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ANALYSIS OF CITIBANK ON THE BASIS OF ORGANIZATIONAL BEHAVIOUR CONCEPTS

1. Introduction

1.1 Corporate Profile

Citibank is the consumer division of financial services multinational Citigroup.Citibank was founded in 1812 as the City Bank of New York, and later became First National City Bank of New York. The bank has 2,649 branches in 19 countries.

Parent Company	**Citigroup Inc.**
CEO	Jane Fraser (Citigroup); Ashu Khullar (Citibank India)
Category	Banking
Sector	Banking & Financial Service
Tagline/Slogan	Citi never sleeps
USP	International financial conglomerate with operations in consumer, corporate, and investment banking and insurance

Strengths	**Weaknesses**	**Opportunities**	**Threats**
Extensive portfolio for the customers	Weak consumer finance as compared to other banks	Expansion in other countries	Growing strengths of local distributors
Retail banking operations in more than 100 countries	Over dependence in the US market	Diversifying portfolios for customers	No regular supply of innovative products
Online services used by over 15 million users	Cases of fraud by employees	Growth in infrastructure sector	May be exposed to liability claims due to different laws in different countries

1.2. Problem

US banking major Citigroup, a leading foreign bank in India, has announced its exit from the consumer banking business in the country (along with 12 other countries). This is a part of its global strategy to focus on institutional business. Interestingly, it was done when the group recorded its highest-ever quarterly profits. The bank will, however, continue with its wealth management and institutional business in India. Even as it has decided to sell off the retail accounts and credit cards business, the bank has indicated that there won't be any layoffs or closure of offices in India.

While analysts are still analysing the rationale behind the move, it has left many consumers who were having salary accounts, or holding credit cards to wonder what will happen to them. The CEO of Citi India has said there is no immediate change to the operations and no immediate impact to our colleagues as a result of this announcement.

For foreign banks, retail is a tough game in this country. It has always been so. Over the years, the US multinational has been facing challenges from local competitors in the retail business, steadily but surely, losing its share. The lender has been steadily losing market share. Citi's share in retail business has been falling over the years and local competition has intensified.

2. Description of the organization

2.1. Products

Citibank is the leading global bank. It provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management.

It offers innovative end-to-end cash management solutions, trade finance and services, securities custody and funds services, corporate banking and advisory services, and the most comprehensive and sophisticated range of treasury products in fixed income, currencies, commodities, and derivatives.

2.2. Processes

Citi works to create mutually beneficial supplier relationships that contribute to shareholder value by delivering cost-competitive, superior products and services in a manner consistent with Citi's values. Citi sets high standards of performance for itself and the products and services they offer. They expect the same from their suppliers.

2.3. Revenues

- Citigroup revenue for the quarter ending September 30, 2021 was **$19.406B**, a **3.56% decline** year-over-year.
- Citigroup revenue for the twelve months ending September 30, 2021 was **$79.902B**, a **15.63% decline** year-over-year.

- Citigroup annual revenue for 2020 was **$88.839B**, a **14.12% decline** from 2019.
- Citigroup annual revenue for 2019 was **$103.449B**, a **6.52% increase** from 2018.
- Citigroup annual revenue for 2018 was **$97.12B**, a **9.17% increase** from 2017.

	2Q'21	QoQ %△	YoY %△	1H'21	%△
Revenues	$267	NM	(8)%	$337	(7)%
Expenses	378	4%	14%	743	19%
Credit Costs	(121)	(8)%	NM	(233)	NM
EBT	10	NM	NM	(173)	72%
Income Taxes	(522)	NM	NM	(573)	(82)%
Net Income	$542	NM	NM	$409	NM

2.4. Profits

The country's third-largest lender reported $7.94 billion in profit, triple $2.54 billion a year earlier, as it released funds set aside to cover pandemic loan losses and cashed in on a boom in listed shell company deals which has boosted underwriting income across Wall Street.

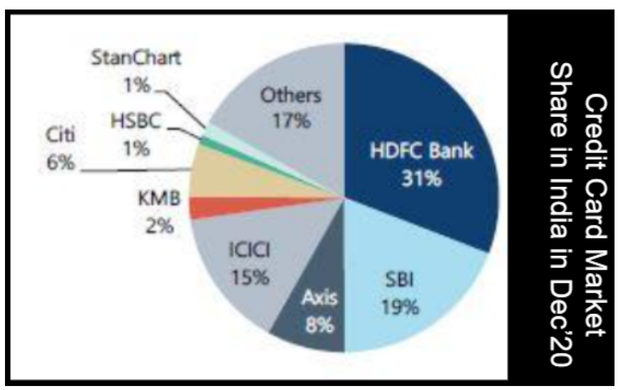
- Citigroup gross profit for the quarter ending September 30, 2021 was **$17.154B**, a **0.86% decline** year-over-year.
- Citigroup gross profit for the twelve months ending September 30, 2021 was **$70.454B**, a **7.51% decline** year-over-year.
- Citigroup annual gross profit for 2020 was **$74.298B**, a **0.02% increase** from 2019.

