

Strategic management assignment



Final Project On “ Strategic Management of MCB (Evaluation & Strategy Implementation)” Report Submitted By SARFARAZ AHMED(3118) MANSOOR AHMED(51901) JAVED BAIG(51643) ASIF HUSSAIN(3116) Report Submitted To Dr. Hanif Mohammad Subject: Strategic management CID: 51914 College of Management Sciences PAF KIET (City Campus) Acknowledgement We are deeply grateful to Almighty Allah for enabling us to accomplish this assignment. Our sincere thanks to our instructor Dr. Hanif Mohammed, without his help and guidance this study would not have been possible.

Then; we would render great thanks to our friends who had directly and indirectly cooperated us throughout the period of our course. With Regards Sarfaraz Ahmed(3118) Mansoor Ahmed(51901) Javed Baig(51643) Asif Hussain(3116) Table Of Contents Title Page01 Acknowledgement02 Table of Contents03 GENERAL INFORMATION (MCB)05 1. Introduction Of MCB05 2. Vision & Mission06 3. Corporate Profile07 4. Products & Services10 5. Comprehensive Strategic Management Model 11 6. Financial Highlights (MCB)12 i) Financial Ratios (2007)12 ii) Balance Sheet (2007)13 iii) Income Statement (2007)14

STRETEGIC EVALUATION15 Assessment Of Vision & Mission15 1. The Input Stage16 i) IFE Matrix16 ii) EFE Matrix18 iii) CPM Matrix20 2. The Matching Stage21 i) TOWS Analysis21 ii) Space Matrix22 iii) BCG Matrix23 iv) IE Matrix26 v) Grand Strategy Matrix27 3. The Decision Stage28 i) QSPM28 STRATEGY EVALUATION31 1. A Strategy Evaluation assessment Matrix31 2. A Strategy Evaluation Framework32 RECOMMENDATIONS33 REFERENCES34 GENERAL INFORMATION (MCB) 1. INTRODUCTION OF MCB MCB is one of the

leading banks of Pakistan with a deposit base of about Rs. 280 billion and total assets of around Rs. 300 billion.

Incorporated in 1947, MCB soon earned the reputation of a solid and conservative financial institution managed by expatriate executives. In 1974, MCB was nationalized along with all other private sector banks. This led to deterioration in the quality of the Bank's loan portfolio and service quality. Eventually, MCB was privatized in 1991. During the last fifteen years, the Bank has concentrated on growth through improving service quality, investment in technology and people, utilizing its extensive branch network, developing a large and stable deposit base and managing its non-performing loans via improved risk management processes.

VISION & MISSION
VISION Challenging and Changing the Way you Bank.
MISSION MCB Bank's team of committed professionals is dedicated to maintaining long term customer relationships through outstanding service and convenience.
OUR VALUES Trust We are the trustees of public funds and serve with integrity & commitment. Ethical behavior is of critical importance to us. We adopt full compliance with internal and external policies and procedures, operating within the legal framework.
Customer Focus We continuously seek to exceed our customer's expectations, forging and maintaining long term relationships.

Innovation We strive to be the market leaders in innovative products and services offering customized financial solutions with flawless execution
Teamwork The diversity of our people is our strength. We inspire and challenge each other – working together to achieve synergy
Achievement Our people are our most valuable asset. We are committed to a result

oriented culture. Our goals are clear and merit is the only criterion for reward
 Social Responsibility As responsible citizens we contribute to the social
 welfare of the community we live in 3. CORPORATE PROFILE Board of
 Directors | | Mian Mohammad Mansha | | Chairman | | | | | | | | S. M.
 Muneer | Vice Chairman | | | | | | | | Tariq Rafi | | | | | | Shahzad Saleem | |
 | | | | Sarmad Amin | | | | | | Aftab Ahmad Khan | | | | | | Atif Yaseen | | | | | |
 Dr.

Muhammad Yaqub | | | | | | Mian Raza Mansha | | | | | | | | | | Atif Bajwa | |
 President / CEO | | | | | | | | Board Committees : | | | | | | Audit Committee | | Dr.

Muhammad Yaqub | | Chairman | | | | | | | | Tariq Rafi | | Member | | | | | |
 | | | | Mian Raza Mansha | | Member | | | | | | | | | | Atif Yaseen | | Member | | | |
 | | | | HR Committee | | Mian Muhammad Mansha | | Chairman | | | | | | | | | |
 Dr.

