

STRATEGIC CHANGE AND TRANSFORMATION: A CASE STUDY AT
MALAYAN BANKING BERHAD (MAYBANK)

HARTINI AHMAD

SHAHIMI MOHTAR

DARWINA AHMAD ARSHAD

AZRAIN NASYRAH MUSTAPA

UNIVERSITI UTARA MALAYSIA

2012

ACKNOWLEDGEMENT

A special thank you goes to Malayan Banking Berhad (Maybank) for their assistance and support rendered on this case study project. Their co-operation is needed much appreciated.

We are grateful to Consulting Business Intelligent-Centre (COBC-BI), College of Business which first initiated this case study project in 2010.

An acknowledgement is also given to our Doctor of Business Administration (DBA) students who gave value-added input to the project. We are also grateful to the Research and Innovation Management Centre, the Institute of Management and Business Research, the Centre for University-Industry Collaboration and the College of Business.

An appreciation goes to others who also contributed in many ways, directly or indirectly to the completion of the project.

ABSTRAK

Pada masa kini cabaran yang dihadapi oleh industri perbankan sangat besar kerana kebanyakan bank wujud dalam tempoh masa berdominasikan pengurangan-kos, pengecilan saiz atau pengecilan skala. Kajian kes ini bertujuan menganalisis faktor-faktor luaran dan dalaman Maybank Berhad dengan melihat strategik pemasaran produk dan perkhidmatan serta program transformasi yang telah berlaku di syarikat tersebut. Sejajar dengan teras strategik “Perkhidmatan Kewangan Komuniti dan Perbankan Secara Global”, beberapa strategi transformasi berjaya dilaksanakan iaitu Insurans & Takaful, Program Transformasi Teknologi Maklumat dan Kualiti Perkhidmatan. Tiga strategi ini berkait rapat dengan staf dan pelanggan Maybank. Adalah sangat penting bagi sesebuah syarikat memahami jangkaan pelanggan serta persepsi kualiti yang diberikan. Ini kerana tahap kepuasan yang diterima oleh pelanggan merupakan kunci utama mengekalkan kesetiaan pelanggan di samping menonjolkan imej industri perbankan sebagai industri terbaik di dunia dalam persekitaran yang begitu kompetitif. Selain itu, pelbagai analisis dalaman dan luaran telah dilaksanakan terhadap Maybank, antaranya ialah analisis PESTEL, Lima Gerak Kuasa Porter, dan Analisis VRIO. Hasil menunjukkan inisiatif-inisiatif yang dilaksanakan oleh Maybank adalah selari dengan visi dan misi, mempunyai kemenangan segera; mempunyai strategik jangka pendek dan sederhana, dan strategik jangka panjang. Inisiatif yang dilakukan memberi fokus kepada sumber manusia di samping strategik syarikat secara menyeluruh. Beberapa komen dan cadangan telah dikemukakan kepada Maybank agar syarikat ini dapat menjadi lebih baik.

ABSTRACT

Nowadays, the challenges faced by the banking industry are very huge because most banks emerged from a period dominated by cost-cutting, downsizing or downscaling. This case study aims to analyse the external and internal factors of Maybank Berhad by looking at products and service marketing strategic, and transformation program that had took place in this company. In line with “Community Financial Services and Global based Banking” strategic thrusts, numerous transformation strategy successfully implemented, i.e., Insurance & Takaful, Information Technology Transformation Programme and Quality of Service. Three of these strategies closely related to staff and customers of Maybank. It is very crucial for the company to understand customer expectations and perceptions of offered quality. This is because the perceived level of satisfaction by a customer is a key to maintain customer loyalty as well as uphold an image of the banking industry as the best industry in the world in a very competitive environment. In addition, various internal and external analyses were performed towards Maybank, such as PESTEL analysis, Porter's Five Forces, and VRIO analysis. The results showed that many initiatives done by Maybank align with the vision and mission, have quick wins; short and medium-term strategies, and long-term strategies. The initiatives done focused on the human resources as well as the company strategies as a whole. Furthermore, several comments and suggestions have been presented to Maybank in order to ensure how the company can become better.

TABLE OF CONTENTS

1. INTRODUCTION	1
2. BRIEF HISTORY OF THE MALAYSIA BANKING INDUSTRY	3
2.1 Malayan Banking Berhad's Humble Beginning	3
2.2 Malayan Banking Berhad Today	4
2.3 Shareholdings	7
2.4 Financials	8
2.5 Group Corporate Structure	9
2.6 Maybank's Vision	10
2.7 Maybank's Globalization	11
2.8 Current Initiatives	13
3. COMPETITORS IN THE INDUSTRY	15
3.1 Maybank Compared Against Industry Players	15
3.2 Public Bank Berhad	16
3.3 CIMB Group	16
3.4 RHB Bank Berhad	18
4. INTERNAL ENVIRONMENT	19
4.1 Maybank in Position of Strength	19
4.2 Segmental revenue	23
4.3 Product & Services	24
4.4 VRIO Criteria	26
5. EXTERNAL ENVIRONMENT	28
5.1 PESTEL Analysis	28
5.2 PORTER's Five Forces	31
6. STRATEGY TO ACHIEVE COMPETITIVE ADVANTAGES	36
7. CONCLUSIONS	39
REFERENCES	i

List of Tables

Table 2.1 Substantial Shareholders as Per The Register of Substantial Shareholders	7
Table 2.2 Maybank's Group Corporate Structure	9
Table 3.1 Maybank's Competitors	15
Table 3.2 Maybank's Competitors in All Key Business Sectors	20
Table 3.3 Maybank's Market Leadership	22
Table 3.4 Maybank's Segmental Revenue	23

List of Figures

Figure 2.1 Maybank Asset 2009	8
Figure 2.2 Maybank's Vision	10
Figure 2.3 Maybank Group Global Network	12
Figure 2.4 LEAP30 Strategy	13
Figure 2.5 LEAP30 Performance Improvement Programme	14
Figure 5.1 Porter's Five Forces Model	32
Figure 5.2 Significant Gaps and Performance Culture of Maybank	35

1. INTRODUCTION

The financial system has over several decades been instrumental in facilitating the economic success of Malaysia. As Malaysia advances into the new transition to the new economy – into a more globalised, a more digitized and knowledge based economy. The financial system is also operating in an era of rapid change, in an environment that is being shaped by advances in technology, by trends towards greater market orientation and globalization.

Even to the most casual observer of the financial services industry, the above statement portrays the challenging times for financial institutions. The rate at which the industry changes and develops in the complex nature of the financial system is breathtaking. The rapid pace of the information technology revolution, globalization, increasing buying sophistication and significant demographic changes are driving forces behind these changes.

Nowadays the challenges faced by the banking industry are enormous, and as more challenging because many banks are emerging from a period dominated by cost-cutting, downsizing or downscaling. In other words: after a prolonged period of internal focus, banks must again concentrate on external issues, and put strategic marketing at the top of their agenda. Strategic business marketing (also known as strategic industrial marketing or strategic business-to-business marketing) is the strategic marketing of products and/or services for transformation or “consumption” by businesses.

It is important to understand the customers' expectation and perception of quality, an organization may deliver a satisfactory service where satisfaction has long been regarded as key to customer loyalty and views the banking industry as a mature industry in nature; whereby, in this highly competitive environment customer satisfaction is essential for bank's sustainability. The banking sector has responded far more slowly than other sectors to the new challenges that sustainability presents. Bankers generally consider themselves to be in a relatively environmentally friendly industry (in terms of emissions and pollution). However, given their potential exposure to risk, they have been surprisingly slow to examine the environmental performance of their clients.

