CASE STUDY

HSBC's Global Reorganization and Corporate Performance in 2012

HSBC Holdings owns subsidiaries throughout Europe, Hong Kong and the rest of the Asia/ Pacific region, the Middle East and Africa, and the Americas."[1]

The above statements truly reflect HSBC Holdings' (hereafter HSBC) massive and distinct c erations in 2012 that maintained 89 million customers worldwide. Originally known as Ho Kong Shanghai Banking Corp., the bank was founded in Hong Kong and Shanghai in 18(Currently based in London, UK, HSBC is a well-known global entity (with two nationalitie has 7,200 offices in 80 countries, and employs 295,000 workers worldwide. In emerging marke HSBC continues to be a visible player and has expanded because of tangible consumer dema and growth opportunities.

In 2011, HSBC had revenues of $105.80 billion and made a pretax profit of $21.95 billi The bank's total assets stood at $2.55 trillion. As of 2012, HSBC's operations are in most ma parts of the world.[2] The bank's main revenues come from commercial banking, global banki retail banking and wealth management, and private banking. HSBC did lose money during t 2008 global financial crisis. At the same time, the bank did not seek any bailout in Europe a Asia and continues to be a visible brand in the global banking industry. No wonder HSBC's d tinct slogan ("*The world's local bank*") reflects its strong corporate identity and global networ

The global banking industry is a major strategic industry in world business, impacting cou tries, industries, and firms alike. Historically the industry's growth has been based on region- a country-specific strategies because of national developmental agendas and ideologies. Bar may be global in their operations but mostly thrive because of national identities, networks, a financial resources.

In July 2011, HSBC was rated the third largest bank in its tier one capital ($163 billior Other top banks in the list included Bank of America, JPMorgan, CitiGroup, Mitsubishi U Financial Group, Industrial Commercial Bank (China), and Wells Fargo. The top 25 banks ori nated from the U.S., the UK, Japan, China, Japan, France, Italy, and the Netherlands. The pa of change and competition in the global banking industry is highly dynamic and fierce. The 20 global financial crisis created havoc in the banking industry. During the crisis, banks' and fin cial institutions' "*systematic distress*" and "*spillover effects*" created major problems for the dustry.[4] HSBC was also impacted by the crisis and ended up losing money and customers. Unl American banks, HSBC's operations were somewhat spared but growth remained stagnant dur this period. The bank closed its money-losing operations and sold a few assets. This was a ma disruption in HSBC's history and weakened the bank's well established business model.

To deal with the 2008 financial crisis, HSBC embarked on a major reorganization t changed its strategy and growth patterns. In 2011, HSBC trimmed its North American operati because of losses in the area of subprime lending.[5] At the same time, HSBC started expanding emerging markets of Asia. China was selected to be the bank's major market for future grow Other reorganization took place that aimed at mostly downsizing and trimming operations. Th changes did impact the bank's massive operations in global markets.

In February 2012, HSBC announced its financial results where the bank increased its net 27 percent. This was clearly the result of HSBC's 2010 restructuring plan, which was desig in the post-financial crisis period. While HSBC trimmed its operations in North America, bank's Asian markets witnessed a good increase in revenues because of growth in emerg markets.[6] *Financial Times* called HSBC "*the world's Asian bank*."[7] No wonder HSBC pl on having a major presence in China and has announced increasing its share in China's Ba of Communications. HSBC also plans on expanding its branches in China from 110 locati to 800.[8] This is a major part of the bank's reorganization that was initiated by Stuart Gulli (CEO) and his team in 2009–2010.[9]

Although competition in emerging markets has been heightened because of the arrival local and multinational banks,[10] markets are available to those financial institutions that ca efficient business models and operations. HSBC has major plans in the Asia markets. Becaus its long history and brand identity, the bank's future plans and restructuring initiatives can b fruit if implemented accurately. In a special research report ("The World in 2050: Quantify

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In 2011, HSBC had revenues of $105.80 billion and made a pretax profit of $21.95 billion. The bank's total assets stood at $2.55 trillion. As of 2012, HSBC's operations are in most major parts of the world.[2] The bank's main revenues come from commercial banking, global banking, retail banking and wealth management, and private banking. HSBC did lose money during the 2008 global financial crisis. At the same time, the bank did not seek any bailout in Europe and Asia and continues to be a visible brand in the global banking industry. No wonder HSBC's distinct slogan ("*The world's local bank*") reflects its strong corporate identity and global networks.

The global banking industry is a major strategic industry in world business, impacting countries, industries, and firms alike. Historically the industry's growth has been based on region- and country-specific strategies because of national developmental agendas and ideologies. Banks may be global in their operations but mostly thrive because of national identities, networks, and financial resources.

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To deal with the 2008 financial crisis, HSBC embarked on a major reorganization that changed its strategy and growth patterns. In 2011, HSBC trimmed its North American operations because of losses in the area of subprime lending.[5] At the same time, HSBC started expanding in emerging markets of Asia. China was selected to be the bank's major market for future growth. Other reorganization took place that aimed at mostly downsizing and trimming operations. These changes did impact the bank's massive operations in global markets.

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the shift in the global economy"), Karen Ward, HSBC's chief economist, observed with convincing data and logical arguments:

> *"19 of the 30 largest economies will be emerging economies; the emerging economies will collectively be bigger than the developed economies; global growth will accelerate thanks to the contribution from the emerging economies. . . . Asia will continue demonstrating extremely strong growth rates and those with large population will overtake Western powerhouses."*[11]

This clearly shows HSBC's long-term ambitions in the emerging markets of Asia, where growth is significantly available to those banks that carry prudent policies and networks. At the same time, the areas of technology and financial services have become more efficient because of the availability of online banking, the accessibility of large-scale and real time data, useful analytics, and other technologies on hand. This has helped multinational and local banks to be more competitive, efficient, and effective in their markets.

In conclusion, firms' organizational structures, interorganizational networks and alliances, and control and monitoring systems are important when seeking expansion in the global banking industry, which thrives on strategic locations, networks, and customer service. The same areas apply to other industries and firms as well. Above all, firms must change on a continuous basis when dealing with growth opportunities, corporate expansion, and unexpected events in global markets.

Case Questions

1. How do you evaluate HSBC's global reorganization and expansion in the post–financial crisis period?
2. Compare and contrast HSBC's global operations with its main competitors.
3. What did you learn from the HSBC's case when applying concepts and theories from Chapter 8?

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