Strategic Management Research

Module Code: 7BSM2004

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# Part A: Strategic Analysis of Barclays

# 1. Introduction: Barclays

The chosen organization for the strategic analysis report is UK based bank Barclays PLC. Barclays bank has been in existence since 1896, when it was founded by two goldsmith bankers, John Frame and Thomas Gould as Barclay & Co Limited. The bank in its current form came into existence in 1981 when it was registered as a bank (Barclays, 2021).

Barclays plc has been showing strong financial performance. In FY21, Barclays had revenues of £21.9 bn with profits before tax of 8.4 bn. (Barclays, 2021). Barclays plc currently has two divisions, Barclays UK and Barclays International, backed by a service company, Barclays Execution Services.

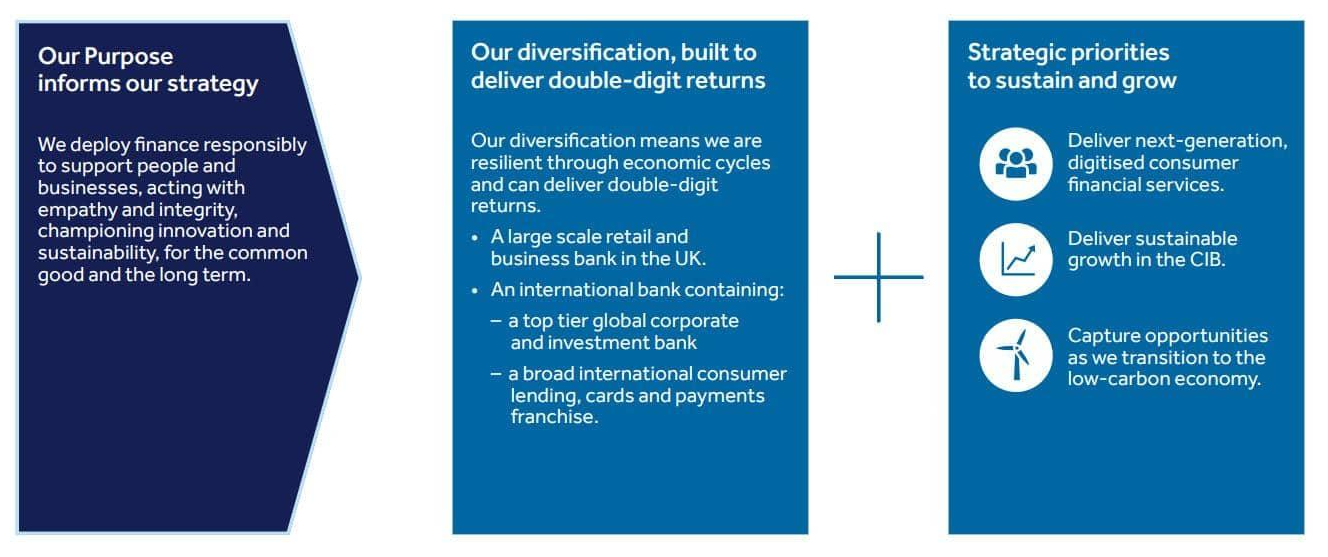
Barclays bank is listed on the London Stock Exchange, and it is also a constituent of the FTSE 100 Index. Not only this, it also has a secondary listing on New York stock exchange (Augar, 2018).

51.5 % of the revenues of Barclays comes from its UK division while 32.8% of revenues came from Americas, the two biggest markets of the company. Among the distribution of revenues by businesses, the 29 % of revenues come from Global Markets which is also the fastest growing business of the company. The next biggest businesses of the company are the personal banking, investment banking and consumer, cards and payment, corporate bank in that order (Barnes & and Newton, 2022). Barclays is the largest commercial bank in the UK. Bank manages its overseas business in over 70 countries (Ackrill & and Hannah, 2008).

# 2. Corporate Goal, Purpose, and Mission: Barclays

Barclays Corporate goals and objective is to become well-diversified financial institution delivering double digit returns for the shareholders (Barclay, 2022). Barclays wants to become top ranked international bank delivering products to customers across all the segments of business (Barclay, 2022).

The mission is to become a universal bank with strong retail, corporate and international customers with long-term sustainability and business strength (Barclay, 2022).



