

ICBC (Industrial and Commercial Bank of China) acquires 60% stake in Standard Bank PLC (2015)

History of the Company

ICBC is a major global bank which was originally started in China with 20.8 billion Yuan besides, its resources and asset base summed up to 333.33 billion Yuan. ICBC developed its operation back in the 1980s when it became a member of the International Saving Bank. Further, it improved in 1989 when it introduced the Peony Quasi Credit Card. In 1990, ICBC had 91 branches all over the nation and it established a connected computer system to all of them. The bank was then ranked among the 8 best operating in China in the early nineties by different journals. In 1992, ICBC set up its first international branch in Singapore. In 1995, it further expanded to the Asian soils and its first office was established in London. In 1997, ICBC launched its official website (Vargas-Hernández & Medina, 2016). The company further expanded its success through cooperating with the Hong Kong Bank to acquire ICBC-BEA Shareholding Company limited. In 1998 February its shares rose up to 75% (Vargas-Hernández & Medina, 2016).

In 1999, ICBC introduces telephone networking in its national wide branches and in the same year it incorporated corporate and personal internet banking services. In 2002, Peony Card was introduced as a brand becoming the first development project in China. Between 2005 and 2013 ICBC became the largest bank in the world in terms of market capitalisation and later increased its shareholding quotation status in the world. During the last quarter of 2009, it was licensed to operate in Malaysia, United Arab Emirates, and Abu Dhabi. At the end of the year 2015, it acquired 60% of Standard Bank PLC in London (Zhao, Zhao, & Hou, 2018).

Organisational Structure

The organisational structure of ICBC is a hybrid structure which is characterised by various approaches utilised together to meet specific strategies. Functional and divisional structures are applied together in the creation of ICBC organisational structure. The organisational structure of ICBC comprises an arrangement of strong divisions directing specific obligations, comprising All-inclusive Administration Divisions, managerial and Supportive Subdivisions and Associated Establishments (Rudianto, 2017). In the capacities, the economies of scale is stimulated because of practical organisation. An administration model of concentrated lawful individual approval and monitoring single dimension senior and regulating two dimensions junior is actualised by ICBC. The financial arrangement of ICBC is centralised in single area.

The key speciality unit alludes to the departmental organization. ICBC comprises of various Business Enlargement Subdivisions: Commercial Banking, individual banking, speculation banking, and e-banking, and so on which can accomplish the singular wants and fulfilment of customers (Rudianto, 2017). A crossover arrangement suggests more noteworthy adaptability of an organisation that lines up with the present commercial points and system with regional objectives, practical ability, and efficiency.

Products

ICBC bank majorly deals with the delivery of financial services which includes but are not limited to E-banking, Bank Card, Personal Loan, Personal Deposit, Global Marketplace, and Bill Commerce.

Industry and Market Position at Home

According to the Interim Report of the year 2018 first half, ICBC performance marked steady development in terms of volume, quality, and structure. Favourable business growth of ICBC was indicated by the net profits being 160.7 Billion which was a 4.5% increase in its growth. Net interest rates increased by 2.3% in comparison to the previous years and for the past several years the net profit margin had shown an increasing rate (Yushko, 2016). Overseas operations realised 1.55 Billion USD. The NPL ration of the company had dropped with 1.54%, customers deposits had increased and its competitiveness both locally and globally had increased. The number of individual customers rose by 20 million while that of the young customers also increased however by a small margin (Yushko, 2016). The Bank was also recorded as a major operator in China and a giant in the world.

PESTLE Analysis of ICBC

Economic Factors

ICBC has a very strong financial base and has been in the global market for more than a decade. This makes it easy for the bank to have easy access and offer the best services in the newly acquired company (Nartey, 2015). Locations of London offers increased access to the global markets by ICBC. The three locations of the Standard Chartered PLC are in growing markets with limited competition which creates an opportunity for ICBC. The inflation rate of China's economy is expected to rise following the 2018 great recession (Nartey, 2015). This will increase the prices of goods and hence affect the money market. The Chinese government also practices various intervention in the money market and hence is likely to affect the operation of ICBC (Nartey, 2015).

The workforce in the new market and China can be categorised as moderate to highly skilled as a result of the good education sector. ICBC can, therefore, leverage this workforce to use it as a global opportunity of acquiring Standard Chartered. With China becoming an emerging power in Asia ICBC has a better opportunity in setting up more branches across the globe.

