

# [Strategic management example #5](https://assignbuster.com/strategic-management-example-5/)

Strategic management involves planning how to make sure an organization achieves its objectives and at the same time gain a competitive advantage over its competitors. A strategic plan aims at proactively dealing with expected issues in business environment rather than reacting to the environment changes. It seeks to avoid losses that may occur to an organization owing to its failure to be proactive. A strategic plan should aim at initiating dynamic gradual changes which are necessary for the success of the organization.

It should have present and future value to the organization; encompassing all organization functions and relationships with other key players to the organization. A good strategic plan allows for necessary changes and seeks to deal with risks associated with the environment an organization is operating in. It sets direction through creating an ongoing compatibility between the internal skills and resources of the organisation, and the changing environment within in which an organisation operates. (David 2004, p 5; Vilijoen & Dann 2003, p 15).

Environmental factors and technological changes greatly influence the strategy to be adopted by an organization. A good manager will first of all evaluate the environment in which the organisation is operating in prior to making up a strategy to be followed by the organisation. Such an evaluation will encompass the political, economic, social, technological, legal and environmental factors. In addition to this, the manager will carry out a SWOT analysis on the company so as to determine the strength, weaknesses opportunities and threats an organisation has.

Consideration of both internal and external environment of an organisation in making an organisation strategy is very important. Corporate governance, stakeholder’s expectations, culture and ethics are others aspects managers must consider in making a strategy for an organisation. (Vilijoen & Dann 2003; David 2004) Financial industry is one of those industries which have seen through various technological and environmental changes. Inventions of internet, computers, television, radio, invention of automated teller machine, credit cards, and other technologies continue to influence finance industry in a great way.

This industry has continued to see many entrants and increase in number of customers. For previous two decades, many economic changes have occurred. Various economies have been opening up their economies, deregulating and liberalising trade, decreasing corporate tax, and encouraging foreign investment and so on. Legal changes affecting business operations, mergers and acquisitions and so on have also continued to occur. Regulations to ensure customers are protected from organisations malpractices have also been evident.

Various governments have established various requirements to the banks to ensure that customers’ money is protected and they are not at risk of loosing their property entrusted to banks. (Sohal & Lionel 1998; Hall, 2003. Valentine & Ford 1999 p38) Various changes in this industry can also be counted on the influence of political changes in various countries. Change in political regimes means a lot to this industry. Some political regimes create good environment for investors while others may worsen business environment. Political stability is also an important aspect to the operations of finance industry.

It affects the customers to a bank, the financial institutions activities and so on. Specifically new regimes and new policies greatly impact on this industry. Consideration of stakeholder’s interests and opinions has also become another important factor in business world. Voice and interests of all key stakeholders who count for the success (Valentine & Ford 1999; David 2001) Standard bank is one of banks which have been in finance industry since it formation in 1969 through a merger of two banks i. e. Standard Bank of British South Africa and Chartered Bank of India, Australia, and China.

Its focus was to capitalise on the huge expansion of trade and to earn good profits through financing the movement of goods between Europe, Africa and Asia. In 1990s this bank focus was to develop its strong franchises in Asia, Africa and the Middle East. Its services are concentrated on consumer, corporate and institutional banking as well as provision of treasury services. Stiff competition in finance industry has forced to strengthen these areas and include high expertise. (Standard Chartered Bank 2010). The Bank has also been involved in a number of strategic alliances and acquisitions especially since 2000.

This has been aimed at extending the market share in terms of customer number and geographic reach. Examples of standard Chartered strategic alliances includes; year 2000 acquisition of ANZ Grindlays (which operated globally) a deal costing US$1. 34 bn, acquisition of Chase Manhattan Card company in Hong Kong which involved US$ 1. 32 in 2000, acquisition of Prime Credit in 2004 whose operations were in Hong Kong, acquisition of 63% stake in PermataBank in Indonesia a deal that cost US$355m, a deal to acquire ANZ’s project finance business with assets in 2004 costing this bank US$15m.

In 2005, this bank acquired 19. 99% of China Bohai Bank costing US$123m, 20% stake in Flemming Family & Partners. In 2006 this bank also saw through three acquisition; acquisition of 25% in first Africa Group Holdings Ltd, 26% stake in PermataBank by the consortium of Standard Chartered Bank & PT Astra International Tbk making total stake owned by this bank to be 89% as per for today, acquisition of 95. 7% Union Bank in Pakistan, and launching of tender offer for 100% in Hsinchu International Bank in Taiwan. In 2007 Standard Chartered Bank also went through a number of acquisitions. It completed acquisition of Pembroke which is globally operating air craft leasing, financing and management firm, and completed acquisition of Harrison Lovegrove, which is a leading global oil and gas M&A advisory boutique. In 2008, this bank was intensely involved in acquisition strategy.

