Principles of International Business

BMS514

Assignment Title: Organisational Report

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Executive Summary

HSBC Holdings plc is one of the largest international banks and corporations that provide financial services in the world. It has offices in more than 60 countries in Asia, the Middle East, Europe, and the Americas. The purpose of this report is to find out how HSBC works with various international markets, how it wants to expand worldwide, and what the benefits and downsides of doing business overseas are.

The study looks at HSBC's political, economic, social, technological, and ecological surroundings and how they provide both opportunities and threats. It also looks at the bank's strategies, such how it enters new markets, whether it should standardise or localise, how to make leaders, and how to reduce risk. HSBC can reach new markets, generate money in new ways, and exchange new ideas via international commerce. But it also has additional restrictions, dangers with money, and problems with culture.

Some of the most significant things that HSBC can do to support its long-term worldwide development are to strengthen compliance processes, learn more about local markets, put money into digital and safety infrastructure, and create sustainable financing initiatives.

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1. Introduction

HSBC Holdings plc is one of the largest and most well-connected banks and financial services organisations in the world. It has been established since 1865. The main office of HSBC is in London, and the bank has business in more than 60 nations and regions. It has a substantial presence across Europe, Asia, the Americas, the Middle East, and Africa (Abou Saleh and Al Tuwaijri, 2022). The bank offers a lot of services, including as business banking, retail banking, wealth management, and global banking and markets. Millions of people throughout the globe utilise these services. HSBC is a major name in the banking sector since it has been around for a long time in many countries and provides a lot of services.

The purpose of this study is to find out how HSBC works with different international business environments and what pros and cons these environments have. It talks more about the strategic options the bank may employ to develop abroad or remain competitive in the global market. The report also looks at the primary positives and downsides of doing business in the banking sector throughout the world.

The report uses a qualitative analytical technique to reach these aims. It gets information from outside sources such market research, academic articles, HSBC's annual reports, and business case studies. The study utilises strategic business and international management models to look closely at HSBC's worldwide strategy and provide helpful advice on how to keep its international operations running.

2. Evaluation of International Environments

2.1 Political and Legal Environment

Government legislation, trade policies, and global financial laws have a big impact on HSBC's international operations. Because it conducts business in more than 60 countries, the bank needs to deal with a variety of various legal systems. The 2008 global financial crisis, for instance, brought forth stricter standards like Basel III, which required banks like HSBC to increase their Tier 1 capital percentage (Xu, 2025). In 2024, HSBC's Common Equity Tier 1 (CET1) capital ratio was 14.8%, which was greater than the 10.4% minimum established by UK government.

After Brexit, trade agreements like the EU-UK Trade and Cooperation Agreement transformed how HSBC conducts business in Europe. Because of this, part of its European activities has been shifted from London to Paris. As per Tahri (2023) the U.S. Foreign Account Tax Compliance Act (FATCA) and restrictions against money laundering also make things harder and more expensive to follow, particularly in regions where there is a lot of risk.

The money-laundering crisis in 2012 made it impossible for HSBC to follow the rules, and the bank had to pay $1.9 billion in fines from the U.S. The bank spent more on compliance throughout the globe than it did from 2013 to 2017 since it was evident what would happen if they did not obey the regulations (Dai et al. 2023).

2.2 Economic Environment

Interest rates, inflation, GDP growth, and changes in currency are all important macroeconomic variables that affect how well HSBC performs. In 2023, the average rate of inflation in the globe was 6.8% (Nayak and Lai, 2021). This caused major markets to tighten their monetary policies. As a result, HSBC modified the way it gives out loans and improved its risk models. In 2023, interest rates rose raised, which made the bank's net interest income go up by 25%. This largely occurred in its key territories, such the UK and Hong Kong (Barber, 2023).