Malayan Banking Berhad (Maybank) is the leading bank in the Malaysian financial services industry and has always been regarded as a benchmark of the financial sector performance. An overview of Maybank and the industry it is operating in, and presents its global (international) business activities and the situation which warrants for the alternative actions to be recommended to address any possible issues that may deter its performance or actions to sustain its current success. The exercise will at best try to amongst other identify the company's international business activities, efforts, and marketing programs at Maybank based on the available information gathered.

2. BRIEF HISTORY OF THE MALAYSIAN BANKING INDUSTRY

The banking industry in Malaysia dates back to the early 1900s when rapid economic development, as a result of thriving profits from rubber plantations and the tin industry then, saw the opening of foreign bank branches. Mercantile Bank which later became the subsidiary of the Hong Kong Bank (now known as HSBC) set up an office in Penang followed by Chartered Bank in 1875 and Hong Kong Bank in 1884 - 1913 saw the setting up of Malaysia's first domestic bank i.e. Kwong Yik (Selangor) Banking Corporation. Since then, the banking industry has continued its steady growth and expansion until eventually there was a need for a governing body to oversee the activities and operations of the numerous banks in the country.

2.1 Malayan Banking Berhad's Humble Beginning

Maybank was born in June 1960 with the clear and simple aim of assisting in financing new industries under the Government's development programme and extending banking facilities to rural areas where none exists. From its inception, the Bank resolved to have a distinct Malayan image in keeping with the nation's new identity. Shareholders and staff reflected a local majority. The Tiger, considered an indigenous symbol, was adopted as the Bank's corporate logo.

Malayan Banking Berhad opened its doors for business in downtown Kuala Lumpur on 12 September 1960. The Bank was then listed on the Kuala Lumpur Stock Exchange on 17 February 1962.

By the first anniversary, which fell on 12th Sept 1961, Malayan Banking had a network of 30 branches. At the end of 1961, the Bank's 35 branches made up 60% of the 58 domestic banks. The 112 branches of the 18 foreign banks averaged out to six branches per bank. The pace of growth of the Bank during the pioneering years was remarkable. By 1966, Malayan Banking had established 108 branches, which includes one each in London, Kowloon and Hong Kong.

Between 1966 and 1970 the Bank underwent major changes which involved restructuring and consolidation. The 60s had been a pioneering period – of setting up the bank, of rapid branch expansion and consolidation. At the start of the 1970s, the Bank forged new ties with the Malaysian government, further strengthening its footing in the country.

In the 1970s, the Bank's major focus was on the mobilization of savings and the direction of loans to the manufacturing sector, residential housing and the 'small' man – the farmer, fisherman, the small businessman and the man in the street.

2.2 Malayan Banking Berhad Today

Today, Maybank proudly stands above its peers as Malaysia's flagship financial services group in a vibrant, strong and highly competitive banking and financial services landscape. Total assets of the Group stands at RM310.7 billion and through an extensive network of well-over 1,700 branches and offices in 14 countries throughout the world. Maybank is represented in the world's major financial centers

of London, New York, Hong Kong and Singapore and have correspondent banking relationships with more than 700 foreign banks throughout the world. Maybank through its subsidiary Maybank Islamic is the leading Islamic bank in the Asia Pacific region and among the world's top 10 Islamic financial institutions. The Group employs over 39,000 Maybankers to serve over eight million customers.

With close to five decades of growth, Maybank today has clear market leadership and is among the top three in almost all business sectors. The bank's extensive product and service range includes commercial banking, investment banking, Islamic banking, offshore banking, insurance and takaful, factoring, trustee services, asset management, stock broking, nominee services, venture capital and Internet banking.

Maybank operates consumer banking, business and corporate banking, as well as private banking services, through a network of more than 374 branch offices and more than 2,700 ATM machines in Malaysia. Maybank's Consumer Banking remains one of the Group's primary contributors with a variety of services and products including mortgage and automobile financing, credit and debit cards, bank assurance, wealth management as well as retail and Internet banking. The Corporate and Business Banking, which comprise corporate and commercial segments, caters to public listed companies, multinationals and institutional clients as well as SMEs via a variety of services that include cash management and trade financing.

Its subsidiary, Maybank Islamic, which commenced operations in January 2008 taking full advantage of the Group's pioneer status in introducing Islamic Banking

services and has today assets of about RM34.7 billion. Meanwhile the Bank's Investment Banking Group spearheaded by Maybank Investment Bank offers a complete range of investment solutions from corporate finance to debt capital markets, equity markets to research and strategic advisory.

Beside its commercial banking network, Maybank operates a number of specialized subsidiaries in the insurance, investment banking and assets management, and finance sectors. The Group's Insurance business under the Etiqa brand offers all types and classes of Life and General conventional insurance as well as Family and General Takaful plans via a robust agency force of over 21,900 agents complemented by a wide bank assurance and bank takaful network.

Maybank is recognized for making waves in the banking and financial services industry locally and internationally. As Malaysia's banking icon who has made an impact over its fifty years of existence, the Bank has achieved many milestones, among them are;

- Largest financial services provider in Malaysia
- No.1 bank in Malaysia by assets and reach
- Largest banking network in Malaysia with 386 branches, 17 trade finance centers, 39 business centers, 37 share investment centers and 22 private banking centers
- No.1 Islamic bank in Malaysia by assets
- No.1 Islamic financial services provider in Asia Pacific
- Largest rights issue of RM6 billion in Malaysia

- First in Malaysia to embark on an Occupational Safety & Health Mentorship programme with SMEs in 2009
- First to launch online facility for making additional investments in ASB units with PNB
- Malaysia's Most Valuable Brand in 2008 & 2007
- First to launch Malaysia's dual purpose Bankcard in partnership with Visa International in 2008
- First to launch complete mobile money service in Malaysia with Maxis in 2007
- First to introduce the structured commodity financing solution for business customers in 2007.

2.3 Shareholdings

Table 2.1: Substantial Shareholders as per the Register of Substantial Shareholders

Substantial Shareholders as per the Register of Substantial Shareholders			
No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputera)	3,248,988,369	45.90
2.	Employees Provident Fund Board	845,784,834	11.95
3.	Permodalan Nasional Berhad	469,297,883	6.63