2.5. Share Price

Citigroup is not listed in India. The last traded price at NYSE for Citigroup was 62.52 USD. Instead we have Citigroup's shares outstanding metrics.

Shares outstanding can be defined as the number of shares held by shareholders (including insiders) assuming conversion of all convertible debt, securities, warrants and options. This metric excludes the company's treasury shares.

- Citigroup shares outstanding for the quarter ending September 30, 2021 were **2.026B**, a **3.25% decline** year-over-year.
- Citigroup 2020 shares outstanding were **2.086B**, a **7.26% decline** from 2019.
- Citigroup 2019 shares outstanding were **2.249B**, a **9.79% decline** from 2018.

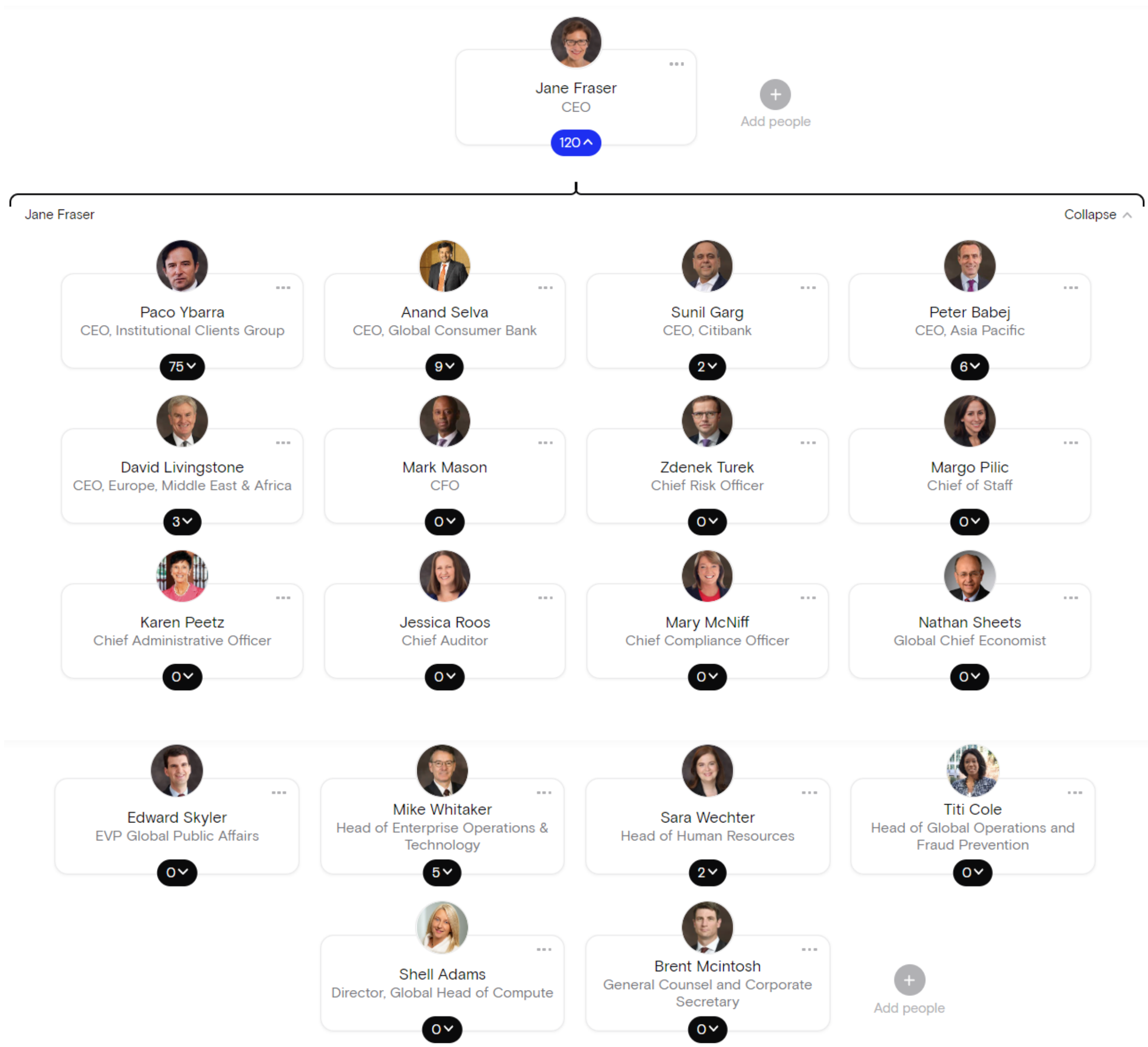


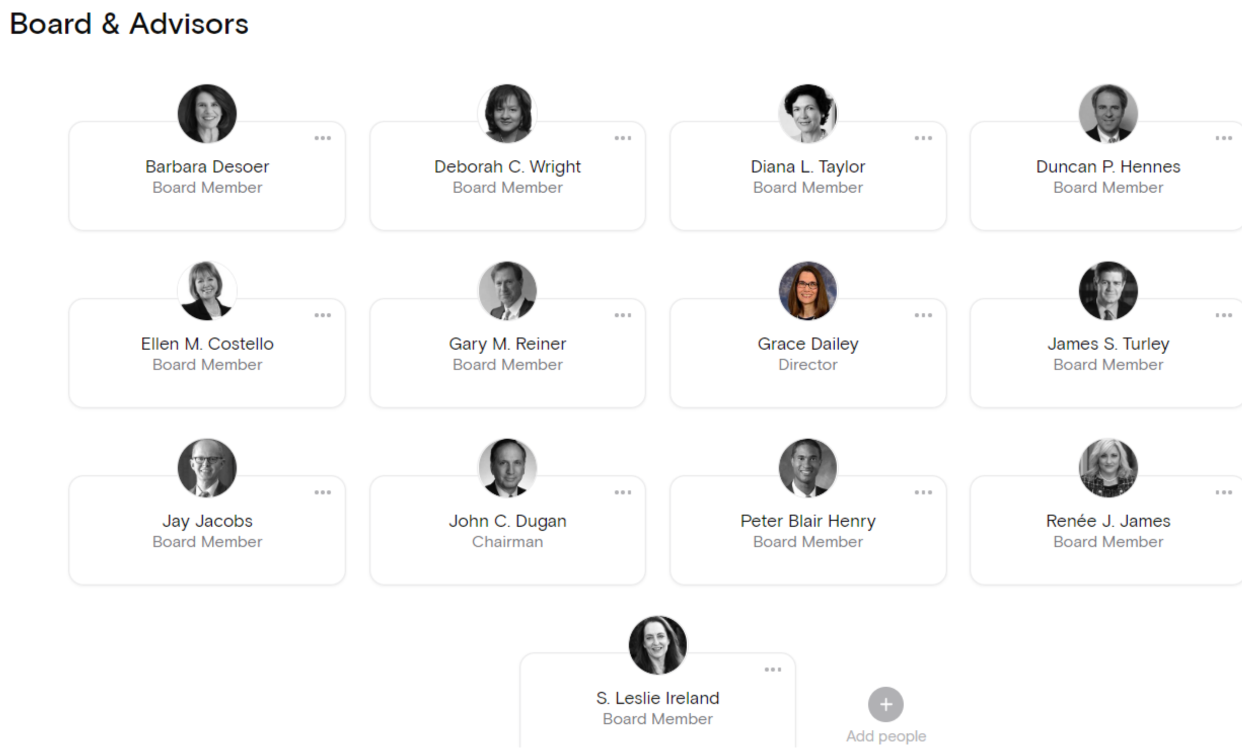
2.6. Market Capitalization

Market capitalization (or market value) is the most commonly used method of measuring the size of a publicly traded company and is calculated by multiplying the current stock price by the number of shares outstanding. Citigroup market cap as of December 06, 2021 is **$127.2B**.