Political Factors

The local government of China plays a crucial role in policy making and regulations procedures formulations. ICBC, therefore, has to set territorial policies of operation rather than international policies. The UK governing systems are stable thus favourable for ICBC's operations (McGuinness & Keasey, 2017). Since other non-governmental organisations also play roles in the development of policies for both corporate and communal issues, ICBC should collaborate with these organisation to ensure favourable policies are set. UK's business environment faces no threats from terrorism or military policies. Taxation policies of the western hemisphere are quite low and thus benefiting ICBC (McGuinness & Keasey, 2017).

Social Factors

ICBC has a challenge in expanding to England, as a result of language and cultural variation. It has to ensure that the staff employed there are conversant with the local language to ensure that its operations are successful. The different locations of Standard Chartered PLC offer ICBC a chance to larger demographics of demand for their services (Yin, Zhang, Zhang, & Hu, 2015). ICBC lacks high potential individuals to undertake the expansions and control different occurrences in these different locations.

Technological Factors

Based on the fact that online purchases are taking roots in most developed and developing nations, ICBC has an opportunity in offering online forums of allowing financial flows even in the acquired subsidiaries. London has developed financial technology already in use which will cut cost and also improve the efficiency of operation of ICBC in its new subsidiary (Marconi, Bencivelli, Marra, Schiavone, & Tartaglia-Polcini, 2016). Additionally, creativity and innovation in the technology sector offer ICBC a chance to compete with regional banks in London. ICBC is a major global company has well established financial base to ensure it invests in the best technology over that of regional banks. ICBC also has a 5g potential in delivering both mobile financial services in the new location as well as online purchases (Marconi, Bencivelli, Marra, Schiavone, & Tartaglia-Polcini, 2016).

Environmental Factors

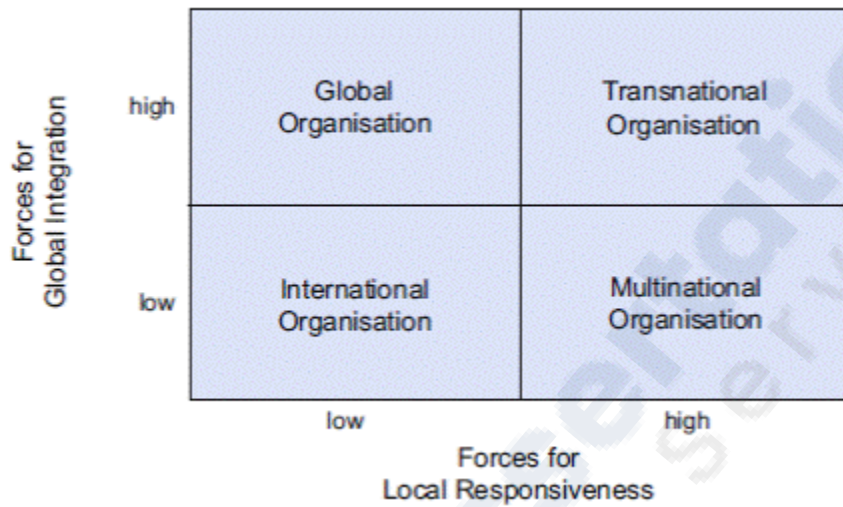
Extreme weathers are affecting the actions of ICBC since it is required to ensure that it sustains the existing supply chain flexibility (Shenglin, Yu, Gu, Lv, Zhang, Gong, & Shuai, 2018). The world green peace operations and environmental sustainability movements are likely to apply more costs to the operations of ICBC. Corporate social responsibility of the company in the centre of its operation also is a cost to ICBC (Shenglin, Yu, Gu, Lv, Zhang, Gong, & Shuai, 2018). In order for ICBC to succeed it has to adhere to the set regulations that regard waste management and recycling.

Legal Factors

ICBC acquiring Standard Chartered PLC will require to ensure that it fulfils the data protection laws in the new location. Having established the new subsidiary, the bank has to meet the intellectual property rights set (Luo, 2016). Additionally, environmental laws and guides

have to be met with great concern since they attract fines. Business laws such as payment of corporate taxes also are to be fulfilled (Luo, 2016). Finally, the bank has to ensure that it follows the employment and labour laws set in the new location.

Barlett and Goshal Model



Force for local responsiveness

Local competitors will not be of great impact on the performance of ICBC in the new location since the bank has a good capital base and originally have experience in new markets. However, this new location will be highly impacted by an understanding of the local culture and language (Wu, 2017).