Vision of Barclays is to develop a startup mindset building on culture of innovation, creativity to build a global community with greatest, innovative, and best minds in order to disrupt the ordinary ways of working in an industry and business (Barclay, 2022). Their vision is to create an environment for people, organizations, and society where there is growth of all and all rises (Barclay, 2022).

The Purpose of Barclay’s bank is to responsibly deploy finance to support people and business. Further they aim to build trust, empathy amongst its stakeholders. Through their purpose, they promote innovation and creativity and encourage use of new technologies with new ideas. Their purpose also supports society by doing CSR activities (Barclay, 2022).

# 3. Critical Issues faced by Barclays plc:

Based on the situation analysis, external and environment analysis, the following are the major 4 critical risks that Barclays is currently facing which is posing it strategic challenges:

**a. Fintech Revolution and digital disruption:**

The global financial sector is going through a phase of rapid digitization and automation. Nimble fintech companies are rapidly innovating providing faster and seamless digital services. Further, technology is altering customers’ relationships with banks, as customer experience has become the focal point of banking. So, there are both strategic challenges and strategic opportunities that banks are facing which require long-term strategic transformation for banks (Mckinsey Quarterly, 2022).

Fintech startups such as TransferWise, Monzo bank are increasingly capturing market share from existing high street banks (Pant, 2020). Fintech are developing new products and services, developing digital banking solutions, which are providing faster and cost-effective methods of banking (Arnold, 2017). For example, few sectors such as cross-border payments, insurances, market investments etc. have been completely dominated by startups by removing middle-men and using technology, software to offer customers innovative solutions.

Established banks such as Barclays plc are still behind these startups in offering newer banking solutions whereas startups are experimenting with newer models such as shop now pay later, on-demand finance, shopping offers etc. essentially driven by big data analytics, predictive modelling and providing customers with 360 degree banking by making it embedded into all the transactions of the customers (Irrera & Withers, 2021). Even rival big banks such as for example: RBS, now known as NatWest Bank, has come up with 2 digital banks, namely, Mettle and Bo. These applications help people to manage their own businesses and are highly useful and easy for tech-savvy young customers (Fute & and Lyimo, 2019).

With every passing day, fintech is further disrupting traditional banks through capturing greater portion of transactions, increasing their revenues. Globally, fintech startups already have 8% of global banking revenue. Startups are ahead of traditional banks in terms of offering better customer experiences, posing greater danger to Barclays bank (Irrera & Withers, 2021).

**b. Changing customers’ expectations**

The banking industry is in a flux as new business models are emerging as customers are being exposed newer banking solutions (Deloitte, 2022). As a result, customers are shunning traditional banks which are often inflexible, out-of-touch, costly and non-transparent. The contemporary customer is giving up brick-and-mortar style of traditional banking in favor of mobile banking. Customers are now moving towards faceless banking, where majority of the banking operations are being undertaken digitally, without any intermediation (Matteo, 2017). Already 90% of customers of Barclays plc don’t visit any bank branches. So, banks would need to reimage how the services are offered to the customers. This will require banking to become customer-centric which is not the case with big banks which are bureaucratic, slow and have high hidden fees (Egan, 2020) which users are despising. Further, Barclays must strive for faster, safer, and cheaper financial services for customers. Customers are further expecting to be able to do much more with their banking account ranking from investing in stock markets, money markets etc. (Barclay, 2022).

**c. New growth segments, new growth markets and Newer revenue streams:**

The past of Barclays plc bank has been the bank were diversified and spread thin, which was affecting its financial performance and profitability. Therefore, in FY15, the bank was restructured to become a smaller focused bank. Through condensing operations, Barclays became a smaller, focused bank but this also meant lower profits, low stock price value against its competitors.

The macro-economic conditions such as Covid-19, Brexit, Ukraine-Russia war, and impending economic slowdown are likely to slow the growth of the entire banking sector. While Barclays bank is relatively in a better position compared to its competitors, but the banking industry as a whole is going through a period of slowdowns, with market valuations of the banking stocks at the all-time low (Mckinsey Quarterly, 2022).