Muhammad Yaqub | | Member | | | | | | | | Mian Raza Mansha | | Member | |
 | | | | | | | | | | Atif Bajwa | | Member | | | | | | | | Risk Management Committee | |
 Mr.

Tariq Rafi | | Chairman | | | | | | | | | | S. M. Muneer | | Member | | | | | | | |
 Mian Raza Mansha | | Member | | | | | | | | | | Aftab Ahmed Khan | | Member | |
 | | | | | | Committee on Physical Planning, IT System and Contingency
 Arrangements | | Sarmad Amin | | Chairman | | | | | | | | | | Atif Yaseen | |
 Member | | | | | | | | | | Aftab Ahmad Khan | | Member | | | | | | | | | | Atif Bajwa
 | | Member | | | | | | | | Business Strategy & Development Committee | | Mian
 Mohammad Mansha | | Chairman | | | | | | | | | | | | S. M.

Muneer || Member ||| | || | ||| Tariq Rafi || Member ||| | || | ||| Mian Raza Mansha || Member ||| | || | ||| Atif Bajwa || Member ||| | || Credit Committee || Shahzad Saleem || Chairman ||| | || | ||| Sarmad Amin || Member ||| | || | ||| Tariq Rafi || Member ||| | || | ||| Mian Raza Mansha || Member ||| | || Chief Financial Officer || Tahir Hassan Qureshi || ||| | || Company Secretary || Abdus S.

Sami || | ||| | || Auditors || KPMG Taseer Hadi & Co || Chartered Accountants ||| | || | ||| Riaz Ahmed & Co. | Chartered Accountants ||| | | Legal Advisors || Mandviwalla & Zafar || Advocates & Legal Consultants || || | Registered Office || MCB Building, F-6 / G-6, || Jinnah Avenue, Islamabad. ||| | || Principal Office || MCB Bank Limited || MCB 15-Main, Gulberg, Lahore.

UAN (042) 111-000-111 || PABX: (042) 6041998-9 || | ||| | Registrar's and Share Registration Office || THK Associated (Pvt.) Ltd. || | ||| State Life Building No. , || | ||| Dr. Ziauddin Ahmed Road, || | ||| Karachi. ||| | | 4.

Products & Services Online Services • ATMs • Mobile Banking • Call Center • Bill Payments • Virtual banking Accounts • Khushali Bachat • Pak Rupee Accounts • Saving Accounts • Basic Banking • Foreign Accounts Loans • Business Sarmaya • Personal Loan • Pyara Ghar • Car4U Cards • Smart Card / Debit Card • MCB Visa Traveler's Cheque • Rupee Traveler's • Gift Cheques Remittance • Overseas Remittance Branches & ATMs • ATMs Locator • Online Branches • Branch Network MNET Switch • M NET Switch 5.
Comprehensive Strategic Management Model (as illustrated by Fred R.

David) 6. Financial Highlights (MCB) i) Financial Ratios (2007) [pic] ii)

Balance Sheet (2007) [pic] ii) Income Statement (2007) [pic] STRATEGIC

EVALUATION Our Assessment (Vision And Mission): The Vision Statement is

right The Mission statement is very good except the lacking of two

components. The 7 components are there but the two components are

missing there. One is the technology and other is the market. They have

mentioned that they want to be the market leader but they haven't

mentioned that either they want to become global leaders or the national

leaders. And then they must mention about the technological advancement

that they are eager to apply new technological advancements. 1. THE INPUT

STAGE i) Internal Factors Evaluation (IFE) Matrix Key Internal Factors |

Weight | Rating | Weighted | | | | Score | | Strengths | | | | 1. | 4th largest

bank in Pakistan in terms of branch network, broad | 0. 10 | 4. 00 | 0. 40 | | |

geographical coverage. (100 branches out of which 700 online) | | | | 2. |

Strong liability side mgt. Lowest deposit cost in banking sector due | 0. 08 |

4. 00 | 0. 32 | | | to high % of current & saving deposits | | | | 3. | Low

incremental NPL flow and high coverage of | 0. 6 | 4. 00 | 0. 24 | | | impaired

portfolio - over and above SBP's requirements | | | | 4. | Strong corporate

relationships, which translates into higher market | 0. 08 | 4. 00 | 0. 32 | | |

share of corporate loans | | | | 5. | Relatively advanced use of technology;

highest numbers of ATMs | 0. 05 | 4. 00 | 0. 20 | | | installed throughout the

country. Also using ERP. | | | | 6. | Strong retail brand awareness -

neighborhood bank | 0. 05 | 3. 00 | 0. 15 | | 7. | High quality of services | 0.

