

A swot analysis of barclays bank finance essay

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



The global landscape of business had always been faced with inevitable and unpredictable circumstances which has always been challenging for them once they are confronted. Financial institutions, for instance, have been rattled by the global economic downturn which has affected businesses in the recent years. To be bale to alleviate the effect of such circumstances, it is a common practice among businesses to execute measures and practices which are directed towards improving their performance amidst the tragedies in the economic status. One of the many ways in which they can do so is through a SWOT analysis which speaks of evaluation of the organization's strengths, weaknesses, opportunities, and threats. This analysis enables businesses to capitalize on the aspects in which they are strong at and to improve on aspect in which they deem as needing improvement.

Barclays Bank is one of the numerous financial or banking institutions in the United Kingdom, which over the years, through their unwavering strategies and efforts, has also conquered the global landscape through its business expansion. In their recent year of operation, the bank is regarded as a global financial services provider, engaging in businesses which deals with retail and commercial banking, credit cards, investment banking, wealth management, and investment management services which extends its operation not only in the United Kingdom but all over the world as well. This international expansion can be traced as early as after the First World War in which the bank has expanded its operation to cater to the needs of other regions such as Africa, The Caribbean, the Near East, and the Mediterranean. The regions which were originally selected for expansion of the financial

institution were countries with political links to the United Kingdom (Coulbeck, 1984). In the present, however, the business has continued its expansion on its quest to serve more markets and to establish a global presence. At present, rattled by the various economic troubles and the unpredictable future, Barclays is in continued operation with much focus and attention dedicated towards better serving the public and towards the sustainability of their business through responsible financing and business operation (Barclays, 2010).

In this study the researcher will be formulating a SWOT strategy analysis for Barclays Bank to provide a more intensive analysis and evaluation of the bank's operation. The analysis of a company's strengths, weaknesses, opportunities, and threats, is the starting point of strategy formulation as it provides a thorough evaluation and analysis of the business' strengths and weaknesses which are actually internal to their operation and the opportunities and threats which can be further analyzed by looking at the external environment. The results of this analysis can be used at the maximum by exploiting the strengths and opportunities of the organization while neutralizing the threats and deliberately avoiding the weaknesses (Griffin, 2008).

STRENGTHS OF BARCLAYS

The strength of a company gives the business it competitive edge over other players in the same industry of even among indirect players which can still be classified as participants in the competition. These strengths could include their special capability, resources, or skills which set them apart of

the competition like their market dominance and a pleasant financial performance which is set to make them perform better in the following years of operation (Stapleton & Thomas, 1998).

One of the strengths which can be attributed to the operation of Barclays Bank is its worldwide presence. The international expansion of this financial institution has enabled the business to tap more market and more territories which gave them the advantages of enjoying the economies of scale and it let them enjoyed the benefit of allowing risks to be spread among its numerous bank locations. Their presence in different locations among different countries increases the potential of the business as they become more known in the field of finance and banking industry. The bank has a huge global presence across regions like Europe, South America, North America, Africa and Asia serving almost 50 million clients (BankAdvisor, n. d.)

2007 2008 2009 2007 2008 2009

The two charts which were presented above show another strengths reaped by the bank in the past year. The first chart shows a comparative three year analysis of economic profit which is deemed as one essential key performance indicator of the business. This refers to the firm's profit after tax and other non-controlling interests less capital charges. The higher economic profit of Barclays this year as compared to the previous year is indicative of its good performance as such reflects a growth in the bank's profit and reflects their efficient use of capital. This strength of Barclays necessitates that the company is doing good in terms of being able to

generate economic revenue which is also reflective of good financial performance in the previous year. This goes to show that the company is performing well amidst economic difficulties.