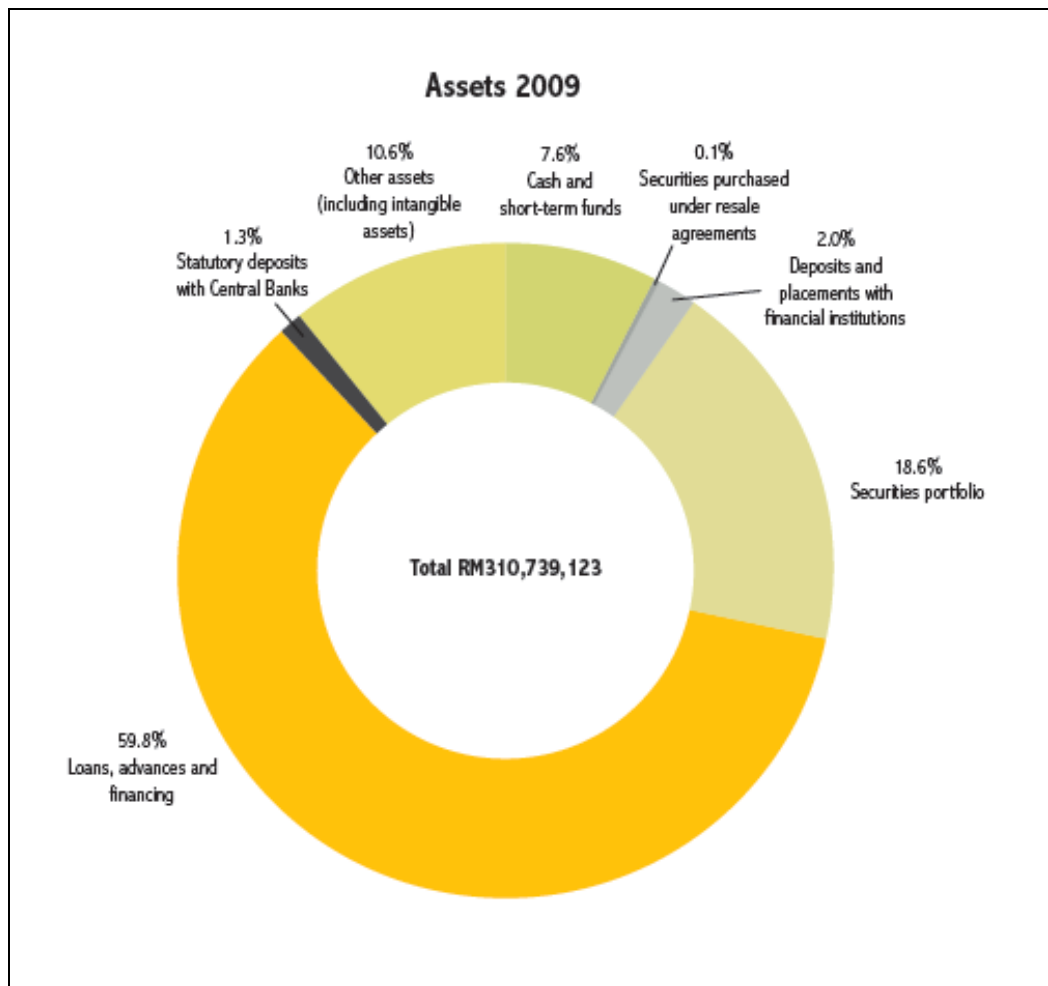
Source: Maybank Annual Report 2009

The bank has an authorized share capital of 10,000,000,000 with a paid-up share capital of 7,077,664,368. The Maybank Annual Report 2009 reported that the three substantial shareholders for Maybank are Amanah Raya Nominees (Tempatan) Sdn

Bhd holding 45.9% shares, followed by the Employees Provident Fund Board with 11.95% shareholding and Permodalan Nasional Berhad holding 6.63%. These three substantial shareholders collectively hold 64.48% of the shares. With the exception of the Employee Provident Fund which is a statutory body the other two substantial shareholders are Government Linked Companies (GLC).

2.4 Financials

Figure 2.1: Maybank Assets 2009



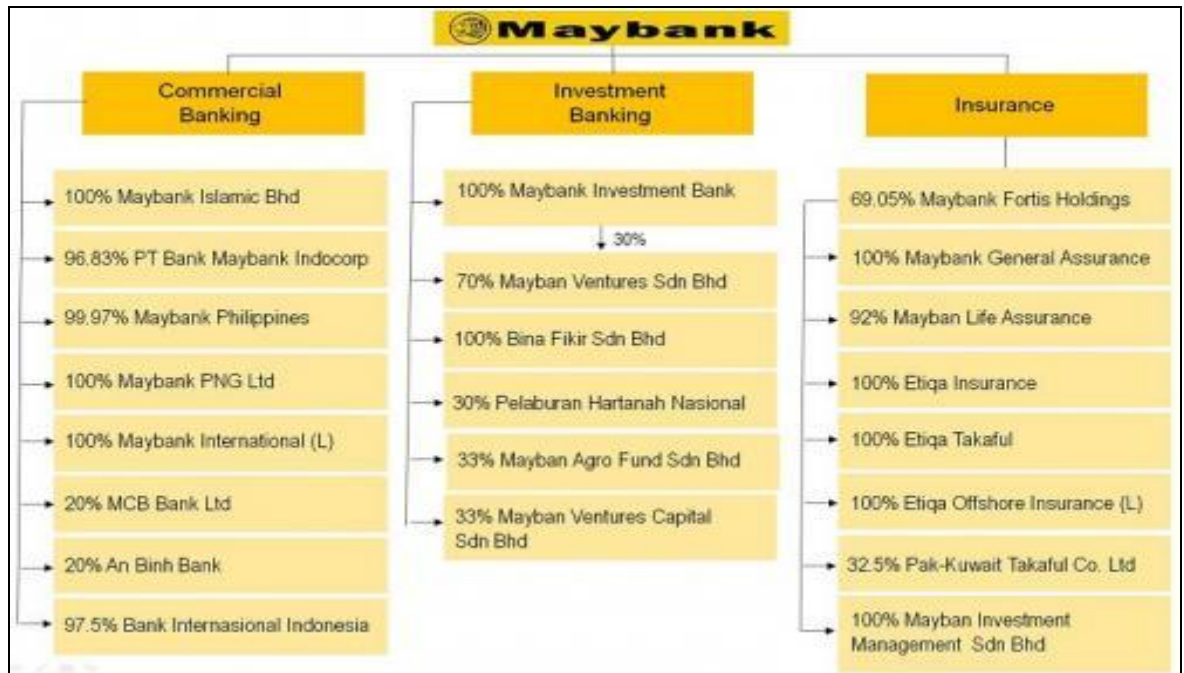
Source: Maybank Annual Report 2009

Today, Maybank proudly stands above its peers as Malaysia’s flagship financial services group in a vibrant, strong and highly competitive banking and financial services landscape. Total assets of the Group stand at RM310.7 billion while total shareholders’ fund stands at RM 24.8 billion, whereas the total assets for the bank stands at RM 238.2 billion and total shareholders’ fund stands at RM 22.5 billion for the financial year ending 30 June 2009.

2.5 Group Corporate Structure

The chart above is the Group Corporate Structure for the main operating business units and does not include subsidiaries involved as nominees, trustees and investment holding companies.

Table 2.2: Maybank’s Group Corporate Structure



Source: *Maybank's Presentation at Invest Malaysia Conference 2009, Kuala Lumpur, 30 June 2009.*

2.6 *Maybank's Vision*

Maybank's vision is to be the leading regional financial services group by 2015. To achieve this, the Bank will strive to be the top five in South/Southeast Asia by size and performance, and as a true regional organization it aims to derive 40% of the gross loans from its international operations.

Figure 2.2: Maybank's Vision



Source: *Maybank's Presentation at Invest Malaysia Conference 2009, Kuala Lumpur, 30 June 2009.*

2.7 Maybank's Globalization

Maybank's venture into the global arena, which started as early as the 1960s, has gained momentum over the years with clear presence in high-growth markets and leadership in the fast-growing Islamic Banking sector.

