevertheless, firms, especially conglomerates, continue to include diversification as a key factor in their business strategy. Such strategic choice suggests that diversification related benefits can be significant and can outweigh potentially negative side effects.

In support of this positive perspective, Berger and Ofek (1995) assert that by counterbalancing revenue loss in activities against profits in others, conglomerates can efficiently realize tax savings. Furthermore, the higher debt capacity positively affects their interest tax shield which results increased.

In highly competitive sectors, where the value of a company's best match can quickly drop, preventive diversification often makes sense and, under certain conditions, diversification can become a long-term strategy (Kwak, 2002). Hence, it provides insurance against otherwise uninsurable risk and uncertainty (Penrose and Pitelis, 2009).

With a closer look at the effects of diversification on the relationship between member companies, Chang and Hong (2000) emphasize the benefits resulting from sharing intangible and financial resources among group-affiliated firms, as well as cross-subsidization opportunities to support underperforming segments or new investment ventures. Such diversification premium includes the reduction of transaction costs, the efficient allocation of resources (Williamson, 1975) and the access to resources present within the group that are inaccessible in the external environment (Mahmood and Mitchell, 2004). On the same note, Moon (2013; 2018) explains that different know-how and experience built by some member firms, can be shared and employed by the other

business segments. By doing so, they can create synergistic effects that enhance affiliated firms' resilience to the challenging fast changing environment. Furthermore, benefits deriving from portfolio diversification are greater than those from a single firm because there can be synergy effects that allow firms to gain additional benefits (Moon, 2018). Thus, diversification can add value to a firm's performance through the sharing of different activities and the transfer of various skills (Porter, 1985; 1987).

This business strategy goes beyond the overall improvement of a firm performance by creating outstanding new advantages that extend to the entire conglomerate and, as such, can sustain superior profits and outperform stand-alone competitors. The appendix illustrates comprehensively and schematically academic articles and books regarding positive diversification effects on firm performance.

2.2 Related, Unrelated or Both Combined?

Business expansion is a dynamic process that can be carried out through related and unrelated diversification. This subdivision is mostly supported by the classic literature on diversification and with two different potential paths, it is not clear which one is better or positively related to firm performance. Hence, it is still a puzzling issue.

Table 1. Perspectives on Related and Unrelated Diversification

Authors	Related diversification	Unrelated diversification
Porter (1985)	Increase of competitive advantage in existing industries or sustainable competitive advantage in new industries.	Ineffective business strategy.

Markides & Williamson (1994)	In the short run, access to economies of scope by using the previously collected essential competence. In the long run, the potential to develop strategic assets by combining both skills and competencies already owned.	Inferior to related diversification due to the lack of interrelationship between business units that could be exploited.
Markides & Williamson (1996)	Preferential access to assets that are not easily accessible, expensive to imitate and imperfectly tradable.	No improvement in firm's performance.
Villalonga (2004)	Significant premium relative to single business firms and related diversification.	Trade at discount.
Bae, Kwon & Lee (2008)	Considerable growth in firm value for chaebol firms when the ownership is less concentrated and/or financial leverage is higher.	Erosion of firm value.
Bae, Kwon & Lee (2011)	Chaebol affiliated firms can reap synergic benefits deriving from the group's stronger internal factor markets compared to non-member firms. This results in a significant value gain.	Erosion of firm value.
Wan, Hoskisson, Short & Yiu (2011)	Reaping of synergistic benefits by sharing resources among business units.	Lower performance in comparison to related diversification.
Moon (2013)	N/A	Benefits can outweigh costs as different know-how and experience built by some member firms, can be shared and employed by the other business segments. Also, resilience to adversities can improve by combining and reconfiguring resources.
Ramaswamy, Purkayastha & Pettit (2017)	Positive performance outcome with well-developed institution context.	Positive performance outcome with weak institution context.

As shown in Table 1, the majority of early scholars emphasize the superiority of related diversification's positive impacts on firm performance. On the contrary, unrelated

diversification does not seem to contribute to the firm instead, it negatively affects its performance. It should be also noted that they do not clearly explain under what conditions firms can gain positive synergy effects through unrelated diversification. Such “black and white” static view, which elevates one strategy while demonizing the other, overlooks the dynamic aspect of diversification.

More recent studies by Moon (2016) and Moon, Lee and Yin (2015) add a third category which is a mix of both related and unrelated diversification. According to the authors, when selecting the best strategy to diversify, a firm does not have to exclusively choose between related or unrelated diversification. Instead, a properly designed “combinative diversification” mixing both related and seemingly unrelated business diversification can produce remarkable results as demonstrated by famous chaebols. Well-known cases of combinative diversification are the Korean conglomerates Samsung, Hyundai and POSCO.

The Samsung case shows that related and unrelated diversification have the power to support each other also in harsh economic environments such as economic recessions. This is possible thanks to cross-investment. Moon (2016) concisely clarifies Samsung’s cross-investment by stating that whenever a member firm’s losses are significant, profits from another member company enter into action to compensate for the loss and vice versa. As a result, related and unrelated diversification, carefully combined, create a system that supports the entire conglomerate since each business segment is connected with the other member firms.

2.3 Diversification in Developed and Developing Countries

The complexity of diversification strategy extends further by presenting different applications with regard to the development stage of a country in which a firm compete.

Both internal and external factors to the firm, such as institutional context and proprietary resources, often differ between the two degrees of national development. Therefore, they significantly shape the way diversification is carried out and its implications.

2.3.1 Highly Industrialized Context

In mature capital markets, institutions intermediating and supporting firms are highly efficient (Khanna and Palepu, 2000b). Thus, business operations such as access to external financing is facilitated and encouraged.

Concerning internal factors, companies from developed countries are characterized by an excess capacity of proprietary resources including rare resources and sophisticated core technologies (Moon, Lee and Yin, 2015). The dominant theory on diversification in advanced markets is the resource-based theory for which firms with extensive proprietary resources are most likely to pursue diversification. In the presence of a market failure, they are inclined to diversify into industries where their resource capabilities perfectly match resource requirements (Montgomery and Hariharan, 1991; Penrose, 1959; Peteraf, 1993). Hence, as in the case of Siemens from Germany and Du Pont from the U.S., they first exploited their proprietary resources in the production of a narrow product line, and then diversified into related industries (Chandler, 1990; Amsden and Hikino, 1994). In detail, Williamson (1975) points out that western firms enter into related sectors, vertically or horizontally, to reduce as much as possible transaction costs which are an issue since profit rates tend toward equality across industries. Thus, the reduction of transaction costs importantly influences diversification choices in developed countries.

2.3.2 Late Industrializing Context

In emerging economies typically there is an institutional lack or inadequacy also known as institutional void. The market fails to provide necessary or appropriate resources to the private sector, demand conditions are unsophisticated and related industries are insufficient (Moon, 2016). Consequently, Leff (1978) argues that firms choose to grow internally by vertically integrating and diversifying to secure access to intermediate products and services. They can smooth income flows ensuring access to internal finance (Khanna & Palepu, 2000b).

This unfriendly business environment leads to the emergence of business groups with diversified portfolios able to overcome the institutional void. This is possible since they have the scale and scope to imitate the function of institutions present only in advanced economies (Khanna & Palepu, 1997). Some successful cases of unrelated diversification in developing markets are the Indian conglomerates Tata Group, and Mahindra & Mahindra Group. For this reason, Leff (1978) defines business groups from developing countries as “institutional innovation” for their ability of overcoming and reaping benefits from highly imperfect markets.

In contrast with firms from mature capital markets, late industrializing groups initially do not possess outstanding proprietary resources such as rare resources, core technology and capital. This idea is extended by Guillen (2000; 2001) who emphasizes that business conglomerates from developing countries did not grow out of the need to search for financial diversification (as in the case of developed countries with superior proprietary resources). Instead, they grew out of the capabilities to quickly and cheaply build new business ventures across various markets, showing an exceptional degree of coordination and (Moon, Lee and Yin, 2015) a higher degree of efficiency, in managing the limited internal resources. In the Korean development early-stage, firms diversified

into unrelated sectors as long as they had potential for high profits since they needed to acquire the lacking capital (Moon, 2016).

Amsden and Hikino (1994), instead, underline the role of foreign technology acquisition in relation to diversification choices. Especially during the postwar period, diversification into technologically unrelated industries was simplified by the increasing codification of technology and by the opportunities to acquire it from highly industrialized countries. Additionally, in the early stage of industrial development, profit rates across industries are unequal (in comparison to equal rates in advanced stages) therefore, diversification decisions are motivated by the prospect of seizing exceptional revenues.

2.4 A New Dynamic Approach to Competitiveness

The predominant existing literature promoting related business diversification provides exclusive focus on the inherited advantage (e.g.; cheaper labor, capital, and superior technology). Consequently, it can explain the diversification phenomenon only in advanced countries, rich in proprietary resources, excluding developing ones. On the other side, the literature supporting unrelated diversification pays attention exclusively to firms from developing countries. The motivation behind it is that, in the absence of cheaper labor, capital, and superior technology, business groups have to acquire the lacking resources and the faster and cheaper way to do so, is by build new business ventures across multiple industries.

Yet, the explanatory power of these two perspectives on diversification is limited and inconclusive. As a matter of fact, firm performance can benefit from both related and unrelated diversification strategies. What is critical is how diversification is carried out. Hence, what matters is not the relevance of various sectors for diversification but “how”

synergies can be created among different sectors. This idea is consistent with Moon's argument at the center of the ABCD model for which not only "what" factors but also "how" factors are important elements in explaining, comprehensively, diversification strategies.