08 | 4. 00 | 0. 32 | | 8. | Quality Management Team | 0. 05 | 4. 00 | 0. 20 | | 9.

| Customer base of over 4 million having trust and believe. | 0. 08 | 3. 00 | 0.

24 | | 10. | Only bank in Pakistan, which has won 7-euro money awards and 5

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Asia | 0.05 | 4.0 | 0.20 | | | money awards consecutively. | | | | Weaknesses
| | | | 1. | Unbalanced business mix, with heavy reliance | 0.05 | 1.00 | 0.05
| | | currently on corporate banking business | | | | 2. | High loan to deposit
ratio which will constrain loan growth to the | 0.04 | 2.00 | 0.8 | | | pace of
deposit growth, or force the bank to seek higher cost debt | | | | | financing |
| | | | 3. | High current and saving deposits compared to peer banks, which |
0.04 | 1.00 | 0.04 | | | require higher cash reserves | | | | 4. | Lack of
International Presence | 0.05 | 1.00 | 0.05 | | 5. | Turnover of employees | 0.
03 | 2.00 | 0.06 | | 6. | Sales & Marketing department is little bit weak. | 0.
04 | 2.00 | 0.08 | | 7. People have little confidence in the Islamic products
because of the | 0.07 | 2.00 | 0.14 | | | conventional bank. | | | | | | | | | | | | | |
| | | TOTAL | 1.00 | | 3.09 | 4-the response is superior, 3-the response is
above average -the response is average, 1-the response is poor MCB is
Above average bank (I can say it's a good bank) regarding the internal
evaluation. | Key External Factors | Weight | Rating | Weighted | | | | Score |
| Opportunities | | | | 1. | Relatively low presence in the consumer finance
market which is a key| 0.10 | 4.00 | 0.0 | | | focus area for the bank.
Potential for stronger net interest margins | | | | | and fee income growth | | |
| | 2. | Penetration levels of consumer finance in Pakistan is among the | 0.05
| 2.00 | 0.10 | | | lowest in the AsiaPac region | | | | 3. | Attraction to the
Foreign investors to directly invest in equity (as | 0.06 | 4.00 | 0.4 | | | the
first mover among the Pakistani bank to list overseas) | | | | 4. | Broad retail
customer base providing cross selling opportunities; | 0.08 | 1.00 | 0.08 | | |
focus area could be insurance as MCB has a majority shareholding in | | | | |
Adamjee Insurance (the largest general insurance company in Pakistan)| | | |
| 5. | Launch of asset management operations | 0.04 | 2.00 | 0.08 | | 6.

Economic Growth in Pakistan | 0.07 | 4.00 | 0.28 | | 7. | A high growth in Islamic products and Islamic insurance. | 0.07 | 1.00 | 0.07 | | 8. | High forecasted Increase in the GDP. As the GDP increase, the saving | 0.06 | 3.00 | 0.18 | | | ratio also increase and this is indirect benefit to the banks. | | | | 9. | Due to the increase in Banks capital by SBP, most of the banks will | 0.08 | 4.00 | 0.32 | | | be acquired by other banks or closed.

This will provide the | | | | | competitive advantage to the remaining banks. |

| | | | | Threats | | | | 1. | Decreasing corporate loan demand due to rising interest rates | 0.09 | 3.00 | 0.27 | | 2. | Increased participation of foreign banks in local market; typically | 0.06 | 3.00 | 0.8 | | | have better product offering and marketing strategies | | | | 3. | Increased capital demand will affect the Banks profitability. | 0.08 | 4.00 | 0.32 | | 4. | New entrants into the consumer segment rush to the market | 0.07 | 3.00 | 0.21 | | | aggressively without taking care of risk management (unsecured Loan). | | | | 5. | The number of Islamic banking is increasing day by day. And they | 0.09 | 3.00 | 0.27 | | | capture the consumer market due to the Islamic religion. | | | | |

TOTAL | 1.00 | | 3.00 | ii) External Factors Evaluation (EFE) Matrix 4-the response is superior, 3-the response is above average 2-the response is average, 1-the response is poor MCB is Above average bank (I can say it's a good bank) regarding the External evaluation too. iii) Competitive Profile Matrix (CPM) | MCB | NBP | HBL | | Critical Success Factors | Weight | Rating | Weighted | Rating | Weighted Score | Rating | Weighted Score | | | | Score | | | | 01. Product/service Quality |.15 | 4 | 0.60 | 2 | 0.30 | 3 | 0.45 | | 02. Govt. Supported products |.10 | 1 | 0.10 | 4 |

0. 40 | 1 | 0. 10 | | 03. Competitiveness |. 14 | 4 | 0. 56 | 3 | 0. 42 | 2 | 0. 28 | |
 04. Quality Management |. 08 | 4 | 0. 32 | 1 | 0. 08 | 2 | 0. 16 | | 05.