Over the last 5 years, Barclays plc has not been able to expand its overall revenue growth, because banking as a sector is growing through lower growth rates. Further, Barclays is not present in faster growing Asian economies (only 5 % OF Barclays plc revenues come from Asia-Pacific), there is little change based on current strategy that Barclays could increase its revenues substantially (WSJ, 2021). There is question marks therefore for how Barclays will be able to generate strong healthy sustainable returns

Barclay’s need to tap in the Asian markets including Indian Markets as they are still unorganized and have faster economic growth. Setting up basis in Asian continent will call in high investments and the bank will also likely face intense competition (Gemici & and Lai, 2019). Barclays would also need to innovate the range of financial services it offers to develop new products and develop new revenue streams.

**d. Impending economic slowdown:**

Rising global inflation, tightening monetary policies with hiking interests’ rate are curbing economic activity. It is widely predicted that next year, the G-7 countries will witness a recession. Therefore, this increases risks for global banks. Barclays plc is already witnessing slower loan growth, rising loan default ratios, and increasing impairment costs (Irish Times, 2021). Barclays has recently had to liquidate 100 firms which were unable to pay covid-era loans given to small businesses (Paoli, 2022). So, impending global slowdown is likely to further reduce profitability and would require better risk management as well also finding new avenues for growth.

# 5. Strategic Options available with Barclays for future growth

**Suggested Strategic Choice by Barclays plc.**

According to Herny, 2021, the development of future strategy is the defined as a sequence of well ranged and synchronised activities (Henry, 2021), take on by the organization to create value for all the stakeholders of the organizations and to achieve long-term competitive benefit.

**Suggestions based on Six-template matrix framework suggested by Porter (1985): Broad Based Differentiation**

According to six-template matrix framework suggested by Porter (1985), the most appropriate strategic approach for Barclays plc would be undertaking broad-based differentiation, where Barclays plc targets the entire market segment but develops its unique capabilities which are inimitable by competitors. The reason for choosing the broad based differentiation is that the scale and presence of Barclays in all segments of the market is its strengths. Therefore, in future too it must target the entire market segments. The reason for choosing differentiation, is that Barclays would need to develop uniqueness to develop distinctiveness with its competitors, who are all big banks or Fintech’s which have started to compete with big banks. These strategic options would require combination of low-cost along with developing uniqueness, to develop uniqueness (Koufopoulos, 2012).

**Choice of strategic Initiatives:**

In order to overcome the above strategic challenges, the following are the range of strategies that Barclays plc must undertake to build future resources and capabilities for achieving long-term sustainable returns:

**a. Strategic Collaboration:**

Barclays needs to build collaborations with other fintech startups to build technological expertise to strengthen the internal capabilities of the company. Fintech firms make it more cost effective and simpler to undertake banking through using technology. But the early startup fintech firms don’t have the capital, physical capabilities, customers data trove, brand recognition or the leadership and experience to capture market share. So, Barclays plc must collaborate with Fintech startups, build partnership to absorb technology and thereby improve their own performance. For example, Barclays worked with IBSG (Internet Business Solutions Group) (Wenzel, et al., 2020) and various other consulting groups in order to increase its productivity, increase revenues, reduce costs, etc. Barclay’s similarly must work with Fintech startups which are building innovative and creative financial solutions in business where it presently either doesn’t have any capabilities or wants to expand to. These could be insurance, money markets, stock market investing etc. These capabilities would help in increasing the breadth of services that Barclays is offering and at the same time gaining an edge which will help Barclay’s to be ahead of line in market, both at domestic and international level (Wenzel, et al., 2020).

**b. Pro-active capability development**

Barclay’s need to align with the latest technologies and the firms delivering Fintech strategies in order to be in line with the competition and the customer needs (Maina, 2017). Barclays must pro-actively develop digital capabilities, including digital infrastructure, focused towards delivering next generation customer services. This will require developing seamless technological solutions, improved customer experience, and the development of creative financial solutions such as loyalty points, buy now pay later schemes, flexi-loans, instant EMIs. Further, accessible financing, secure and safe banking are all the requirements which are already demanded by the customer. So, Barclays plc must actively pursue these innovative and creative solutions (Nyanaro & and Bett, 2018). As banking is becoming more personal, customizable, therefore, the overall banking process has to be re-designed by keeping customer at the center (Parsons, 2012). The future of banking will include building automation, cryptocurrencies, different forms of trading, and providing customers with wholesome experience, adapting and changing to customer needs.