In comparison with the past, access and mobilization of production factors have significantly improved narrowing the gap in factor conditions among firms (Moon, Lee and Yin, 2015). This is meaningful because the "what" approach became less and less critical given that it is unable to explain the success of one company over another given similar resources (Moon, 2016). By generating strategic blind spots, what factors cannot provide concrete guidelines for businesses that wish to replicate successful diversification strategies.

Moon H. C. recognized the limitations of the previous method and, in response, suggested the new more suitable dynamic approach based on the "how" factors. The "how" approach emphasizes the process through which a business creates competitive advantages and explains why only some companies, with similar resource endowments and capabilities, achieve superior performances (Moon, 2010). Its applicability is not limited to business groups from countries with a specific development stage which means that its explanatory power is extended to both developed and developing countries.

In light of a new, more comprehensive approach, diversification must be systematically reanalyzed and understood through the ways and processes it is performed by business groups.

2.5 Theoretical Background

Moon's ABCD framework was designed to explain "how" Korean conglomerates emerged and sustained competitive advantage since the development stage of the country

until the now-a-days advanced one. Yet, the model can be generalized to examine the growth of businesses and industries in other parts of the globe (Moon, Lee and Yin, 2015). It is particularly useful in explaining the performance of a firm (or country) in relation with others possessing a similar degree of resource endowments and capabilities (Moon, 2010). The four factors which compose the ABCD model are agility (A), benchmarking (B), convergence (C), and dedication (D). Each of them is further divided into two sub-factors as presented in Figure 1.

Figure 1. The ABCD Model

A	AGILITY	Speed
		Precision
B	BENCHMARKING	Learning
		Best practice
C	CONVERGENCE	Mixing
		Synergy-creation
D	DEDICATION	Diligence
		Goal-orientation

Out of the ABCD model's four variables, for the purpose of this academic investigation on conglomerate diversification in relation to firm performance, the third factor, namely convergence, will be the unit of analysis.

Convergence refers to mixing and creating synergistic effects as a source of competitiveness. Through mixing, a firm can exploit the advantages deriving from the utilization of various resources simultaneously. Through synergy creation, firms can create extra value by utilizing the collection of different components (Moon, 2016).

Recalling the predominant negative perspective on unrelated diversification

among Western scholars, Moon (2013) reevaluated unrelated diversification asserting that with the aim of converging various business segments into one unit, firms build capabilities. The outcome, is the creation of extensive synergies. The benefits deriving from this synergy creation can counterbalance the cost of unrelated diversification. Moon explains that such phenomenon is possible since, through diversification, firms build experiences and knowhow that can be shared, combined and reconfigured across member firms. The utilization of these resources, for different purposes, contributes significantly to incrementing firms' resilience to challenging and fast-changing business environments.

The mixing strategy refers to related and unrelated diversification in a business portfolio. The key condition that must be met in order to achieve a sustainable mixing strategy is that firms continuously generate synergies (Moon, Lee and Yin, 2015). Thus, without constant synergy-creation, diversification is inefficient and most likely counterproductive to firm performance.

Drawing from the above reasoning, Moon and Yim (2014) suggest four conditions for synergy creation:

1. The strengths of the mixed businesses should be *compatible* with each other.
2. Their strengths and weaknesses should be *complementary* to maximize the benefits of exploiting strengths and minimize the disadvantages from weaknesses.
3. There should be an *efficient and expanded network system* to support the operation of mixed activities.
4. The partnership should deliver *higher commercial value* to the market than the separate standalone products.

III. Methodology

With the aim of achieving an advanced understanding of diversification contribution to firm's performance, by testing Moon's argument, the South Korean firm Samsung Electronics Co., Ltd. (SEC) will be analyzed specifically through the convergence factor. In detail, it will be investigated if SEC diversification significantly contributed to the company success in the smartphone industry. And, if so, how Samsung's diversification strategy contributed to it.

The choice of analyzing Samsung Electronics is related to the fact that it is a perfect example of mixed business diversification in which related and unrelated segments coexist. Therefore, it presents the right conditions for applying Moon's framework. In addition, Samsung Electronics is a latecomer in the smartphone industry and yet, in few years it became the number one producer of smartphones on a global scale setting unmatched records. Given its diversified business structure, the question is whether there is a connection between this unprecedented success in the smartphone sector and SEC diversification strategy.

In this context, the case study is the most appropriate research method since it allows for an in-dept analysis and understanding of the business group investigated. Furthermore, it provides useful and concrete instruments to other firms, that wish to improve their competitiveness, and suggests new theoretical implications.

The period covered starts with the release of the first smartphone Galaxy S in 2010 until 2019 before the covid-19 pandemic. The required data are collected through Samsung Electronics annual business reports, articles from major international newspapers such as The Wall Street Journal, Financial Times, The New York Times, The Economist, and the Korean newspapers The Chosun Ilbo, The Korea Herald, and The Korea Times.

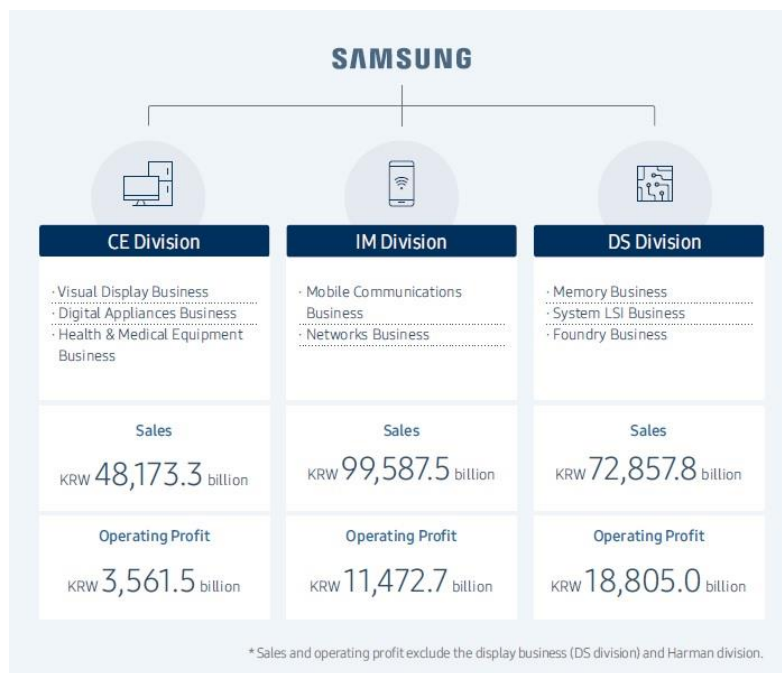
While providing implications for enhancing competitiveness of Samsung Electronics, as well as other companies, the analysis will first highlight briefly the early development of the company followed by most recent insights on SEC performance and expansion. Subsequently, the focus will be shifted toward the dissertation's central area of interest that is the dynamics through which Samsung Electronics' mixed portfolio creates synergies.

IV. A Case Study of Samsung Electronics

4.1 Company Profile

Samsung Electronics Corporation, also referred to as “the Company”, was officially instituted on January 13th, 1969 and, at present, is the crown jewel of Samsung Group founded by Lee Byung-chul in 1938. The three main business divisions are Consumer Electronics (CE), Information Technology & Mobile Communications (IM), and Device Solutions (DS) as displayed in Figure 2.

Figure 2. Samsung Electronics’ Core Businesses



Source: Samsung Electronics “Samsung Electronics Sustainability Report 2021”.

Table 2. Early Chronology of Samsung Electronics

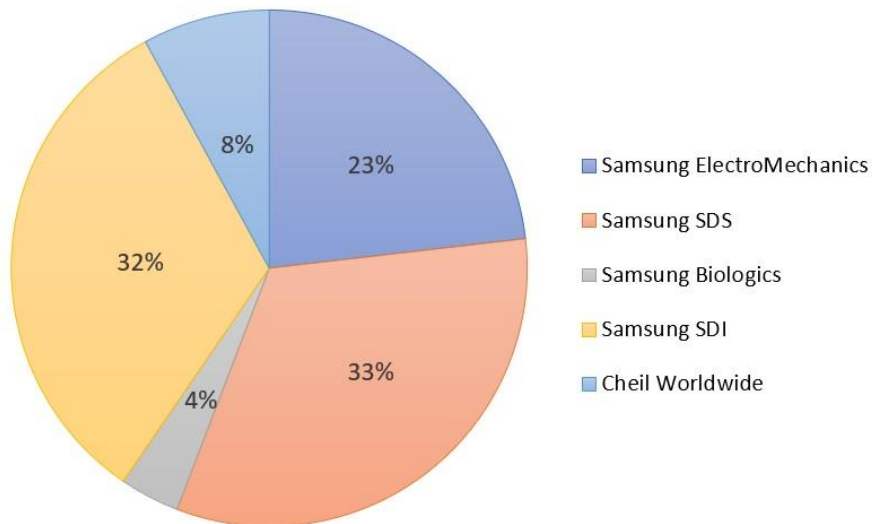
Year	Events
1969	Foundation of Samsung Electronics
1970	Establishment of Samsung NEC (manufacture of home appliances and audiovisual devices)
1974	Acquisition of Korea (Hankook) Semiconductor & launch of frost-free refrigerator and washer
1976	Production of the first color TVs
1977	Merges with Samsung Electro-Mechanics & joint venture with GTE Corp.
1980	Acquisition of Korea Telecommunications Corp.
1982	Production of first computers
1983	Development of the first 64Kb DRAM
1985	Development of first fax machines and portable car phones
1988	Development of the first mobile phone SH-100
1992	Achieves world's top DRAM market share
1993	Achieves world's top memory market share
1994	Development of world's first 256-mega DRAM
1995	Development of TFT-LCD displays
1999	Development of world's first 1GHz CPU in cooperation with Compaq Computer Corp.