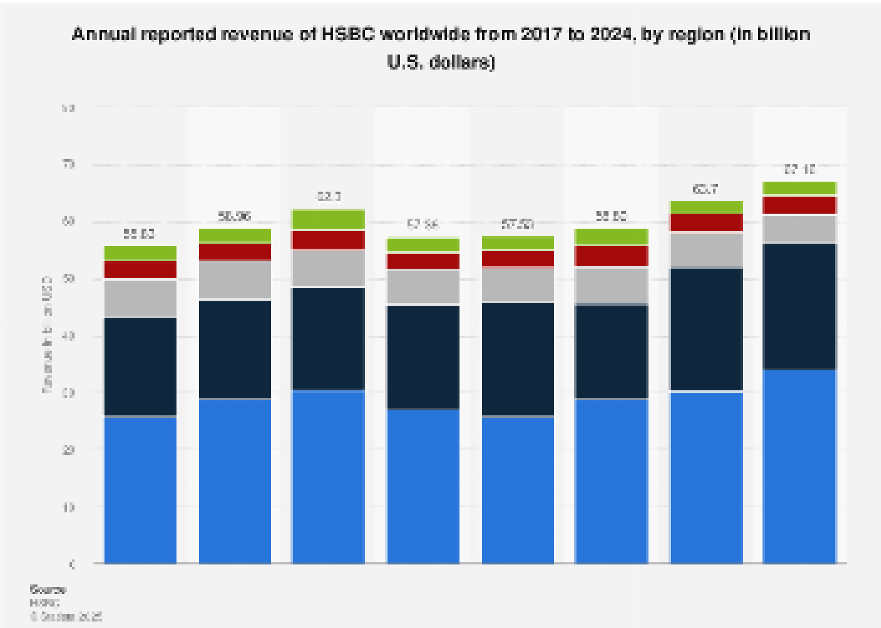

Figure 1: Global HSBC annual revenue by region 2024

(Source: statista.com, 2024)

HSBC's strategy for expansion still includes a lot of emerging markets. Asia contributed for roughly 78% of the group's earnings before taxes in 2023. India's GDP grew by 7.2% and Vietnam's GDP grew by 5.8%, which was the main reason for this. On the other hand, slower economic growth in established nations like the UK (0.4%) and the Eurozone (0.7%) makes it tougher to secure loans and generate money (Chowdhury and Islam, 2021). There are also major hazards with currency. Managing foreign currency risk is vital for earning money since changes in GBP, USD, and CNY influence HSBC's revenue from abroad.

2.3 Socio-Cultural Environment

HSBC does business all over the globe and offers services in a manner that respects cultural differences. The bank's long-running ad campaign, "The World's Local Bank," did a fantastic job of showcasing that it recognised local traditions and cultures while still being present across the globe. For instance, HSBC provides Islamic banking services that follow Sharia law in Malaysia and the UAE (Czinkota et al. 2021). In Western nations, on the other hand, it is more about managing money and coming up with digital solutions.

HSBC has also evolved because clients have changed, particularly since millennials and Gen Z customers desire more digital services. Sixty-seven percent of people who use banks throughout the globe prefer mobile banking. HSBC has made its digital services better for customers from diverse cultures because of this figure (Lu et al. 2023). But not understanding about cultural variations might make things awful for the client and cause troubles for the business. This is particularly true in nations with a lot of contexts, like Japan or China, where people want to talk to one other in a casual way.

2.4 Technological Environment

HSBC uses a lot of new technology to conduct business all around the globe. In 2023, the bank set aside $6.4 billion to spend on digital transformation and upgrading its IT infrastructure. It released products like "Wealth View" in Asia and made the UK mobile banking app safer and better for clients (Toma and Modreanu, 2022). The bank also partners with fintech businesses like Contour to provide trade financing solutions that use blockchain technology. The idea is to make it easier to conduct business across borders.

Fintech is also highly significant in nations like India and Indonesia, where there are a lot of cellphones but not a lot of well-developed banking institutions. But the rapid growth of technology also brings the possibility of hacking. HSBC claimed that there were 34% more cybersecurity occurrences in 2023 (Bertay et al. 2024). This highlights how crucial it is for governments all across the globe to have good cyber safety mechanisms.

2.5 Environmental and Sustainability Context

Environmental, social, and governance (ESG) challenges are having a bigger and bigger impact on HSBC's overseas business. The bank has stated that by 2050, it will have funded no emissions at all, and it hopes to deliver $1 trillion in sustainable financing and investment by that time. In 2023, HSBC made $210 billion from green banking (Sihotang and Hasanah, 2021).

HSBC has invested in Asian projects that utilise green energy and cooperated with the World Resources Institute to improve environmental ratings. It shows that it is serious about being honest about climate risk by using the Task Force on Climate-related Financial Disclosures (TCFD) in all of its worldwide operations.

Environmental organisations are nonetheless keeping a careful eye on HSBC since bank has lent money to fossil fuel businesses in the past. According to Rahmayati (2021) There are still image dangers, even though funding for this area has been slashed in half since 2019.

2.6 Value and Limitations in Business Context

HSBC has to deal with both opportunities and problems in the many countries where it does business. Markets that are politically secure, like Canada and Singapore, have stable rules and are favourable for company development. But politically unstable places, like Latin America, make operations riskier (Molosiwa, 2025). Developing economies have a lot of space to expand in the economy, but they also offer threats to inflation and currency.

