

## SAMSUNG ELECTRONICS AND LCD TECHNOLOGY (C)

*Professor Charles Dhanaraj and Young Soo Kim prepared this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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Path dependence makes a poor assumption for strategy in new industry creation. It relieves management of too many important choices too soon. One perspective might suggest that the ideal strategy sets the path by establishing a dominant design. In knowledge-driven competition, however, multiple designs overlap and rapidly succeed one another. Dominance can prove fleeting and potentially illusory for managers who assume their companies have achieved it. The most successful companies build learning capabilities that enable them to lead rapid change, transcending old advantages in the process of building new ones.<sup>1</sup>

The mid-year report of 2003 from DisplaySearch, a leading market research and consulting firm in the flat panel display industry, was released on September 24, 2003. LG Philips LCD (LPL) had emerged as the leader with 21.1 per cent market share of all the large TFT panels (greater than 10-inch size). Samsung trailed closely behind LPL with 18.9 per cent, registering a year-to-year growth of 47 per cent. LPL recorded a year-to-year growth of 80 per cent, with its investment in fifth-generation panels enabling it to overtake Sharp to become the No. 1 LCD TV supplier. Au Optronics, a Taiwan-based firm, clinched the third place with 12 per cent market share, registering a year-to-year growth of 26 per cent. AU Optronics (AUO) was formed in September of 2001, through merger of Acer Display Technology, Inc. and Unipac Optoelectronics Corporation, both Taiwan based

<sup>1</sup>T.P. Murtha, S.A. Lenway and J.A. Hart, "Managing New Industry Creation," Stanford University Press, 2001, p186.

companies, becoming one of the few producers able to provide small and large sized display panels. AUO generated over US\$2 billion in sales revenues in 2002 and had over 10,000 employees in its global operations — Taiwan, United States, Japan and China. A number of new players were emerging in Taiwan with capabilities to produce TFT-LCD panels, many of them collaborating with Japanese firms. Corning, Inc. was considering a plant in Taiwan to manufacture thin glass sheets used in TFT panels. Interestingly, the annual Display Technologies Research Forum's conference for the year 2004 was being planned to be held in June 2004, to provide a boost to Taiwan.

Sharp's share in the computer segment had declined to seven per cent, with volumes recording a year-to-year growth of just one per cent. Sharp had shifted its focus to the TV segment, emerging as a leading LCD TV brand with 36 per cent market share, enjoying a strong position worldwide. Plans were being put in place for mass production of 6th generation TFT LCD panels in Japan. The TV segment along with multifunction monitors (TV and PC) was edging close to a billion units globally and was predicted to grow at 30 to 40 per cent annually. Sony had entered the TV segment and was edging to capture the No. 2 position in 2003.

As of mid-2003, Samsung was planning to skip Gen-6 and move directly to Gen-7 to reclaim market leadership. Japanese firms created a task force led by Sharp Corporation, to reassess their competitiveness in the industry to create a roadmap to the year 2010. The roadmap projected the industry to grow at an average rate of 20 per cent over the next several years, with new applications in mobile and entertainment applications. Cost reduction through process innovation and flexible investment plans were touted as critical factors for success.