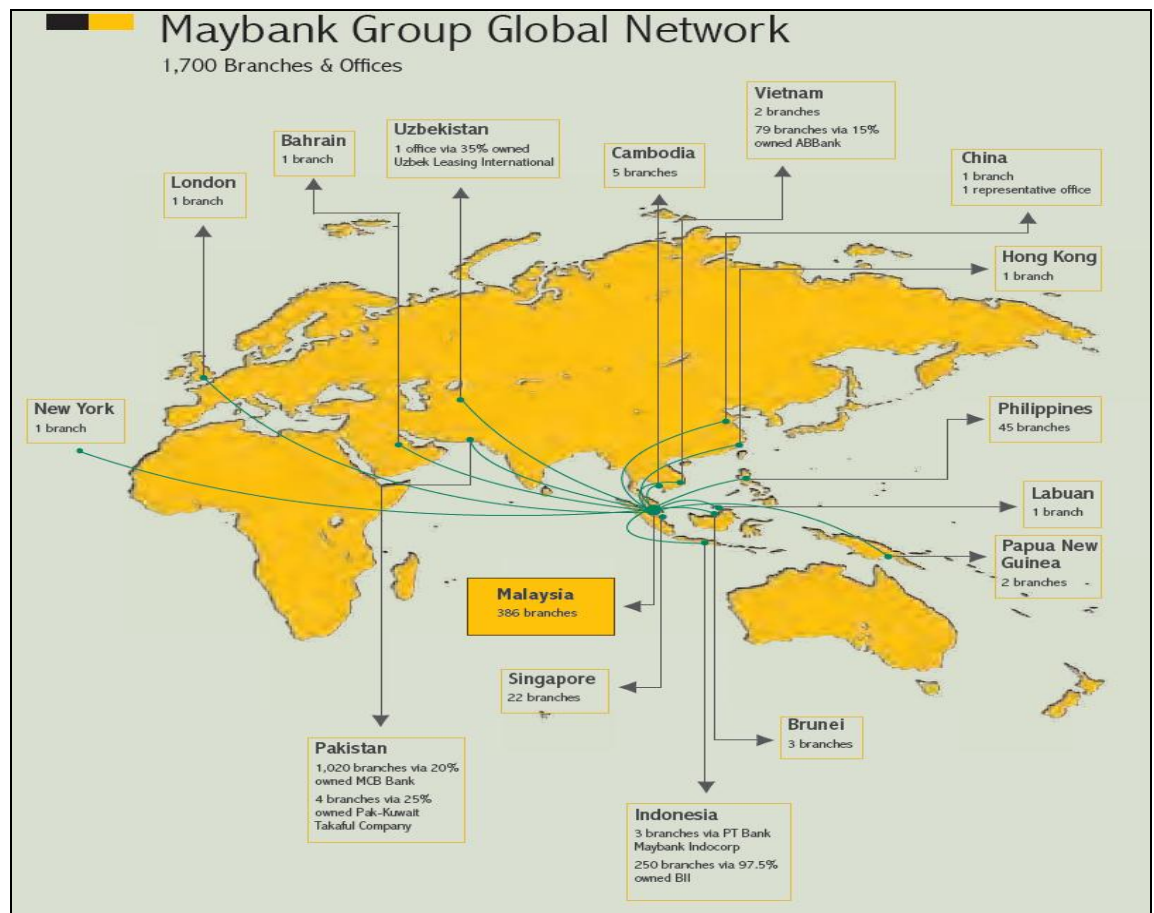
In the 1990s Maybank's began its rapid expansion abroad. Labuan International Offshore Financial Centre was established in October 1990, and in December Maybank International (Labuan) Limited and Maybank International Trust (Labuan) were set up at the Labuan Offshore Financial Centre. In line with its expansion initiatives, the Maybank Phnom Penh branch in Cambodia was officially opened in December 1993.

Two representative offices were also opened in Beijing, China and Tashkent, Uzbekistan in the same year. In November 1994, Maybank became the first Malaysia- Indonesia joint venture bank with the incorporation of P.T May Bank Nusa International (later named to P.T Bank Maybank Nusa International). The regional network was further enhanced with the setting up of Maybank Hanoi branch as well as two representative offices in Ho Chi Minh City, Vietnam and Yangon, Myanmar in 1995.

The company operates 22 branches throughout Singapore providing a full range of banking and financial products and services. Maybank, through Maybank Philippines Incorporated, has 45 branches in the Philippines and also has a banking

presence in most of the other Southeast Asian markets, including Brunei, Papua New Guinea, Indonesia, Cambodia and Vietnam. The bank also operates branches in New York, London, Hong Kong and Bahrain. Maybank was the first Malaysian bank granted the right to establish a branch office in China.

Figure 2.3: Maybank Group Global Network



Source: Maybank Annual Report 2009

Maybank has expanded its international footprint in Indonesia, Pakistan and Vietnam to complement its presence in Singapore, the Philippines, Brunei

Darussalam, Cambodia, Papua New Guinea, Hong Kong SAR, People’s Republic of China, Bahrain, Uzbekistan, the United Kingdom and the United States.

2.8 Current Initiatives

With the challenges in mind, Maybank has adopted best practices that will set the benchmark for customer care. The foundation of this model is premised on Maybank Group’s three Ps of People, Products and Processes, which must be well aligned for the Group to achieve excellence in customer experience. With this the Bank launched the Group-wide performance improvement programme, affectionately known as LEAP30, which was initiated in the second half of 2008.

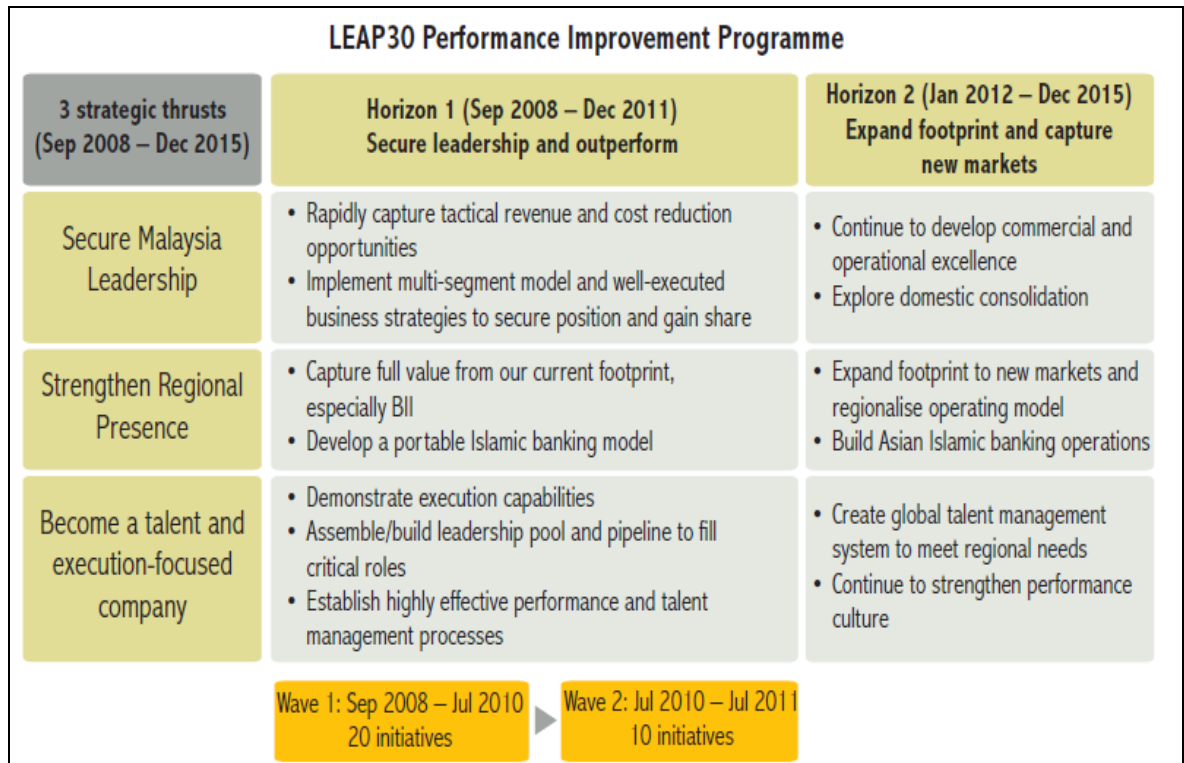
Maybank is confident that with the traction gained so far, and the continued commitment and strong support of Maybankers, LEAP30 will thrust all sectors within Maybank towards achieving the Group’s vision to become one of the top five banks in South and South East Asia by 2015.

Figure 2.4: LEAP30 Strategy

L	Lead	Secure undisputed leadership in Malaysia and strengthen regional presence
E	Execute	Ensure timely execution of identified initiatives
A	Achieve	Achieve 100% of financial and service quality targets
P	Progress	Progress as a Group and as individuals
30	Deliver 30 initiatives to achieve our goals	

The LEAP30 Transformation initiatives continue to reinforce a strong service-oriented culture in the Group based on embracing the Group Core Values to improve customer retention and increase customer acquisition.