Furthermore, the second graph shows the profit before tax of the bank. The chart shows that their profit this year is significantly higher compared to the previous year, another indicator of the company's strength despite the major challenges in the global economic situation particularly affecting international financial institutions. The total profit before tax is one of the most essential profitability measures which can be used to assess and evaluate the performance of a particular company in a given year. It is used as a key indicator of the financial performance which most investors gauge in order to determine how successful a business performed in the past year. The financial data of Barclays, based on their Annual Company Report, reflects an almost doubled profit before tax compared to the previous year. This is another strength which can be considered for the company and such can be able to attract more investments because of the relatively good business in the past year.

WEAKNESSES OF BARCLAYS

Aside from the strengths of Barclays Bank which were enumerated above, it is also important that we take a look at its corresponding weaknesses. The weaknesses of a business the weaknesses of a business illustrates the areas in which they have not shown exemplary performance and the areas in which they did not show desired or anticipated results. These weaknesses can refer to the traits in which they need improvement. Once carefully

identified and stipulated, their weaknesses can help them formulate better strategies and practices so that they can be assured of a better performance.

One of the weaknesses of Barclays is its control systems. Because of their deemed defective and inefficient control systems, they were fined in September of last year. This can be classified as their weakness because this tarnished the name in the industry of financial institutions and caused them to have a bad reputation in the eyes of the public. They were fined because of their failure to provide daily data regarding bank transactions which will be used by the government to be able to track and investigate suspected abuse in the trading and also cases of manipulation in the market. This tougher banking regulation has also affected some of the major banks in Europe. Unfortunately, it costs Barclays a lot as they paid a fine amounting to 2.45 million pounds because of this violation on the government laws. The fine would have been bigger if in case they did not cooperate earlier to be able to settle the case (Olson, 2009).

2008 2009

The chart which was illustrated above shows another weakness of the performance of Barclays based on its performance in the previous year. The chart shows the comparative analysis on the number of Barclaycard users or customers for the past two years. Barclaycard is an international credit card that is multi-branded. It is one of the leading credit card businesses in Europe with a relatively growing market in America and other parts of the world as well. The number of customers handling the aforementioned credit

card was brought to an entire almost two million customers low this year. This can be attributed to the fact that because of the financial and global economic crisis which hit the world in the previous years, fewer customers are interested on credit purchases because of the uncertainty of their respective financial situations. This can be regarded as a weakness for Barclays because this only illustrates that although other parts of the business is earning, this particular sector of the business is beginning to lose its customer base which might actually worsen in the next years and can inevitably result into decreased profits.

Aside from what has been mentioned, another factor which can be regarded as the weakness of Barclays is that it gives out large amount of bonuses to the members of the Board of Directors. Such practice has gained numerous comments and criticisms from different groups in the past. If such practice will continue, it will haunt them in their operation and will cause more eyes to be focused on them and can even reveal further problems and weaknesses which are inherent in the operation of the business.

OPPORTUNITIES FOR BARCLAYS

The opportunities which confront the operation of international businesses is another factor which should be evaluated when analyzing the performance of a specific company. These opportunities can open new door for the business, can be basis for expansion or extension of operation, and can give way to opening of new businesses and catering to more markets which were not served before. One of the opportunities for Barclays is the increasing importance of the role which is played by the banks in the society nowadays

(Varley, 2009). Despite the numerous disadvantages which were brought about by the financial and global economic crisis, the role of the banks in the society did not weaken; rather it experienced increased importance especially in its ability to provide reliable and efficient payment systems, safe storage for savings and deposit, maturity transformation, management of asset and other investments. This increasing importance of banks amidst financial turmoil provides the industry greater opportunities to open its doors into new businesses and ventures which can bring them generous amount of profit and will let them enjoy sustainable competitive advantage in the long run.

