

Micro environment of hsbc



**ASSIGN
BUSTER**

The whole world is now getting so much competitive and diversified. So the business organization doing business globally must have to make their strategy in different way that will give them competitive advantage in the competitive global market. So the aim of this assignment is to show how an organization is making its global strategy and what the competitive advantages are they getting from this business strategy. As required, Hongkong and Shanghai Banking Corporation (HSBC) is selected and analyzed in this assignment.

The HSBC Group has a history, which is unique. Many of its principal companies opened for business over a century ago and they have a history rich in variety and achievement.

The inspiration behind the founding of the bank was Thomas Sutherland, a Scot who was then working as the Hong Kong Superintendent of the Peninsular and Oriental Steam Navigation Company. Realizing the considerable demand for local banking facilities both in Hong Kong and along the China coast and he helped to establish the bank in March 1865. Then, as now, the bank's headquarters were at 1 Queen's Road Central in Hong Kong and a branch was opened one month later in Shanghai.

Throughout the late nineteenth and the early twentieth centuries, the bank established a network of agencies and branches based mainly in China and South East Asia but also with representation in the Indian sub-continent, Japan, Europe and North America. In many of its branches the bank was the pioneer of modern banking practices (Company overview)

This assignment includes analysis of the business environment of this organisation by analysis of the micro and macro environments and using different analysis techniques. Such as: SWOT Analysis, PEST Analysis etc. This also covers the analysis of the industry of the organization, the impact of globalization on the organization, and the international market where it operates its business.

1. 1 Micro Environment of HSBC Group

Stakeholders: Stakeholders of HSBC are always getting the preference. There are different stakeholders of HSBC. Such as:

Shareholders

Media Publics

Government

Citizen-action publics

Local publics

General publics

Internal publics

Suppliers: suppliers form an important link in the company's overall customer value delivery system. HSBC maintains a strong relationship with all the suppliers of this bank around the world. So they always cooperates the bank in any type of needed.

Customers: The bank tries to target mainly five types of customer markets. These are as: Consumers, business clients, reseller market, Government, and international customers. HSBC mainly maintains strong relationship with international customers for long term profitability.

Competitors: Competitors are the people to make the business environment dynamic and lead them to identify different new ideas of doing business. They always make a good competitive environment and maintain a formal and cooperative situation of business.

Market intermediaries: Marketing intermediaries are composed of all the individuals or companies who help in the promotion, selling, and distribution of the company's products or services. They play an important role to make sure the growth of the organization.

1. 2 Macro Environment of HSBC Group

External climate: A key part of the Group's business strategy, announced in 1998, is the creation of a global brand featuring the HSBC name and hexagon symbol. The symbol is now a familiar sight around the world. The Group has embarked on the next phase – making the HSBC brand universally synonymous with its core values of integrity, trust and excellent customer service.

Economic: Through the process of listening to individuals needs and then acting in partnership to deliver the right solutions, HSBC is committed to help the clients make the most of their financial assets. This states the most favorable economic situation.

Political and legal environment: HSBC operate on a global basis, but also work on a local level to ensure the cross-border differences are identified and any related benefits exploited. HSBC teams of specialists ensure that whether you need solutions across the world, regionally, or locally, and they have the skills, expertise, and resources to deliver them. They automate as many functions as possible, even as ensuring retains control. So they have to cope up with the political and legal environment of the whole world.

Cultural environment: HSBC claims that they are the people to talk to if anyone wants the following: –

Global cash flow co-ordination

Enhanced risk management

Improved security and audit controls

Minimized costs and reduced operating expenses

Maximized liquidity, returns and interest benefits

This culture makes the organization popular to the customer and the customer can be satisfied by the service of the bank.

Resources (capital, people and natural): The Hexagon logo of HSBC derives from HSBC's traditionally flag, a white rectangle divided diagonally. The design of the flag was based on the cross of ST. Andrew, The Patron Saint of Scotland. HSBC brand & corporate identity represents what HSBC wants its brand to mean to its customer. It is derived from the group. Without these resources it has also a large amount of capital resources and a large group of expert and trained employees.