Figure 2.5: LEAP30 Performance Improvement Programme



Source: Maybank Annual Report 2009

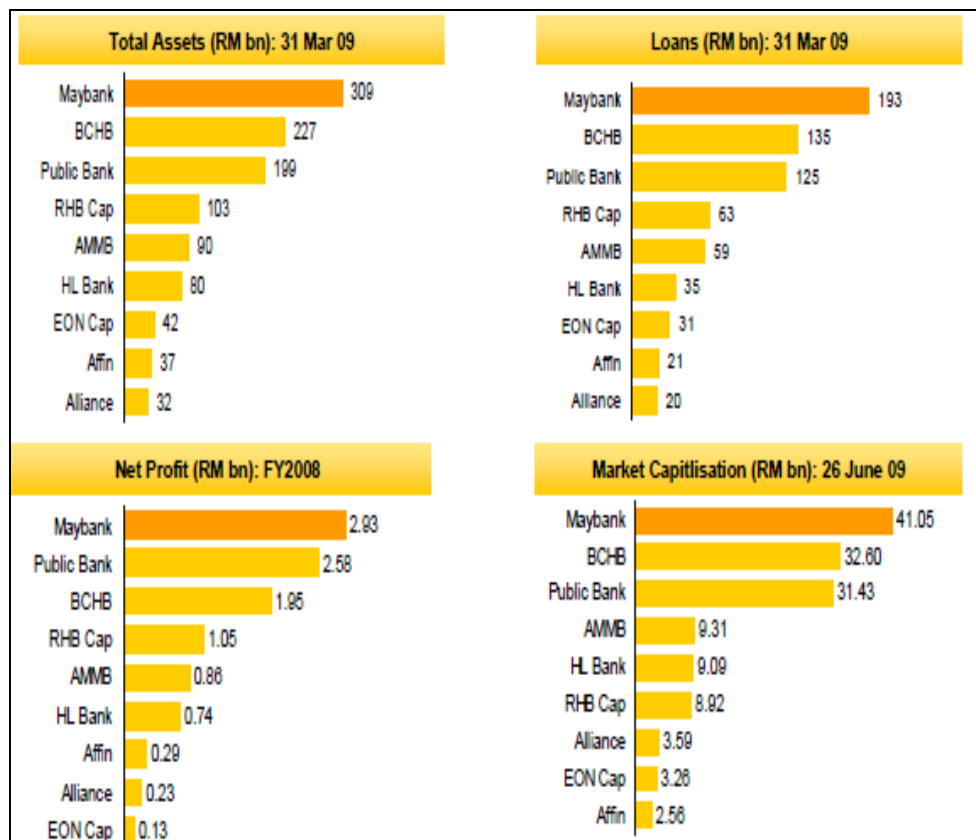
As part of its strategic transformation plan the Maybank Group has also taken proactive steps to strengthen its capital base by undertaking announced a rights issue of up to RM6.0 billion, which would positioned Maybank as one of the best capitalized banks in Asia with a proforma risk weighted capital ratio of 16.4%. The rights issue will support the Group’s aspiration to be among the top 5 banks in South and South East Asia by size and performance by 2015.

3. COMPETITORS IN THE INDUSTRY

3.1 *Maybank Compared Against Industry Players*

The charts below show, as at 31 March 2009 Maybank still maintains the number one position against the industry players in terms of total assets, net profit, loans and market capitalization trailed by its strongest competitors i.e. BCHB (CIMB) and Public Bank.

Table 3.1: Maybank's Competitors



Source: Maybank's Presentation at Invest Malaysia Conference 2009, Kuala Lumpur, 30 June 2009.

3.2 Public Bank Berhad

Public Bank Berhad is a bank based in Malaysia. Public Bank is currently the biggest domestic bank in Malaysia by shareholders' funds. It focuses on retail customers and small to medium sized enterprises. The bank was founded in 1966 by Teh Hong Piow, the then general manager of Malayan Banking. The bank was listed on the Malaysian Stock Exchange in 1967.

The Public Bank Group's business ended the financial year 2005 on a high note with RM111.6 billion in assets, RM68.1 billion in loans and RM84.1 billion in deposits. In terms of balance sheet size, the Public Bank Group is the third largest banking group in Malaysia with approximately US\$ 41.76 billion in total assets in Malaysia with the lowest non-performing loan ratios.

Presently, Public Bank has 243 local branches and 3 overseas branches namely, Hong Kong Branch, Colombo Branch, Sri Lanka and Vientiane Branch, Lao PDR.

3.3 CIMB Group

CIMB Group is Malaysia's second largest financial services provider, and fifth largest in Southeast Asia by total assets. CIMB Bank Berhad is the commercial banking arm of CIMB Group, offering retail banking services to over 5.3 million customers in Malaysia. It provides a comprehensive range of consumer banking products and services through a country-wide network of 367 branches, and over 2100 self-service terminals and internet channels. As the second largest commercial

bank in Malaysia, CIMB Bank has significant market share across all consumer banking products.

In Singapore, CIMB Group's consumer banking business operates on a full banking license via CIMB Bank Singapore, which offers a full suite of banking products to high net worth individuals, businesses and retail clients.

CIMB Group's consumer banking business in Indonesia is offered through its 77.24% owned subsidiary PT Bank CIMB NiagaTbk. Established in 1955, it merged with PT Bank LippoTbk in November 2008 to form the sixth largest bank in Indonesia by assets, with over 650 branches nationwide.

Bank CIMB Niaga offers a comprehensive range of conventional and Shariah-compliant banking products and services. It was the first local bank to introduce ATM services in 1987 and online banking in 1991. It is currently the second largest mortgage provider in Indonesia with a 10.9% market share.

In Thailand, CIMB Group controls 93.15% of Bank Thai as of March 2009 and is its single largest shareholder. Listed on the Stock Exchange of Thailand, Bank Thai has a solid deposit and lending business and operating base of SME and retail customers. With subsidiary businesses in stock broking, insurance and asset management, Bank Thai is the 11th largest commercial bank in Thailand by assets with 147 branches nationwide. CIMB Group also has commercial banking branches in Hong Kong and London.

3.4 RHB Bank Berhad

RHB Bank Berhad is a bank based in Kuala Lumpur, Malaysia. It specializes in commercial banking, corporate and investment banking and international banking services. The bank was formed after a merger between Kwong Yik Bank and DCB Bank (Development and Commercial Bank, also formerly known as D&C Bank), on July 1, 1997, and Sime Bank and Bank Utama later.

On March 9, 2007, the Employees Provident Fund (EPF) gained control of the bank, after winning a bid against EON Capital and a Kuwait Finance House-led consortium. RHB Bank is a part of RHB Capital Berhad financial conglomerate.

RHB Bank was the third largest bank in Malaysia, with 200 offices in Malaysia and the region (as of 2002). The bank was also named the "Best Domestic Bank" by both *Finance Asia* and *Euromoney* in 1997.

RHB Bank specializes in consumer banking with other entities like RHB Islamic Bank, Delta Finance to its name. RHB Bank is a commercial bank focusing on industrial and commercial lending in Singapore, despite it being a fully qualified bank.