Financial Position |. 14 | 3 | 0. 42 | 3 | 0. 42 | 2 | 0. 28 | | 06. Advertising |. 08
 | 2 | 0. 16 | 1 | 0. 08 | 4 | 0. 32 | | 07. Customer Loyalty |. 06 | 4 | 0. 24 | 2 | 0.
 12 | 2 | 0. 12 | | 08. Global Expansion |. 05 | 2 | 0. 10 | 2 | 0. 10 | 2 | 0. 10 | |
 09. Market Share |. 08 | 3 | 0. 4 | 4 | 0. 32 | 2 | 0. 16 | | 10. Branch network |.
 12 | 4 | 0. 48 | 4 | 0. 48 | 3 | 0. 36 | | Total | 1. 00 | | 3. 22 | | 2. 72 | | 2. 33 | 4-

the response is superior, 3-the response is above average 2-the response is average, 1-the response is poor MCB has two tough competitors (NBP & HBL) but even though MCB is tougher competitor to them. In other word MCB has competitive advantage over both of them. 2. THE MATCHING STAGE i) TOWS Analysis | Strengths | Weaknesses | | | 4th largest bank in Pakistan in terms of | Unbalanced business mix, with heavy | | | branch network, broad geographical | reliance | | | coverage. (1000 branches out of which 700 | currently on corporate banking business | | | online) | High loan to deposit ratio which will | | | Strong liability side mgt.

Lowest deposit | constrain loan growth to the pace of | | | cost in banking sector due to high % of | deposit growth, or force the bank to seek | | | current & saving deposits | higher cost debt financing | | | Low incremental NPL flow and high coverage | High current and saving deposits compared | | | of | to peer banks, which require higher cash | | | impaired portfolio – over and above SBP's | reserves | | | requirements | | | Strong corporate relationships, which | Lack of International Presence | | | translates into higher market share of | | | | corporate loans | Turnover of employees | | | Relatively advanced use of technology; | | | | highest numbers of ATMs

installed | Sales & Marketing department is little bit | | | throughout the country. Also using ERP. | weak. | | Strong retail brand awareness - | | | | neighborhood bank | People have little confidence in the | | | High quality of services | Islamic products because of the | | | Quality Management Team | conventional bank. | | | Customer base of over 4 million having | | | | trust and believe. | | | | Only bank in Pakistan, which has won 7-euro | | | | money awards and 5 Asia money awards | | | | consecutively. | | Opportunities | S-O Strategies | W-O Strategies | | Relatively low presence in the consumer | | | | finance market which is a key focus area | Penetration and development in the Consumer | Diversify in investment Banking (W2, W3, | | for the bank. Potential for stronger net | Finance (S1, O1, O2) | O5) | | interest margins and fee income growth | Generate funds From corporate Clients (S4, | Market penetration in consumer Finance (W1, | | Penetration levels of consumer finance in | S7, O3) | O1, O2) | | Pakistan is among the lowest in the Asia | Promote Convenient and Integrated Banking | Attract deposits from Potential savers | | Pac region |(S5, O4) |(W2, O6) | Improved brand image as the first mover | Product Development specially for | Incentives to potential savers (W3, O5) | | among the Pakistani bank to list overseas | Foreigners (S2, O10) | | | Broad retail customer base providing cross | | | | selling opportunities; focus area could be | | | | insurance as MCB has a majority | | | | shareholding in Adamjee Insurance (the | | | | largest general insurance company in | | | | Pakistan) | | | | Launch of asset management operations | | | | Economic Growth in Pakistan | | | | A high growth in Islamic products and | | | | Islamic insurance. | | | | High Increase in the GDP this year.

As the GDP increase, the saving ratio also increase and this is indirect benefit to the banks. Due to the increase in Banks capital by SBP, most of the banks will be acquired by other banks or closed.

This will provide the competitive advantage to the remaining banks. As MCB is only bank listed in America through GDR. And in this way the foreign investors can directly invest in MCB equity.

