

Sources of Competitive Advantage in a Global Context



Group ORANGE

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In 2008

13% rise in operating profits to USD 4.5 billion

19% gain in profit before tax to USD 4.8 billion

26% increase in operating income to USD 13.9 billion

32% growth in total assets to USD 435.07 billion



A BANK....

Best Corporate/Institutional Internet Bank in Asia Pacific

Global Finance Best Internet Bank Awards 2008

Best Trade Finance Services - Global

Global Finance Best Internet Bank Awards 2008

(SCB,2009)

History...

Strategic Intent

Vision

*The world's best
international bank*

Mission

*Lead the way
in Asia, Africa and
the Middle East.*

SCB in Mauritius: 2002

Formed in 1969 through a merger of The Standard Bank of British South Africa founded in 1863 & The Chartered Bank of India, Australia and China, founded in 1853.

Network of over 1,750 branches and outlets in more than 70 countries across the Asia Pacific Region, South Asia, the Middle East, Africa, Europe and the Americas.

75,000 employees, representing 115 nationalities

Listed on London and Hong Kong Stock Exchange in top 25 of FTSE 100 companies

(SCB, 2009)

The Board of Directors...



John Peace
Acting Chairman

The committees...

Executive Directors



Peter Sands
Group CE



Richard Meddings
Group FD



Steve Bertamini
Group ED
Consumer Banking



Gareth Bullock
Group ED
Africa, Middle East,
Europe
& the Americas

Non-Executive Directors



Jamie Dundas
NE Director



Val Gooding
NE Director



Rudy Markham
NE Director



Ruth Markland
NE Director



Sunil Mittal
NE Director



John Paynter
NE Director



Paul Skinner
NE Director



Oliver Stocken
NE Director

Audit & Risk

Board
Nomination

Board
Remuneration

Sustainability &
Responsibility

Building a sustainable business to deliver value to customers and shareholders whilst helping to address the significant social, economic and environmental issues the world is facing.

(SCB,2009)

The 4 Pillars of SCB sustainable business.