HSBC's use of new technology makes the bank more competitive and makes clients happy, but they have to be changed all the time to cope with new dangers. Localised offerings make individuals more loyal to a business, but they need a lot of market research (Oyeniyi et al. 2021). HSBC's brand image is helped by its promises to be more environmentally friendly, but these promises may get in the way of producing money in the near run, particularly in regions that rely on fossil fuels.

There is both a potential and a downside to HSBC's decision to depart U.S. retail banking in 2021 because of poor earnings and a lot of legal work (Sirakova-Yordanova, 2024). It will let the business concentrate its efforts on Asian markets that are growing quickly. This change in approach highlights how crucial it is to go to other countries if you want to be successful in the long run.

3. Strategic Techniques for International Expansion

3.1 Market Entry Strategies

HSBC enters new markets and stays strong across the world in a number of methods, including as via joint ventures, acquisitions, wholly-owned enterprises, and strategic alliances. We chose these strategies carefully based on how the laws, economy, and competition function in each location (Romdhane, 2021). HSBC has concentrated on making connections and agreements in Asia to get into places where there is a lot of potential.

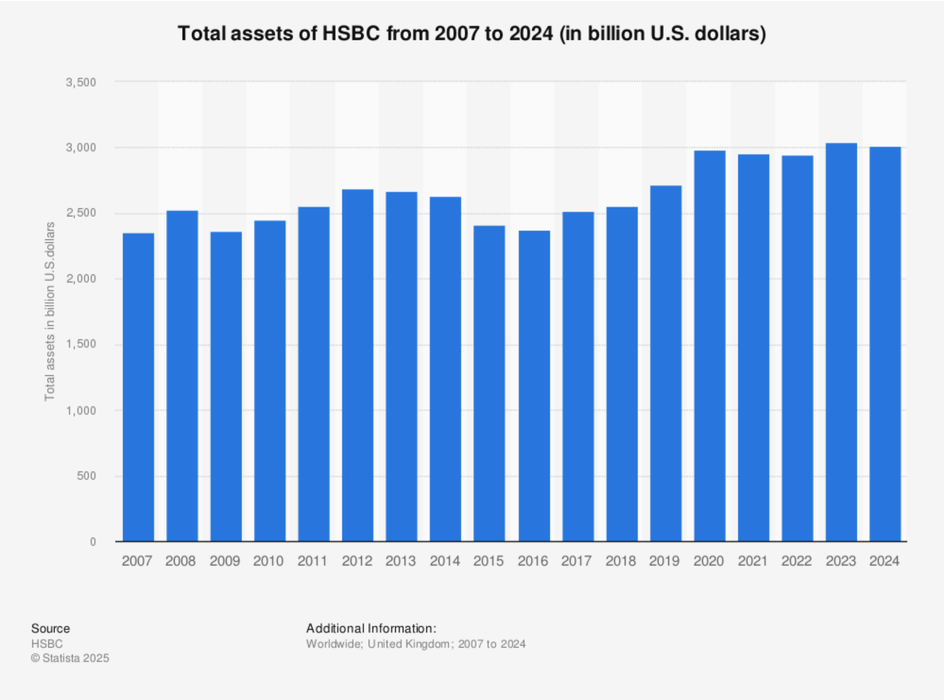

Figure 2: HSBC total assets 2007-2024

(Source: statista.com, 2024)

For example, in 2022, HSBC purchased AXA Singapore for $529 million to make its wealth and insurance services better in Southeast Asia. HSBC Bank (China) is a completely owned subsidiary of HSBC that runs all of the bank's businesses in mainland China (Bhattacharya and Singla, 2024). Because China has fewer rigorous laws about foreign ownership, it was the first foreign bank to accomplish this.

HSBC, on the other hand, has pushed to make things easier in Europe. HSBC shifted its European investment banking headquarters from London to Paris because of the uncertainty posed by Brexit. This strategic approach illustrates that Europe's tightly regulated and already full markets are moving from growth to practical consolidation. Jumayev (2025) stated that. the bank discontinued performing mass-market retail banking in the U.S. in 2021 and sold 90 of its 148 shops to Citizens Bank and Cathay Bank. This let HSBC concentrate more on business banking and wealth management in the Asia-Pacific region.