Source: Samsung Newsroom Website (2012b) "History of Samsung (1~14)".

As presented in Table 2, within the first 30 years of the company's life, Samsung Electronics diversified into multiple sectors through acquisitions, merges, and joint ventures. Successfully competed with well-established national and international companies and became the world's leader for market share in DRAM (1992) and memory chips (1993). Still now- a-days, SEC competes across markets including tv, refrigerators,

smartphones, digital signage, memory chips (SSD, DRAM, and NAND flash), SIM card IC, and display driver IC. Figure 3 illustrates the proportion of revenue by Samsung Electronics major subsidiaries as of December 31, 2021.

Figure 3. Samsung Electronics' 2021 Business Proportion by Revenue



Source: Samsung Electronics “2021 Full Year Reviewed Financial Statements”.

As of December 2020, SEC counted a global network of 267,937 employees, more than 230 operating bases, 36 production sites, and 39 R&D centers (Samsung Electronics, 2021 Sustainability Report). And, as presented by the Best Global Brands list, produced by the consulting firm Interbrand, by the end of October 2021, Samsung Electronics was occupying the fifth position with a brand value of 74.6 billion dollars. In comparison with the previous year, Samsung brand value rose 20%. Noteworthy is the continuous growth in brand value from 2010 until 2021 with the exception of the year 2015 as shown in Figure 4.

Figure 4. Samsung Electronics' Growth in Brand Value

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Brand Value (USD)	19.5 B (11%↑)	23.4 B (20%↑)	32.9 B (40%↑)	39.6 B (20%↑)	45.5 B (15%↑)	45.3 B (-)	51.8 B (14%↑)	56.2 B (9%↑)	59.9 B (6.5%↑)	61.1 B (2%↑)	62.3 B (2%↑)	74.6 B (20%↑)
Brand Ranking	19	17	9	8	7	7	7	6	6	6	5	5

Source: Samsung Newsroom Website “Samsung Electronics Solidifies Its Brand Value With Top-Five Ranking in Interbrand’s Best Global Brands 2021”.

4.2 Previous Studies on Samsung Electronics

Existing case studies or research on Samsung Group are predominantly divided into three types: descriptive narratives on rise and achievements, business diversification, and competitiveness in comparison to other international firms. Also, there are several case studies that focus on one business segment, that is Samsung Electronics, or even to one product line such as Samsung smartphones. Hence, among Samsung Group member firms, SEC sparks the most interest and curiosity between researchers. Especially due to the worldwide success and recognized rivalry between Samsung Galaxy and Apple iPhone, a number of studies has been conducted on the competition between Samsung Electronics and Apple in the mobile industry.

Prior academic researches contributed to a better understanding of Samsung Electronics. Nevertheless, they lack an analytical model that can allow other firms to easily and concretely benchmark SEC knowledge and capabilities and, by doing so, reproducing Samsung Electronics’ resourceful business strategy. For this reason, the convergence factor serves as a valuable instrument to other firms. It can be used to systematically analyze and understand a business’s portfolio diversification strategy, how synergies are created, and “how” they impact the overall firm’s performance and competitiveness.

Former Samsung chairman Lee Kun-Hee stated that synergy created through business diversification is Samsung's main source of competitive advantage and highlighted its importance at a Samsung meeting in London on June 30, 1993:

“The core of corporate competitiveness in the twenty-first century lies in convergence. Convergence merges infrastructure, facilities, functions, technologies, and software to create organic synergies that maximize Samsung’s competitiveness and efficiency.”

(Song and Lee, 2014)

Through the correct application of the convergence element, new rooms for improvement can be created for both Samsung Electronics and other firms that wish to replicate the South Korean top firm's successful diversification strategy.

4.3 Convergence of Samsung Electronics

As previously illustrated, there is a rich academic literature on business diversification. However, there is also a lack of concrete and clear guidelines for understanding under which conditions mixed businesses create synergies. In this regard, Moon and Yim (2014) proposed the four conditions for synergy creation laid down in the methodology chapter III. Each condition will be applied to analyze a different aspect of Samsung Electronics' synergy-creation process.

4.3.1 Compatibility of Member Companies' Strengths

“The strengths of the mixed businesses should be compatible with each other”.

Compatibility between different firms plays a key role to the extent that it could be defined as the pillar of a fruitfully diversified portfolio, and the basis to the remaining

three conditions of Moon and Yim (2014). From a tangible perspective, compatibility can be found between a mobile and its components.

In 2010, the Company was still a minor player in the international smartphone market. However, by the end of 2011, SEC global smartphone sales reached a record high of \$97.4 million units that translated into 19.9% market share (Samsung Electronics, 2011 Annual Report).

As SEC sales reported an outstanding growth, also the demand for Samsung components, such as organic light-emitted diode (OLED) screens, and processing chips increased (Song, 2011). Since 1993, Samsung Electronics has been a leader in the memory chip business as well as one of the top producers of OLED screens. By combining their strengths, these two business segments showed their high degree of compatibility which contributed to the early success of SEC Galaxy line. On this note, Kim Young-chan, at Shinhan Investment & Securities, extended this perspective to SEC's entire business anatomy stating that "Samsung now has a business structure through which it can generate most stable profits, thanks to the strong synergy between its components and sets" (Song, 2011).

Business merger can also be reinterpreted as another form of compatibility stemming from mixing different strengths.

The 2012 merger of liquid crystal displays (LCDs) business with Samsung Mobile Display is one such a case. From this business procedure, the OLED unit, which is specialized in the production of mobile screens, could gain benefits from the realization of cost savings as well as strengthen its global competitive edge with the support of LCD operations' manufacturing base (Rusli, 2012). Hence, through the merger, both firms would be able to share their resources, such as know-how and state of art technology.

Also, they would be able to cut potential costs occurring if any transaction was to take place between the two entities, therefore benefitting from cost savings.

One example of such cooperation is a 2013 Samsung's patent filings for which smartphone screens could adopt a slightly inward curved design that was already characterizing Samsung's television models. Although perceived as a marketing strategy, the creation of a curved screen for smartphones was a first attempt toward the development of flexible mobile screens (Lee, 2013).

The semiconductor and the memory chip divisions have been Samsung Electronics' cash cows long before the release of SEC first android-based mobile. In the new era of smartphones, both memory chips and semiconductors became essential components of the electronic device. SEC clearly understood the importance of the two business segments for the other member firms (i.e., smartphones development) and for third parties. Thus, as of 2013, Samsung held approximately 100,000 patents protecting inventions mostly related to the two companies (The Chosun Ilbo, 2013). Since 2015, mass production focus shifted from DRAM chips for PCs to DRAM chips for smartphones. And during the second quarter of the next year, the Company recorded an outstanding 61.5% sales in the global DRAM market for smartphones (The Chosun Ilbo, 2016).

If we observe a Samsung's smartphone with each component representing its own company of origin, Galaxy smartphones are the highest peak, if not the apotheosis, of different companies' compatible strengths. Samsung dominates in all those sectors critical for high-hand smartphones such as OLED display panels, 3D NAND memory chips, and solid-state drives (Song, 2016). Additionally, SEC's smartphones facilitate the transfer of multimedia contents (i.e.; music, images and videos) over to Samsung up-to-date televisions.

In order to sustain its leading position in these sectors, in 2017 Samsung approved a \$2.3 billion investment (part of a \$7 billion three years investment plan) to enhance NAND memory-chip facilities located in China (Jeong, 2017). And in 2019, with the aim of further diversifying the semiconductor division and strengthening logic-chip operations and foundry, SEC officially planned a long-term investment (Martin, 2019).

Yet, business compatibility, in relation to the mobile sector, is not limited to components, but it extends also to useful services. For every day transactions, the Samsung smartphone service “Samsung Pay” allows the mobile owner to comfortably pay with the phone replacing credit cards (Fowler, 2016). Other popular services powered by Samsung and pre-installed in its smartphones are listed in Table 3 including Samsung Pay.

Table 3. Samsung Smartphone’s Most Popular Services

Service	Release date	Function
Samsung Health	July 2, 2012	General wellness tracking app.
Galaxy Wearable	November 18, 2013	Allows to manage and connect wearable devices to the smartphone.
Samsung Pay	August 20, 2015	Contactless payment method substituting payment cards.
SmartThings	September 10, 2015	Allows to control and monitor Samsung electronics devices at home or office from the smartphone.
Samsung Rewards	November 14, 2016	By using Samsung services, points can be earned and utilized for the purchase of various items.
Bixby	April 21, 2017	Manage smart devices with just a voice command.
Mobile Security Rewards Program	September 7, 2017	Program inviting users to judge the integrity of Samsung’s mobile devices

		and software to identify potential weaknesses.
--	--	--

Source: Samsung US Website “Design your Galaxy”.

4.3.2 Complementarity of Member Companies’ Strengths and Weaknesses

“Their strengths and weaknesses should be complementary to maximize the benefits of exploiting strengths and minimize the disadvantages from weaknesses”.

