

Hsbc bank exam case – organisational st

[Finance](#), [Banks](#)



HSBC EXAM CASE Table of content Content| Page number| General information and overview| p. 3-4| Structure| p. 4-7| Strategy| p. 8-9| Internal environment| p. 9-13| External environment| p. 13-14| Conclusion| p. 15| Recommendations| p. 16| References| p. 17| General Information HSBC is one of the largest global banking and financial services organizations in the world. The company headquarters are situated in Canary Wharf, London, United Kingdom. HSBC is a truly international company with more than 7,500 offices in 87 countries around the globe.

The organization spreads across Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and operates with more than 100 million customers. As of 30 June 2010, it had total assets of \$2.418 trillion. The shares in HSBC Holdings plc are held by over 221,000 shareholders in 127 countries. The actual shares are traded on the New York Stock Exchange in the form of American Depositary Receipts. HSBC provides wide range of services, such as: Personal Financial Services (including consumer finance); Commercial Banking; Global Banking and Markets; and Global Private Banking.

The company is named after the founding member, The Hongkong and Shanghai Banking Corporation Limited, which was established in 1865 targeting the growing trade between Europe, India and China. The main reason was the demand for local banking facilities in Hong Kong and on the China coast, so the company was established in Hong Kong in March 1865 and opened new branch in Shanghai a month later. Soon after its establishing the bank expanded quickly with branches in Europe and North America.

In the recent years, HSBC moved from an important regional bank to one of the world's leading financial services organizations. HSBC's management had conceived the strategy of the 'three legged stool' with the legs of the stool representing the three big markets of the Asia Pacific region, the US and the UK. The purchase of Marine Midland Bank in the US represented the acquisition of the second leg of the stool. HSBC then sought a similar purchase in the UK. The attention turned to Midland Bank and a 14.9% stake was taken in 1987.

After creating a new holding company, HSBC Holdings plc in 1991, HSBC then made a recommended offer for full ownership of Midland in July 1992. The third leg was in place. As a result of the formation of the new holding company and the acquisition of Midland Bank, HSBC became headquartered in London. HSBC continued to grow through strategic acquisitions in both the developed and emerging markets: purchases in Argentina and Brazil in 1997 were balanced by the addition of the Republic New York Corporation in 1999.

In November 1998 HSBC announced the adoption of a unified brand, using HSBC and the hexagon symbol everywhere it operated, with the aim of enhancing recognition of HSBC by customers, shareholders and staff throughout the world. In the twenty-first century, HSBC has renewed its focus on its birthplace, growing its business in China both organically and through a series of strategic partnerships. HSBC's diversification and its core values of financial strength and stability have stood it in good stead in the recent global turbulence in economies and markets, and it remains well placed to deal with an uncertain world.

Structure HSBC Holdings plc is a public limited company incorporated in England and Wales under UK legislations. With headquarters in London, the group operations are carried out in five regions (Europe; Hong Kong; the rest of Asia Pacific; including the Middle East and Africa; North America; and South America) by different operating subsidiaries, including: * The Hongkong and Shanghai Banking Corporation Limited with an extensive network throughout Asia-Pacific * Hang Seng Bank Limited in Hong Kong * HSBC Bank plc in the United Kingdom * HSBC France in France HSBC Bank USA N. A. in the United States of America * HSBC Bank Brasil S. A. – Banco Multiplo in Brazil * HSBC Private Banking Holdings (Suisse) S. A. in Switzerland, Monaco, Luxembourg, United Kingdom, Singapore and the Channel Islands * Grupo Financiero HSBC, S. A. de C. V. in Mexico.

Complexity If we refer to Robbins and Barnwell's Organisation Theory Concepts and Cases 5th Edition, HSBC has high level of horizontal, vertical and spatial differentiation as you see from image 1. 1. Therefore we can say that the company experience high level of complexity.

The horizontal differentiation in HSBC refers to the separation of the tasks in different units like Risk Management, Financial Control, HTS, Human Resources, Commercial Banking, Global Banking and Markets, Marketing, Personal Services and Branches Network. The differentiation is based on the different tasks performed by organization members. The organization requires specific and specialized knowledge and skills. These are achieved through job specialization (division of labour). The employees of HSBC are divided in groups of specialists with different skills and knowledge as well as different areas of responsibility.