4. INTERNAL ENVIRONMENT

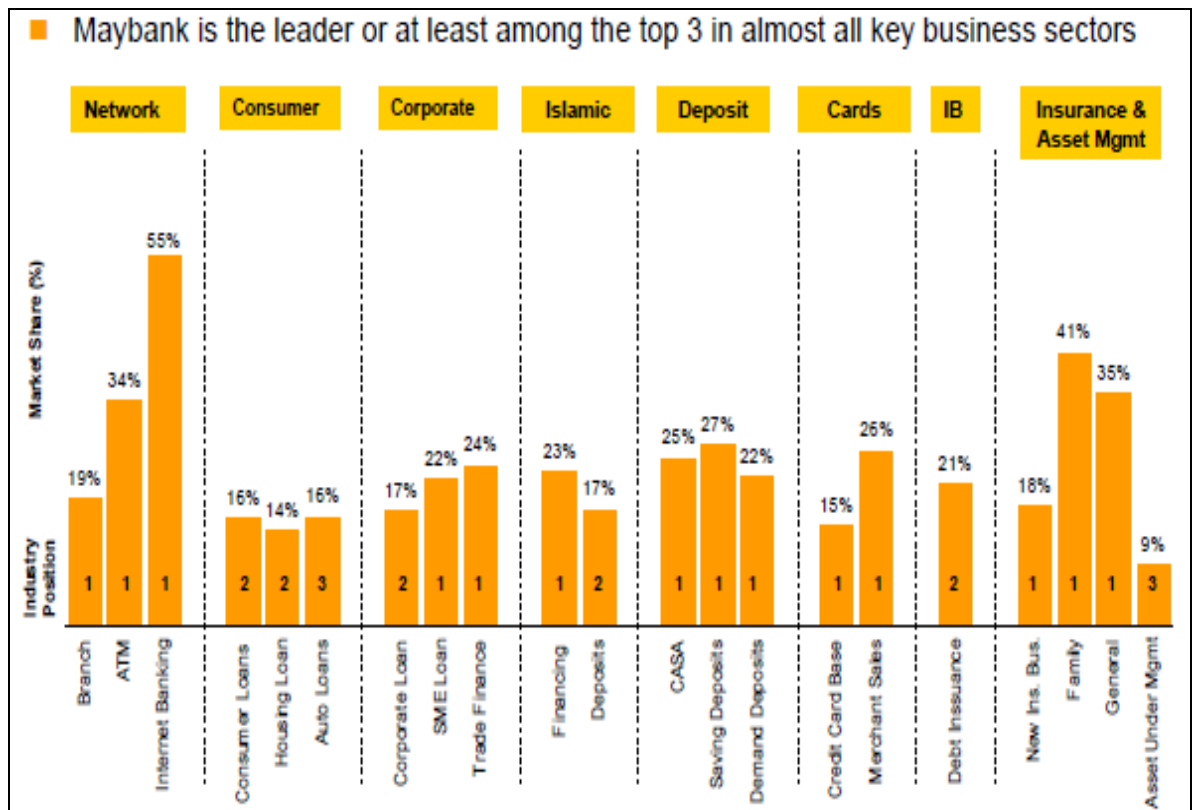
4.1 Maybank in a Position of Strength

Maybank has positioned itself as the largest banking group in Malaysia with a total asset of RM 309 billion as at 31 March 2009 and market capitalization of RM 41.05 billion as at 26 June 2009, surpassing its competitors, namely CIMB (BCHB), Public Bank, RHB Capital, AMMB, Hong Leong Bank, Affin Bank, Alliance Bank and EON Capital.

As shown in the table below Maybank is still among the top 3 in almost all key business sectors.

Table 3.2: Maybank's Competitors in All Key Business Sectors

Sectors



Source: Maybank's Presentation at Invest Malaysia Conference 2009, Kuala Lumpur, 30 June 2009.

However competitors are following Maybank very closely with BCHB in second place in terms of total assets of RM 227 billion as well as RM 32.6 billion in terms of market capitalization. Public Bank in a closing in at third position, with total assets of RM 199 billion and market capitalization of RM 31.43 billion (Maybank Annual Report 2009).

It is lagging behind in terms of consumer loans and auto loans controlling 16% of market share, housing loan with 14%, corporate loans and Islamic deposits with

17%, debt issuance with 21% and asset management with 9% as compared to other industry players.

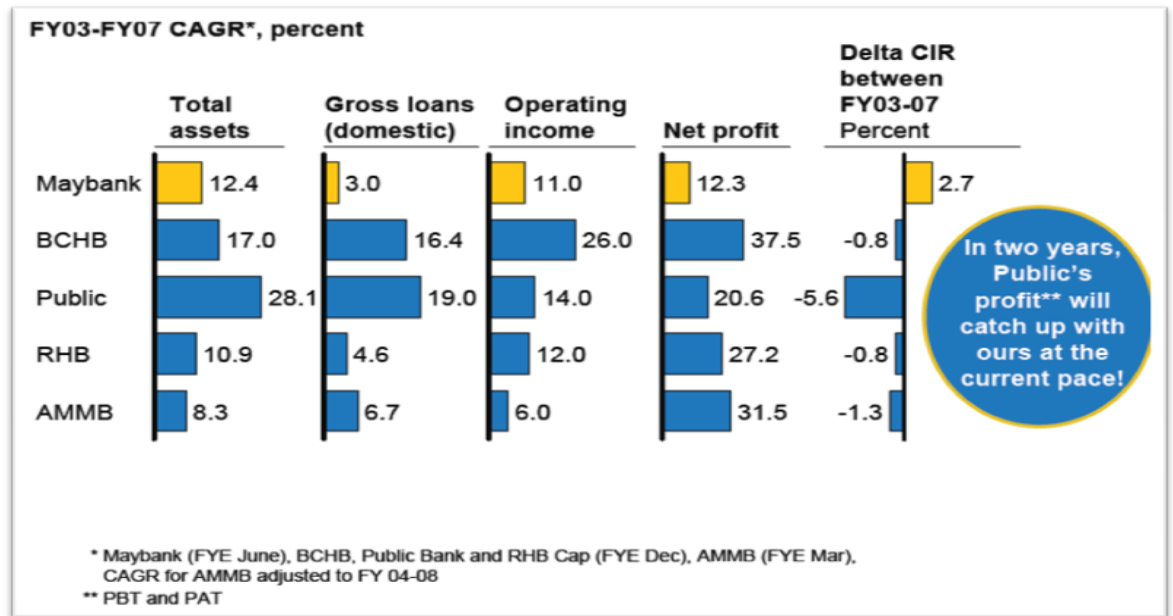
“Banks should have the micro data on hand to ensure they really be customer-focused” (Assistant of CFO).

Maybank realized that as the market leader it is facing serious challenges to maintain its number one position in the highly competitive banking industry. The competitors are trailing Maybank closely and have intensified their competition, this coupled with other factors such as the macroeconomic pressure, demanding customers and significant gaps in its execution capabilities and performance culture resulting a less than impressive performance and Maybank is losing market share to aggressive competitor who are ever ready to pounce at Maybank’s leadership.

It was observed that both BCHB and Public Bank are rapidly catching up with Maybank and the possibility of them overtaking the leadership position from Maybank. Under the circumstances Maybank embarked on a strategic transformation journey to safeguard and maintain its leadership as well to retain and regain its market share.

The table below illustrates further on the threat Maybank is facing in its market leadership.

Table 3.3: Maybank's Market Leadership



Source: Aseambankers Equity Report on Maybank's 5 – Year Performance.

4.2 Segmental Revenue

Table 3.4: Maybank's Segmental Revenue

Analysis by Geographical Location		
	2008	2009
REVENUE (RM'000)		
Malaysia	12,770,603	12,410,513
Singapore	2,200,485	2,040,245
Indonesia	-	2,150,062
Other Locations	1,182,854	985,517
	16,153,942	17,586,337
PROFIT BEFORE TAXATION (RM'000)		
Malaysia	3,395,162	334,924
Singapore	530,485	591,688
Indonesia	-	(1,508,056)
Other Locations	160,423	2,255,736
	4,086,070	1,674,292
TOTAL ASSETS EMPLOYED (RM'000)		
Malaysia	203,833,176	204,628,221
Singapore	47,059,441	52,127,850
Indonesia	-	24,509,065
Other Locations	18,208,083	29,473,987
	269,100,700	310,739,123

Source: Maybank Annual Report 2009

Maybank remained focused on its goal to become a leading regional financial services group by 2015 and further expanded its presence in 13 overseas markets. For the financial year 2009, the International sector managed to contribute 9.6% to the Group's profit before tax. The Group's Singapore operations, maintained its growth momentum by recording an increase of 12% in profit before tax and contributed approximately 88% of profit before tax to the International sector for the financial year 2009 (Maybank Annual Report 2009).