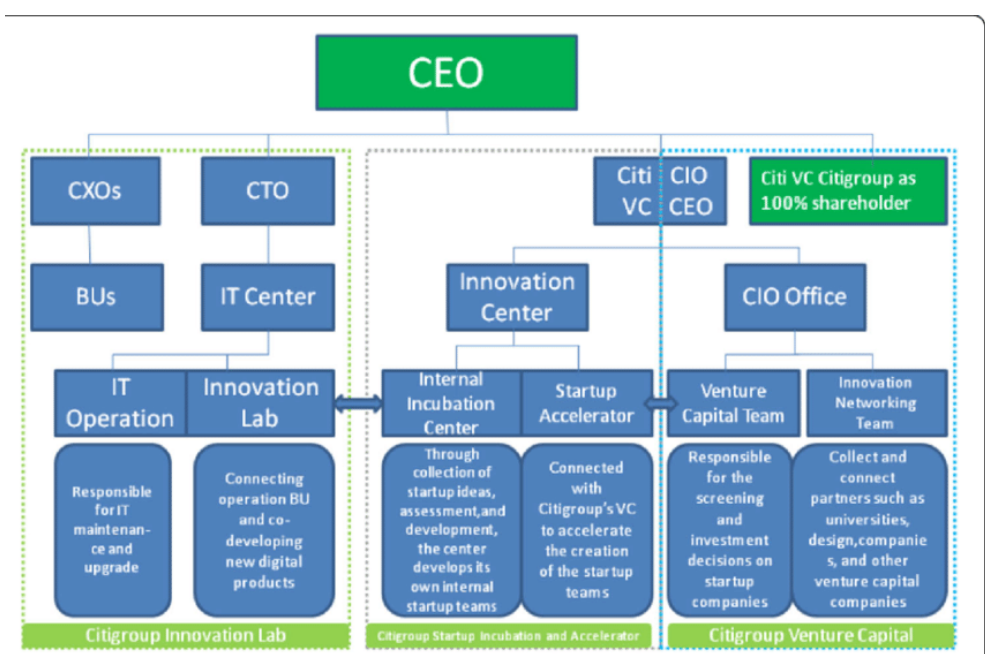
3. Organization Structure and Culture

3.1. Citibank Organization Structure





Citi has established a regional structure to bring decision-making closer to clients. It is empowering the leaders of the geographic regions with the authority to make decisions on the ground.



"Our new organizational model marks a further important step along the path we are pursuing to make Citi a simpler, leaner and more efficient organization that works collaboratively across the businesses and throughout the world to benefit clients and shareholders," said Mr. Pandit in 2008 when Citi announced a comprehensive reorganization of the organizational structure to achieve greater client focus and connectivity, global product excellence, and clear accountability. The new organizational structure has allowed Citi to focus its resources towards growth in emerging and developed markets and improve efficiencies throughout the company. With the new structure, they reinforced their focus on clients by moving the decision-making process as close to clients as possible and assigning some of their strongest talent to lead the regional areas and global product groups.

As part of the reorganization, in order to drive efficiency and reduce costs, Citi further centralized global functions, including finance, information technology (IT), legal, human resources, and branding. By centralizing these global functions, particularly IT, Citi reduced unnecessary complexity, leveraged its global scale, and accelerated innovation. Risk is already centralized.

3.2. Citibank Organizational Culture

For nearly a decade, they've strived to reinforce a culture based on ethics and execution across their businesses. They have invested in improving controls, including related to risk, compliance and audit, and their progress in these areas is enabling them to safely run and grow their business. In order to become an indisputably strong and stable company, they must ensure that all their employees, at all levels, are held accountable to the highest standards of ethics and professional behavior.

In addition to complying with all applicable laws and regulations, their standards for conduct and culture are communicated and implemented through a variety of methods, including their Code of Conduct, various ethics programs and compliance risk management. They also devote resources to ensuring fair consumer practices through their policies.

They recognize that they must continually work to reinforce ethical practices across their culture. Their focus on ethical decision-making is not the responsibility of just one division or team, but rather is embedded into everyday business activities. As they grow their business, they will continue to evaluate their practices, ensuring that policies and actions drive their mission forward, and identify areas where they can improve.

4. Discussion of the identified problem

Of all the problems this organization has been facing, exit from the Indian Market is the most crucial, although there are various other complications. Two of them mentioned are:

1. Slow Growth : Exit from Indian Market

Having started its India operations in 1902, Citibank serves 2.9 million retail customers with 1.2 million bank accounts. It has 2.2 million credit card accounts with around 6 per cent market share of retail credit card spends in the country. The bank said that for the Citi franchise in India (Citi) in aggregate, total assets, including credit extended to Indian institutional clients from offshore Citi entities, stood at Rs 299,250 crore as on March 31, 2020. However, it announced its exit from the consumer banking business in the country (along with 12 other countries) as part of a global strategy to focus on institutional business. The bank has, however, said that it will continue with its wealth management and institutional business in India.

Many feel the reason for selling the consumer banking business is that the profits of the consumer banking business have been under stress and a lot more capital was needed to run that business. "Citibank could not scale retail consumer franchises in India as it did not 'glocalise' fast enough," said a banker.