Therefore the level of horizontal differentiation is high. As we see from image 1. 1. the company experience high level of vertical differentiation. We see high level of layers of management throughout the structure of the organization which defines high level of vertical differentiation and narrow span of control. The span of control defines the number of subordinates that a manager can supervise effectively. The last component defining the complexity of the organization is the special dispersion. The special dispersion refers to the location of HSBC's offices, assets and personnel around the globe.

The special dispersion is high when the operations of the organization are widely geographically spread. In this case we see extremely high level of special dispersion as HSBC operates 7, 500 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. Therefore greater amount of time and effort is needed for managing the organization and from there the cost increases. Image 1. 1. Formalization Formalization refers to the degree to which jobs and procedures within the organization are standardized.

In the case of HSBC we see high level of formalization. The jobs throughout the company are strictly formalized e. g. the employees adopting certain values and standards of behavior. The formalization is defined by few techniques used by the organization: * The selection process – that refers to the number of people interviewed for a certain position in the company. When a person applies for a job position in HSBC he will be evaluated due to his professional skills and his experience in the field.

The point is match between the values and attitudes of the candidate with the values and the attitude of the organization. * The role requirements – the employees of HSBC are well aware of the tasks they are required to do. The institutions given by the organization are very explicit and detailed. * Rules , procedures and policies – the employees have to follow strict rules, regulations, procedures and policies referring to the decisions the employees make. * Socialization – refers to the adaptation process and personal commitment to the organization.

The employees of HSBC should absorb values, norms and expected behavior demanded by the company. * Training – that technique introducing the history, philosophy, rules and policies to the employees. The reason for the training the unification of the behaviors of the organizational members. * Rituals – that is the process by which the employees prove their trustworthiness ad loyalty to the organization. Centralization Centralization refers to the degree which decision making is concentrated in a single point in the organization, usually the top management.

HSBC is centralized organization. The top layer of management is responsible for the decision making it follows hierarchy structure. Centralized Management is applied through the GDC's PC-based network management software, from the Global Data Network control Centre (GDNCC) in Hong Kong Bank's radically-designed Head Office at 1 Queen's Road Central in Hong Kong. In the event of a disaster or when decision making is necessary, the entire network can be administered, using the same corporate procedures, from Buffalo, London or Hong Kong, within minutes.

Here we can include the programmed , individual and informal coordination process within the company where the objectives and activities of the separate units of HSBC are integrated in a whole system in order achieving better organizational efficiency. The coordination between the various individuals and groups in the company is crucial for its success. From all said for the structure of HSBC will now, we can conclude that HSBC is a machine bureaucracy, where standardization is the key for the organization effectiveness.

The company operates with routine and strictly formalized tasks and procedures, rules and regulations which are highly centralized. The organization tasks are grouped into functional departments, the authority is centralized and the decision making follows the chain of command. The work of the employees in the organization is highly standardized. HSBC resembles wide and complicated group structure with a number of legal entities, each of which is wholly or partly owned by HSBC Holdings plc. When we talk about structure of HSBC, we should refer to the board of directors as well.

The structure of the board resembles balanced board of executive and nonexecutive directors. HSBC Holdings plc. has 19 Directors, 3 executive Directors, 16 non-executive directors (5 nationalities and 4 women). The majority should be independent nonexecutive directors. The independence of the non-executive directors is important issue for the board. The Board is responsible to shareholders for the management of the Company's business and the stewardship of its assets. All Directors are subject to election by

shareholders at the Annual General Meeting following their appointment and to re-election at least every three years.

There are strict regulations about the functions of the board. Board of directors is supposed to act collectively as a single unit. The Board cannot itself implement the policy it has set or the decisions it has made. It must execute its policy and decisions through individuals (i. e. executives). There is annual evaluation of Board and individuals Director's performance. The board of directors is delegated into committees. The committees derive their authority from and are answerable to The Board of directors which retains responsibility for matters delegated to the actual Committees.

The HSBC Board committees are: * Group management board * Audit Committee * Remuneration Committee * Nomination Committee * Corporate Sustainability Committee * Group Risk Committee Strategy HSBC aims to become the world's leading financial services company, seeking to increase rate of revenue growth by building a world class, ethical sales and marketing culture. The main objective of their strategy is to ensure that shareholders get a better return from HSBC than they would from investing in other financial services companies. As already mentioned HSBC is a global working bank.