**c. Global focus**

Barclays in 2015 restructuring exercise closed its operations in many of the non-performing sector to become more focused. While this strategy improved its performance, but also resulted in limiting its presence in mature banking markets. With digitization. Barclays needs to develop new markets and new revenue sources. In terms of new markets, Barclays must enter into fast growing Asian and African markets. Developing digital banks and offering new products and services in these fast-growing banking sectors where there is greater need for credit can offer higher returns. Further, tapping into emerging markets would also offer (Kyeremeh, et al., 2019). In Fy22, Barclays has increased its hiring in China and India to build its wealth management and individual management business. As the financial markets slow down in western countries, and as recession fears increase, the banks would need to invest in developing countries to maintain their global revenues (Ghosh & Choudhury, 2021).

**d. External acquisition**

In order to build resources and capabilities, Barclays must also undertake acquisition root. Barclays has large financial capabilities; therefore, it can take inorganic root to acquire new companies and enter into sectors where it doesn’t have sufficient strengths or to develop market leadership (ET, 2022).For example, Barclays, recently acquired, Kensington Mortgage company for $2.8 billion to build capabilities in the property market. Such acquisitions provide the company cushion against poor market conditions (ET, 2022).

**e. Flexible and Agile**

Traditional banks would need to reinvent themselves as the market conditions and requirements change. This would require banks to become agile and flexible (Barclay, 2022). Emerging new business models and changing banking industry forever. Digital only banking, faceless customer is changing cost structures and mobile digital banking is becoming normal and status-quo. Further, low fees, greater flexibility, multiple options are all changing customer behaviour. Traditional banks can overcome these challenges by offering range of services and using Big Data analytics techniques offering broad based banking options for customers. So, building cross-platform partnerships, collaborations, adapting new platforms, technological integration, and making strategic investments in fintech startups can offer banks alternate revenue and growth options. Barclays through rise program is already partnering with several hundred fintech companies, providing them incubation, leadership and experience. Further, banks are also offering these startups with capital, and infrastructure support which these startups lack (Kroft, et al., 2021). Banks can gain back competitive advantage against their fintech competitors through increasing their client relationships. Further, banks can provide strategic partnership options with fintech to provide them access to their already existing client base. Finally, developing integration of services, and through offering APIs to these fintech firms, traditional banks can use their traditional strength of customer base to develop new revenue sources and capabilities.

# 6. Conclusion

Any organization to develop sustainable competitive advantage, an organization must be able to develop resources and capabilities, which are unique, and which the competitors are unable to copy and replicate. This helps organisation to deliver above average returns for their shareholders. The strategic management process includes analysis, developing strategy and measuring performance.

According to the vision and mission of Barclays, the company wants to become market leader is the banking segments is serves with achieving sustainable, double-digit growths. Given the current situation analysis, Barclays plc currently doesn’t have competencies for achieving sustainable competitive advantage because of its vulnerabilities which include absence from fast growing markets, revenue segments, and its inability to develop new revenue streams. Further, slowing economic growth is likely to have a negative impact on its future financial performance. Finally, fintech has led to digital disruption and forcing banks to change their banking business models.

With all the analysis above and the discussions on possible actions, it is important for Barclay’s, therefore, technological integration is necessary if Barclays bank has to cope with smaller nimbler competitors and they need to come up with strategies to match FinTech’s capabilities which are being desired by customers. Barclays, in order to achieve the vision and vision, would need to make the strategic choice of Broad-based differentiation where Barclays plc serves the entire market segment across large geographies and at the same time uses it scale to bring down costs. To achieve this strategy, Barclays would need to embrace technology, develop customer-centric products, adapt product changes based on customer preferences, expand globally, build internal strengths and capabilities through mergers, collaborations, and acquisitions, and finally become flexible and agile adapting to market changes.

Throughout the entire process, digital transformation will form the underlying basis for making future changes and therefore it is critical for the company to invest largely in technology, web services with an aim to build capabilities which can match with increasing digitization and customer experience being offered.

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# Part B: Individual Reflection

The course for Strategic management research helped me develop my skills in how to effectively manage a business in a changing market. In the current assignment, the Bank of Barkly was analyzed for strategic challenges that they may be facing based on internal and external factors. Understanding the PESTLE framework allowed me to analyses the macro environment around the banking sector and how new technologies are changing how banking operations are performed. With macro analysis, the threats and opportunities present in the market can be effectively analyzed and used as advantages. Barkley can take advantage of the opportunities present in Fintech development and business and minimize the threat of changing markets which are moving towards digitization. Understanding Porter’s Fiver forces allow for the strategic analysis of the market which can be used to make strategic businesses for the company. These five forces entry barriers, supplier power, Substitutes, Buyer power, and competition allow the strategic analysis of specific industries and recognize opportunities.