3.2 Standardisation vs. Localisation

HSBC's performance across the globe rests on how well it can balance global standards with local needs. HSBC uses the same name over the globe, but it varies how it talks to people and what services it delivers to match local customs and market demands. For instance, the mobile banking app looks and works the same across all nations, but the content and features are different in each region (Hacioglu and Aksoy, 2021). Mobile platforms in Hong Kong include an interface that works in more than one language and digital tools for those who are skilled with money. In the UK, on the other hand, the emphasis is on making it simpler for average people to save money and find accommodation.

The way HSBC markets itself shows that they adopt this two-pronged strategy. People all throughout the globe say "Together We Thrive" to indicate that the bank is unified and moving ahead (Galletta et al. 2022). Local marketing themes, on the other hand, are based on national values and the way people shop. Deloitte did a survey in 2023 and discovered that 71% of people in the Asia-Pacific area choose banks that talk to them and provide services with cultural sensitivity in mind (Hrytsenko and Kozhushko, 2023). This is why HSBC is attempting to make its services more relevant to different places, which keeps consumers pleased and loyal in a lot of different regions.

3.3 Global Talent and Leadership Management

The way HSBC does business in other countries is based on people. There are more than 220,000 people that work for the bank across the globe. It employs structured processes for hiring people and developing leaders to create expertise across borders (ZAPOTICHNA, 2023). In 2024, HSBC reported that more than 58% of its senior management posts outside the UK were occupied by people from other countries. This demonstrates that the bank wants to help people become leaders in other parts of the world. This way of doing things makes it easy to make choices and helps individuals learn about various cultures in many areas.

As per Almaemurii and Mohammed, (2024) HSBC spends a lot of money educating leaders how to deal with individuals from diverse cultures and throughout the globe. Its "Leadership Capabilities Framework" says that managers who lead or work with teams from more than one country must learn how to communicate across cultures. HSBC also provides "global mobility" initiatives that let certain employees operate in offices in other countries. This lets people try out new things and offers leaders greater leeway to make judgements (Dixit and Kokila, 2024). HSBC spends around $120 million a year on programs for learning and development throughout the world, according to internal figures. This demonstrates that the corporation thinks that having talented people is a strategic advantage.

3.4 Risk Management Techniques

HSBC takes a lot of risks when it conducts business in foreign countries, such shifting currency rates, policies that are not clear, and political conditions that are not stable. HSBC deals with these risks by using robust trading strategies and legal mechanisms. The bank uses a variety of financial strategies to shield itself against the hazards of foreign exchange (Farahmandi and Reynolds, 2022). This is also essential in economies that are expanding, because changes in the value of the currency may have a substantial impact on profit margins. In 2023, the bank HSBC made $5.8 billion in net trading revenue.

Compliance is one of the most important professions at HSBC and in the corporate sector as a whole. The bank has enlarged its worldwide compliance team to almost 7,000 people because of issues with compliance in the past. It will also invest more than $3 billion between 2017 and 2023 to improve its risk and compliance systems (Taneja et al. 2024). The point of these things is to make sure that all nations respect the new standards for tax reporting, financial crime, and fighting money laundering.

Unstable geopolitics can pose enormous concerns. The trade war between the U.S. and China and the crisis between Russia and Ukraine are two examples of events that have made HSBC rethink how much risk its portfolio has in those two markets (Nguyen and Ali, 2021). The bank updates its "Country Risk Ratings" on a regular basis to keep an eye on the political, economic, and operational risks in important countries. The bank can make wise decisions regarding lending, investing, and selling assets using these ratings.

4. Benefits and Pitfalls of International Trade

4.1 Benefits

One of the nicest things about overseas trading for HSBC is that it gives them additional chances to generate money. HSBC has operations in more than 60 countries, which spreads its risk throughout the globe and makes it less dependent on any one market. Asia, principally Hong Kong and mainland China, brought in 78% of HSBC's earnings before taxes in 2023 (Makoza, 2023). This made up for the bank's worse performance in Western markets including the US and UK.