Technology: HSBC's basic drives are Higher Productivity, Team Orientation, and Creative Organization, & Customer Orientation. The essence of HSBC brand is integrity, trust, and excellent customer service. It gives confidence to customers, value to investors, & comfort to colleagues.

HSBC is a prudent, cost conscious, ethically grounded, conservative, trustworthy international builder of long-term customer relationships.

1.3 SWOT Analysis of HSBC

SWOT analysis is a process of situational analysis. Evaluating a firm's strengths, weaknesses, opportunities, and threats through a SWOT analysis is an easy process that provides valuable insights relating to critical issues affecting an organization.

SWOT analysis:

The internal and external situations can provide valuable information which can come in handy at times. The SWOT analysis categorizes the internal organizational factors as strengths and weaknesses and the external situational aspects as opportunities or threats. The strengths can be used for

building a competitive advantage, whereas weakness may hinder the process.

The purpose of SWOT analysis is to identify crucial factors for realizing the goals. The internal factors of an organization can be considered as strengths or weaknesses depending upon their impact on the organization. These may include all 4P's, personnel, manufacturing capabilities, finance, etc, whereas external factors are technological changes, macroeconomic factors, socio-cultural changes and legislation, as well as changes occurring in the marketplace.

SWOT analyses of HSBC are as follow:

Strengths

HSBC's strengths are its resources that lie in:

Cost advantages from proprietary know how is very favorable.

It has a great value of Patents and trademark

HSBC has Influential brand names

It also has access to natural resources

Accessible distribution network

Weakness

The weakness can be lack of certain strengths that include:

Lack of patent protection

Deprived of access to main distribution channels

Weak brand name

High cost structure

Inaccessible natural resources

Opportunities

The assessment of external environment may bring forth certain new opportunities for HSBC, which are as follows:

Technologies innovations

Elimination of international trade barriers

An untapped market need

Threats

Unfavorable changes in external environment may pose threat to the organization. Some of them are as follows:

Consumers shift to different brand

Arrival of substitutes

Strict regulations

Growing trade barriers

1. 4 PEST Analysis of HSBC

1. Political Factors

This exercise dissects the political, governmental, and legal aspects of a particular business. Both local and global environments are studied because federal, state, local, and foreign governments are major regulators, deregulators, subsidizers, employers.

2. Economic Factors

Economic analysis, a comprehensive study of national, regional, and global economic performance and trends, represents a highly important phase of strategy development for planned, start-up, and growing businesses

3. Social Factors

The social component of strategic analysis relates to assessing the social, cultural, demographic, and environmental profiles of addressable markets.

4. Technological Factors

Technology is a business enabler that has revolutionary impact on the actual conduct of business. It contributes to achieving desired business productivity and efficiency. Technology is one of the key drivers of modern business firm. As an international organization HSBC try to adopt modern technology always. So this will give preference to the firm.

2. 1 History of Bank Industry

The history of banking begins with the first prototype banks of merchants of the ancient world, which made grain loans to farmers and traders who carried goods between cities. This began around 2000 BC in Assyria and Babylonia. Later, in ancient Greece and during the Roman Empire, lenders

based in temples made loans and added two important innovations: they accepted deposits and changed money. Archaeology from this period in ancient China and India also shows evidence of money lending activity(Peter Garber, 2001).

Banking, in the modern sense of the word, can be traced to medieval and early Renaissance Italy, to the rich cities in the north such as Florence, Venice and Genoa. Perhaps the most famous Italian bank was the Medici bank, established by Giovanni Medici in 1397.

The development of banking spread from northern Italy through Europe and a number of important innovations took place in Amsterdam during the Dutch Republic in the 16th century and in London in the 17th century. The financial crisis of 2007-2008 caused many bank failures, including some of the world's largest banks, and provoked much debate about bank regulation.