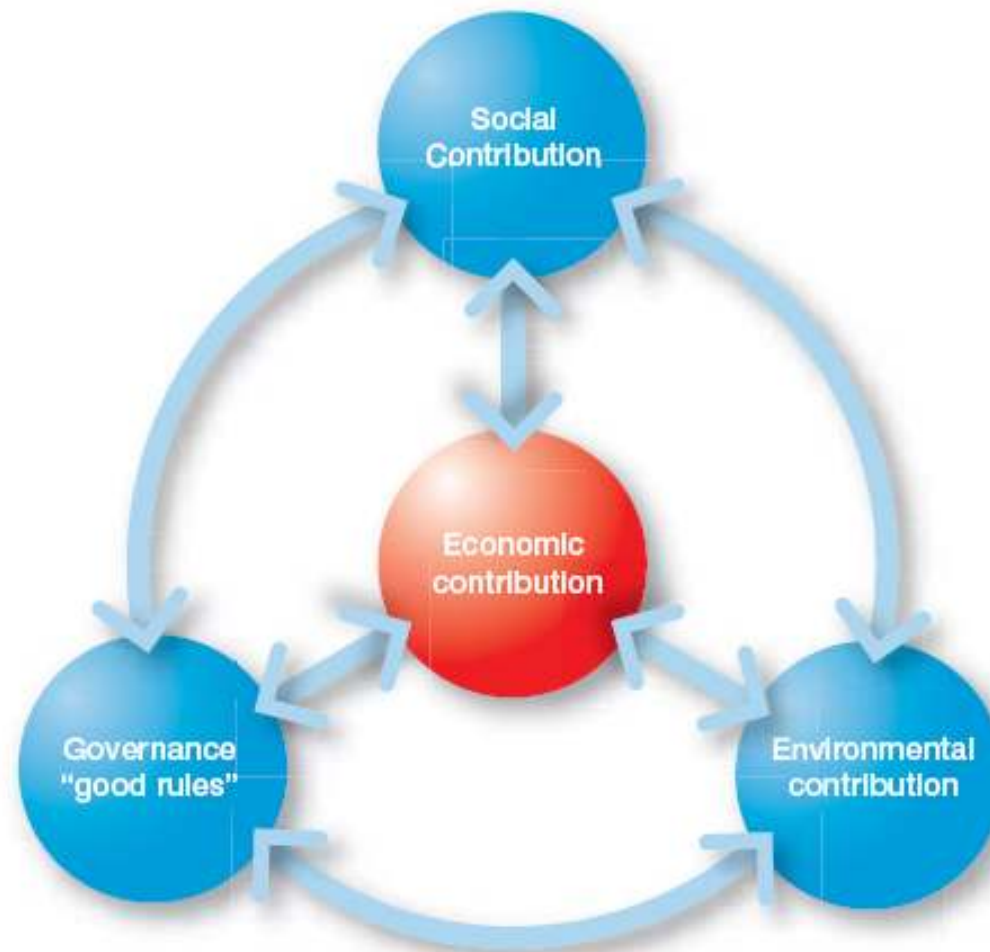


Exhibit 1: The four pillars of SCB Sustainable Business

(SCB,2009)

Business Model (continued...)