Threats | S-T Strategies | W-T Strategies | Decreasing corporate loan demand due to rising interest rates | Introduce new corporate products to Balance business mix with new consumer | Increased participation of foreign banks in| maintain corporate customer share (S4, T1) | products (W1, T1) | local market; typically have better product| Provide Awareness to the customers for | Increase advertising Campaign (W6, T2, T4) | offering and marketing strategies | Islamic Products (S5, S7, T5) | Expand business Globally (W4, T2) | Increased capital demand will affect the | Increase the number of foreign overseas GDR| Banks profitability. | holders (S10, T3) | New entrants into the consumer segment rush| to the market aggressively without taking care of risk management (unsecured Loan). | The number of Islamic banking is increasing| day by day.

And they capture the consumer market due to the Islamic religion.

ii) SPACE Matrix | Financial Strengths | Ratings | The market price of the Share Of the MCB is Rs. 399 (As on Dec31st 2007). Share price reflects the Financial strength. | 2.0 | The Banks Return on Assets is 4.06% as compared to the last year of 3.79%. | 3. | The Banks Return on Average Equity is 37.66% as compared to the Industry, which is 40%. | 4.0 | The

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MCB net Income is Rs. 15.265 billion as compared to last year Rs. 12.142 Billion, increase of 25.7%. | 6.0 | | The MCB Revenue increased 12.57% in one year (Rs. 21.252 Billion to Rs. 23.921 Billion) | 5.0 | | | 20.0 | | Industry Strengths | | | New Regulation of increased capital provides the capital advantage. | 6.0 | | There is S. L.

R relax in Islamic Banks or Islamic Part of the Banks. | 5.0 | | Due to increase in the interest rate the spread of the Bank has Also increased. | 2.0 | | | 13.0 | | Environmental Stability | | | High Inflation and political Instability in Pakistan. |-3.0 | | High volatility in KSE, therefore the banks portfolio baskets are sensitive to Risk. |-2.0 | | Re regulation and re regulation of SBP has also created instability in Banking sector. |-2.0 | | |-7.0 | | Competitive Advantage | | | Customer base of over 4 million having trust and believe. |-1.0 | | Strong corporate relationships, which translates into higher market share of corporate loans |-2.0 | | High quality of services |-2.0 | | Quality Management Team |-3.0 | | |-8.0 | | Conclusion | | ES Average is $-7.0 / 3 = -2.333$ IS Average is $+13.0 / 3 = 4.333$ | | CA Average is $-8.0 / 4 = -2.0$ FS Average is $+20.0 / 5 = 4.0$ | | Directional Vector Coordinates: x-axis: $-2.0 + (+4.333) = 2.333$ | | y-axis: $-2.333 + (+4.0) = 1.666$ | | Conservative | | III | IV | Medium 0 Low -20 | Division | Revenues | Percent Revenues | Profits (Rs. In | Percent Profits | Percent Market | Percent Growth | | (Rs. In | | Millions) | | Share | Rate | | | Billion) | | | | | MCB BANK | 23.92 | 100.00 | 20.80 | 100.00 | 8% | +20 | | | | 23.92 | 100.00 | 20.80 | 100.00 | | | Strategy recommended:- As MCB lies in 1st quadrant (??) and it has relatively low market share but high Industry growth. Therefore MCB should apply the Strategies like Market penetration & Product development. iv) Internal -

| | | | | Insurance) | | | | Weight | AS | | NO | YES | YES | Take Corrective
 Actions | It is assumed that after the fiscal policy the economic factors like
 GDP, Inflation etc changes. In the same way, after the monetary policy of
 this year, the external environment factors of banking sector will be changed
 because of the new govt. setup. Therefore In this situation the MCB will need
 some corrective actions as the response to the external changes. 2. A
 Strategy-Evaluation Framework Recommendations • Existing Strategies to
 be continued • New Strategies to be started concurrently The greater
 focused should be given to penetrate in the consumer finance. • If there are
 the reserves to MCB, then it must go for the acquisition of an existing Islamic
 Bank. References 1. www. mcb. com. pk 2. Annual report Of MCB (As on Dec
 31, 2007) 3. Annual report Of NBP (As on Dec 31, 2007) 4. Annual report Of
 HBL (As on Dec 31, 2007) 5. Annual report Of SBP ————— [pic]
 Measure and Evaluate Performance Implement Strategies Marketing,
 Finance, Accounting R&D, MIS Issues Implement strategies Management
 Issues Generate, Evaluate, and Select Strategies Establish Long-term
 Objectives Perform Internal Audit Perform External Audit Develop Vision and
 Mission Statement