Force for International Responsiveness

In order for ICBC to succeed they have to ensure that they deliver high-quality services. For the banking sector, the quality of services plays a major role in defining the reputation of an organisation. With ICBC having a strong capital base, it is in a good position and opportunity in

competing favourably throughout the globe (Masella, 2017). The company has to ensure that it delivers the best for the competition to be favourable.

Strategy

From June 2009 ICBC partook and presented its multi-year inovative Expansion Strategy Plan and Application Structure of that arrangement to every one of its workplaces. Over the most recent ten years of ICBC's vital change, this arrangement is the subsequent multi-year strategy and it depended on the execution practice of the advancement procedure strategy of years somewhere in the range of 2006 and 2008 (Schoenmaker, 2015). This arrangement was delivered after an exhaustive examination of the most recent advancement of ICBC and the monetary and budgetary patterns at local dimension and worldwide dimension.

Usage familiarity of Original Plan (2006-2008):

The foundation of this key arrangement was arranged on the understanding of accomplishments and disappointments which were partaken through the accomplished projects by ICBC in most recent 20 years just as on the bearing of China's money related changes (Kobrak, 2016). The point was set to accomplish this key change inside the next 10 years. The techniques, for example, alteration of the executive's structure, improvement by regions, development, administration separation, cross-outskirt the board, far-reaching hazard regulator, and accentuation on innovation and social assets were utilised effectively and ICBC showed signs of improvement results than it initially anticipated (Kobrak, 2016). Thusly, toward the finish of 2008 ICBC turned into the main positioned bank in market an incentive just as it turned into the most gainful bank on the planet. ICBC was essentially effective in light of the fact that it

upgraded the ability to complete benefit making, gave a nearby consideration to chance control and chose to accomplish change in self-improvement (Kobrak, 2016).

ICBC's new multi-year strategy

The effective execution of past key arrangement gave ICBC the affirmation to complete change technique further to support the advancement being developed. The new arrangement offers the controlling thought that "Guided by logical point of view toward advancement, endeavoring to upgrade center aggressiveness, proceeding to advance administration basic change, growing more advancements, and accomplishing quick, steady and supportable improvement of ICBC" to catch chances to fortify and to prop its arcade situation (Jiang & Yao, 2017). To relate this methodology ICBC has chosen to begin from the truth and complete the logical point of view toward advancement into each progression of change.

According to Hamada, (2018), the New Strategy suggests ten key undertakings which join accentuation to organization change, account advancement, administration overhauling and so forth, and a lot of exact destinations and measures for different locales and for assorted administrations as per the general target and errand structure of the ten vital tasks (Hamada 2018). For the effective execution of the procedures, ICBC likewise acquainted a usage conspire with make intensive and explicit plans of the assignments and obligations regarding distinctive divisions and branch workplaces.

ICBC sets up coordination instruments to organise the New Plan to guarantee adaptability and flexibility. Moreover, toward the beginning of every year, required modifications will be made to the assess pointers as per the genuine variations in the commerce condition plus the convention impact of the innovative arrangement in the first year (Mittal & Garg, 2018).

Key Stakeholders to be affected by the expansion

Investors have more likelihood of gaining an added advantage as stakeholders. They will realise more advantage from the increased investments (Faulconbridge, 2019). Financial specialists realise that there are various diverse "partners" or invested individuals in the financial segment. These partners incorporate clients and contributors, controllers, financial specialists, citizens, lawmakers and the executives and staff of banks. Relative power among partners can shift, prompting the headway of certain interests to the detriment of others (Faulconbridge, 2019).

The overall intensity of controllers and government officials has been in the authority since the latest financial emergency, while the intensity of investors, executives and staff has debilitated. Investors have customarily had a special position among partners (Li & Cheong, 2019). All partners, however, have an enthusiasm for the correct working of the financial framework, as none works in segregation.

Speculators in banks, regardless of whether value holders, obligation holders or funders, share a typical enthusiasm for the successful administration and the board of the monetary framework (Xiaofeng & Shan, 2016). In spite of the fact that they contrast as far as their hazard resistances, each class of financial specialist looks for returns that remunerate them for the dangers borne. By and by, however, it very well may be hard to assess the dangers and returns (Xiaofeng & Shan, 2016).