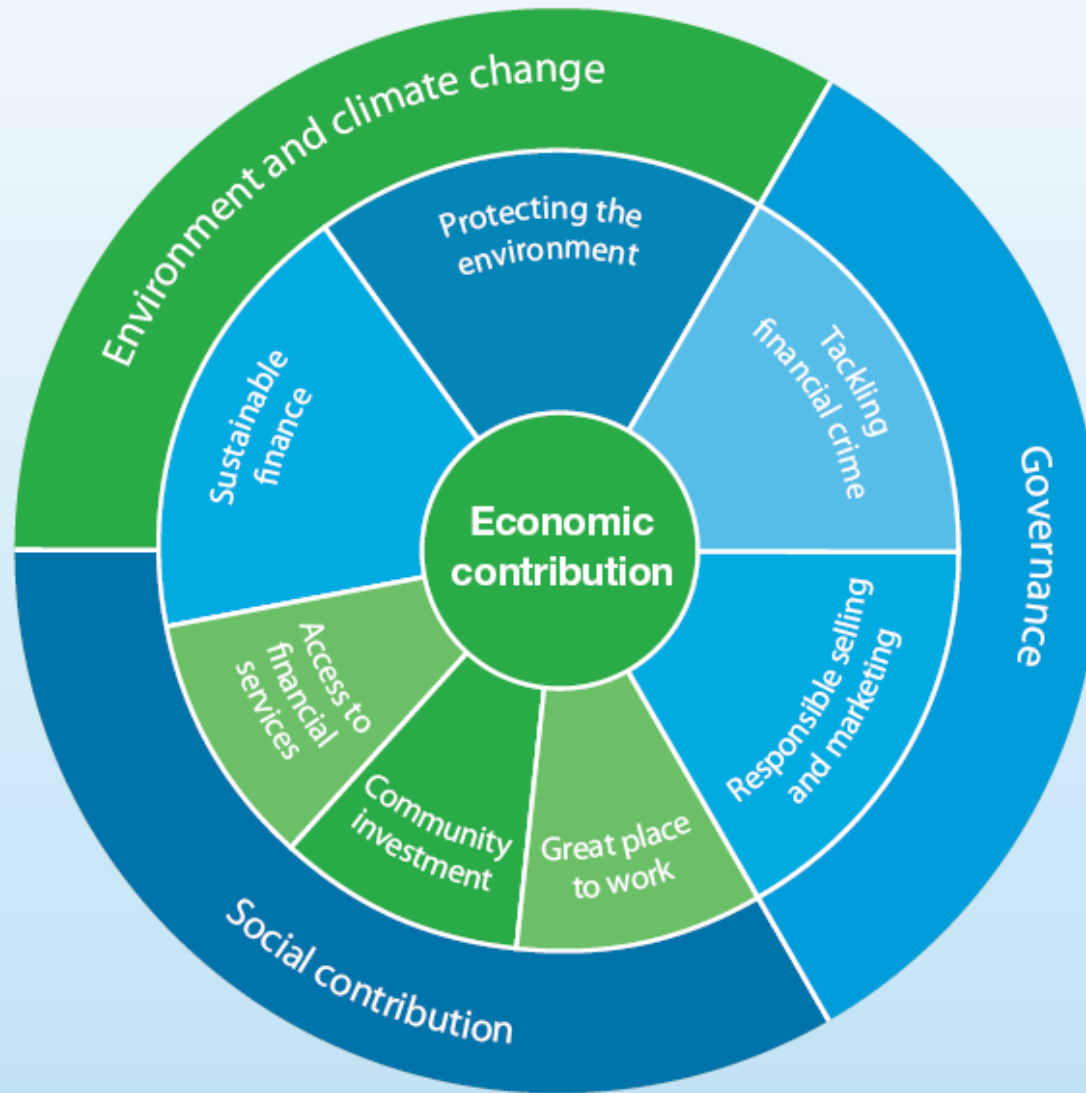


Exhibit 2: SCB Business and Strategies

(SCB, 2009)



Business Model (continued...)

1. Creating opportunities for new solutions, services and ways to grow the business in markets with the greatest social and environmental risks.

2. Focus in Asia, the Middle East and Africa (very limited indirect exposure to US subprime assets)

3. Diversified Revenues
(Revenues are spread over different geographic markets - protection from economic cycles in one market)

4. Strong liquidity position
(Resources)

5. High A/D Ratio
(Ratio of customer loans to customer deposits)
In 2007: 86%

6. Asset-backed securities and collateralised debt obligations

7. Highly competent staff
(Capabilities)

(SCB, 2009)

Business Model (continued...)

(Orange Group, 2009)



Personal Banking

- Deposits
- Loans
- Bancassurance



SME Banking

- Account Services
- Investment Services
- Cash management
- Trade Finance
- Auto Loans
- Working Capital



Wholesale Banking

- Transaction Banking
- Financial Markets
- Corporate Finance
- Principal Finance



Saadiq Islamic Banking

- Personal Banking
- SME Banking
- Wholesale Banking

Communication & Distribution Channels	Branches	ATMs	Excel Banking Centres	Call Centre	Phone Banking	Feedback and Queries	E-Statements
Relationships with Stakeholders	Customers	Employees	Communities	Investors	Regulators		
	Responsible & Supportive	Equal Opportunities , Career Growth & A Great Place to Work	Investment in Community Issues such as Environment & Health Care	One Stop Gateway	Exemplary governance and ethical Standards		
Values	Responsive	Trustworthy	Creative	International	Courageous		



The Nature of Banking



- Intangibility
 - *No physical Attribute to touch, feel or sense any service.*
- Inseparability
 - *Cannot be separated from Creator-Seller of the Services.*
- Inventory/Perishability
 - *Cannot be stored, saved and then used later.*
- Inconsistency/Variability
 - *Different customers may get different levels of services*

(Pezullo, M 1993)



Driving Forces of the Banking Sector

- Service Differentiation
- High customer loyalty through effective customer care
- Use of state-of-the art technology
- Recruitment and development of staff & talent management
- Maintaining reputation and brand image

(Zineldine, 1996)

Strengths

- Strong Brand Image
- Customer-centric & not transaction-focus
- Wide range of product offering
- Strong Organic growth
- 150 years experience in world financial markets
- Continuous innovation & Related diversification to meet wider need of customers
- Well Positioned in Emerging market
- Broad network



Weaknesses

- Extreme focus only on the Asia Pacific market
- Increasing operating expenses likely to put pressure on net income (USD 1 419 M, or 30% over 2006, to USD 6 215 M in 2007) (Euromonitor, 2008)
- Increase in impairment losses on loans (In 2007, overall loan impairment charges increased by USD 132 M, or 21% over 2006 to USD 761 M).

Opportunities

- Islamic Banking
- Consolidation of online banking
- Chinese securitization market

Threats

- Political & economic crisis
- Volatile market environment
- More innovative product from competitors

Exhibit 3: SCB SWOT Analysis



Competitive advantage...



150 years of Experience

Broad range of differentiated high quality product & services (mainly in Economically, Socially & Politically Volatile Countries).