The smartphone Galaxy S, launched in June 10, 2010, became an international hit through which SEC boosted its market leadership. Samsung Electronic 2010 Annual Report registered global sales of 280 million mobile phones, up 23% in comparison with 2009, and a double-digit increase in operating profits. Yet, Samsung’s chairman Lee Kun-hee warned that the company survival depended on successful diversification into new fields such as medical equipment, pharmaceuticals and energy-efficient (green) lighting (Oliver, 2011).

At first glance, the mobile phone sector seems to be totally unrelated to the above new fields of interest. Therefore, the question “what kind of synergies could ever be created?” comes naturally. However, Samsung makes mixed diversification look like a virtue, producing unexpected synergies that reinforce firm’s strengths while reducing their weaknesses.

One such example is the vastly debated merger of Cheil Industries (holding company of Samsung Group) and Samsung C&T Corporation (construction company). The fusion of the two affiliates, under the name Samsung C&T Corp., was proposed by Samsung in May 2015. At that time, the price of Cheil’s share was approximately at its peak since December of the previous year. In contrast, C&T’s price was almost a five-year low (The Economist, 2015).

Samsung claimed that the merger was projected to “create synergy by combining their construction businesses as Samsung C&T’s global network will help develop new opportunities overseas for Cheil’s fashion, resort and catering businesses”. Cheil Industries added that the merger would pre-emptively secure core competencies supporting the company international expansion and its journey to deliver “integrated premium lifestyle services” (KH Digital2, 2015).

From an outside perspective, The stockbroker CLSA asserted that the merger would provide to Cheil C&T’s core operations without engaging in any form of economic transaction, after deducting the value of its stakes in other business segments (The Economist, 2015). The Vice President Heo Nam-kwon, of Shinyoung Asset Management, favorably viewed the merger as it would increase corporate value in the long run. He further explained that, once merged, Samsung C&T Corp. would be “a total services provider, covering fashion and food to housing and leisure” (Kim, 2015).

The two firms initially were competing in different industries and yet, they presented strengths, that could be exploited, as well as disadvantages that could be minimized through their complementarity. As a result, Cheil Industries and Samsung C&T Corp. common ground for synergy creation came out to be the possibility of delivering integrated high-quality services ranging from food & beverages to fashion, leisure, and housing.

Table 4. Samsung C&T Corp. Annual Revenue and Operating Profits (KRW billion)

	2016	2017	2018	2019
Revenue	28,102.7	29,279.0	31,155.6	30,762.0
Operating Profit	139.6	881.3	1,104.1	867.2
Net Profit (controlling)	107.4	639.8	1,712.8	1,050.1

Sources: Mirae Asset Reports (2018; 2019; 2020).

Evidence of the two firms' strengths and weaknesses complementary is reflected positively also in the annual earnings after the merger. Table 4 reports revenue, operating profit, and net profit of the new company's first four years. Between the years 2016 and 2018, Samsung C&T Corp. saw its operating profit rising considerably. In the interval 2016/2017, the operating profit increased sharply 531.3%, the revenue rose slightly 4.2%, and net profit increased 495.7%. While in the period 2017/2018, the operating profit rose 25.3%, the revenue rose 6.4%, and net profit increased 167.7% .

When a Samsung Electronics division reports a significant increase in earnings, it does not necessarily translate into similar growth performance in other member companies. In fact, there have been multiple cases in which a firm's strong performance helped offsetting weak results in other divisions.

In the second half of 2011 with the launch of Galaxy S II (in April) and Galaxy Note (in October), the IT & Mobile Communications (IM) division achieved record-setting sales of mobile devices that contributed to a 22% increase in 2012 first quarter revenue (Noble, 2012). Yet, the Semiconductor business was suffering from revenue loss, affecting negatively SEC total revenue. Comparing the IM segment's first quarter revenue in 2011 against 2012, revenue rose 134.6% to 48,615,561 million won in 2012 from 20,722,301 million won in 2011. The Semiconductor's revenue, instead, decreased 10.2% to 15,720,969 million won in 2012 from 17,514,447 million won in 2011 (Samsung Electronics' Consolidated Statements of Financial Position, 2011-2012) .

As highlighted by the above data, a 10.2% revenue loss is significant especially in the context of a firm with the size of the Semiconductor segment of Samsung Electronics. Since the '90s, SEC has been the global leading company in semiconductor mass production, particularly memory chips. However, the bright side, that could offset

the loss, was the impressive 134.6% sharp increase in the IT & Mobile Communications division. The IM's strong performance helped minimize the disadvantages from the Semiconductor business and, as reported by SEC 2012 Annual Report, operating profits rose 85.7% and net income rose 73.3%.

4.3.3 A Solid Network System Supporting Various Activities' Operations

“There should be an efficient and expanded network system to support the operation of mixed activities.”

Each activity, part of Samsung Electronics, compete in its own market independently from the other group members. Yet, their value can be maximized through a network system connecting each one of them. Through it, every firm involved can take full advantage of the synergies created. Furthermore, if synergies are created constantly, hence do not shrink to zero, the network system is self-reinforcing thus, sustainable.

SEC understood the critical importance of creating its own “ecosystem” and, through the years, engaged into several strategic acquisitions and development of services with the aim of strengthening its network as well as tie users into it.

In August 2014, Samsung acquired SmartThings, a start-up which developed a cutting-edge open platform for the smart home and the consumer Internet of Things (IoT) (Samsung Newsroom Website, 2014). In detail, the platform develops accessories that connect home and office appliances to the internet and can be managed with a smartphone application. It connects 5,000 devices such as vacuum cleaner, security cameras, sensors, and fridges and, as of November 2019, there were 45million active users (White, 2019). SEC was already operating in the industry developing smart home accessories therefore,

the acquisition was meant to reinforce and speed the already existing process (Chen, 2014).

Later, in February 2015, Samsung announced the acquisition of LoopPay, a smartphone magnetic and contactless payment method widely accepted. In this regard, the president and head of IT and Mobile Division, JK Shin, asserted that the acquisition reflects the company's "vision to drive and lead innovation in the world of mobile commerce" (Samsung Newsroom U.S. Website, 2015). Six months later, SEC was ready to launch the mobile payment service Samsung Pay which is based on LoopPay technology. Samsung diversification of services was meaningful because it supported the differentiation of its devices against those of competitors. Consequently, it contributed to the integrated ecosystem lock-in (Song, 2015).

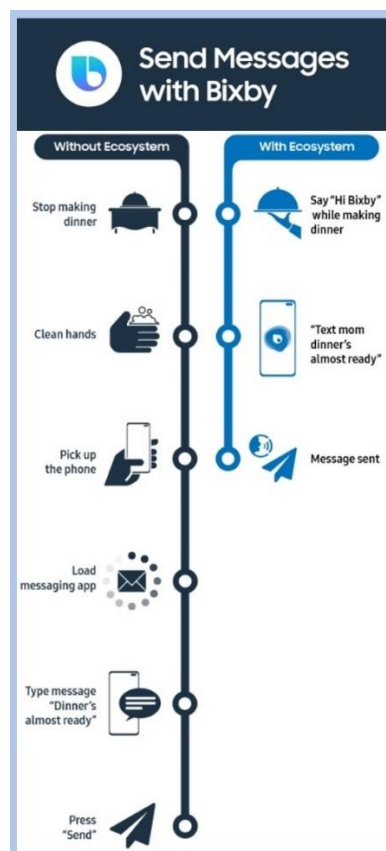
The acquisition of Joyent, announced in June 2016, was another significant step toward enriching the ecosystem. Joyent was a public and private cloud provider which, through acquisition, allowed SEC to access its own cloud platform. The platform purpose is supporting Samsung's Internet of Things, the expanding lineup of smartphones, as well as cloud-based software and services (Samsung Newsroom Website, 2016).

As iPhones have their own artificial intelligent assistant, namely Siri, Galaxy smartphones too own one, Bixby, developed by the acquired start-up Viv. The platform, acquired in late 2016, is an artificial intelligence start-up, whose founders developed Apple's Siri (Waters, 2016).

As can be seen from the above acquisitions and development of services, Samsung Electronics' ultimate vision is to deliver an AI-based ecosystem connecting seamlessly its software and services (Waters, 2016; Cheng & Lee, 2016) that can lock-in users. Each activity operates in its specific sector independently but, at the same time, their activities

synergistically converge in supporting and strengthening the entire ecosystem which, in the end, powerfully enhances the experience of owning a Galaxy smartphone. Figure 5 highlights one example of SEC’s intuitive ecosystem, in comparison with the absence of an ecosystem, under the slogan “how to do more by doing less with Samsung’s ecosystem” (Samsung Newsroom Website, 2019).

Figure 5. Hands-Free Texting with Samsung’s Ecosystem



Source: Samsung Newsroom Website (2019).

4.3.4 Partnership’s Superior Commercial Value Against Standalone Competitors

“The partnership should deliver higher commercial value to the market than the separate stand-alone products.”

Behind every business partnership, merge and acquisition there is the intrinsic idea that the product or service, that will be delivered through cooperation, will bring an additional and extra competitive edge into the market, against stand-alone products or services. In this context, it is import to specify that “partnership” does not refers exclusively to two independent business entities working together to increase their competitiveness. Partnership can be found also in a merger as a mean to further improve business synergy between the involved firms.

On April 2, 2012 Samsung Display was officially launched as a result of the merger between Samsung Mobile Display and LCD Business. The cooperation between the two display firms contributed to the successful release of the smartphone Galaxy S III on May 29, 2012. The new smartphone, enhanced with a 4.8-inch HD Super AMOLED display, presents an exceptional viewing experience with a large display size, color clarity, and greater resolution. It also adapts to different lighting environments to provide comfort for the eyes (Samsung Newsroom Website, 2012a; Samsung Galaxy Website).

