

Company analysis of hsbc



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HSBC is one of the largest banking and financial organization in the world, headquartered in London. HSBC's international network comprises around 8,000 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. HSBC was established in the year 1865 to finance the growing trade between Europe, India and China. With a different approach than the organizations who used to acquire well established companies, HSBC Bank focused on standardizing its brand value. The encouragement and buoyancy of HSBC is due to its global recognition within the paradox reflected by its slogan ' the world's local bank', Haig (2004).

With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, HSBC has around 220,000 shareholders in 119 countries and territories and are traded on the New York Stock Exchange in the form of American Depositary Receipts. Through an international network linked by advanced technology, including a rapidly growing e-commerce capability, HSBC provides a broad range of financial services such as personal financial, commercial, corporate, Investment and private banking. (Source : www.hsbc.com).

PESTLE Analysis of HSBC Groups

Figure 2. Pestle Analysis Diagram

Political factors:

HSBC has its operation in various countries and as such needs to responds to the political system of the country in which it is operating.

There are certain political factors that could come in the way of the growth of the organization globally. For e. g if HSBC starts a new operation in a new country it cannot do it under its own banner, but needs to start it in collaboration with some other smaller organization.

Furthermore, as an organization HSBC strictly complies to the government laws of tax legislations and pays the taxes on regular and timely manner. One of the most important political factors considered by HSBC are is the stability of the country, in which it is operating, the organization also takes into account the threat, quality, security and liberty of the legal system.

Economic factors:

The fact the HSBC is one of the world's largest banking and financial group also involves inherent threats and uncertainties. The organization growth depends upon the major economic factors like the fluctuations in the foreign exchange rates and the unpredictable state of the volatile stock markets worldwide.

The other economic factors are the changes in the government exchange rates , the volatility in the interest rates including in Asia and South Africa , continuing or deepening recessions and employment fluctuations. (Annual report HSBC, 2009)

Social Factors :

HSBC has been and is contributing a lot socially. HSBC has partnered with major charitable organizations world-wide and contributes monetarily to support them.

Stephen Green the chairman of the HSBC Holdings plc quotes in one of the articles that HSBC focuses on their investment in community, education and the environment as they strongly believe that these basic things lead to the overall development of the community.

The organization runs various program's and campaigns globally for the upliftment of the children which include : Future First, HSBC's rural children program and many other activities for the betterment of the society which makes them what they are ' the worlds local bank' (info at HSBC. com)

Legislation or legal factors: The legal factors including change in foreign ownership and bankruptcy legislation in the prime markets in which HSBC operates has a direct influence on the global as well as local operations of the group. (annual report HSBC, 2009)

Technological factors:

Despite being an organization which uses Hi-Technology, HSBC has been a victim of various online frauds. Since technology plays a vital role within the financial organizations and the organizations need to be equipped with up to date services and data interpretation.

As with other financial organizations and banks HSBC group has also faced various challenges in the recent past and the one which was the most controversial, belonged to HSBC technical management. There has been a certain degree of customer loyalty in building what we know as ' HSBC' today, but after the sensitive data loss, and by the negligence of the technical teams of HSBC resulted the organization in losing a lot of their customer's to other banks.

The operational weakness and the error resulted in a leakage of sensitive customer data, which violated the data protection laws, although the data that was lost did not bring disastrous effect on the functioning of the organization, but it definitely did have a negative effect on the belief of the customers.

HSBC has outsourced its technology and call center's to Asian countries like, India, China, Malaysia, Philippines etc., and the European and American customer's are losing their faith in the bank as this is restricting the human empowerment and operations which further reduces the trust and faith from the loyal customers in handling their money.

Environmental factors:

HSBC has been actively contributing the environment. It has partnered with the Earth watch institute in which the organization sends its employees to various countries to learn, understand and spread the awareness regarding the environment. The organization is also keen on conserving electricity by preventing the misuse and abuse of electrical appliances. In the annual report of HSBC Holding plc its mentioned that HSBC has contributed to the planet largely, just by following the best practice of switching off the computers and lights when they are not in use.

In order to manage the environmental risks worldwide for sustainable solutions and maximizing the opportunities for growth of the business there are other major initiatives taken by HSBC Group. HSBC was the first financial and service organization to become carbon neutral in the year 2005 and after the announcement they collaborated with the Newcastle University and

the University of East Anglia (UEA) for their ' HSBC Partnership in Environmental Innovation' program and with a whopping budget of £650,000 for three years.

The organization is committed to protect the environment as they believe that it is vital for the prosperity of the society and also for the sound economy on which the business depends.

Legal Factors:

There are various legal factors effecting the external operating environment of HSBC. There are some fixed rules and regulations set by the government which the organization needs to abide with and failing to perform within those legal norms may lead to legal proceeding against the group.

2) Porter's Diamond of National Advantage

Porter's Diamond of national competitive advantage focuses on four main variables i. e. the nature of home demand, of national and created factor endowments, of inter-firm rivalry, and of related and supporting industries and two which influence these, chance and government (Safarian, A. E., 1993). Michael E. Porter used a diamond shaped diagram as the basis of a framework to illustrate the determinants of national advantage. This diamond represents the national playing field that countries establish for their industries and organizations.