It acquired 80% stake in South Korea’s A brain, which a funds administration company operating in Korea, completed acquisition of south Korea’s Yeahreum Mutual Savings Bank, announced raising strategic stake in Vietnam’s Asia commercial bank to 15%, announced its intentions to acquire Lehman brothers team in Brazil, acquired the good bank portion of Asia Trust and Investment Corporation in Taiwan, increased its investment in UTI securities to 74. 9% in India. In 2009 this bank completed acquisition of Cazenove Asia whose operations are concentrated in Asia region.

This has been a tactical move to acquire necessary resources and have superior resources so as to achieve a competitive advantage. (De Wit & Meyer 2004 p 255; Standard Chartered Bank 2010). Change in political and social views that emphasis on social responsibility of organisation has also played a key role in influencing the strategy of this bank. Thus, its strategy encompasses a sustainability emphasis. The focus of its sustainability strategy has been to align with the Millennium Development Goals (MDGs) e. g. his bank had to respond to UK Prime Minister, Gordon Brown calls to engage private sector through using their core business activities and skills to contribute to the MDGs.

This bank launched programs whose aim is to support the growth of small and medium sized enterprises. (Standard Chartered Bank 2010). This bank strategy has also encompassed environmental programs following calls from various governments and world at large to protect the environment. It has been conscious of responsibility to cut carbon dioxide emissions caused by its operations. By 2008, it exceeded its reduction target.

The company instituted a strategy to work with its employees, customers and other stakeholders in raising awareness so as to reduce their impact on the environment. Other actions include setting targets to minimise the organisation carbon footprint as well as paper use. The company has been in forefront to finance businesses and projects that target at reducing emissions. Standard Chartered bank has also been helping people to adapt to climate change. The organisation also has Country Environment Committee which was expanded in 2008 so as to cover most of its markets in efforts to drive environmental action and engagement.

The company established its interactive fun tools so as to engage and inspire its staff to engage in environment protection strategy. It has also been having working outside the bank programs such as The Climate Group as well Corporate Leaders Group on Climate Change. (Standard Chartered Bank 2010). Many political environments in which this organisation operates emphasis that multinational organization should be interested with the destination countries economic growth. Asian countries are a good example.

Organisations which introduce programs that will propel growth of destination economies are likely to receive political support from governments governing such economies. This has been part of Standard Chartered Bank Strategy for previous years; cooperate with the economic agents of the destination countries, improve their welfare and at large improve economic growth of economies it operates with. Thus programs to support the small and medium enterprises have been emphasised by this bank as part of ensuring sustainable growth.

This is a strategy to ensure political and social support. This is also a strategy which is being employed by many key players in this industry. (Lasserre & Schutte 1995; Standard Chartered Bank 2010). Government role has also been part of factors that has contributed to changes in finance industry. Such fundamental intervention includes macroeconomic reforms, infrastructures development, trade policies, sectoral industry development, embracement of foreign technology, control of market fluctuations and so on. E. g. n most part of Asia, in which Chartered Standard bank operates, emphasis in economic growth where high degree of cooperation with business community of which, financial organisations are key players.

However some economies have continued to see government interventions that interfere with full implementation of organisation plans. Some economies such as China has become more liberalised and promoted business environment such as finance industry. Reciprocal relationships are also valued in Asian countries. Aspects such as family, relatives, ethnicity, and nepotism have been a big consideration in this industry.

Offering employment to the locals has thus been emphasised by various banks so as the citizens in destination countries may feel more recognised the organisations. It has become part of social responsibility of players in finance industry which any bank aiming to succeed in various economies has to follow suit. Social responsibility has thus become one of the main roles of Standard Chartered bank (Lasserre & Schutte 1995; 9Valentine, T & Ford, G 1999; Standard Chartered Bank 2010). Community investment has also become an important aspect in this industry.

The bank has been greatly involved in these activities that affect social development of the communities in which they operate. The aim of such activities has been to ensure good health and economically vibrant communities which many organisations in this industry are emphasising on. Standard Chartered bank has been supporting three main international programmes which include: Seeing is Believing; a global initiative whose aim is to tackle the causes of avoidable blindness. This project has restored the eyesight for more than million people in 17 countries.

As a respond to call for more socially responsible investments in finance industry, Standard Chartered Bank also runs a Living with HIV program which is a global HIV and AIDS education programme to reduce number of HIV infections. The company also have programs that encourage the small and medium enterprises to be involved in Living with HIV programme. It also has a HIV champion network of peers educators as a social responsibility to create awareness about HIV/AIDs. The organisation also has continued to play a big role in fighting malaria.