In the same year, Apple launched the iPhone 5 presenting an IPS LCD display. In comparison with the Galaxy S III HD Super AMOLED display, iPhone 5 IPS LCD is smaller and with a lower resolution of 640 x 1136 pixels against the Galaxy 720 x 1280 pixels (Gsmarena Website). Furthermore, in IPS LCD screens, uneven light distribution can occur since light is generated from the film and mirrors in the back of the display. On the contrary, in AMOLED screens there is no backlight since each individua pixel constitutes its own light source making the overall screen thinner and lighter with the most vivid colors (Gophermods Website).

As such, the partnership behind Galaxy SIII superior display positively affected the smartphone performance against rival products. The Financial Times on January 14, 2013 reported that Apple was being strongly challenged by Samsung’s Galaxy S III which,

by that time, registered 40 million unit sold globally since the launch, with an average of 190,000 units a day (Bradshaw & Massoudi, 2013). The success of the new Galaxy was reflected also in the operating profits from the handset segment which, on a year base, accounted for more than 50% of the group's operating profit. In addition, in 2012 final quarter, sales increase 58% thanks to the demand for both Galaxy S III and Galaxy Note II, launched in October (Waters & Mundy, 2013).

Galaxy S III is only one of the most popular smartphones by Samsung. Yet, it tells the same story that, still now-a-days, characterizes and set Galaxy smartphones apart from competitors' devices. It is commonly known that SEC's smartphone number one rival is Apple's iPhone. While Apple outsource iPhone components from third parties, Samsung Electronics produces the majority of its Galaxy components as can be seen from the various business segments. Such strategic choice allows to reduce transaction costs, simplify the process of sharing technology and knowledge as well as facilitating any form of partnership. Hence, if Samsung smartphones are understood as the finest union of each member company's best product rather than the technological creation of the Mobile Communication Business segment, then SEC smartphones are, indeed, the final product of mixed firms' partnership. As a result, the fruitful partnerships behind mobile phones allowed Samsung to evolve from fast-follower to leader in the global smartphone market.

V. Results

The majority of existing academic articles on Samsung Electronics tried to analyze different aspects of the business group including comparisons with major rivals such as Apple. Yet, the commonality at the base of previous researches on SEC is the factors-endowment approach. As the gap in resources and technologies is decreasing overtime, the “what” approach cannot fully capture the whole picture of Samsung. Therefore, the “how” approach, focused on the ways and processes through which resources are utilized, is more important. As the world’s leader smartphone company, Samsung Electronics possesses the necessary resources and technologies to sustain a world-scale production. However, the same can be asserted for other leading companies in the mobile sector such as Apple, Huawei, Xiaomi etc. Hence, “what” factors cannot properly justify the superior performance of Samsung Electronics against competitors.

Nevertheless, the processes through which resources and knowledge are utilized are not the same among business groups. And it is exactly this key concept that makes a 360 degrees difference. Thus, the superior performance of SEC is strongly connected to the ways and processes through which the business group takes advantage of resources and know-how. Based on these processes, different firms report different business performances.

In this regard, the converge factor is the most simple and systematic method, together with the four conditions of synergy creation, to analyze the ways and processes through which SEC diversification affects firm’s performance.

Table 5. Evaluation of Samsung Electronics' Diversification in Relation to the Smartphone Business.

Convergence			
Mixing	Related business sectors such as Visual Display Business and Digital Appliances Business. And unrelated business sectors such as Foundry Business and Health & Medical Equipment Business.		
Synergy-creation	1. Compatibility of member companies' strengths	Compatible components and services produced by each segment.	<ul style="list-style-type: none"> • Smartphone's OLED screen and memory chip; • inward curved design in both smartphones and televisions' screens; • Samsung Health service and Galaxy Wearable service.
	2. Complementarity of member companies' strengths and weaknesses	Fusion of different strengths by restructuring businesses and offsetting revenue loss through other firms' revenue gain.	<ul style="list-style-type: none"> • merger of Cheil Industries and Samsung C&T Corporation in 2015; • IM Division offsetting losses in Semiconductor division in 2011.
	3. A solid network system supporting various activities' operations	Lock-in AI ecosystem connecting home/office software and services and managed through a Samsung smartphone.	<ul style="list-style-type: none"> • SmartThings platform connecting devices such as vacuum cleaner, security cameras, TVs, sensors, fridges and smartphones; • Joyent supporting Samsung's Internet of Things; • LoopPay supporting Samsung Pay.
	4. Partnership's superior commercial value against stand-alone competitors	Merging not the highest technology, but businesses that can deliver superior commercial values or profits.	<ul style="list-style-type: none"> • Merger of Samsung Mobile Display and LCD Business contributing to the superior performance of Galaxy S III against iPhone 5.

Table 5 methodically summarizes how Samsung Electronics' diversification strategy can be understood through convergence.

SEC still operates in business sectors related and unrelated. However, as can be seen from the multiple examples of merge and acquisition, Samsung continues restructuring its business structure reflecting a propensity toward related diversification

and seemingly unrelated diversification. Regarding the synergy-creation aspect, the group did not exactly meet each condition perfectly. Each synergy-creation condition and the related result are explained below.

“The strengths of the mixed businesses should be compatible with each other”.

Samsung business segments showed that their products and services singularly are highly competitive in the global market, but they are also remarkably compatible when incorporated in devices such as smartphones. Sharing their resources, such as know-how and state of art technology is also an indicator of compatibility. From it, they can cut potential costs occurring if any transaction was to take place between the business segments. Therefore, they can gain benefits from cost savings. Thanks to the degree of compatibility of their strengths, for years SEC has been able to report record sales of smartphone units meeting fully the first condition for synergy-creation.

“Their strengths and weaknesses should be complementary to maximize the benefits of exploiting strengths and minimize the disadvantages from weaknesses”.

Every single business, part of the group, is independent from member companies. Therefore, there is not such a relationship between firms where the strengths of one counterbalance the weaknesses of the other. Instead, Samsung Electronics predominantly utilizes cross-investment in dealing with the issue. Hence, rather than directly exploiting strengths to minimize weaknesses, whenever a member firm’s losses are significant, profits from another member company enter into action to compensate for the loss and vice versa (Moon, 2016). Merger as well has been used in a situation in which one of the two firms presented consistent disadvantages. However, the data suggests that the main purpose behind the merger was indeed not to aid one of the two entities, but rather to

exploit both firms' strengths combined, and potential synergies. For the above reasons, Samsung Electronics did not meet properly the second condition for synergy-creation.

“There should be an efficient and expanded network system to support the operation of mixed activities”.

SEC's developed an entire ecosystem converging the operations of different businesses and further strengthened it through the acquisition of several start-ups in the AI field. This AI ecosystem allows users to connect thousands of devices such as vacuum cleaner, security cameras, sensors, and fridges therefore, it is useful in environments such as home or even office (White, 2019). Furthermore, it can be easily managed through a Galaxy smartphone locking-in the user. As each business activity supports and is supported by the ecosystem, the expanded network is self-efficient. Consequently, Samsung Electronics properly met the third condition for synergy-creation.

“The partnership should deliver higher commercial value to the market than the separate standalone products”.

Samsung electronics do not present any official partnership between its business segments. Nevertheless, the final products tell a different story. This is particularly evident in the smartphone business. Interpreting any Galaxy device as the sum of its components, the partnership between business segments is constant through the years. Additionally, partnership can be seen also after the merger since the newly developed product is the result of pre-existing technologies and know-how reconfigured as in the case of Samsung Mobile Display and LCD Business merger. Hence, Samsung proved to be successful in delivering highly competitive products such as the Galaxy S III's

AMOLED screen against the number one rival iPhone 5's IPS LCD display. For the above reason, Samsung Electronics properly met the fourth condition for synergy-creation.

All in all, the above results indicate that Samsung Electronics business diversification contributed to its success in the smartphone industry. And to the question "how" it was possible, the answer is by creating a mixed business portfolio through a combination of both related and seemingly unrelated diversification strategies. At the base of such strategic choice, there is the expectation of reaping synergistic benefits that can extend to the entire group. In this regard, Samsung Electronics demonstrated that its synergistic benefits principally come from: the compatibility of member companies' strengths, the solid network system supporting various activities' operations, and partnership's superior commercial value against standalone products.

VI. Conclusion

The purpose of this study is to understand if Samsung Electronics diversification strategy contributed to the company success in the smartphone industry and “how” it was possible by applying the convergence factor of Moon’s ABCD model.

Existing research in the field often emphasizes related diversification which provides exclusive focus on the inherited advantage (e.g.; cheaper labor, capital, and superior technology). Consequently, it can explain the diversification phenomenon only in advanced countries, rich in proprietary resources, excluding developing ones. On the other side, the literature supporting unrelated diversification pays attention exclusively to firms from developing countries. In the absence of cheaper labor, capital, and superior technology, business groups from emerging markets have to acquire the lacking resources and the faster and cheaper way to do so, is by build new business ventures across multiple industries often unrelated.

The explanatory power of these two perspectives on diversification is limited and inconclusive. Consequently, they can’t provide concrete guidelines for firms that wish to replicate successful diversification strategies.

As a matter of fact, firm performance can benefit from both related and unrelated diversification strategies. What is critical is how diversification is carried out. Hence, what matters is not the relevance of various sectors for diversification but how synergies can be created among different sectors. This idea is consistent with Moon’s argument at the center of the ABCD model for which not only “what” factors but also “how” factors are significant elements in explaining diversification strategies.