Porter's Diamond of National Advantage

SWOT Analysis of HSBC Group: C: Documents and Settingsu0975223Desktopuntitled. JPG

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Strengths:

HSBC is the global leader in International Finance, the organisations international network comprises around 8, 000 offices in 88 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. Which makes it one of the world's largest and most profitable financial organizations which operates through well established businesses and gained brand recognition with the global trend benefits. The organizations nature of business is diverse as it operates in various fields such as financial services, commercial and corporate banking, Investment banking, personal financial services and other streams. HSBC has a global presence, and they have the potential to cater to the needs and demands of various customers round the globe.

HSBC emerged as the Europe's biggest bank in terms of its lending assets and market capitalization. In the year 2002 the organization launched a 'branding' campaign to differentiate its brand from those of its competitors by describing the unique characteristics, which distinguish HSBC, summarized by the words 'The world's local bank'. Brand image is one of the most important components, which create value for the organization. The organizations 'Brand Image' is one of its biggest assets and HSBC has been quite successful in keeping its customer's 'brand loyal' by proving in each and every country of their operation that they are truly the 'Worlds Local Bank'.

The organizations and industries worldwide are recognized by their brand names and their brand name must depict the organizations and industries clearly in front of the global mass. HSBC has over 140 years of experience in

China, which also helps to build up the trust of the customer's, making it one of the oldest banks in the world. (www. hsbc. com).

Weaknesses :

HSBC acquired few banks all around the world to make a global leap to name a few were, Hong Kong Bank of Canada, British Bank of the Middle East, HSBC Banco Roberts etc., were acquired by the organisation long back, however, none of these banks, before 1998, carried the HSBC logo. When the names and logos of all these banks were changed to HSBC, the customers felt that the organisation has newly acquired the banks, however, the truth was that it has been operating under the HSBC Groups for a quite some time, which was considered as a wrong move by many business men.

HSBC became a victim of an operational data theft by an employee despite being a reputed banking organization which uses hi-technology, it was announced in March 2010 that about 1500 Swiss private banking accounts were compromised and some portion of it were found in the hands of French tax authorities (source: www. reuter. com). It had become a major issue to convince the bank's loyal customers to have their trust in HSBC and to keep their money with them.

Furthermore, HSBC has been facing multiple issues worldwide with the retention of their staff in the key areas of their business. The company suffered huge losses due to high attrition rate among the skilled employees. The issue identified by many was corruption in the top management and pay related issues. Majority of people believed that the reason for them to quit was that the organization had decided to cut down on their bonus for the

coming year in order to reduce the cost and increase margin of reserves. The employees felt that they are the first victim of the companies new mantra of ‘ Lean Mean and Hungry’ and working in the ‘ Leanest way possible’. (source www.ebsco.com)

Opportunities:

HSBC’s greatest opportunity is its further expansion. The organisation can further grow globally and can strive on continuing to be “ the worlds local bank”. In the last few years HSBC has been actively involved in mergers and acquisitions to increase make their global presence and increase their business worth. The positive decision of making a leap to the emerging countries within Asia-Pacific region and the Middle East has proved to be flawless and has improved the profit percentage of the country leaps and bounds. The HSBC Group had put their step in the emerging markets in 2008 and they acquired 88.89% of Indonesia’s largest commercial bank known as the Bank Ekonomi, they also acquired other banks in some other countries such as in Vietnam and Philippines. The Group has been involved in different alliances and considering business in different geographical locations.

Studying the market HSBC reduced the mortgages interest rate with low deposits in view of increasing the revenue and market share for HSBC as well as revive the fallen mortgage market. In order to do so HSBC introduced lower interest rates at lower deposits on mortgages in order to increase the mortgage lending. They offered mortgage for up to 90% of the property value that was highly competitive in comparison to the competing banks such as Royal Bank of Scotland, Yorkshire Building Society, Lloyds TSB Bank

etc. HSBC's offers for very flexible mortgages made them highly competitive which should increase the bank's profitability.

The HSBC bank is also keen on diversifying its products and services, such as its providing hedge funds to businesses. EBSCO, HSBC (2008, 2009)

Threats:

A major threat that HSBC faces is in establishing itself and sustaining in the new countries despite the huge cultural differences in respect to the customer's need and its operational environment within the new country.

HSBC will have been and will be facing many such issues and they need to identify the threat and try to maintain their image of being the 'World's Local Bank'. The other threat that HSBC is facing currently is in regards to their online banking service. The online banking service of HSBC is of high standards and is advertised by them as one of the most safest packages to bank online, however, as every other system has, the online banking system of HSBC too have a few drawbacks to it and due to the other security issues such as the theft of organizational information, in 2008, the computer servers of HSBC were reportedly hacked which resulted in a loss of transactional data of nearly 159,000 accounts. These incidences lower the customer's confidence and they start losing their faith in the organization. The other issues regarding the increased number of identity theft and frauds in United Kingdom have also contributed to the loss of confidence among the customers.

It has been outlined that recession hit the market due to the US and UK spending patterns. The recession hit the market as people bought

unnecessary goods for unnecessary people that to in credit from banks, which they were unable to pay for. HSBC is also suffering very weak market of mortgage in US with inventories of unsold homes remaining high and residential construction activities continued to stay weak in periods of 2007. The bank is also facing problems in raising finance from the commercial debt markets in the US and other regions due to the recession, which has decreased the liquidity of the firm in those markets. (www. Ebsco. com)

HSBC is engaged in regulatory access across geographies that could have an impact on its strategy, performance and growth . HSBC is a global organization and has firm recognition and presence across several geographies, However economic conditions in several geographies continues to be weak and could damage growth. (article on ebscohost. com)

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