Bankers say several mid-sized banks in India would be interested in buying Citi's consumer banking business as it would provide them with scale. Industry insiders, however, point towards various models. While it could be tough to find a big buyer who can acquire the license in current times, the new buyer will also have to clear the fit and proper criteria of the Reserve Bank of India.

2. Negligence : Citigroup hit with massive fine for risk management issues

   Citigroup is on the hook for a $400 million fine and must come up with a plan to address ongoing problems that have resulted in several violations and penalties over the course of recent years, US regulators announced on Oct. 8. According to reports, the Federal Reserve and Office of the Comptroller of the Currency (OCC) stated that the banking giant had received many warnings over the years, but failed to institute change at the organization.

   Now, Citigroup has to take comprehensive steps to overhaul its risk management, data governance, internal controls, and some of its compensation practices, Reuters has reported. According to the OCC, Citigroup's risk management was not "commensurate with the bank's size, complexity, and risk profile." These orders might cut Citigroup off at the feet, in terms of its ability to make deals and decisions regarding personnel. The $400 million penalty stems back to an error that led the bank to accidentally send Revlon creditors $900 million of its own funds in August, which kicked off public and regulatory scrutiny of its operations.

5. Suggested solutions and their implications

Probable solutions for problems related to slow growth

1. Hiring the appropriate people

Choose the right people to lead a team and quality such as team player needed to be sought amongst the employees. Making sure when new team members join they understand what phase the company is in, and that they are properly instructed to help the company find sustainable solutions for internal processes. Autonomy and room to test and pilot the solutions they bring forward can be fruitful.

2. Proper documentation of the key processes and systems

Develop defined systems for handling customer problems, planning production or distribution, managing inventory, ordering supplies, etc. Make sure the key processes (sales, customer onboarding, product development, etc.) are well documented and clear for the entire organization in a transparent way and communicate these processes openly and to the entire team. This reduces the chances of negligence as we saw in the lawsuit case.

3. Appropriate Delegation of work

Lead by example: get out of the way from operational decision-making and tell your team leaders to follow through. This also increases the motivation of the group and increases throughput and productivity of the team.

4. Encouraging open communication and active attention

Corroborating that there are internal mechanisms in place such as meetings, electronic channels, etc. so that everyone can participate by either bringing an issue to everyone's attention or offer a solution to a previously reported situation. It is very important that all the team members are fully aware of the most crucial company issues and the motivation that they can be part of the solution.

5. Specialization over Generalization

Growth will force people to move from generalist roles into more specialized, focused functions. Make sure these new specialists clearly understand their roles and responsibilities.

6. Structured Training

Setting up and running an onboarding and continuous training programme for the various teams. Using an online academy to offer your employees not only product and skills training, but also to convey the company culture, vision, and mission and to encourage or inculcate a sense of belonging.

6. Potential Barriers And Obstacles

<u>Lack of Strategic Direction Leading to Negligence</u>

Communication is key but will be unsuccessful if it lacks direction or a cohesive message. From the moment you begin to plan or implement any type of organizational change, first clarify your objectives. Think of the objectives as the roadmap that will guide you to your intended destination. Ideally, the change management strategy should include the following five components:

1. An overarching goal or intended outcome of the process.

2. Clear, measurable objectives related to the overall outcome.

3. An estimated timeline of achieving your objectives.

4. Regular benchmarks or check-ins to evaluate your progress toward your goal.

5. An outline of strategic communication to keep everyone involved on the same page.

With the right strategy, it can improve the chances of getting buy-in so staff are more likely to take a productive vs. disruptive role in the change process.

Lack of Innovation and Creativity leading to Slow Growth

Teams may tend toward the least objectionable option when solving problems. The tyranny of the majority may quash ideas that seem unusual or creative, in favor of ideas on which everyone can agree. If the team does not have a culture of acceptance of all ideas, it may weed out innovation in favor of small changes that won't disturb the status quo of the organization.

7. Conclusion

A bank that serves more than 110 million clients in the U.S., Mexico and Asia, spanning 19 markets, was not able to maintain profits in 13 countries and was forced to close its business in such vast markets. The poor organisational behavior that led to "accidental" transfer of $900 million of its own funds and incurred a fine of $400 million from the regulatory bodies. The organisation and its management was not able to take proper measures to counter its shortcomings and prosper in various foreign markets. It could have prevented such problems through hiring appropriate management and good organization behaviors such as open communication and active attention. With appropriate delegation of work and structured training, the bank could have averted such a terrible accident.

Through the analysis we were able to conclude that Citibank lacked strategic direction, innovation and creativity that led to slow growth and negligence in their work. And since the bank is closing its business, it wouldn't be able to take over the opportunities provided by such a variety of potential markets.

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