In the Late-2000s financial crisis caused significant stress on banks around the world. The failure of a large number of major banks resulted in government bail-outs. The collapse and fire sale of Bear Stearns to JP Morgan Chase in March 2008 and the collapse of Lehman Brothers in September that same year led to a credit crunch and global banking crises (Jean-Charles Rochet, 2008).

In response governments around the world bailed-out, nationalized or arranged fire sales for a large number of major banks. These events spawned the term 'too big to fail' and resulted in a lot of discussion about the moral hazard of these actions.

2. 2 The Extent of Globalization and Current Internal Issues

According to Modelski, globalization is a historical process which is characterized by a growing engagement between peoples on all corners of the globe (Modelski, 2003, pp. 55-59). However, as Heywood points out, it can refer to various things such as processes, policies, strategies, an occurrence or an ideology. He suggests, its elusive meaning lays in the fact that it “ is not so much and it as a team” (2007, p. 143). The reason for the elusiveness of the term is that, as Heywood pints out, it involves many different facets which many different academics proclaim as its defining features.

This provides the best summary of what globalization is and what it involves; however, different perspectives on globalization view these processes in different ways and provide competing explanations of their significance. The first of these to be outlined is the hyper globalist perspective (Held, D. and McGrew, A. (2003).

Each perspective differs however on how the globalization process impacts on politics. The hyper globalists argue that globalization is leading the world into a period which will see the end of the nation state and the emergence of a global governance system. The transformation lists on the other hand reject this idea, and instead claim that the nation state is still relevant in a globalised world, but needs to adapt to the challenges that the increasing flows of capital and culture impose.

On the issue of cultural flows there is again divergence amongst the perspectives. For hyper globalists, the path towards a homogenous world culture is inevitable as globalization develops.

For transformation lists, the process of globalization is creating a world community of diverse cultures whilst for the skeptics, cultural interaction and integration is nothing new. On the question on the extent the world is actually globalised, there is also agreement and disagreement (Peter Garber, 2001).

For both the hyper globalists and the transformation lists, the contemporary world is more globalised than ever before, with economics, politics and culture never more connected than in this age of mass media, internet and rapid communication. Globalization, they argue, has touched every corner of the globe, and will continue on that trajectory into the future. For the skeptics however, the world is not actually globalised but is instead regionalized. To back up this claim, they point to the massive inequalities between countries in the western world, and those in the developing world.

2.3 The International Markets In Which It Operates

HSBC's International Network

The HSBC Group's international network comprises of some 7, 000 offices in 80 countries. A brief list is presented below:

Fig 2: HSBC's International Networks

Country Classifications

To ensure that the key resources (management time, capital, human resources and information technology) are correctly allocated and that the exchange of best practice is accelerated between entities, the group has classified the countries where it operates into 3 categories: the large, the major and the international.

These classifications are a function of sustainable, attributable earnings, the number of retail clients, balance sheet and size of operation. A brief presentation of this classification is shown below:

Figure 3: Map of HSBC's Country Classifications

Large: United Kingdom, USA and Hong Kong SAR/Mainland China.

Definition

More than one million personal clients

Sustainable earnings greater than US\$ 200 million

Business Focus

Concentrated group resources on wealth management

Be a top 10 player in any market or region served

Develop cross selling, loyalty programs and value added products.

Major: Argentina, Canada, Malaysia, India, Kingdom of Saudi Arabia, Singapore and United Arab Emirates.

Definition

Sustainable earnings between US\$ 100 – 200 million

Business Focus

Universal bank's (personal, corporate, and investment banking with domestic business)

Platforms for international group business

Next generation of large companies

Stable self funding entities

Onshore HQ

International: The rest of the world

Definition

f~ Earnings below US\$ 100 million

Business Focus

Platforms for international group business

Limited domestic presence

“Nursery” for developing management

Tomorrow's major businesses

Supported by offshore HQ

Banks under the HSBC Group

Many of the members have changed their name into HSBC, The Hongkong and Shanghai Banking Corporation Limited to introduce the whole group under one brand name.