- Innovative Product development

Values

Responsive
Trustworthy
Creative
International
Courageous

Capabilities & Effective Talent Management

Winner of Gallup Great Workplace Award in 2007 & 2008

Management Discipline

Financial crime & compliance software , Transaction Life Management Platform for global operations

Responsible business practice

Financing of new renewable & clean energy projects in Asia.
Clinton Global Initiative:
USD 8-10 billion over a five-year period from 2008-12.

Strategic Marketing

Retain more of affluent / high value customer segment
Excellent customer responsiveness

Technology

Harnessing State-of-the-Art Tech & Customer-facing processes

GE Matrix/McKinsey Matrix/Directional Policy Matrix

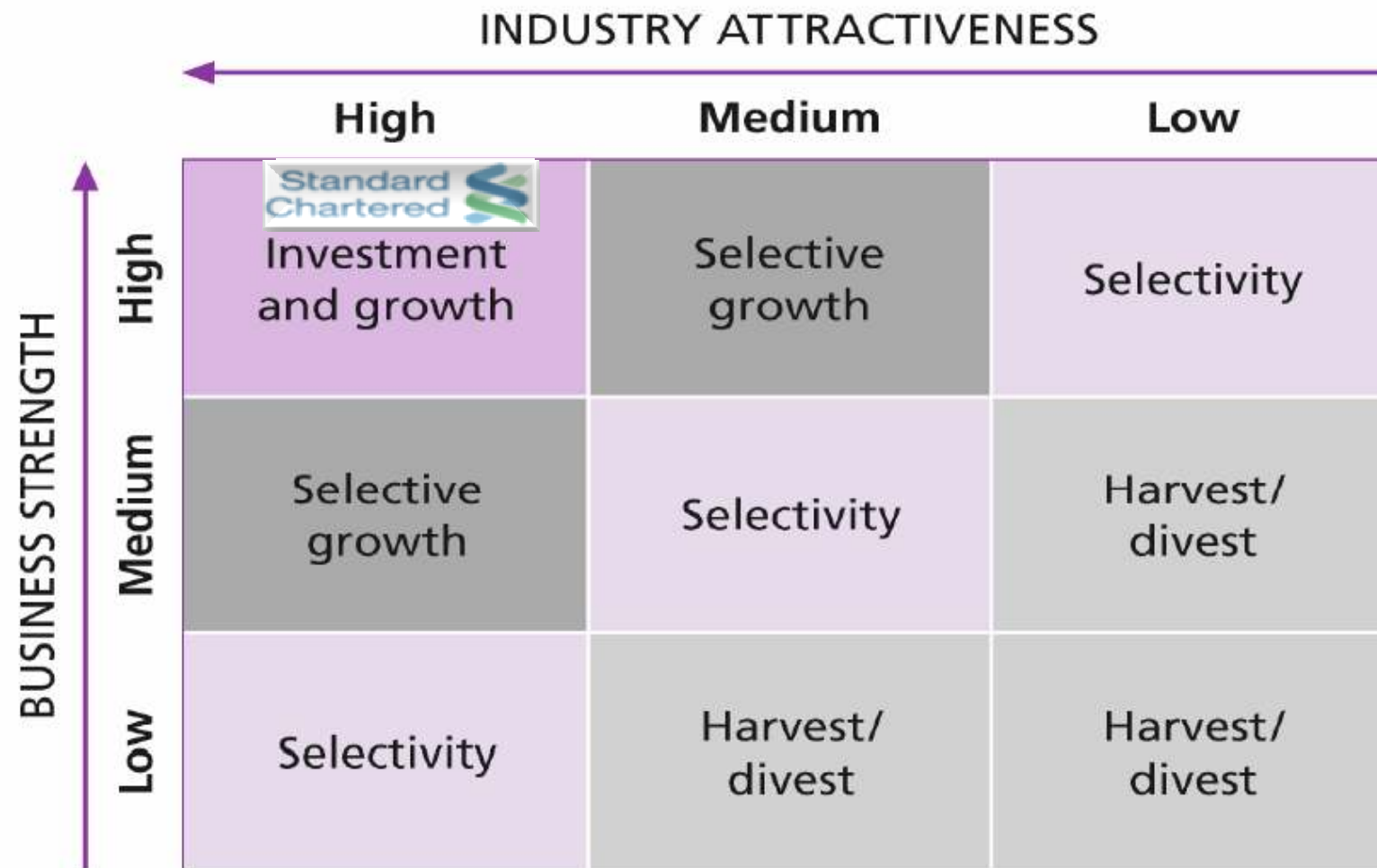


Exhibit 4: The GE Matrix/McKinsey Matrix for SCB



Short-term Strategy: Strengthening SCB market position



- **Acquisition of international banking operations of American Express**
- **Double the SCB's USD clearing business and provide a direct Euro and Yen clearing function.**
- **Increase client's base.**
- **Enhance the operations across 47 countries in which AEB operates.**
- **Acquisition of local banks**