The ABCD model converge factor shifts the attention from resources and technologies to the ways and processes they are utilized by the firm. Hence, it focuses on “how” the same degree of resources can be most efficiently exploited. The two subfactors

of convergence are mixing and synergy-creation, and they are a source of competitiveness. The mixing strategy refers to a business portfolio characterized by related and unrelated diversification. Synergy creation, instead, refers to the extra value that can be created by utilizing different components. Also, the benefits deriving from synergy-creation can counterbalance the cost of unrelated diversification. The four conditions for synergy creation further simplify the analysis offering systematic and concrete guidelines to understand and replicate a firm's diversification strategy.

Former Chairman Lee Kun-Hee asserted that the synergies created by Samsung Electronics through its diversified business segments are the group's main source of competitive advantage (Song and Lee, 2014). This statement is dated back to a Samsung meeting held in 1993 and yet, 29 years later, convergence is still extremely relevant if not critical.

For the purpose of maximizing competitiveness and efficiency, Samsung Electronics business segments are highly compatible as shown by the sharing and reutilization of resources and know-how to reduce costs and improve products and services. By constantly restructuring affiliate firms and engaging in cross-investment, member companies strengths and weaknesses are complementary. Furthermore, each activity supports and is supported by a solid ecosystem that connects and reinforces the various activities as demonstrated by the AI ecosystem linking software and services. Finally, their unofficial partnerships meaningfully contribute to the development of devices and services with a market value superior to the one of stand-alone competitors.

Three major implications have been drawn from Samsung Electronics experience in the smartphone industry between 2010 and 2019. First, since diversification becomes counterproductive when synergies shrink to zero, Samsung Electronics will need to constantly improve its business convergence to sustain its leadership in the smartphone

industry. For decades, SEC has been an international record-setting business group. It constantly restructured and efficiently harmonized its corporate structure to meet new challenges coming from the fast-changing environment. Going forward, Samsung will need to pursue the continuous improvement of convergence between its business segments. Unexpected critical events and the rise of new competitors may occur at any time affecting the dynamics between major players. Therefore, Samsung Electronics cannot let the guard down at any point in time. Instead, it needs to continually enhance the four conditions for synergy-creation and improve the mixed business portfolio in order to further maximize its competitiveness. The results showed that SEC smartphone success is strongly associated to the continuous interaction of various business segments. Therefore, the creation of synergies is critical for the development of highly competitive smartphones. This implication can be generalized to the other member firms and the competitiveness of their products and services. Furthermore, it can be extended to every business group that wishes to maintain or improve its competitiveness regardless of the industry in which it operates.

Second, out of the four conditions for synergy-creation, Samsung Electronics did not properly meet the second condition. Thus, the results suggest that Samsung should particularly pay attention to the complementarity of strengths and weaknesses, of various segments, in a way that cross-investment is not the only option for coping with a firm's disadvantages derived from its weaknesses. The reason behind it is that there is no absolute certainty that there will always be member firms with outstanding revenues to sufficiently support other segments in critical conditions. Also, cross-investment does not imply that there is necessarily some form of complementarity between the strengths and weaknesses of the firms involved. For this reason, SEC should first identify strengths and weaknesses in its business structure and then, understand how they can complement each

other most efficiently. Metaphorically, the process is comparable to finding the correct place of each piece of the puzzle representing the business group. Such process in the end would additionally improve the smartphone business performance as well as other segments' activities.

Third, now-a-days, business groups possess an edge over stand-alone competitors thus, this trend is expected to become even more accentuated in the future. In this context, the ability of efficiently converge a diversified business portfolio overtime will be indispensable for a business group to successfully survive and thrive.

The first contribution of this study regards business convergence. Moon's convergence factor provides a better methodology to comprehend recent times business diversification effects on firm performance by focusing on the ways diversification is carried out to create synergies. The frame also allows to concretely replicate successful diversification strategies through easy-to-follow guidelines. The second contribution is constituted by the four conditions for synergy-creation. Each one of them support and reinforce the ABCD model convergence factor by providing the tools to detailly break down and analyze the processes through which synergies rise.

The current pandemic of covid 19 presents itself as both a disruptive challenge and unique opportunity for business groups to improve, reinvent, learn and rethink strategies and structure for future growth. In this context, for further studies, it would be interesting to examine Samsung Electronics' response on the front of business diversification and the creation of synergies through the convergence factor and the four conditions for synergy-creation. It would be also interesting to analyze how the smartphone industry has been affected and what impact it had on firms competing in the market. Finally, the method of analysis could be extended to the entire ABCD model providing a comprehensive understanding of a Samsung Electronics' competitiveness in

the smartphone industry through its agility, benchmarking, convergence, and dedication processes. From the theoretical perspective, the how approach, applied through the convergence factor, proved to be the best method to comprehensively analyze business groups in an era in which there is a similar level of resources among firms.

References

- Amsden, A., & Hikino, T. (1994). Project Execution Capability, Organizational Know-how and Conglomerate Corporate Growth in Late Industrialization. *Industrial and Corporate Change*, 3(1), 111-147.
- Bae, S., Kwon, T., & Lee, J. (2008). Corporate Diversification, Relatedness, and Firm Value: Evidence from Korean Firms. *Asia-Pacific Journal of Financial Studies*, 37(6), 1025-1064.
- Bae, S., Kwon, T., & Lee, J. (2011). Does corporate diversification by business groups create value? Evidence from Korean chaebols. *Pacific-Basin Finance Journal*, 19(5), 535-553.
- Berger, P., & Ofek, E. (1995). Diversification's effect on firm value. *Journal of Financial Economics*, 37(1), 39-65.
- Bradshaw, T. & Massoudi, A. (2013). Demand fears bruise Apple's share price. *Financial Times*. Accessed March 29, 2022. <https://www.ft.com/content/9a84f138-5e6f-11e2-b3cb-00144feab49a>
- Chandler, A., (1990). *Scale and Scope The Dynamics of Industrial Capitalism*. Harvard University Press.
- Chang, S.J., & Hong, J. (2000). Economic performance of group-affiliated companies in Korea: Intragroup resource sharing and internal business transactions. *Academy of Management Journal* 43(3): 429–448.
- Chen, B. X. (2014) Samsung Acquires SmartThings, in Embrace of the Smart Home. *The New York Times*. Accessed April 10, 2022.

<https://bits.blogs.nytimes.com/2014/08/14/samsung-acquires-smartthings-in-embrace-of-the-smart-home/?searchResultPosition=32>

Cheng, J., & Lee, M. J. (2016) Samsung Sees Mild Recovery for Fourth Quarter but Warns of Tough 2016. *The Wall Street Journal*. Accessed March 31, 2022. https://www.wsj.com/articles/samsung-electronics-sees-mild-recovery-for-fourth-quarter-but-warns-of-tough-2016-1452213840?mod=rss_Technology

Fowler, G. A. (2016). Galaxy S7 First Look: Samsung's Greatest Hits In One Phone. *The Wall Street Journal*. Accessed March 31, 2022. <https://www.wsj.com/articles/BL-DGB-44966>

Gophermods Website. AMOLED vs LCD – A Tale of Two Screens. Accessed April 17, 2022. <https://www.gophermods.com/amoled-vs-lcd-tale-two-screens/#amoled>

Gsmarena Website. Compare Apple iPhone 5 vs. Samsung I9300 Galaxy S III. Accessed April 17, 2022. <https://www.gsmarena.com/compare.php3?idPhone1=4910&idPhone2=4238>

Guillen, M. (2000). Business Groups in Emerging Economies: A Resource-Based View. *Academy of Management Journal*, 43(3), 362-380.

Guillen, M. (2001). *The limit of convergence*. Princeton, New Jersey: Princeton University Press.

He, X. (2012). Two Sides of a Coin: Endogenous and Exogenous Effects of Corporate Diversification on Firm Value. *International Review of Finance*, 12(4), 375-397.

Interbrand. Accessed March 16, 2022. <https://interbrand.com/best-global-brands/samsung/>

- Jeong, E. Y. (2017). Samsung's Message to Employees: Keep Calm and Carry On. *The Wall Street Journal*. Accessed March 31, 2022. <https://www.wsj.com/articles/samsungs-message-to-employees-keep-calm-and-carry-on-1503922492>
- KH Digital2 (2015). Cheil Industries announces merger with Samsung. *Korean Herald*. Accessed April 20, 2022. <http://www.koreaherald.com/view.php?ud=20150526000179#>
- Khanna, T., & Palepu, K. (1997). Why focused strategies may be wrong for emerging markets. *Harvard Business Review*, 75(4), 41-50.
- Khanna, T., & Palepu, K. (2000b). The Future of Business Groups in Emerging Markets: Long-Run Evidence from Chile. *Academy of Management Journal*, 43(3), 268-285.
- Kwak, M. (2002). Maximizing value through diversification. *MIT Sloan Management Review*, 43(2), 10.
- Kim J. W. (2015). Korean investors siding with Samsung over Elliott. *The Korea Times*. Accessed April 20, 2022. https://www.koreatimes.co.kr/www/biz/2021/07/602_180856.html?KK
- Lee, M. J. (2013). Samsung to Launch Smartphone With Curved Screen. *The Wall Street Journal*. Accessed March 31, 2022. <https://www.wsj.com/articles/BL-DGB-29566>
- Leff, N. (1978). Industrial organization and entrepreneurship in developing countries: The economic group. *Economic Development and Cultural Change* 26(4), 661-675.
- Lewellen, W. (1971). A Pure Financial Rationale for the Conglomerate Merger. *The Journal of Finance* (New York), 26(2), 521-537.

