

GLOBAL BUSINESS ENVIRONMENT

ASSESSMENT 2-CASE STUDY OF HSBC COMPANY

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MODULE NAME-GBU-LCBB4005

ASSESSMENT 2-GR3-OCT.2020(WEEKEND)

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INTRODUCTION

The purpose of this assignment is to recognise the major forces shaping the global business environment in HSBC. The learner has chosen HSBC Company for a better understanding of changing global business environment. As the effect of the COVID-19 pandemic has really threatened the economy of many countries, many companies are looking forward to the better course of action and effective alternative to be implemented to obtain better outcomes from it. The core objective of this assignment is to analyse the changes that HSBC Company have made in the last few months in the light of COVID-19 pandemic. The learner has used the secondary source for information; the learner has to access the internet and read relevant articles and blogs for gathering information. HSBC is a British multinational financial services and Investment bank holding Company. It has been ranked 6th largest bank in the world by 2020. HSBC is an acronym which stands for Hongkong and Shanghai Banking Corporation Limited (Lea, 2019.).

ROLE OF GLOBAL BUSINESS ENVIRONMENT

Global Market Environment can be defined as an environment in various countries within the framework of a company; it can be further clarified as a variety of external factors influencing businesses and affecting their decisions and practises. Organizations face a range of complexities and unexpected threats, risks and opportunities in the societal, political, economic and market climate. The international business environment will be separated into the external factors and internal factors; though we are talking about the global business environment that means we are mainly talking about the external business environment of the company. The external factors include the cultural, political, economic, regulatory, tax, social, legal, and technical environment (Boussebaa, 2020).

HSBC is a multinational financial services and investment bank holding company and has been ranked sixth among the world's largest banks. As HSBC is among the top banks in the world, it faces a really tough competition globally. That is the reasons HSBC gingerly think before making any decision as the smallest mistake can also affect the working performance of the company.

FACTORS AFFECTING GLOBAL BUSINESS DECISIONS

There are various factors that affect the Company's decision making to go international. There are several factors and motives for Organizations to expand their business globally. Let's discuss the various factors and motives in detail (FANG, 2018):

1. PROFIT MAKING OPPORTUNITIES

Every business wants to expand its growth and stand on the verge of success for which every business organization like HSBC seeks for the best alternative to enhance its growth and better alternatives for profit-making opportunities (FANG, 2018). Profit is the key element for HSBC to grow and expand its business globally. However, it needs a lot of thinking and formulating business strategies and idea to set the business internationally.

2. TRADE BARRIERS

Trade barriers are one of the most prominent factors affecting the decision making of business to expand its business globally. The first thing that comes to HSBC before deciding to step in the international market is to think of the trade barriers. Trade barriers can be defined as the policies which can alter the costs of the primary materials and the export and import tariffs to which they are subjected and are under its framed policies. Due to this, HSBC believes that this could lead to the change in profitability and price of the business markets (FANG, 2018).

3. SUPPLY CHAIN

Businesses are building genuinely multinational supply chains so they can lower their prices. Supply chain management means managing how the whole supply chain could work as more of an interconnected whole, to achieve an acceptable standard of service while still being as cost-effective as feasible. This same global chain supply chain reflects mostly on international ambitions and vendors of HSBC. Effective performance management process offers HSBC a comparative edge over others and seeks to minimize duplication and reduce risks (FANG, 2018).

4. BUSINESS GROWTH

Stepping into the global business provided huge opportunities to HSBC as to expand its growth and enhance its performance, productivity and profitability. HSBC core objective is to achieve its target or goals more effectively and at earliest (FANG, 2018). Global business results in a higher rivalry between companies. Wherever an organisation enters international markets, it must compete with the local companies and businesses of that region.

5. INTERNATIONAL REPUTATION

HSBC main objective is to stand on the verge of success and to be on the top in the competition. Switching business internationally helped HSBC to make its company reputation globally known. It helps HSBC to maintain good services and helps them to reach the customer's demand (FANG, 2018). The purpose of international institutions is to clearly establish the global relationships, arbitrate political negotiations, provide a place for political proposals and serve as catalysts for alliance forming. They promote collaboration and communication between member countries.

PESTLE ANALYSIS

Pestle Analysis is a method used by the enterprise to understand and define key external factors such as political, economic, social, legal and environmental problems, which influence the functioning of the business. HSBC's organizational working in several international ventures wants to consider the environment to assess the environmental effects on its operations and how environmental forces can be affected. The PESTEL thesis gives a starting point for environmental research. Let's discuss PESTEL in context of HSBC (David, 2019).

POLITICAL

These factors dictate the extent to which government can affect the economy or the laws and regulations placed on their region. The new tax or obligation can alter the whole income-producing HSBC organisational system, levied by United Kingdom. Political consideration includes tax laws, monetary policies, import tariffs, etc., which can be imposed by the government across the monetary year and may have a direct effect on the economic environment of HSBC (Trudeau and McLarney, 2017). Like now the whole world is affected by the pandemic and many companies are affected by it.

ECONOMIC

These elements are the indicators that the success of the economy has a direct influence and resonant long-term effects on a business. An increase in every economy's inflation rate will impact the cost of its goods and services by HSBC. That will also influence the consumer's purchase power and shift the paradigm of demand and supply for that economy (Trudeau and McLarney, 2017). The inflation rate, interest rates, external exchange rates, trends of global development etc. it is also for the Foreign Direct Investment, according to those particular sectors, and is responsible for foreign direct investment.