Midland Bank

HSBC Holdings acquired Midland Bank one of the principal UK clearing banks in 1992. Headquartered in London, the bank has a personal customer base of five and a half million, business customers of over half a million, and a network of almost 1, 700 branches in the United Kingdom. Midland has offices in 28 countries and territories, principally in continental Europe, with a number of offices in Latin America.

Hang Seng Bank

Hang Seng Bank, in which Hongkong Bank has a 62. 1% equity interest, maintains a network of 146 branches in the Hong Kong SAR, where it is the second largest locally incorporated bank after Hongkong Bank. Hang Seng Bank also has a branch in Singapore and two branches and two representative offices in China.

Marine Midland Bank

Marine Midland Bank headquartered in Buffalo, New York, has 380 banking locations statewide. The bank serves over two million personal customers and 120, 000 commercial and institutional customers in New York State and, in selected businesses, throughout the United States.

Hongkong Bank of Canada

Hongkong Bank of Canada is the largest foreign-owned bank in Canada and the country's seventh-largest bank. With headquarters in Vancouver, it has 116 branches across Canada and two branches in the western United States.

Banco HSBC Bamerindus

Banco HSBC Bamerindus was established in Brazil in 1997. The bank has network of some 1, 900 branches and sub-branches, the second largest in Brazil.

Hongkong Bank Malaysia

Hongkong Bank Malaysia is the largest foreign-owned bank in Malaysia and the country's fifth-largest bank, with 36 branches.

The British Bank of the Middle East (British Bank)

The British Bank of the Middle East (British Bank) is the largest and most widely represented international bank in the Middle East, with 31 branches throughout the United Arab Emirates, Oman, Bahrain, Qatar, Jordan, Lebanon and the Palestinian Autonomous Area, including an offshore banking unit in Bahrain. The bank also has branches in Mumbai and Trivandrum, India, and Baku, Azerbaijan, as well as private banking operations in London and Geneva.

HSBC Banco Roberts

HSBC Banco Roberts was acquired in 1997. Based in Buenos Aires, it is one of Argentina's largest privately owned banks, with 60 branches throughout the country.

Hongkong Bank of Australia

Hongkong Bank of Australia has 16 branches across Australia. It is the flagship of the HSBC Group's businesses there, operating under the name HSBC Australia, and providing a complete range of financial services.

The Saudi British Bank

The Saudi British Bank, a 40%-owned member of the HSBC Group, has 63 branches throughout Saudi Arabia and a branch in London.

Figure 1: Banks under the HSBC Group

Other associated Group banks are British Arab Commercial Bank, The Cyprus Popular Bank and Egyptian British Bank.

Customer Segments of HSBC Group

Personal Financial Services

HSBC provides a full range of personal financial services, including current and savings account, mortgages, insurance, credit cards, loans, pensions and investments. In 2000, residential mortgages across the Group – excluding Household – grew by 15%, while non-mortgage personal lending increased by over 20%. Credit cards in issue grew by 20% worldwide. Sales of repayment protection insurance and deposit growth reached record levels. Current account balances in the UK exceeded £ 10 billion for the first time at year-end 2000. The number of customers registered for e-banking services – via the internet and telephone – more than trebled in 2000. The internet generated sales of over 2. 3 million products and 87 million transactions.

Consumer Finance

Through Household International, Inc., HSBC is now a major provider of consumer finance and a top 10 issuer of credit cards in the USA. Household provides consumer loans, credit cards, vehicle finance, mortgage financing and credit insurance to middle America. During 2004, Household achieved good organic loan growth, which it supplemented with portfolio acquisitions. The strongest growth was in the real estate portfolio and the mortgage services business, and also in branch-based consumer lending. Synergy benefits with HSBC included store cards and point-of-sale financing.