- Mahmood, I.P., & Mitchell, W. (2004). Two faces: Effects of business groups on innovation in emerging economies. *Management Science* 50(10): 1348–1365.
- Markides, C., & Williamson, P. (1994). Related diversification, core competencies and corporate performance. *Strategic Management Journal*, 15(S2), 149-165.
- Markides, C., & Williamson, P. (1996). Corporate Diversification and Organizational Structure: A Resource-Based View. *Academy of Management Journal*, 39(2), 340-367.
- Martin, T. W. (2019). Samsung Plans Long-Term Investment to Diversify Chip Strategy. *The Wall Street Journal*. Accessed March 31, 2022. https://www.wsj.com/articles/samsung-plans-long-term-investment-to-diversify-chip-strategy-11556113382?mod=Searchresults_pos1&page=1
- Mirae Asset (2018). *Samsung C&T*. Accessed April 20, 2022. <https://securities.miraeasset.com/bbs/download/2055117.pdf?attachmentId=2055117>
- Mirae Asset (2019). *Samsung C&T*. Accessed April 20, 2022. <https://securities.miraeasset.com/bbs/download/2066622.pdf?attachmentId=2066622>
- Mirae Asset (2020). *Samsung C&T*. Accessed April 20, 2022. <https://securities.miraeasset.com/bbs/download/2074119.pdf?attachmentId=2074119>
- Moon, H. C. (2013). *The K-Strategy*, Seoul: Miraebook, in Moon, H. C. & Yim, S. (2014). Re-interpreting Ownership Advantages and Re-categorizing Investment Motivations of Multinational Corporations: From the Perspective of Imbalance Theory. *Journal of International and Area Studies*, 21(1), 87-99.

- Moon, H. C. (2016). *The Strategy for Korea's Economic Success*. New York: Oxford University Press.
- Moon, H. C. (2018). *The Art of Strategy: Sun Tzu, Michael Porter, and Beyond*. Cambridge: Cambridge University Press.
- Moon, H. C., Lee, Y. W., & Yin, W. (2015). A new approach to analyzing the growth strategy of business groups in developing countries: The case study of India's Tata Group. *International Journal of Global Business and Competitiveness*, 10(1): 1-15.
- Moon, H. C., & Yim, S. (2014). Re-interpreting Ownership Advantages and Re-categorizing Investment Motivations of Multinational Corporations: From the Perspective of Imbalance Theory. *Journal of International and Area Studies*, 21(1), 87-99.
- Montgomery, C., & Hariharan, S. (1991). Diversified expansion by large established firms. *Journal of Economic Behavior & Organization*, 15(1), 71-89.
- Noble, J. (2012). Samsung: King of the Hill. *Financial Times*. Accessed April 21, 2022. <https://www.ft.com/content/27cb9550-a5f8-31e8-b2ed-d5c77dcf07e1>
- Oliver, C. (2011). Samsung Raises Bets in Game of Catch-Up. *Financial Times*. Accessed March 29, 2022. <https://www.ft.com/content/602be82e-49b4-11e0-acf0-00144feab49a>
- Penrose, E. (1959). *The Theory of the Growth of the Firm*. New York: Oxford University Press.
- Penrose, E., & Pitelis C. (2009). *The Theory of the Growth of the Firm*. 4th edition. New York: Oxford University Press.

- Peteraf, M. (1993). The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal*, 14(3), 179-191.
- Porter, M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
- Porter, M. E. (1987). From competitive advantage to corporate strategy. *Harvard Business Review*, 65(3), 43.
- Ramaswamy, K., Purkayastha, S., & Pettit, B. (2017). How do institutional transitions impact the efficacy of related and unrelated diversification strategies used by business groups? *Journal of Business Research*, 72, 1-13.
- Rusli, E. M. (2012). Samsung Electronics Weighs Options for LCD Unit. *The New York Times*. Accessed April 1, 2022.
<https://dealbook.nytimes.com/2012/02/15/samsung-electronics-weighs-options-for-lcd-unit/>
- Samsung Electronics (2011). *Consolidated Statements of Financial Position, First Quarter*. Accessed April 21, 2022.
https://images.samsung.com/is/content/samsung/assets/global/ir/docs/2011_con_quarter01_all.pdf
- Samsung Electronics (2012). *Consolidated Statements of Financial Position, First Quarter*. Accessed April 21, 2022.
https://images.samsung.com/is/content/samsung/assets/global/ir/docs/2012_con_quarter01_all.pdf
- Samsung Electronics. *Samsung Electronics Annual Report 2010*. Accessed October 26, 2021.
<https://images.samsung.com/is/content/samsung/assets/global/ir/docs/SECAR201>

0_Eng_Final.pdf

Samsung Electronics. *Samsung Electronics Annual Report 2011*. Accessed October 26, 2021.

<https://images.samsung.com/is/content/samsung/p5/tw/aboutsamsung/2017/about-us-sustainability-report-and-policy-annual-report-2011-en.pdf>

Samsung Electronics. *Samsung Electronics Annual Report 2012*. Accessed October 26, 2021.

https://images.samsung.com/is/content/samsung/assets/global/ir/docs/SECAR2012_Eng_Final.pdf

Samsung Electronics (2022). *2021 Consolidated Financial Statements of Samsung Electronics Co., Ltd. and its Subsidiaries*. Accessed March 6, 2022.

https://images.samsung.com/is/content/samsung/assets/global/ir/docs/2021_con_quarter04_all.pdf

Samsung Electronics. *Samsung Electronics Sustainability Report 2021*. Accessed March 5, 2022.

https://images.samsung.com/is/content/samsung/assets/global/ir/docs/sustainability_report_2021_en.pdf

Samsung Electronics. *Samsung Electronics Co., Ltd. 2019 Business Report*. Accessed December 26, 2021.

https://images.samsung.com/is/content/samsung/p5/global/ir/docs/2019_Business_Report.pdf

Samsung Galaxy Website. What is Super AMOLED? Accessed April 17, 2022.

<https://www.samsung.com/global/galaxy/what-is/super-amoled/>

Samsung Newsroom Website (2012a). Samsung Introduces the GALAXY S III, the Smartphone Designed for Humans and Inspired by Nature. Accessed April 17, 2022.

<https://news.samsung.com/global/samsung-introduces-the-galaxy-s-iii-the-smartphone-designed-for-humans-and-inspired-by-nature>

Samsung Newsroom Website (2012b). History of Samsung (1~14). Accessed March 5, 2022.

<https://news.samsung.com/global/the-history-of-samsung-electronics-1-paving-a-new-path-19681970>

Samsung Newsroom Website (2014). Samsung to Acquire SmartThings, Leading Open Platform for the Internet of Things. Accessed April 19, 2022.

<https://news.samsung.com/global/samsung-to-acquire-smartthings-leading-open-platform-for-the-internet-of-things>

Samsung Newsroom Website (2016). Samsung to Acquire Joyent, a Leading Public and Private Cloud Provider. Accessed April 19, 2022.

<https://news.samsung.com/global/samsung-to-acquire-joyent-a-leading-public-and-private-cloud-provider>

Samsung Newsroom Website (2019). How to Do More by Doing Less with Samsung's Ecosystem. Accessed April 19, 2022.

<https://news.samsung.com/global/how-to-do-more-by-doing-less-with-samsungs-ecosystem>

Samsung Newsroom Website (2021). Samsung Electronics Solidifies Its Brand Value With Top-Five Ranking in Interbrand's Best Global Brands 2021. Accessed March 6, 2022.

<https://news.samsung.com/global/>

Samsung Newsroom U.S. Website (2015). SAMSUNG to Acquire LoopPay, Transformative Digital Wallet Platform. Accessed April 14, 2022.

<https://news.samsung.com/us/431-2/>

- Samsung US Website. Design your Galaxy. Accessed April 13, 2022.
<https://www.samsung.com/us/apps/>
- Song, J. & Lee, K. (2014). *The Samsung Way Transformational Management Strategies from the World Leader in Innovation and Design*. New York, McGraw-Hill Education, 163-183.
- Song, J.A. (2011). Samsung Surges on Smartphones. *Financial Times*. Accessed March 29, 2022. <https://www.ft.com/content/735abecf-6db1-3670-be6a-beeb1f759589>
- Song, J.A. (2015) Samsung to Launch Mobile Payment Service in US. *Financial Times*. Accessed March 29, 2022. <https://www.ft.com/content/ec6f379c-6344-11e5-97e9-7f0bf5e7177b>
- Song, J.A. (2016). Samsung gets smarter with phones strategy. *Financial Times*. Accessed March 29, 2022. <https://www.ft.com/content/35cb2a08-44f0-11e6-864d-01c0167ff470>
- The Chosun Ilbo (2013). Samsung Spent Nearly W12 Trillion on R&D in 2012. Accessed March 23, 2022.
english.chosun.com/site/data/html_dir/2013/04/03/2013040300936.html
- The Chosun Ilbo (2016). Samsung Claims Record High Share in Mobile DRAM Market. Accessed March 23, 2022.
english.chosun.com/site/data/html_dir/2016/08/18/2016081801392.html
- The Economist (2015). Reconstructing Samsung. Accessed April 20, 2022.
<https://www.economist.com/business/2015/07/09/reconstructing-samsung>
- Villalonga, B. (2004). Diversification Discount or Premium? New Evidence from the Business Information Tracking Series. *The Journal of Finance*. New York, 59(2), 479-506.