SOCIAL

The social aspect took into account all acts which have effects on the development environment and the working region. It is therefore important to recognise the benefits and disadvantages for the citizens of the area where progress is taking place. These activities include societal expectations, traditions, demographic trends, social knowledge, job

altitudes, climate change etc. HSBC takes a deep study into this factor for better analysis (James, 2018).

TECHNOLOGICAL

These factors are linked to technical developments that can have a beneficial or detrimental impact on the practices of the banking industry and HSBC business. This refers to creativity, growth and advancement and to the degree of technological knowledge that HSBC has. This factor takes into account all activities involving technology (Trudeau and McLarney, 2017). Since technology is always obsolete within a few months of its introduction, HSBC needs to keep in mind while performing. This factor should also take into account all obstacles to entry into such markets and improvements to investment choices.

LEGAL

This dimension shall take into account all legalities like jobs, allocations, wages, assets, exports and imports, etc. Such variables are both private and public for HSBC. There are several regulations which influence the corporate climate of a given region, while there are certain rules that HSBC impose on them. The judicial analysis takes these particular slides into account but also charts the techniques in the context of the law. For example, industry rules, safety standards, labour laws, etc (Hamilton and Webster, 2018).

ENVIRONMENTAL

These considerations comprise all factors that affect or are decided by the climate (Trudeau and McLarney, 2017). Variables in the market environmental analysis are not quite so limited to, weather, temperature, cultural background, climate change, ecological consequences, land factors, soil pollution, nearby water supplies, etc. HSBC have various plans and strategies to establish its business all over the world.

PORTER'S FIVE FORCES MODEL

In recent time, the competition was used to be limited to fiercest competitors. Even so, Michael E. Porter claimed in its research 'The five significant competitive forces that shape the policies' that the battle for profits among the competitors goes beyond existing industry adversaries to include the four key competitive positions too: consumers, manufacturers, new competitors and alternatives. The most significant competitive forces will assess the viability of the sector and become the most related issue.

Let's discuss the porter's five forces model in the context of HSBC:

1. RIVALRY AMONG THE FIRMS IN THE INDUSTRY

As millions of businesses have the same company in the country, they face competition. The rivalry could lower costs, launch new goods and boost service to compete with other businesses like BNP Paribas and Citi group. Both businesses in the world are nearly equal in scale and power; the obstacles to exit are strong and deeply dedicated to the sector. The strength of competition is also big as HSBC is a multinational business and it competes with other local brands of so many countries (James and Quaglia, 2020).

2. BUYER POWER

Buyer power is one of the key aspects of the core aspects of this model. HSBC manufactures its product according to the customer demand or by doing a survey that meets with the expectations of the customers. Customers are the consumers who will buy your product and services. HSBC try to deliver the best quality product so that the buyers would like them and purchase it (Georgiou et al., 2019).

3. POWER OF SUPPLIERS

HSBC is among the world's top companies in the world. It's very famous for providing world-class services to its customer (James and Quaglia, 2020). Any delay in the work or services will directly impact the reputation of the company. That's why HSBC takes a very close look at providing services.

4. THE THREAT OF SUBSTITUTE

Any substitute which provides the same services and product can be a threat to HSBC as the consumer could also be attractive to that substitute product and services. HSBC tries for providing good services to the customers to attract the customers to their products (Bruijl, 2018).

5. THREAT OF NEW ENTRANTS

As we are talking about HSBC which is a multinational company and its global business environment, we are familiar with the huge competition in the market (James and Quaglia, 2020). As the competition is ramping there is also an increase in the competition for HSBC as there are also so many new entries with the fresh talent and creative ideas. Every company should be innovative and creative to stand in the competition.

UNDERSTANDING BUSINESS MARKETING TERMS

MICROECONOMICS:

Microeconomics is a field of economics that explores the conduct of individuals and firms in making decisions about the distribution of scarce capital and the relations between these individuals and firms. Microeconomics is derived from a Greek word 'micro' which means small (Kumar et al., 2019).

MACROECONOMICS:

Macroeconomics is a field of economics that explores the conduct of groups in making important decisions intimating the performance, organisational structure and behaviour in the organisation as a whole. The core objective of macroeconomics is to look into the aggregate variations in the economy such as social growth, GDP, inflation, etc (Issah and Antwi, 2017).

LONG RUN PRODUCTION FUNCTION:

Long-run production can be defined as the period of time in which all the factors of production and cost are variable. It is different from the short-run production function as in long-run production function all factors are varied in the same proportion (Verikios et al., 2020).

SHORT-RUN PRODUCTION FUNCTION:

Short-run production function defines the change in production function by changing only one variable and keeping other factors constant. It shows the relationship between one variable and the final output of the production (Zhou et al., 2020).

CONCLUSION

In the final analysis, we have discussed the Global Business Environment in the context of the HSBC. We have studied the role of the global business environment in shaping the growth of a company. The learner has used PESTEL tool to understand the business environment of HSBC and Porter's five forces model for better understanding. The learner has identified and critically analyse the reasons for which an organisation can switch its business internationally and what can be the factors affecting them (Vlados and Chatzinikolaou, 2019).

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