- **E.g. In Pakistan, acquisition of Union Bank in 2006**
- **Strengthen SME Banking and Wealth Management**
- **Emerging economies: Korea, Vietnam,...**

(SCB 2009)



Medium Term: Leading the way in Islamic Banking



More than 1.5 billion Muslims in the world
SCB network \approx 50% of muslim world Islamic
Banking Market Share value = USD750 billion

Market Development
Introducing Innovative Shariah
compliant banking solutions



Consolidate presence in existing markets

Product and service development

(SCB 2009)



Long Term Strategy



Consolidate position in existing markets

China & India are setting the pace.....

Africa is expected to grow rapidly, there will be huge opportunities for trade, knowledge and skills transfer as well as wealth creation in the countries.

Increase the focus in Russia, EU and Americas

Be the World's first bank

(SCB 2009)



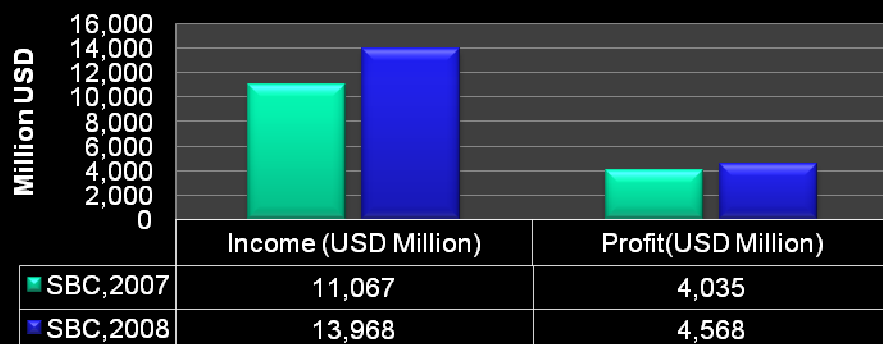
Major Barriers to Implementation

- **Financial Crisis**
- **Rising financial crimes**
- **The uncertainty and the contraction of economies**
- **Insecurity with Internet & mobile banking**

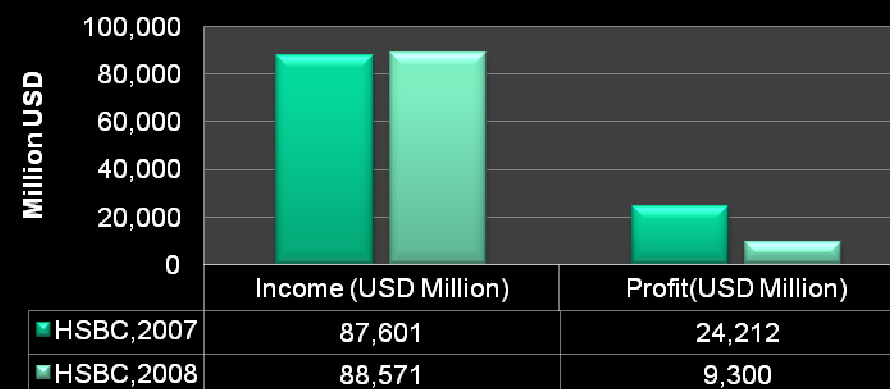
Comparing SCB with HSBC... Income-Profit-Asset: 2007-2008