- Wan, W., Hoskisson, R., Short, J., & Yiu, D. (2011). Resource-Based Theory and Corporate Diversification. *Journal of Management*, 37(5), 1335-1368.
- Waters, R. (2016) Samsung buys artificial intelligent assistant Viv. *Financial Times*. Accessed March 29, 2022. <https://www.ft.com/content/8c706af8-8b59-11e6-8cb7-e7ada1d123b1>
- Waters, R. & Mundy, S. (2013). Smartphone industry set for slower growth. *Financial Times*. Accessed March 29, 2022. <https://www.ft.com/content/c34df6b6-6719-11e2-8b67-00144feab49a>
- White, E. (2019) Samsung chases Apple's \$50bn-a-year lead in services. *Financial Times*. Accessed March 29, 2022. <https://www.ft.com/content/a15feece-052d-11ea-9afa-d9e2401fa7ca>
- Williamson, O. E. (1975). *Markets and Hierarchies, Analysis and Antitrust Implications: A study in the Economics of Internal Organization*. New York: Free Press.

Appendix 1 Articles and Books Regarding Positive Diversification Effects on Firm Performance

Article	Journal	Context	Related (R) Unrelated (U) Not Specified (N)	Firm Performance
Lewellen (1971)	The Journal of Finance	Conceptual	N	It represents an additional source of income which also reduces transaction costs.
Williamson (1975)	New York: Free Press	Conceptual	U	Efficient allocation of resources toward more profitable units and reduction of transaction costs with member companies.
Leff (1978)	Economic Development and Cultural Change	Developing countries	N	A way of securing access to intermediate products and services when institutional lack is critical.
Porter (1985)	New York: Free Press	Advanced markets	R	Increase of competitive advantage in existing industries or leads to sustainable competitive advantage in new industries.
Porter (1987)	New York: Free Press	Advanced markets	R	Firm position and value are enhanced by transferring skills and sharing key activities.
Markides & Williamson (1994)	Strategic Management Journal	Conceptual	R	Access to economies of scope in the short run, utilization of accumulated core competence, and

				the potential to build strategic assets by using such core competence in the long run.
Berger & Ofek (1995)	Journal of Financial Economics	3,659 firms with sales of more than \$20 million	N	Increase interest tax shield, due to higher debt capacity, and tax savings.
Markides & Williamson (1996)	Academy of Management Journal	136 firms, United States	R	In the short run – preferential access to strategic resources that are rare, imperfectly tradable and costly to imitate. In the long run – building of new assets by sharing the existing ones and the related competencies with group affiliates to develop new competitive assets.
Chang & Hong (2000)	Academy of Management Journal	1,248 companies associated with 317 business groups, Korea	N	Transaction costs are minimized for member firms, sharing both financial and intangible resources, and cross-subsidization opportunities to support underperforming segments or new investments.
Kwak (2002)	MIT Sloan Management Review	Conceptual	N	Diversification assumes a preventive function in highly competitive markets since the value of a firm’s best match can suddenly drop.
Mahmood & Mitchell (2004)	Management Science	44 Korean business groups & 100	N	Business groups positively influence innovation performance to a certain degree by providing intra-

		Taiwanese business groups		group resources that are inaccessible outside the conglomerate.
Villalonga (2004)	The Journal of Finance	12,708 firm-years, United States	R	Significant premium relative to single business firms and related diversification.
Bae, Kwon & Lee (2008)	Asia-Pacific Journal of Financial Studies	2,894 firm-years, Korean manufacturing industry	R	Substantial increase in firm value for chaebol firms when the ownership is less concentrated and/or financial leverage is higher.
Penrose & Pitelis (2009)	Oxford University Press	Conceptual	N	It provides insurance against unpreventable risks and uncertainty.
Bae, Kwon & Lee (2011)	Pacific-Basin Finance Journal	4476 firm-year observations, Korean manufacturing industry	R	Chaebol affiliated firms can reap synergic benefits deriving from the group's stronger internal factor markets compared to non-member firms. This results in a significant value gain.
Wan, Hoskisson, Short & Yiu (2011)	Journal of Management	Conceptual	R	Reaping of synergistic benefits by sharing resources among business units. Hence, maximization of resources owned.
He (2012)	International Review of Finance	14,577 firm-year observations	N	For firms that voluntarily alter their organizational structures (endogenous diversification) diversifying enhances the company's value.

Moon (2013)	Seoul: Miraebok	Korean economy	U	Benefits can outweigh costs as different know-how and experience built by some member firms, can be shared and employed by the other business segments. Also, resilience to adversities can improve by combining and reconfiguring resources.
Moon, Lee & Yin (2015)	International Journal of Global Business and Competitiveness	Tata Group, India	R & U combined	Reaping of excellent benefits through the combination of related and seemingly unrelated diversification.
Moon (2016)	New York: Oxford University Press	Korean economy, chaebols	N	A firm can enjoy substantial synergy creation benefits by practicing a broad scope of diversification.
Ramaswamy, Purkayastha & Petitt (2017)	Journal of Business Research	364 business groups, India	R	Positive performance outcome with well-developed institution context.
			U	Positive performance outcome with weak institution context.
Moon (2018)	Cambridge: Cambridge University Press	Conceptual	N	Benefits from business diversification are greater than those from a single firm because there can be synergy effects that allow firms to gain additional benefits.

Appendix 2 Samsung Electronics Business Composition as of 2019

Divisions		Businesses		Products
CE	Consumer Electronics	<ul style="list-style-type: none"> • Visual Display Business • Digital Appliances Business • Health & Medical Equipment Business 		TVs , monitors, refrigerators, washing machines, air conditioners, etc.
IM	Information Technology & Mobile Communications	<ul style="list-style-type: none"> • Mobile Communication Business • Networks Business 		HHPs, network systems, computers, smartphones , tablets, etc.
DS	Device Solutions	Semiconductor	<ul style="list-style-type: none"> • Memory Business • System LSI Business • Foundry Business 	DRAM , NAND flash, mobile APs, etc.
		<ul style="list-style-type: none"> • Display Panel (“DP”) Business 		OLED smartphone panels , LCD TV panels, monitor panels, etc.
Harman	Harman International Industries, Inc. and its subsidiaries	N/A		Head units , infotainment systems, telematics, speakers, etc.

Source: Samsung Electronics 2019 Business Report.

국문 초록

사업다각화 전략의 새로운 관점: 스마트폰 산업에서 삼성전자의 성공 사례

프란체스카 리서티
국제통상
국제대학원
서울대학교

선진국의 기업 다각화에 관한 문헌은 관련 다각화의 이점과 기업 성과에 대한 긍정적인 영향을 강조합니다. 반면에 신흥 시장 기업에 대한 연구는 비즈니스 성과에 대한 관련 다각화 (related diversification)의 긍정적인 영향을 강조합니다. 그러나 기업은 관련 다각화 (related diversification) 및 비관련 다각화 (unrelated diversification) 모두에서 이익을 얻을 수 있습니다. 따라서 중요한 것은 다각화하는 산업이 아니라 다양한 분야에서 어떻게 시너지를 낼 수 있는지입니다. 이는 다각화 전략을 종합적으로 설명하기 위해서는 “what” 접근법 뿐만 아니라 “How” 접근법도 중요하다는 문 교수님의 ABCD 모델 이론과 일맥상통합니다. 자원과 기술 보유의 격차가 좁혀지고 기업들이 비슷한 수준의 자원을 갖게 되었기 때문에 최근에는 “How” 접근법이 특히 중요합니다.

기업의 성과에 대한 다각화 (diversification) 효과에 대한 더 나은 이해를 달성하기 위해, 본 논문은 다각화가 수행되는 방식과 프로세스를 통해 이해되어야 함을 강조합니다. 본 연구는 ABCD 모델의 융합 (convergence) 방법론과 전략경영 분야의 다각화 분야의 공백을 메워줄 시너지 창출의 4 가지 조건을 활용하였습니다. 본 논문은 삼성전자를 사례연구로 분석하고, 삼성전자의 다각화가 스마트폰 산업의 성공에 어떻게 기여했는지 설명하는 융합 방법론의 적용 가능성을 보여주고 있습니다.

본 연구는 삼성이 혼합 다각화 (combined diversification)의 형태, 즉 관련되거나 관련이 없는 것처럼 보이는 다각화 모두를 적용했음을 보입니다. 계열사들은 부문 간 자원과 노하우를 공유하므로 잠재적 비용을 줄이는 호환성이 매우 높습니다. 그들의 강점과 약점은 지속적인 사업 구조 조정과 교차 투자로 인해 상호 보완적입니다. 각

회사는 서로 다른 활동의 운영을 연결하는 견고한 네트워크 시스템에 속해 보호를 받습니다. 마지막으로, 그들은 단독으로 운영하는 경쟁사들에 비해 월등한 상업적 가치를 제공할 수 있는 강력한 파트너십을 보여줍니다.

앞으로 삼성전자가 경쟁력을 유지하려면 다양한 부문의 접점을 개선해야 합니다. 사업 부문에서 나오는 강점과 약점의 보완성을 강화하는 것이 특히 기본이 될 것입니다. 융합 (convergence) 방법론을 통해 적용된 “how” 방법론은 유사한 자원 수준을 가진 상황의 기업집단들을 종합적으로 분석하는 가장 좋은 방법임이 이론적 관점에서 입증되었습니다.

Keywords: business diversification, Samsung Electronics Corporation, smartphone industry, convergence, synergies.

Student Number: 2019-28951