Commercial Banking

The provision of services to small and medium-sized enterprises around the world is core strength of HSBC. During 2000, HSBC increased its leading position in the UK business start-up market to 21% and attracted record levels of business current and deposit account balances. Business internet banking was offered in 20 countries and territories, and the number of registered users more than doubled to 600, 000. Money transmission revenues, trade finance fees, wealth, savings and insurance products all showing growth during 2000.

Corporate, Investment Banking and Markets

This customer group comprises four main business lines – Corporate and Institutional Banking, Global Investment Banking, Global Markets and Global Transaction Banking – which focus on long-term relationships with major international corporations and institutions. Record results were achieved in 2000. The Global Markets business excelled, particularly in international debt issuance, risk management and structured products, and foreign exchange.

Global Investment Banking was entrusted with a number of landmark deals in capital restructuring, corporate reorganization and strategic advice.

Private Banking

This customer group provides world-class financial services to high net worth individuals and their families. In 2000, Private Banking posted improved financial results in all regions, led by Asia, which had a record year. New business initiatives and a general improvement in investment markets led to increased client activity across a range of products. An increase in discretionary mandates, together with a strong demand for client-tailored structured products, contributed to higher fee revenues and dealing income. Funds under management grew by 18%, reflecting both net inflows of client assets and improving market conditions.

2. 4 The Impact of Globalization on HSBC

Corporate banking is the most profitable segment of HSBC, since it has globally recognized brand name and it has competitive advantage in international trade and finance. But the nature of competition in financial service is changing dramatically. Most competitive advantages are not creating long-term benefits and at best are temporarily improving yesterday's business. From the study it seemed to me that personal financial products of HSBC are mainly basic since it is less focused. Using the brand name and widening the personal financial product range, HSBC bank has the potential to become the leader in consumer banking market of the country. So, the concerned department should formulate strategy and policies to compete better with the challenging opportunities of the future.

3. 1 Moral and ethical questions

As an international organization HSBC sometimes faces some problems in different geographical location. This problem is the moral and ethical question. The bank operates in different conservative countries. The sociological limitations of these countries make some ethical dilemma for the bank. The bank always tries to involve with different corporate social affairs. So their different strategies sometimes have a little conflict with the existing ethical framework of those countries.

3. 2 Conflicts

When the bank started the journey in Africa in had to face a lot of problems in operation. Because the people of Africa have different social values and culture. So the bank had to gradually cope up with the existing culture. The climate change of Africa also made some problems. The general business policy had to change due to the conflict of the existing sociological forces. Though the bank is still changing their policy but still now there have some ethical and moral conflict. The anti-globalism policy of some countries makes the conflict with the globalized policy of the bank.

3. 3 Legislation

Corporate social responsibility is the one of the key marketing policy of HSBC. The bank's main focus is to involve with more international corporate affairs by means of CSR. This planning has the impact on global marketing. But the corporate social responsibility issue is not always smooth in all in the countries. Different countries and region have some legislation and bindings in regulations relating to corporate social responsibility. In Asia the business

policy sometimes faces some legislative obstacles and the bank have to face some problems in operations.

Conclusion

During the Second World War the bank was forced to close many branches and its head office was temporarily moved to London. However, after the war the bank played a key role in the reconstruction of the Hong Kong economy and began to further diversify the geographical spread of the bank.

The post-war political and economic changes in the world forced the bank to analyze its strategy for continued growth in the 1950s. The bank diversified both its business and its geographical spread through acquisitions and alliances. This strategy culminated in 1992 with one of the largest bank acquisitions in history when HSBC Holdings acquired the UK's Midland Bank plc (now called HSBC Bank plc). However, it remained committed to its historical markets and played an important part in the reconstruction of Hong Kong where its branch network continued to expand.

HSBC understands that there are many challenges facing today's youth as they prepare to engage in the increasingly changing and complex aspects of the "real world." Recognizing the importance of educating, inspiring and equipping youth of all backgrounds to succeed in a global economy, we began a partnership with Junior Achievement USA (Junior Achievement) in 1942. We expanded this partnership to launch a global initiative in 2006 and began working with JA Worldwide.