Its Net for Life, a regional programme has helped in distribution of over than one million anti-malarial nets in 14 countries in Africa since this project launching in 2006. The company educates its employee on how to educate communities about malaria. (Standard Chartered 2010) This industry has also seen technological innovations which include use of automated teller machines, use of credit cards, online banking, and internet use and so on. This has played a big role in influencing the operations of organisations in finance industry. Credit card has become one of the core services of many banks.

This service ensures customers access to extended repayment terms through which customers can shop from various sellers and have the bank pay for them from their accounts. (Aghazedeh 1999; Sohal & Lionel 1998) Market orientation concept which emphasizes on customers taste and as the main stakeholders in ensuring organisation success has also impacted on finance industry. To ensure this organisation is proactive, the bank has also seen increase in variety of products it offers to eight customers so as to meet diverse needs of the market.

Standard Chartered bank services has been increased to include personal & banking services such as my dream account (in which parent can save money for future of their children), payroll account (which offers channel through which companies can pay their employees and also offer range of benefits to employees and salary convenience for employers), women’s account(that meets the financial needs of women), e$aver (that enables its customers to manage their money anytime an from anywhere), marathon saving account with attractive interest rate, foreign currency account that allow customers to save their money in multiple foreign currencies: personal loan and mortgage to help their customers purchase assets, educate their children, and purchase other property they may need: the bank has also established services that encompasses partnership with insurance providers so as to provide insurance services to its customers.

These insurance services include life insurance, health and medical insurance, saving and retirement planning insurance, motor insurance, home insurance, and travel insurance: the organisation also offers investment advisory services which of recent past become a core part of finance industry services. It advises the customers who want to invest in the currency market. Some of the ways in which this bank offers this service includes FX margin trading, Currency Trading, Principal Protected Currency Deposits, and Premium Protected Currency deposits.

Emphasises of the customer’s needs by various competitors in finance industry has also made this bank to introduce Mutual Funds which include diversified portfolios that offer absolute returns while at the same time manage short term risks, actively allocate across a full range of major geographic markets and assets classes, ensure consistent return and capital appreciation free from market conditions. (Standard Chartered 2010) The company has also emphasised on international banking following opening up of many economies and globalisation that encourage free movement of people and goods and services. To ensure it respond to this change, Standard Chartered Bank introduced seamless international banking beyond borders. This is to help all customers who are travelling overseas, and making international payments.

Although this service is only available for customers who qualify for Priority Banking, in strategic management study, it is a respond to changes that occurred in this industry-service that enables customers carry out international activities. International banking services by Standard bank includes preferential foreign currency exchange rates, Pre-Arrival Account opening service, Global link to customer’s Standard Chartered bank accounts, Free International Fund Transfers, Free worldwide ATM/Debit card network through which its customers can access their accounts and make cash withdrawals free of charge at Standard Chartered and Visa/Plus/Cirrus ATMs world wide. Customer emphasis has also led to introduction of better services that enable its customers pay their debts e. g. paying suppliers and so on. (Standard Chartered 2010)

Following deregulations of various capital markets, banks have increased their involvement in this market. Standard Chartered is one of this banks whose shares are currently being traded in various countries share market. Deregulation has enabled local investors in home and destination countries to invest in this bank in form of shares equity. Ownership by local investors has enabled this bank to achieve one of its social responsibilities of involving the locals in decision making. This has been a strategy to ensure support and loyalty of the customers as many economic agents would like to be associated with organisations which value country of origin citizens. (Hough & Neuland 2000 p 167; Standard Chartered 2010)

The capital market has also become a key source of capital for organisations in the finance industry. Effective evaluation of capital markets has become important in finance industry so as to take advantage of lower capital cost, better legislative and taxation policies and effective means of limiting foreign exchange risks. Other changes includes inclusion of shareholders’ opinions in decision making of various organisations, emphasis of voting, need for timely and honest financial statements and regular communication to investors (shareholders), periodically posting to them information about the organisation progress, events and conferences ensuring good returns to them in terms of dividends and so on. Hough & Neuland 2000 p 167; Standard Chartered 2010; Valentine & Ford p39 1999; Mathieson & Schinasi 2001)

Globalisation, international business, and embracement of e-commerce has also greatly influenced environment in which financial organisations operate in. International business environment is affected by the changes in international monetary systems. Change of exchange rate from gold standard and fixed rate, to current floating exchange rate which is based on principles of supply and demand has influenced how financial institutions carry their operations. Currency exchange has become part of services offered by various banks and a source of income to many banks.

