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BUSTER**

America Los Angeles, which was later renamed Bank of America (sometimes referred to as BOA) in 1930. In 1983, BOA acquired Seafarers Corporation of Seattle, Washington, and in 1998 merged with Nationalist. In an effort to gain shares in the market and to tap into the global economy, BOA recently acquired Merrill Lynch and Countrywide Financial. Bank of America's mission is to "offer lending and investment products to improve underserved low-and moderate-income communities and create sustainable practices for the long haul" (Bank of America 2011).

Their key product lines include: Global Card Services, Global Banking, Global Markets, Global Wealth & Investment Management, Home Loans & Insurance and Deposits. As quoted from a top official with Bank of America: "We also made the decision to run a more integrated business. We're different from almost anybody you'd compare us to in that our distribution channels -? banking centers, online services, call centers, mortgage sales force, etc. -? really work with the product groups in an integrated fashion, with the customer in the center.

Most of our competitors run those businesses as silos the card business is run as a silo, the mortgage equities, etc. We've run a very integrated model for a long time, and that's also helped us prioritize against the things that mattered for customers and for our teammates" - Lima McGee, Top Retail Executive, Bank of America. (The Bank Watch 2006). Institutional theory, resource dependence theory and institutional environment Institutional Theory "studies how organizations can increase their ability to grow and survive in a competitive environment by satisfying their stakeholders" (Jones p.

13). Bank of America upholds the highest standards of corporate governance and ethical conduct, which they feel, is vital for the long-term success of the company and this standard helps to maintain the trust of its stakeholders. In an attempt to listen to its stakeholders, in 2010, Bank of America implemented improvements to its corporate governance processes, which included some ideas that came from the board of directors in 2009.

First, they wanted to manage risk and only make loans and transactions that were within the company's risk appetite. Risk appetite is the "level of risk that an organization is prepared to accept before action is deemed necessary to reduce it. It also represents a balance between the potential benefits of innovation and the threats that change inevitably brings" (Bank of America 2011).

In an attempt to satisfy not only the stakeholders but also the shareholders, on September 6, 2011, the new CEO, Brian T.

Monaghan reshuffled his management team by firing Sallie Krawcheck along with the announcement on August 25, 2011 that Warren Buffett was purchasing \$5 billion of preferred stock in Bank of America, which "allowed the bank to edge back from the abyss" (Barrett and Kopeckis p. 62). This "vote of confidence" from Buffett helped a little with bank shares rising 19 percent. However, Bank of America's "difficulties are too complex.

.. To be solved by Buffett swashbuckling, executive replacements, or the retention of a really sharp lawyer.

America's biggest bank is inextricably intertwined with a still- debilitated U. S.

Housing market and an unemployment stuck painfully above 9 percent" (Barrett and Kopecks p. 62). With BOA either owing or servicing " one in five home loans in the IS. S," due diligence is needed in order to combat the looming housing problems (Businesslike p 66).

Resource dependence theory " argues that the goal of an organization is to minimize its dependence n other organizations for the supply of scarce resources in its environment and to find ways to influence them to make resources available" Cones p. 9). In order to control the resources within the organization's environment it is necessary to do two things: " exert influence over other organizations so it can obtain resources and it must respond to the needs and demands of the other organizations in its environment' Clones p. 69). With banks popping up on every corner not only in small towns but also in major cities around the world, the banking industry is highly competitive and the resources (money) and customers are few and " it must respond to the needs and demands of the other organizations in its environments" (Jones p.

9). It is vital that BOA make wise decisions about the companies it purchases and the debts that it incurs. BOA's reputation needs to be restored. " Monomania has overproduced on critical occasions, most notably in predicting prematurely that he would raise the bank's penny-a share dividend this year" (Barrett and Kopecks p.

63). The Federal Reserve “ rejected its request for a dividend increase in the second half of 2011” (Barrett and Kopecks p. 64).

Banking “ clients want content and a rusted advise’ (Barrett and Kopecks p. 63). Institutional environment deals with the values and norms that govern the behavior of the organizations in this environment.

In order to increase the ability to grow and survive in a competitive environment, Bank of America needs to be accountable for the actions of the Countrywide housing crisis and the stakeholders need to see that BOA will stand by what has happened and will rectify their obligations.

Bank of America must “ defend against a seemingly endless barrage of multimillion-dollar lawsuits and government investigations concerning effective mortgage-backed bonds manufactured at the height of the real estate bubble” (Barrett and Kopecks p. 62). Bank of America has been environmentally conscious for more than 20 years, which has been accomplished by deploying the power of human and financial capital to connect their customers, clients, and associates to opportunities in the new environmental economy. Bank of America believes that the health of the company is dependent on the health of communities and society.

In doing so, the company has pledged 20 billion over 10 years in developing opportunities in the environmental economy (“ Our Commitment Toward Sustainable Business” par. 1). The primary goal of their environmental commitment is the potential for profits and economic growth, which is manifested throughout the company. Bank of America has invested time and money into pioneering companies that are developing renewable sources Of

energy, thus creating new jobs and generating a profitable return on its investment.

They form partnerships with governmental and non-governmental agencies to find ways to conserve natural resources and creating energy efficient communities. This ointment to making transformations is realized through their business strategy.