Maybank Singapore is also the Group's largest overseas unit in terms of assets. Maybank Singapore contributes approximately 60% to the Group's total international loan portfolio. The Singapore branch is the first in Singapore's banking industry to have ¹achieved triple certification for business excellence (Maybank Annual Report 2009): Singapore Quality Class (SQC), Service Class (SC) and People Developer (PD).

4.3 Product & Services

Maybank Group offers an extensive product and service range which includes commercial banking, investment banking, Islamic banking, offshore banking, insurance and takaful, factoring, trustee services, asset management, stock broking, nominee services, venture capital and internet banking.

Maybank's main business operations are in Consumer Banking, Business Banking and Corporate Banking, Global Markets and International Business. Maybank Investment Bank is the Group's investment banking division while the Insurance business is operated under the Etiqa brand.

Commercial banking is the main business of the Maybank Group with Consumer Banking as one of the Group's primary contributors which had a variety of services and products including mortgage and automobile financing, credit and debit cards, bancassurance, wealth management as well as retail and Internet banking.

¹ Key announcements see www.maybank.com

Corporate and Business Banking, which comprise corporate and commercial segments, caters to public listed companies, multinationals and institutional clients as well as SMEs via a variety of services that include cash management and trade financing.

Business Banking sector facilitates Malaysian businesses in becoming domestic and regional champions. The sector currently comprises two distinct segments, namely Small & Medium Enterprises (SME) representing and Commercial.

Corporate Banking serves as a one-stop financial solutions provider for Government Linked Companies, public-listed Malaysian companies and multinational corporations. Its product offering caters to both the local and regional needs of customers.



Maybank2u.com is Maybank's online financial portal and is the No.1 Internet banking website in Malaysia with 3.8 million registered users and a leading market share of over 54%.



Maybank Islamic is Maybank Group's wholly-owned, full-fledged licensed Islamic bank. Maybank Islamic is currently the largest provider of Islamic financial services in the Asia Pacific region and ranked 10th among the world's Islamic financial institutions in terms of Shariah-compliant assets.



. The Investment Banking Group spearheaded by **Maybank Investment Bank** offers a complete range of investment solutions from corporate finance to debt capital markets, equity markets to research and strategic advisory.



Etiqa is the brand for Maybank Group's Insurance business which offers all types and classes of Life and General conventional insurance as well as Family and General Takaful plans via a robust agency force of over 21,900 agents complemented by a wide bancassurance and bancatakaful network.

4.4 VRIO Criteria

VRIO is an acronym for *valuable, rare, inimitable, and organization*. The VRIO framework is the foundation for internal analysis, resource-based analysis, of the firm determines which resources and capabilities result in which strengths or weaknesses and get to the heart of why some resources help firms more than others. Maybank perspective, their performance relative to industry peers is likely to vary according to the level to which resources, capabilities, and ultimately core competencies satisfy VRIO criteria. The four criteria are explored as follows;

- **Valuable.** A resource or capability is said to be valuable if it allows the firm to exploit opportunities or negate threats in the environment. Maybank perspective, being the first mover in the internet or online banking, gave

Maybank valuable advantage to attract large number of subscribers to the service. The technical expertise on internet or online banking facilitate Maybank to reach wide clientele, particularly white color clients who prefer to conduct “desk banking” than the traditional method. Maybank’s wide networks, both local and also global reach, made it convenient for its clients to conduct businesses and transactions across nations. Strong financial resources coupled with GLC status gave Maybank added advantage to tap deposits from government and government related agencies. On the other hand, Maybank’s control of the Islamic banking services gives it a significant advantage in many markets, both regional and global expansion. The abundant resources supported by experienced and strong workforce are valuable assets that drive Maybank to where it is now.

- **Rare.** A resource is rare simply if it is not widely possessed by other competitors. Maybank perspective, widely known and well recognized by its unique brand name and a tiger head logo. Maybank’s subsidiaries and related companies are closely associated by the same brand name and logo making it easily recognized as a group.
- **Inimitable.** An inimitable resource is difficult to create ready substitute for. This is probably the toughest criterion to examine because given enough time and money almost any resource can be imitated. Maybank perspective, its strong financial resources and wide network, across the globe, is a difficult act for others to catch up. Maybank is banking on its expertise in

Islamic banking to expand the service across Asian region and other Muslim countries.

- **Organized.** The firm must likewise have the organizational capability to exploit the resources. Being government – linked company, Maybank enjoys some advantage in term of government deposits and other credit portfolios. Within its stable, Maybank is a model of being one stop financial center – providing full range of financial services. In term of control and regulatory framework, Maybank has set a standard for others to benchmark against.

5. **EXTERNAL ENVIRONMENT**

5.1 *PESTEL Analysis*

Rapid economic development or the economic pitfalls in certain countries may provide opportunity or threat to the corporations. This means the trends in the economic part of the societal environment can have an obvious impact on business activity. Other forces such as political forces, technological forces, sociocultural forces etc. may also provide direct and indirect impact to the corporations. Therefore, a PESTEL forces model is a technique that can be used to scan the societal environment of Maybank.

- **Political**

What is happening politically in the environment in which Maybank operates, including areas such as tax policy, employment laws, environmental regulations, trade restrictions and reform, tariffs and political stability. Typically Maybank is

headquartered in Malaysia, a country which is politically stable. The Bank is a Government Linked Company (GLC) and is backed by the country's biggest fund management company as the single largest shareholder as well as by the country's Employee Provident Fund. As a GLC the Bank enjoys the privilege from Government policies which has contributed to the Bank's stature as it is today.

- **Economic**

What is happening within the economy, for example; economic growth/ decline, interest rates, exchange rates and inflation rate, wage rates, minimum wage, working hours, unemployment (local and national), credit availability, cost of living, etc. The current state of the economy is working in favor of Maybank, the BNM's revision of the overnight policy rate indirectly improves the Bank's liquidity enabling it to expand loan portfolio and extending credit to potential customers which would enlarge its customer base. The improving economy creates business opportunities which would drive the demand for banking facilities and services and provides opportunities for the Bank to grow.

- **Social**

What is occurring socially in the markets in which the Bank operate or expect to operate, cultural norms and expectations, health consciousness, population growth rate, age distribution, career attitudes, emphasis on safety, global warming. The Malaysian society has grown to a society that has a high rate of computer literacy. There is demand for internet banking which provides the convenience of banking and complements the customers' lifestyle. Maybank

through it debit and credit cards and its wide array of merchants helps improve the living convenience through cashless transactions where most would carry plastics cards versus cold hard cash. There is also the opportunity into Islamic Banking system which promotes profit sharing and has been gaining considerable popularity among the Muslims and non Muslim.

- **Technological**

What is happening technology-wise which can impact what the Bank do, technology is leaping every two years, how will this impact the products or services. New technologies are continually being developed and the rate of change itself is increasing. There are also changes to barriers to entry in given markets, and changes to financial decisions like outsourcing and insourcing. Maybank is improving its competitive advantage through the outsourcing of its non-core business, through this initiative the Bank would be able to concentrate more on what does best and optimize its resources to maximize its profits. It is also investing in the latest technology and has been the market leader in terms of the technology used to provide the best service to its customers.

- **Ecological**

This factor happens with respect to ecological and environmental aspects. Many of these factors will be economic or social in nature. Maybank, being wary of the environment and the increasing awareness on ecological factors saw the opportunity in Green Banking where it responds to BNM's call to provide a special fund specifically to customers investing in green technology.