Because of this HSBC has a widespread international network. With one headquarter in London and 7. 500 offices in 87 countries and territories in Europe, the Asia-Pacific region, America, the Middle East and Africa, it is definitely a global strategy that HSBC deals with. Because HSBC is a bank that deals with a lot of money it has to ensure stability in its structure. This

stability is ensured through a centralized control and decision making and an elaborate formal hierarchy for communications and coordination. This centralization and hierarchy and the consequential stability show the Defender-strategy.

This strategy ensures certainty and not much change. On the other hand the HSBC bank wants to offer the customers a lot of different proposals in a lot of different countries. Time after time HSBC moved into one country after another. If the strategy in one country worked, they decided to expand their market. So on the one hand HSBC ensures its stability, but on the other hand it wants to develop itself further. This shows the Analyzer-strategy of HSBC. The goal of HSBC was to become the World's Local Bank. Right now its goal is to remain the World's Local Bank. So they aim to achieve a unique position next to the other banks. This shows that the HSBC bank is dealing with the differentiation strategy of Michael Porter. CSR By working with stakeholders, especially investors and NGOs, and through industry working groups, HSBC has identified a number of key CSR issues, which are broken down by customer group below. Personal Financial Services (including Consumer Finance); Financial inclusion and consumer debt; Secure and convenient delivery channels; and ? Customer satisfaction, Commercial Banking.

Many areas of CSR provide opportunities to collaborate with other financial service organizations to establish best practice. HSBC also supports the Climate Group, the Carbon Disclosure Project and the Extractive Industries Transparency Initiative. At an industry level, HSBC is increasing its participation in the United Nations Environment Programme (UNEP) Finance

Initiative and, in October 2004, HSBC participated in the climate change session at the initiative's Global Roundtable. HSBC is a member of the UNEP Finance Initiatives Asset Management and Climate Change working groups.

Moreover, in 2004, HSBC issued a Group-wide policy on countering bribery and corruption. The policy reflects support for initiatives such as the UN Global Compact, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the International Chamber of HSBC have worked with a number of other banks and insurers in the UK as part of the FORGE group, a voluntary organisation seeking to develop common approaches to issues of relevance to the financial services industry. HSBC also participates in the London Benchmarking Group. Internal environment

Companies should take their internal environment into account. In general, the internal environment concerns the company's culture and the way in which the company manages its knowledge flow. Culture refers to a shared meaning and can be a substitute for formalization. The difference is that a culture is not written out. Culture can be divided by observable symbols (like a logo) and underlying values or beliefs. This means the determination of the behaviour of the employees. By creating a strong culture, a company can achieve a higher effectiveness, because the information flow runs smoother.

Furthermore, knowledge management is an important part of the internal environment. The way in which a company processes their information and knowledge, determines the company's effectiveness. Of course, also HSBC has an internal environment. And in this part of the case, we are going to

zoom in on this. Culture Like for every company, culture is important for HSBC's organisational effectiveness. HSBC wants to create an image of a fair and diverse culture. We already mentioned that HSBC is high formalised, and has a high dispersion.

Now we will zoom in on the other parts of the culture, for instance responsibility. HSBC finds it important to take the employment into account. This means that the company hires, where possible, high quality employees to meet the needs of the customers and to grow the business. High educated employees cause an increasing quality standard of service and communication. To perform in the best possible way, employees should communicate efficiently and get engaged in the decision-making of HSBC. Furthermore, the employees have to be able to entrust their career to HSBC.

They need to have the ability of personal development within the company and there should be a strong relationship between the employees and their direct managers. To ensure this development and strong relationship, the employees should get engaged in the decision-making, to give them more responsibility. They should also get recognition for their personal contributions. This means, when an employee has an idea, they should have the chance to share this idea with the board of directors and if the idea contributes to the company's effectiveness, the idea might be implemented.

So, the main aim is to make sure that the employees become familiar with the company's strategy, reputation and Group Values. Group Values are standardised values within the company, which need to be respected by the employees. This could also be called a specific behaviour. These values, of

course, can be divided by terminal and instrumental values. For HSBC, the Group Values comprise being open to ideas and other cultures, being connected with the customers and with each other and being dependable. These values have been embedded into operating standards, training, development and personal sponsorship of senior executives.

Being open to new ideas is achieved by putting the team's interests ahead of the individual's and having a diverse culture on the base of a meritocratic approach to for instance promotion. In this case, this means that the employees fulfil a certain role in the hierarchy with its additional responsibilities. These are instrumental values, because this is a way of behaviour from the management towards employees. Being connected is achieved by a proactive management and an appropriate delegation of authority. HSBC takes also responsibility for the social and environmental impacts of decisions they make.