The company has a profit-driven business model that seizes existing financial opportunities and creates new ones for an environmentally and economically sound future. Throughout 2010, Bank of America increased lending to more than \$92 billion to small and medium sized businesses, spent \$4. Billion with thousands of small to medium size diverse suppliers (“Our Commitment Toward Sustainable Business” par. 2). Andrew Peeler, Global Corporate Social Responsibility and Consumer Policy Executive states that “as global financial institution, the most significant impact we have on both the people and communities we serve is through our investing, our lending and our philanthropic giving.

Our practices, policies, programs and actions in these three areas are also the most material to our business as a sustainable enterprise and a responsible company” (“Opportunity in Motion: Corporate Social Responsibility Report 2010’ p. 3). In 2010, Bank of America tackled a number of major issues that were facing the industry and embarked on a series of significant internal policy changes intended to strengthen the equines aspect, improve relationships with customers and clients, and create opportunity wherever they operated. “What makes us unique is we can

deliver for each customer or client in a manner which no other competitor can do. We are the bank of opportunity for all of our clients, and we deliver for them every day. " -? Brian T.

Monomania, CEO (Davidson and Corking 2008). Mergers and Takeovers: Bank of America acquired Countrywide in early 2008.

Bank of America's former CEO, Kenneth D. Lewis has stated that Country.

Wide Financial was " the worst corporate acquisition in living memory" (Barrett and Kopecks p. 2). BOA bought up enough shares of Countryside Financial to gain control over the company. Despite the massive amount of debt Countrywide accumulated, Bank of America Was not held liable for the debt because Of the limited liability laws.

Trouble soon faced BOA due to poor leadership at the completion of the merger. Bank of America acquired notes worth \$3. 6 billion from Countrywide Financial' bank and the equity in a number of other countrywide subsidiaries.

Bank of America also assumed \$16. 6 billion of Countryside's debt and guarantees. The leading international insurance many, GIG, filed a complaint against Bank of America stating that the transactions the bank was making would leave Country.

Wide Financial and Countrywide Home Loans without assets. The remaining assets are rapidly being subsumed by litigation claims and other liabilities related to the financial crisis. According to Steven Davidson, commentator for the Deal Book suggests the best strategy for Bank of America would be to put Countrywide into bankruptcy.

There is still however a possibility that a judge could find that Bank of America fraudulently transferred out Countryside's assets and this could make the bank liable for Countryside's debts.

The Countrywide acquisition will go down in history as a deal from hell. It has already cost the bank tens of billions of dollars in litigation settlements (Davidson and Corking 2008). SOOT Analysis Strengths and Weaknesses: Bank of America utilizes the value-creating activities associated with the differentiation strategy.

Its' strengths include: brand recognition, diversified services (banking and non-banking products), large customer base and convenience. Bank of America has the top market share position in credit cards and unsecured lines of credit in the US and is the number one credit card lender in Europe.

Its' weaknesses: Bank of America is a large corporation making it harder to give the customer the one-on-one feeling. Bank of America relies on the domestic market which in this economy is volatile. Opportunities and Threats: Porter's Five Forces is used to develop an industry analysis and business strategy. It was developed by Michael E.

Porter of Harvard Business School in 1979, and it uses five forces to determine the competitive intensity and attractiveness of a market.

The five forces include: Suppliers, Buyers, Competitive Rivalry, Threats of Substitution and New Entrants. Suppliers: The main supplier is the Federal Reserve (the central banking system of the United States). However, products and service providers like capital suppliers are usually many and do

not have strong bargaining power. The financial banking industry requires specialized knowledge and skills, with this comes the potential that employees could be lured away by other bigger banks or investment firms.

Buyers: There are two major types of buyers in the banking industry:

Individual customers do not pose a very big threat since there is switching costs" if you move several products from one bank to another.

If a person has a mortgage, car loan, credit card, savings account and other products with one bank and changes to another bank, there are " switching costs" along with just the time and effort it takes to change over from one bank to another. Global marketing customers are going to be a key to Bank of America since Global Banking and Markets account for 25% of their revenue and produced 6. B of Net Income.

Competitive rivalry among firms and Product Substitutes: The banking industry is very competitive and reduce substitution is high.

Every bank these days has the availability to open a checking account, savings account, and acquire a debit card. These products are basically the same products with the same " bells and whistles" as other banks. Product substitutions are high because these products are substituted easily. Threat of new entrants: There is a considerable barrier to new entrants due to the high capital necessary to establish a new bank. Banking requires high credibility and strong brand presence as the key obstacle to new entrants.

Banks are popping up on every corner.

In Hernandez, Mississippi, with an estimated population of 12,000, there is a total of 11 different banks and a total of 16 total banks (some banks have two locations). This being said is there a barrier to new entrants? Bank of America's top competitors include: Oxymoron Chase & Co, Citreous, Inc. And Wells Fargo & Co (their acquisition of Wichita has gained them the best asset management departments in the industry). For new banking clients (typically those who are opening their first banking accounts), customer service is a key factor in who they choose to do banking.

Typically, in this segment of the industry, your business is gained in small leaps and bounds, but it starts with opening up a checking account or savings accounts.

Then, over time, you begin to gain their trust and can then become aware of their needs and continue to be a key player in all of their financial needs. What should the firm's strategy be as it moves forward? How Will it be competitive in the future? Bank of America's strategy should be to actually find which areas are going to give them more growth. The old saying of "more is better" may not be the rule of thumb that BOA needs in this troubling economy.