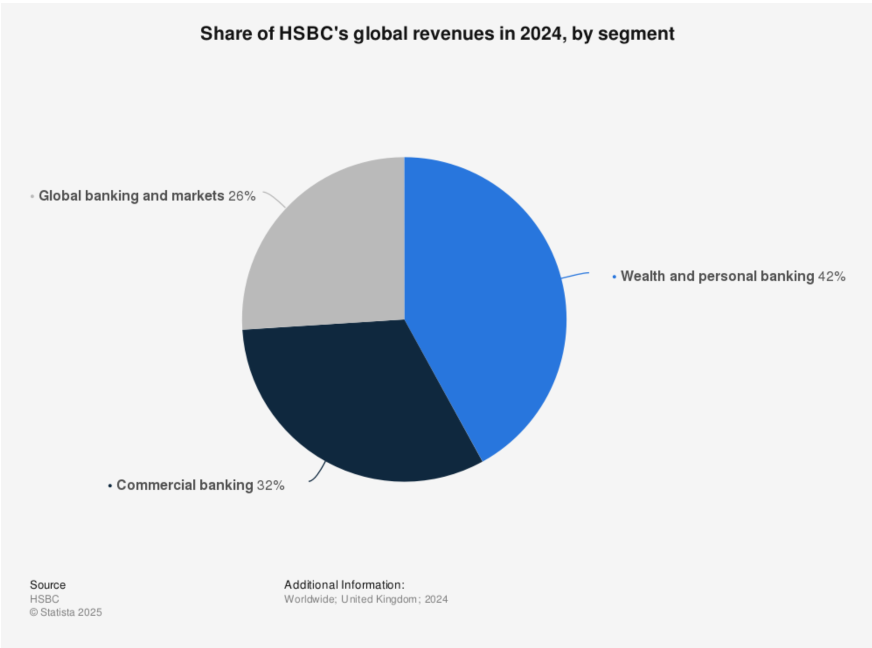

Figure 3: HSBC share of revenues by segment 2024

(Source: statista.com, 2024)

HSBC can go to places where it can expand since it has clients and markets all around the globe. In 2023, the GDPs of India and Vietnam rose by 7.2% and 5.8%, respectively (O'Loughlin and McEachern, 2024). This is an example of how the bank has developed its business in both countries. This shift in approach makes sense since more middle-class individuals in these locations seek services like personal banking, lending, and wealth management.

International commerce also leads to savings via economies of scale and the exchange of new ideas. HSBC can move fintech advances from one part of the world to another since it has a worldwide network (Abou Saleh and Al Tuwaijri, 2022). For instance, digital payment systems that were originally tried out in Asia have been effectively used in several regions of Europe and the Middle East. This saved money and helped the service work better.

4.2 Pitfalls

But there are a lot of complications with trading with other countries. There is still an issue with the price of obeying the regulations and the uncertainty about the rules. HSBC needs to hire a lot of people to make sure they follow the regulations in each area and acquire equipment that work there (Xu, 2025). In 2023, compliance expenses over the globe soared above $3 billion.

The dollar's value going up and down and political uncertainties are also threats. It might be tougher to generate money and prepare for the future when currencies in Latin America and Eastern Europe are unstable and there is political turmoil in other parts of the world (Tahri, 2023).

Customers may also be less inclined to trust and utilise a service if they do not grasp the culture or how people regard a brand. HSBC's "World's Local Bank" approach has worked successfully in Asia, but clients in the US have not liked the company's retail operations, hence it will leave the US retail sector in 2021 (Dai et al. 2023).

5. Recommendations

- HSBC should undertake more research on the local market to find out what clients want, what the rules and laws are in each location, and who its competitors are. This will help the bank do better business abroad (Barber, 2021). Customised plans will make services more useful and keep customers interested, especially in developing countries where there are many different cultures.
- Putting money into digital systems and international security is still highly vital. HSBC has to make sure that its systems are secure, quick, and simple to use, and that they are customised to local use patterns in order to be competitive. This is because more and more people are doing their banking online (Chowdhury and Islam, 2021).
- It is extremely vital to make sure that compliance processes are better in all sectors of government. HSBC should maintain automating compliance procedures and adding

more people to its worldwide compliance teams to decrease business risks and prevent costly penalties.

- Lastly, HSBC should expand its sustainable financing initiatives to meet the growing need for banks that care about the environment all around the globe (Czinkota et al. 2021). HSBC can strengthen its reputation, get investors who care about doing the right thing, and help meet long-term global sustainability objectives by issuing more green loans, offering more financial products that are tied to environmental, social, and governance issues, and supporting initiatives that are good for the environment.

6. Conclusion

In the summary, HSBC's overseas operations reveal a shifting balance between chance and difficulty. The bank has a significant presence across the globe because it can handle a wide range of political, economic, social, cultural, technological, and environmental situations. Strategies including entering new markets, adjusting to local circumstances, nurturing talent, and managing risks have helped it flourish. But there are still constraints because of intricate regulations, cultural differences, and threats that affect the whole world. To be competitive and do well in international markets for a long time, HSBC has to constantly coming up with new ideas, follow the regulations more strictly, and get to know new markets better.

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