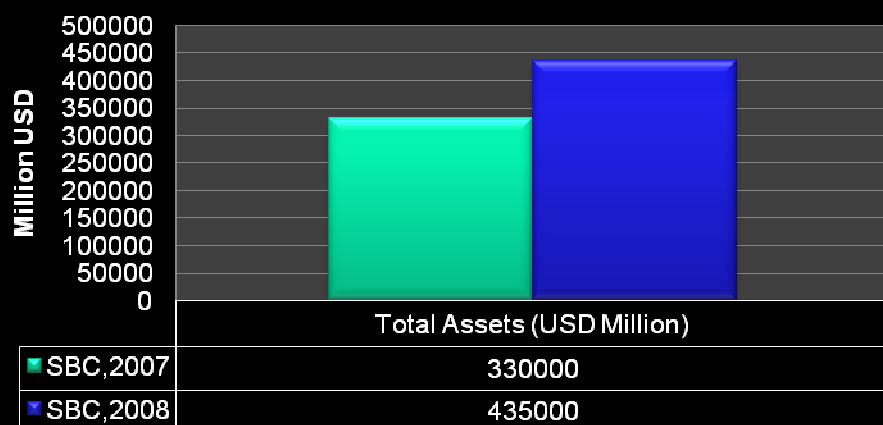
Standard Chartered Bank Income & Profit



HSBC Income & Profit



Standard Chartered Bank Total Assets



HSBC Total Assets

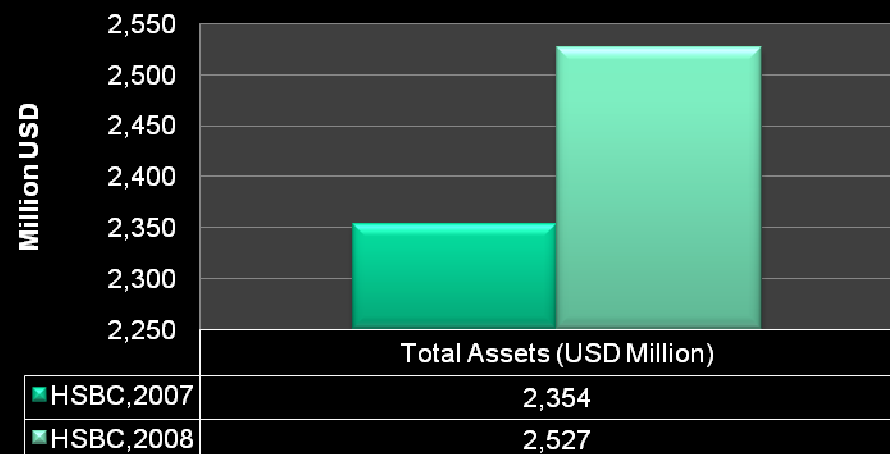


Exhibit 6: The comparison of income, profit and assets for SCB and HSCB

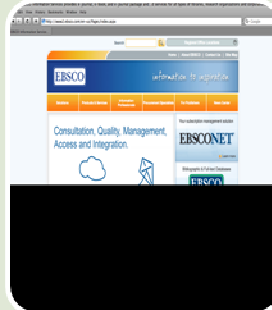
Sources of Secondary Data Collection



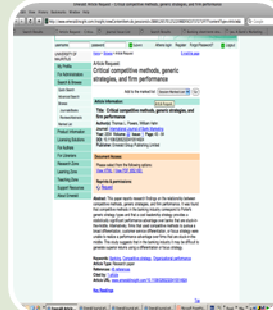
**Standard
Chartered
Bank
Website**



**Annual
Report**



Ebsco



Emerald



**Face to Face
Interview**

- CEO Local Branch
- Deputy Governor
Bank of Mauritius



Recommendations



Standard Chartered Bank should continue to keep its momentum with the following:

- **Service Differentiation – through focus on the culture of the customers living in the region being covered by its Bank eg Islamic Banking in middle east)**
- **Market penetration – by targeting market like Russia, East Europe countries, Scandinavian countries.**
- **High customer loyalty**
- **Talent management**



Conclusion

The world is increasingly difficult to predict, providing a compelling case for why organisations need to change.

To adapt to unpredictable events and circumstances, SCB has been developing ways of operating which are opportunistic, flexible, nimble and socially acceptable.... Its ingredients of success.

“It is not the strongest of the species that survives, not the most intelligent, but the one most responsive to change.” – Charles Darwin



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