If, for instance, HSBC decides to expand to a country and that has consequences for the people who are living there, they take responsibility for them. These values are instrumental, because it refers to the way in which the company behaves towards its environment. Finally, being dependable is achieved by openly commitment to quality, competence and fair dealing and having the highest personal standards for the employees. These values are terminal, because they refer to achieving a certain quality of service.

For HSBC, the most important Business principles are achieving an outstanding customer service and operate effective and efficient. All the values are clear for every employee and every employee is obeying the

values, therefore, you could call it a strong culture. HSBC is a company with high individual initiative, because of the responsibilities the employees get. The direction of the company is clearly set up, because the goals are made clear to the employees. Risk tolerance is for HSBC also an issue. The employees have the freedom to come up with new ideas.

But there could arise risks because of that. To oversee these and other risks, there is a Group Risk Committee, which is a committee of independent, non-executive members. So they are objective towards the company. The roles each part of the management fulfils in risk allocations problems is set below. To stimulate the employees to perform and come up with ideas, HSBC implemented a reward strategy system. This strategy is implemented to achieve a higher efficiency by the employees as well as the management. In the following table, the strategy is explained in detail.

Knowledge management Finally, the last part of HSBC's culture is knowledge management. This is the way in which they are processing their knowledge from workers within the company. But it also means the flow of information. In other words, for good knowledge management, an appropriate communication strategy is required. The system they use is among others the website of HSBC. They employees and the management have the ability to communicate with each other via this medium. The electronic communication system is mainly meant for the stakeholders.

The knowledge of managing the company and of the company's culture is mostly in hands of the top-level management. They are the 'spine' of the culture. If the management would change radically, the culture would also

change. It is by its culture that there is an appropriate availability and flow of knowledge and information. Because the culture states that the employees improve their communication with each other and with their direct management. Taking everything in consideration, HSBC has a strong culture with clear differences between top-management and lower-management.

Furthermore, the employees need to have the ability to achieve personal development at HSBC. The values of HSBC are clearly put together in the Group's Values and are divided by being open, connected and dependable. These values are clear for every employee. The knowledge management is made successful by electronic communications systems like email and making use of the HSBC website. The culture also contributes to this successful communication. External environment External environment is about what type of environmental uncertainty the firm experience and in what ways it respond to the environmental uncertainty.

Furthermore how the firm is dealing with the different cultures are discussed and what kind of charity projects they do and why. The HSBC-bank international network comprises around 7, 500 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. This means they have a lot of environmental uncertainty to handle with. Emerging markets are the main aims of HSBC's corporate identity. Because of its history, the HSBC Group has a strong presence in global trade and markets, particularly in India and China, which are the world's most dynamic emerging markets.

HSBC's presence in these markets provides HSBC Global Asset Management's investment professionals with local access across the world, creating investment opportunities in many emerging markets. During more than a century of involvement in these emerging markets, they have established branches even in countries where they never thought to operate, because they were considered closed, restricted or highly centralized. This is how they achieve the status of a respected institution in these markets. We manage one of the most extensive ranges of emerging markets funds, including some of the world's largest in their sectors.

We can offer access to some of the world's fastest growing markets with a choice of investment styles and approaches to match the customer's needs. More than 200 emerging markets are investigated by professionals working together from 20 key locations. They manage highly rated local, regional, and global products accessible because of separate accounts. HSBC Global Asset. We aim to uncover investment opportunities and provide access to these rapidly developing markets. Our investment and product capabilities allow us to serve the needs of all types of investors and we have acknowledged expertise in global, regional and country specific needs.

Those needs are divided in different subjects, for example core equity, specialist equity and fixed income. All the different countries and continents are investigated by experts and because of that HSBC is able to operate in the 87 different countries. HSBC and external culture management. Furthermore HSBC thinks that cultural exchange has important business benefits, and knows first-hand how important it is to appreciate and

understand different values in order to build successful relationships and do business internationally.

HSBC's global Cultural Exchange program seeks to increase understanding and interaction among cultures around the world through the exploration of culture in all its forms, for example: fine art, cuisine, music, language, literature. Furthermore they also looked at the education in the different countries and set up different projects. HSBC invest in educational and environmental programs all over the world with financial support and employee volunteering time. The majority of the community projects are created and implement on a local level, thus by local people and with local HSBC employees.