Speculators will contribute their (restricted) assets in resources that seem to offer alluring return openings in light of the apparent dangers. This is a type of "basic leadership under vulnerability". Much of the time, a financial specialist can just abstain from putting resources

into resources that seem to offer deficient returns contrasted and the dangers borne (Grosse 2015).

Vulnerability around administrative change can make the assessment of dangers and expected returns amazingly troublesome for experts (Cheng, Geng, & Zhang, 2016). This can prompt higher hazard premia or, in extraordinary cases, venture "loss of motion". Be that as it may, separating financial specialists know about taking choices under states of vulnerability – this is, all things considered, the substance of what they do (Cheng, Geng, & Zhang, 2016). The procedures that lead to administrative change normally lead to extended times of vulnerability.

Every partner can possibly compete against and aspect of modification in the incident that they rely on that the level of influence amongst partners is out of link or irrelevant (Cabukel, 2017). On the possible occurrence that a speculator's comparative authority is small to the point that revenues don't provide off an brand of being proportional with hazard, at that point that financial specialist, where he has decided, can just choose to put possessions into different objectives (Adeleye, Ngwu, Iheanachor, Esho, Oji, Onaji-Benson, & Ogbechie, 2018). Moreover, financial specialists can deny backing new matters of proposals, assurances or bankrolling mechanisms, possibly causing cash flow, business, and managerial problems for the bank all in all. Finally, a synchronization amongst all partners is obligatory and it is undoubtedly working to include a acceptable managerial, governmental and communal situation for funders, security monetary experts and price speculators similarly (Adeleye, Ngwu, Iheanachor, Esho, Oji, Onaji-Benson, & Ogbechie, 2018).

Vulnerability for speculators is reflected in hazard premium. This premium will back and forth movement, as the perceived leverage between partners changes. This is an ordinary domain

for financial specialists who should settle on sane decisions as needs are, founded on the data that they have any time (Cabukel, 2017).

The arrangement of credit is the stimulant in the wheels of the worldwide economy. So as to keep the wheels turning we need solid banks and they thus need speculators and investors (De Rambures & Duenas, 2017). Be that as it may, looking for harmony between the different partners included is a mind-boggling task and there is probably going to be more than one "right answer" as respects bank system, bank guideline or bank capital structure (De Rambures & Duenas, 2017).

The success of the Strategy

ICBC is disbursing \$690m for a 60 percent post in the South of Africa loan specialist's Standard Bank Plc., in an exchange that will brand it the principal vast national-possessed Chinese moneylender to establish up noteworthy exchanging tasks in Africa (Bosch 2017). The cost is \$75m not exactly Standard Bank, Africa's biggest bank by resources, had at first expressed when it formally declared the arrangement a year back. The little sticker price considered a fall in the backup's net resource esteem and its introduction to aluminium that is being held in two ports in China's Shandong region as a component of an extortion request by Chinese specialists (Bosch 2017).

The collective bank has recently taken an \$80m write-down identified with the metals, while Standard Bank Plc. has about \$160m introduction to the aluminium (Al Amine, 2016). The gathering said it furnished Standard Bank Plc. with a \$300m capital infusion this month to "address misfortunes acquired" by the backup (Al Amine, 2016). It included that the gathering would hold the privilege to any net recuperations from the metals presentation. The

Johannesburg-based moneylender's worldwide markets business incorporates wares, fixed salary, monetary standards, and credit and value items. Notwithstanding its London activities, it likewise has workplaces in New York, Dubai and Hong Kong (Al Amine, 2016).

ICBC's securing of the business is viewed for instance of its desire and worldwide extensions designs as it pursues its Chinese customers over the globe. ICBC, China's greatest loan specialist by resources, paid \$5.5bn for a 20 percent stake in Standard Group in 2007 as it hoped to manufacture its essence in Africa. Standard Bank has interestingly by been effectively downsizing its worldwide activities as of late to cut costs, shedding employment in London and selling stakes in its abroad resources, incorporating those in Russia and Turkey.

In 2011, ICBC consented to purchase most of Standard Bank's shareholding in Standard Bank Argentina in an arrangement worth \$600m. The arrangements are a piece of Standard Bank's system of refocusing its assets on Africa, as the asset rich mainland brags some the world's quickest developing economies and appreciates expanding dimensions of financial specialist premium (Barth & Wihlborg, 2017). This association unites ICBC's money related and worldwide reach, with Standard Group's profound skill in Africa, to the advantage of our shared and planned customers (Barth & Wihlborg, 2017).

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