In fact there has been emergence of FOREX Bureau organisations whose main activity is to deal with exchange of foreign currencies. Floating rate has also been modified into managed float system to allow government to determine exchange rates through buying and selling of currency. This influences operation of commercial banks as these banks also deal with foreign currency. Standard Chartered bank carries out international business which is subject to changes in foreign exchange market changes. This industry has seen formation of network of more than 500 banks and brokerages and other companies so as to carry out international transactions. (Hough & Neuland 2000 p 167; Barth, Brumbaugh & Yago 2001p 15) Prediction of the future

Responses by Standard Chartered bank to changes in finance industry environment are example of what players in this sector has been going through. Various forces have been driving the finance industry. New entrants have increased competitive pressures. The industry is also becoming more globalised, barrier to entry in this industry has also been declining owing to deconstruction i. e. unbundling of products and processes allowing for ‘ cherry-picking’ and offering of specific services and products, regulations has been changing and the process of deregulation has been on progress. Trading, information and delivery technology influence on this industry has also been eminent. (Valentine & Ford p 37).

With are this occurrences, competition is likely to stiffen in this industry. Competition has become a new phenomenon in this industry it has been taking various forms including mergers and acquisitions, community involvement campaigns, employment of highly effective technology and widening of services and products offered. Technology has been eroding entry to barriers which has made previously established banks to face competition from wider and more diverse range of competitors. Increase in competition will also be propelled by result of deregulation process and establishment of less protective systems to the banking industry. (Valentine & Ford p 37)

Competition will therefore not only have local perspective but also a larger global perspective. Access of global financial services to various groups of customers will allow customers to arbitrage between domestic, foreign and international banks as well as capital markets. Additionally, many banks will no longer be restricted to domestic operations. Since many countries have opened their economies and introduced policies to encouraged foreign direct investments in which banks is one of the investments given a priority. Regulatory barriers which used to restrict banks to establish their operations in foreign countries have dramatically been reduced. Competition will range from, local, regional and international level.

Entry into new areas where banking systems are not well established will be witnessed as banks tries to establish monopolies in this areas and take advantage of monopoly profits. (Valentine & Ford p p38; Sohal & Lionel 1998. ) Customers are likely to have better services which will be provided at affordable prices. Eventually, there will be price equalization prices as bank seeks to reach at the prices being offered by their competitors. New services and products are also likely to emerge to serve needs of various customers as even various economic and social changes occur in the world. Increase in new entrants is likely to reduce cartels in this industry. Deconstruction process which involves decomposition of services into their components parts that may be provided separately is likely to continue.

Deconstruction process will continue to be a major challenge to various banks as various banks seeks to concentrate in providing products and services in which they have both a comparative advantage and a competitive advantage. (Valentine & Ford p p38) Acquisitions and mergers are also likely to continue. Banks, pressurised by stiff competition in this industry will seek to acquire business entities which have specific assets so as to attain a competitive advantage. This will be a strategy to expand the market share, enter into new markets and also involve local business entities. Stiff competition and technological innovation will increase asymmetric competition.

Erosion of barriers to entry, technological development, ease participation by non bank financial institutions and enable them to diversify into banking than it is for banks to diversify out of financial services. Such changes are at progress. Today, there are large corporate customers with high credit worthiness than some of the banks, offering banking services to some individuals. The trend of some companies offering credit facilities to their sales agents is also likely to continue and affect this industry. With such examples as General Motors, and IBM which offers short term money market facilities and commercial loans to various companies, more companies are likely to come in and start offering these services. (Valentine & Ford 1999 p39; Sohal & Lionel 1998)

Shifting of many countries policies from being protective towards being less protective and enhance banks efficiency by encouraging free competition is going to increase number of international banks in the future. Technology will continue to be one of the key aspects that determine operations of the banking industry. It will be both a threat to various banks and also create new opportunities for others. It will increase efficiency in banking operations, create new services, lower entry to barriers, and modify or change services delivery. Information about banking services will be made more available to local and international customers. (Balling, Lierman & Mullineux 2003 p53) Excess capacity will also be witnessed.

This will be a strategy employed by various banks so as to ensure they survive in competitive markets that may not allow for abnormal or desirable profits. Organisation will create excess capacity to ensure many operations are run smoothly and allow for diversification of these operations so as to ensure sustainable income and reduce market risks. Excessive capacity will also be important in taking full advantage of new technologies so as to attain a competitive advantage. (Valentine & Ford 1999 p39) Emphasis on capital market as a one of the source of funds to banks will increase. Increase in institutions offering financial services, other than banks, will continue to emerge. Conclusion

Changes that have occurred in banking industry environment have a number of implications. Changes in economic, political, social, technological, legal, and environmental environment mean a lot to players in this industry. Technology development, deregulations of financial markets and liberalization of trade, social responsibility emphasis, and introduction of attractive policies has led to increase in financial services providers, widening of services and products in banking industry, increase in international banking operations and also led to better services to the customers. High competition as well as wide variety of services, more participation of banks in capital market will dominate the future in this industry.