The above skills have developed with the insight and understanding of strategic management and its concepts. The lessons learned in this module will help me become a better specialist in the tech industry for strategic management in my career. With the practical knowledge from this project, I have understood how to use different management tools for organizations, how the forces present in the market affect the strategic decisions made by organizations and how these strategies are executed. While completing this project I have learned how to perform research and find reliable sources of information from the internet.

Strategic management is a complex topic and the variety of strategies which can be used in a given situation make it more complex. By using management tools strategic management department creates a unique and valuable position in the organization by making complex strategies simple for the organization.

While working on the assignment I have learned how to express the knowledge gained in the module in a practical formal. Analysis of internal and external markets allowed me to understand how these factors can influence how Barclays can interact with clients and customers to expand their business. Having a strategic management department does not solve the challenges faced by companies in the market. This requires special effort from the entire team and also working with the client to understand what is affecting the operations in the market. When a strategic plan is made for the company to deal with the challenges it is integrated into the operations of the company by the employees while they perform their duties. As competitor companies improve their operations with new technologies and business models which increase their productivity and lower their costs thus improving the overall value for their customers well established businesses can fall behind. Formulation of strategic planning and implementation of the plan in the organization are the primary objectives of strategic management. The strategic plan should be based on eh resources and capabilities of the company and align with the organization’s objectives.

While working on the assignment it is evident that digitization has become the forefront of organizations and companies which are falling behind in digitization are falling behind their competition. Digitization and globalization are allowing companies to grow in international markets at a faster pace. With digitization, companies can reach clients and customers at greater distances and a faster rate. With strategic development, businesses can meet the demands and needs of different customer segments. Fintech where digital services are integrated into financial services is changing the market providing more opportunities for banks to reach customers and making the transaction easier. The downside of these strategies is that these large investments which are performed without analyzing the specific needs of the market will fail to generate profits. I have learned that to keep succeeding in a competitive market business have to keep improving their businesses.

The knowledge gained in this module will help me in my career and will allow me to actively participate in the strategic marketing teams for the organizations in Technology sector. I have now a better understanding of the processes which are involved in strategic decision-making. My future goal is to start my own business and the knowledge gained in the module will help me how to analyses the market and make strategic plans to take advantages of opportunities present and circumvent threats.

I have learned that strategic decision-making is not only dependent on market analysis. Staying true to the organization’s mission and vision values is also important. At first, I thought that mission and vision values are only surface levels which do not require focus or reason to consider in decision-making. Working on this assignment has allowed me to understand that they are the main reasons that organizations can accomplish success in the market. By staying true to its mission and vision the actions taken by the company are well organized and the strategic decision made in the past help the strategic decision in the future. This knowledge will improve my understanding and future application of strategic management in an actual business environment.

Working on the project has made me more confident in my abilities to work on business projects. This has increased my interest in working for strategic management and later starting my own firm where I stay true to the values of the company.

Working on The Barclays project case study has illustrated and imprinted the need to change business strategies with the emergence of new technologies. Such as services through online payment is becoming a norm. strategic management has to look for future prospects, be forward-thinking, engage in research of the market and new technologies, keeping in touch with clients to understand their demands so that they can take advantage and remain relevant in the competitive industry.

# Appendix:

## 1. Situation Analysis:

### a. PESTLE Analysis:

|  |  |
| --- | --- |
| **Factors** | **Analysis** |
| Political | Brexit, covid-19 pandemic and Ukraine-China war are all causing pressures on global governments to curb inflation, restrict spending |
| Economic | Covid-19 pandemic, Ukraine-Russia war and rising global inflation are causing global slowdown. The global economy is expected to grow at a meagre 3%. The rising inflation is forcing central banks to tighten their monetary policy through raising benchmark interest rates, further squeezing growth. As a result, in FY23, the loan disbursal are expected to fall in G7, and global economy may tip into recession affecting banking profits and revenues (O'Connell & Curry, 2022) |
| Social | Digitization is changing customer preferences and habits. In UK, 41% of customers predominantly use mobile and online banking. Customers are now demanding faster and streamlined banking services (Pymnts, 2022) |
| Technological | Fintech is revolutionizing banking. Digitization and automation provide customers with greater options, transparency, and optimized customer experience. Further, digitization increases customer experience with flexibility and options. Mobile banking is increasingly becoming the standard for banking (Mavadiya, 2022) |
| Legal | Since the global financial crisis, new legislations have been brought in place to increase the CASA limits, to make banks more stable and increase their risk management practices |
| Environmental | Banks are slowly asked to take pro-active approach in promoting green banking through financing those companies who have an environmentally friendly business model. Further, banks are also taking ESG goals (Pwc, 2022) |