It has been proven that who participate in those community projects got a higher level of engagement with the local business and people. HSBC committed more than 108 million to community investments previous year. Around three quarter of that amount was used for education and environment, the remaining part was used for local priorities, for example area's which are hit by earthquakes or flood. The HSBC achieved to help over 300 projects which have reached more than 500, 000 children in 49 different countries. The 4, 000 volunteering HSBC employees have helped over 105, 000 children in 36 different countries with their program.

The bank even looks at low carbon technologies in cities with their climate partnerships, and they help countries with protecting vital freshwater sources. All together the HSBC bank represents a good attitude towards the countries they operate in because of all these projects and financial support.

That's why the bank is able to operate in so many different countries and they're widely accepted and respected all over the world. Conclusion Taking everything in consideration, HSBC is one of the largest banking and financial servicing companies in the world. The company operates in a lot of different countries.

The company has a high level of horizontal and vertical differentiation and spatial dispersion. Because of this, the company also experiences a high level of complexity, as you can also see in image 1. 1. The formalisation in the company is pretty high, because all the jobs in the company are defined by strict rules. This formalisation is defined by a couple of techniques. These are: the selection process, the role requirements, rules, procedures and policies, socialisation, training and rituals. Finally, HSBC is a centralised company, because the decision-making is concentrated at the top-level management.

On the other hand, they try to give a lot of responsibilities to the employees in order to motivate them. After determining the structure, we can conclude that HSBC is a machine bureaucracy, because the key for their effectiveness is standardisation. Because of the fact that HSBC is centralised, has a hierarchy and is consequential stable, you could say that they use the Defender-strategy. Which ensures certainty and no a low level of change. On the other hand, HSBC wants to offer their customers a lot of different proposals in a lot of different countries. This shows the Analyser-strategy.

Furthermore, there could be concluded that HSBC is dealing with the differentiation strategy of Michael Porter, because they take a unique

position next to other banks. The final issue of HSBC's strategy is the fact that they are trying to achieve Corporate Social Responsibility by cooperating with stakeholders and other financial service organisations. Talking about the culture, HSBC wants to achieve the highest effectiveness possible by creating a strong culture. They are trying to motivate the employees by giving them responsibilities, chances of personal development and rewards for performances.

The definitions of HSBC's culture are implemented in their Group Values. These values can be divided by instrumental and terminal values. The main objectives are: being open, connected and dependable. The knowledge management is made successful by electronic communications systems like email and making use of the HSBC website. The culture also contributes to this successful communication. The HSBC bank operates in many different countries, because of that they have a lot of environmental uncertainty. Thus the bank can manage it because of its expertise and thorough research before operating in a country.

Charity and education programs play a role in the HSBC, which makes the ability to operate in so many different countries. By applying all their strategies to manage the environment, and using the right structure and strategy, the bank becomes more and more effective and efficient. All the discussed topics contribute to this. Recommendations * We think that the HSBC bank handles his external environment properly because of his charity and education projects. Also the research they do before operating in a country works efficient, thus no recommendations for the external

environment. Culture is already an important factor for HSBC, but there are still improvements to make for the company. For instance, to improve the communication and relationship with the employees and its management, there could be improvements. Now, the management is rewarding the employees and giving them responsibilities, but an idea would be to organize parties or get-togethers with the management and the employees. * For the knowledge management, the company could think about a system in which all the knowledge can be stocked. This system should be accessible for every employee. The management could try to be more systematic and strategic in its decisions referring to the company's most valuable asset, the employees. For a company of this rank strong organisational culture and maintaining appropriate structure is very important. One of the most important tasks in front of the management and field where they can improve is the work with people. Good people management will keep the employees of the company satisfied and will respond to their needs, so they can be motivated to work for their own future and the future of the organisation as well. Some time ago, there was a technical problem with HSBC. Their customers were not able to deposit money and they also were not able to use online banking. Therefore, we suggest them to take more care of their IT-system and IT-management. These kinds of issues give the company a bad name and it decreases their trustworthiness. References * <http://en.wikipedia.org/wiki/HSBC> * http://www.gdc.com/pubs/0052_mx_aa02.pdf * <http://www.hsbc.com/1/2/about/board-of-directors> * <http://www.hsbc.com/1/2/about/group-structure> <http://www.hsbc.com/1/2/about/history/history> * <http://www.hsbc.com/1/2/investor->

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