2007 2008 2009 2007 2008 2009

The two charts which were presented above also shows areas of opportunity for Barclays Bank. The first one shows the levels of customer satisfaction. in the past years, the level of satisfaction was only 67% versus this year's 72%. It is shown that there is a significant increase which means that there is a relatively larger number of customers this year who felt that there is an improvement in the quality of service provided by the bank. This can be classified as an opportunity because this can lead to more strategies focused on the customers and services which could better satisfy their needs. This can also serve as an indicator of more expansion in the line of services they provide since more people are happier with the output and quality of their service provision. The heightened percentage in the level of customer satisfaction can help the business realize more opportunities which are people-related and it can also provide them with the opportunity to develop

only better services to be assured of higher satisfaction ratings in the years to come.

Furthermore, the second chart shows the amount of income generated internationally. This reflects revenue which was generated from their banks and other forms of businesses outside the United Kingdom. For the year 2008, their international income reached a percentage of 47, and it increased to 57% this year, this goes to show that there is more profit this year generated from international operation as compared to the previous year. This international diversification of the organization's income will provide them with an opportunity to lower the occurrence of risk as they are displaced on a number of locations. The increase in the percentage of income generated from international operation can also provide them with the opportunity to put up more locations in other countries and opportunity to improve service in other countries since these branches are bringing them more revenue year after year.

THREATS FOR BARCLAYS

The threats which confront any business are as timeless and inevitable as what have been previously discussed. These threats can extend from internal to external and from mild to complex. Companies must be ready once they are confronted with these threats to be able to sustain and survive in the ever competitive world of business. Threat should be managed carefully to be able to outplay the competition and overcome the struggles which were brought about by such challenges.

2007 2008 2009

The chart which was presented above shows one of the threats confronting the operation of Barclays. It must be noted that in the opportunities section, the researcher included the increase in income generated from international expansion as a remarkable opportunity because there is a significant increase in the income from the said section of the business. However, needless to say, the increase in income does not always equate to satisfactory international performance. The chart above shows that almost 100 branches outside the United Kingdom closed as compared to the number of branches in the previous year. The closure of these branches is attributed to the fact that they can be bypassed in terms of performance of some banking transactions which does not need an actual banking operation to take effect. However, the closure of such branches also poses a serious threat to the business because it only means that there is a reduction in the number of locations in which people can transact actual and physically. Because they have reduced the number of their merchant locations, clients may then be prompted to explore the options they are confronted and might actually opt for other banking service provider.

Another threat to the operation of Barclays bank would be the increased competition among financial institutions not only in the United Kingdom, but in the international market as well. Although the world has been confronted with financial and economic crunches, the role of banks in the society and in the lives of the people has continued to increase overtime as its function also increased significantly. With that, if there is a relatively low rate of new entrants, it cannot be denied that those who have already been in the top are perpetually increasing their efforts to tap more markets globally. Their

efforts and strategies are unwavering towards provision of better public service which in turn can give the customers a sense of satisfaction. Because of these efforts and strategies, competition has been more stringent as they utilize more marketing tools which are helping them in their operations. This increased and tightened competition can prove to be unhealthy especially if the efforts of Barclays are not directed towards strategies to survive the competitive playground.

Another threat to the operation of Barclays could be the fact that the company has been reputed for closing too many branches in the past, specifically in the year 2000. Such act can lower their competitive position and can create an imagery without credibility and assurance in terms of their operation. The closure of these branches could actually mean weak financial performance thereby threatening both the investors and its array of potential clients.

CONCLUSION

The global financial and banking industry is not exempted from the economic and financial turmoil which confronts international businesses. In fact, these financial institutions can even feel the greater effect of the predicament as they are concerned with how the world turns around financially. However, a careful analysis of the financial institution's strengths, weaknesses, opportunities, and threats can be of help to be able to formulate better strategies and in order to eliminate practices which are not showing efficiency in their global operations. A careful analysis of such could be able to help them determine and improve their position with regards to

competition. The analysis on Barclays shows that they are still in a stable competitive position despite the predicaments which confront their operation. They have a stable financial and management base which enables them to manage the adversaries which are perpetually striking the global businesses.