### b. Porter’s 5 forces analysis

|  |  |  |
| --- | --- | --- |
| **Force** | **Explanation** | **Impact** |
| Threat from new entrants | Banking startups especially fintech companies such as Monzo Bank, Starling Bank, Virgin Bank are increasingly attracting customers from traditional banks because of better customer experience, faster transactions, transparency, and lower costs (Pymnts, 2022) | High |
| Threat from Substitutes | These days digital currencies like Bicton and Litecoin is gaining importance and online payment gateways like PayPal are becoming more effective. Threat from substitutes increases if the same or superior services from the substitutes are available at cheaper price (Boafo, 2018). | Medium |
| Rivalry among existing firms | There are many other alternatives to Barclays, like Lloyds, HSBC, and RBS and Barclays lose most of the bargaining power here. Each competitor is offering same services hence the end user prefers the most affordable one or the one that provides the best services. The company may face high level competition from existing firms if they are diverse and are targeting same market. This competition increases if existing customer tend to change its buying behaviour and shift to other companies due to low switching costs. | Medium |
| Bargaining power of suppliers | Bargaining power of suppliers is low as Banking sector generally don’t offer products that need to be supplied. However, Barclays has some suppliers Kaspersky and Microsoft, but their product are of less importance, and these can be replaced by in house Barclay’s solutions if required (Toussaint-Joseph, 2016). | Low |
| Bargaining power of Buyers | This indicates the level of pressure consumer exerts on the company to get the products at affordable prices followed by good customer services. Bargaining power of buyers is high as big buyers have more power to negotiate which makes the company powerless. Buyers have many alternatives when they don’t get the prices they offer and also the switching cost is less. The factors that affect the buying power are as end users ‘price sensitivity, market knowledge and purchasing standardised products in large volumes. | High |

### c. An Analysis of Internal Factors: VRIO analysis

Resources and Capabilities of Barclays Bank:

* High revenues and profitability providing it strength of scale and depth
* Excellent pedigree, brand name, and brand recognition and past experience with strong leadership capabilities
* Strong bank with capabilities across all sectors of banking in domestic UK, international US market, two of the world’s biggest financial sectors
* Well diversified bank with presence in retail banking, corporate banking, market, investment banking, consumer banking operations – therefore universal banking capabilities
* Building large scale next-generation digitization capabilities with 10m registered customers on Barclays banking app
* Ranking 6th in corporate and investment banking in the world, having 4.6% global banking share
* Strong focus on ESG and green financing (Barclay, 2022)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Resources and Capabilities | Valuable | Rare | Inimitable | Organized | Result |
| Scale | Yes | No | Yes | Yes | Temporary Competitive Advantage |
| Diversification | Yes | No | No | No | Competitive disadvantage |
| Brand strength and recognition | Yes | Yes | No | Yes | Unused competitive advantage |
| Leadership | Yes | No | No | No | Competitive Parity |
| Digital Transformation | Yes | No | No | Yes | Competitive Parity |
| Green Financing | Yes | No | No | No | Competitive Parity |

### d. Conclusion of Situation Analysis

Based on the overall situation analysis, it can be clearly evidenced that the banking sector is going through disruption and transformation, providing opportunity for new substitutes mainly small niche startups to capture market share from large banks. Technological factors are providing new market opportunity through digitization which is disrupting the market. Because of technology, the customer’s expectations are changing, placing customer experience at the center of banking. Banking is becoming faster, customized and being embedded in every process of customer. Currently, large banks such as Barclays lag behind in the digital transformation process because of large scale, legacy setups and diversified operation, making them difficult to transition. Barclays bank therefore at best as competitive parity and is prone to diversification.