Executive Summary

AMP Limited has faced challenges that confront the fabric and character of their organisation. This report employs strategic management tools such as competitive intelligence and SWOT analysis to identify strengths and weaknesses impacting AMP's internal environment particularly technological processes, diversified investments, the company's reputation and its financial value. Additionally, the report examines opportunities and threats in the external environment such as AMP's international presence, Australia's economic performance and highly saturated financial system. Recommendations are made considering Porter's four competitive strategies, addressing the company's needs. It is suggested AMP revises its organisational structure and ensures it is one grounded on ethics and customer rapport as well as continuing its expansion in emerging markets.

Introduction

AMP Limited (2018) states its financial services company was founded in 1849 on their vision that "…everyone should have the power and ability to control his or her life…owning a better tomorrow." Operating in eleven countries, the company's mission is to help customers explore, plan, follow and fulfil their goals. The purpose of this report is to utilise the strategic management process to determine the components greatly influencing the company, amplifying its strengths and alleviating its limitations.

Body

Theory

The report follows the strategic management process, employing managers from all sectors of a company to establish and apply strategic goals, provide an objective and impetus, introduce new ideas and cultivate a maintainable competitive edge. Strategic management begins with identifying the company's mission, its purpose, as well as its vision, its long-term objective and intention. The report then establishes the grand strategy through its adoption of *SWOT* or *situational analysis*, a structured tool that investigates a company's internal environment by identifying its strengths and weaknesses along with its external environment by determining its opportunities and threats. *Competitive intelligence* is also applied to gain insight into investor information regarding competitors, specifically their stock performance and possible implications in their market value. Grand strategies encompass: a growth strategy, focusing on expansion; a stability strategy, requiring insignificant effort and; a defensive strategy, easing the company's efforts. Considering *Porter's four competitive strategies*, individual

strategic plans are implemented and executed appropriate to the company's needs and capabilities. These consist of: *cost-leadership*, maintaining costs and prices below those of competitors, directed towards a wide market; *differentiation*, presenting unique and high-quality products relative to its competitors, directed towards a wide market; *cost-focus*, maintaining costs and prices below those of competitors, directed towards a narrow market and; *focused-differentiation*, presenting unique and high-quality products relative to its competitors, directed towards a narrow market. It is important after the execution, that strategic control is maintained and that strategic plans are continuously revised and updated accordingly.

Analysis

AMP utilisation of artificial intelligence (AI) to replace their core infrastructure with a customer goals-oriented culture serves to strengthen AMP, automating and assisting advisory tasks that provide advisors more time to strengthen customer relationships (O'Brien, 2018). AMP's ability to place human needs at the forefront of their business provides them with a competitive advantage, making it challenging and costly for competitors to replicate identically strong customer relationships. Diversification in real assets by subsidiary AMP Capital is also its core strength. With portfolio allocations in both infrastructure and real estate, the company has a profile of over 1.5 million square metres of lettable area, 33 shopping centres and over 140 infrastructure investments across debt and equity (AMP Capital, 2018). AMP Capital's portfolio diversification allows them to preserve their capital, generate income from multiple sources, gain new business opportunities, and reduce investment risk.

AMP's reputational damage from the Banking Royal Commission, revealing life insurance premium charges to deceased clients and charges for financial advice that were not given, proves to be a weakness for the company. The cost included trust deficit, customers pulling $4 billion from the wealth management division, and AMP's stock price plummeting by 57.86% since 2014, leading to a decline in investor confidence (Condie, S 2019). This serves as a weakness specifically to AMP, as competitive intelligence indicates ANZ (-20.72%), CBA (-7.58%) and Westpac (-24.21%) have seen a lesser fall in their stock price (ASX, 2019).

AMP has sought development prospects, merging with AXA Asia Pacific in 2015 and forming international strategic partnerships with Chinese insurance company, *China Life* Group, Japanese financial services group, *Mitsubishi UFJ Trust and Banking*, and US financial management firm, *United Capital*, in 2009, 2011 and 2017 respectively (AMP Limited, 2018). The expansion initiatives bring to the firm opportunities for further competitive growth and the potential to expand its global footprint, particularly in Asia. Moreover, recent cuts in the cash rate provides opportunity for greater economic activity, as consumers purchasing power escalates.

The main threat currently facing AMP is the level of saturation in Australia's financial sector with 40 banks, 54 credit unions and four building societies in operation, leading customers of the big four banks to reveal their disinclination to switch consumer behaviour. It is unlikely new banking services will improve market competition and condition, as the majority of these institutions provide the same services (CHOICE, 2017). Difficulties in product and service differentiation in a concentrated market proves to threaten AMP's performance. Additionally, declining housing prices have allowed for sluggish growth in Australia which compromises AMP's market value and its shareholders wealth.

Evaluation

To meet the best interests of their customers and shareholders and to ensure the beginning of a structural transformation, it is vital AMP seeks a growth strategy and executes the following recommendations: Although AMP grounds itself in its strong customer relationships, its reputational collapse suggests the company needs to focus on rebuilding trust with its customers, shareholders and the greater society. A three-to-five-year remediation plan is recommended to improve relationships with customers that were unfairly treated, increasing two-way communication and attending customer feedback and complaints promptly. Additionally, AMP needs to position integrity, professionalism and ethics at the heart of its organisational culture, as governance and regulation remain problematic. It is suggested an investment of $75 million is made, contributing towards conducting an internal investigation into organisational activities, reassessing and updating the company Code of Conduct, preparing employees with mandatory online and face-to-face training and supplying an avenue for employees and customers to report improper conduct; AMP also sees risk management and the Australian financial market as primary challenges. To warrant a greater market value, it is imperative AMP continues seeking diversification in emerging markets

with an increasing GDP growth rate, particularly India (6.6%) and China (6.9%) (The World Bank, 2019). With the Australian financial market proving to be difficult in maintaining AMP's presence, it is recommended AMP employs a differentiation strategy, improving the quality and distinctiveness of their services in place of offering new ones to obtain a competitive edge and greater customer engagement in a concentrated market. It is also important AMP strengthens their cost-leadership strategy by continuing to minimise costs with AI.

Conclusion

It can be concluded that despite their weakening financial performance, brand image and difficulties in competing with larger financial institutions, AMP's strengths lie in technological advancement, diversifying their capital and seeking presence in overseas markets. The insight gained from this report reveals that the extent to which AMP has achieved their vision and mission milestone remain to be seen.

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