- **Legal**

What is happening with changes to legislation. This may impact employment, access to materials, quotas, resources, imports/ exports, taxation etc. The legal environment has a direct impact on Maybank. Government's move towards liberalizing the financial industry has open doors to global players in the Malaysian scene. This prompted Maybank to venture beyond the Malaysian shores as part of its expansion. The introduction of new laws such as the Anti Competition Law 2010, the Whistleblower Protection Act 2010 and the Personal Data Protection Act 2010, have a direct impact on the Bank requiring it to revise its processes and procedures to ensure that it is operating within the country's regulations.

5.2 PORTER'S Five Forces

"Porter's five forces" is a framework for the industry analysis and business strategy development developed by Michael E. Porter of Harvard Business School in 1979. It uses concepts developing Industrial Organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. Three of Porter's five forces refer to competition from external sources. The remainders are internal threats. Porter referred to these forces as the micro environment, to contrast it with the more general term macro environment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. Porter's five forces include three forces from 'horizontal' competition: threat of substitute products, the threat of established

rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers.

Figure 5.1: Porter's Five Forces Model



A Graphical Representation of Porter's Five Forces

Based on Porter's Five Forces Model, Maybank has to deal with more competitive situation from other banks. At the same, with the liberalization, Maybank has to face more competitors from International Banks such as UBS, BNP, Al-Rajhi, Standard Chartered, Hong Leong and etc. Based on the current situation, with the Strategic Transformation Plan, Maybank has already embarked and creating a strong footing in other countries such as Singapore, Indonesia, etc. with more focused in core business activities and segmentation of the products and services in order to cater a more diversification in the industry.

If we take a look from the perspective "Threats of New Entrants" force, Maybank has a lot of advantages in order to counter attack the new players in the market. For instance, Maybank has a strong brand building among Malaysian for the past 50

years. It has patents and rights for the products and services such as Maybank2u. In term of cost advantage, Maybank has already put in their strategic transformation plan as main initiatives in order to maintain or creating competitive advantages among other players in the market. At the same time, Maybank from time to time has improvised its distribution chain from end to end processes and make it centralized with other products and services in Maybank. For new players that want to compete with Maybank, obviously they have to make sure that they need huge capital requirement which at this stage, it has already become one main source of competitive advantage to Maybank Group.

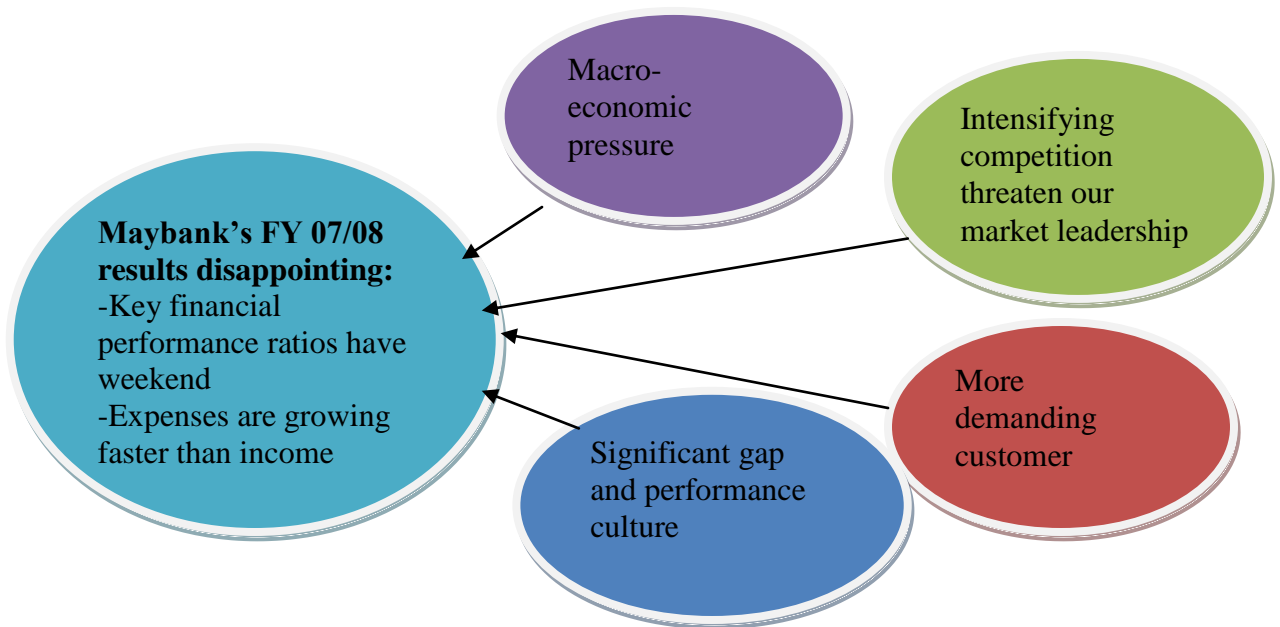
In Porter's model, substitute product refers to products in other industries. To the economist, a "threat of substitutes" exists when a product's demand is affected by the price change of a substitute product. A product's price elasticity is affected by substitute products – as more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices. For example in the case of Maybank, all the products and services are quite similar with other products and services being offered by other competitors such as loans, savings etc. Therefore, Maybank needs to do a thorough analysis before creating new products or services especially in term of charges and pricing. It is because customers nowadays become more sensitive towards price movements and have a lot of choices being offered by other banks in Malaysia.

“The Bargaining Power of Customers” is the impact that the customers have on a producing industry. In general, when buyer power is strong, the relationship to the producing industry is near to what an economist terms as **monopsony** – a market in which there are many suppliers and one buyer. Under such market conditions, the buyer sets the price. In case of Maybank, customers bargaining power is likely to be high which they have a lot of choices for banking services and at the same time are price-sensitive. Customers can do a comparative study between banks in Malaysia and choose the cheapest charges being imposed. However, there are also segments where customers do not care about the charges being imposed but give more attention towards convenience level that Maybank may provide which outstanding than other banks.

Lastly, for the “Bargaining Power of Suppliers”, a producing industry requires raw materials – labor, components and other supplies. This requirement leads to buyer-supplier relationships between the industries and the firms that provide the raw materials used to create products. Suppliers, if powerful, can exert an influence on the producing industry, such as selling raw materials at a high price to capture some of the industry’s profits. In case of Maybank, the suppliers bargaining power is likely to be very low due to the situation whereby Maybank has provide comprehensive and everything from end to end. Maybank is not solely depending from other parties externally. For example, in Strategic Transformation Plan, in term of resources and capabilities, Maybank will create and provide those elements in order to achieve a distinctive capabilities and competitive advantages among other competitors. In addition, Maybank also act as one stop financial center where

customers can get all the financial services at their convenience level and hence not depending to other players or suppliers to make it materialize.

Figure 5.2: Significant Gaps and Performance Culture of Maybank



For Maybank, following the disappointing result from the financial year 07/08, it is facing serious challenges from the competitors threatening its market leadership with other banks especially its close competitors CIMB Bank and Public Bank quickly gaining momentum to capture the number one position, macroeconomic pressure with the liberalization of the financial industry where new entrants comprising of global players entering the market where the product differentiation is low, gaps in its execution capabilities and performance culture where the turnaround time is not impressive and more demanding customers who have choices of banking with other banks be it local or foreign banks. All these are factors are significant and have the potential to drive down the overall profitability.

As Malaysia's financial services sector becomes more developed and liberalised, the rates of return have generally begun to moderate compared to the past decades of high growth. In addition, Maybank's dominant size in the Malaysian banking industry presents a challenge in sustaining its previous growth rate in the domestic market. It is with the view of sustaining a high growth rate into the future that Maybank embarked on its mission to seek out higher growth opportunities beyond its home base. The vision of becoming a regional financial services group by 2015 will in essence enable the Bank to enhance and diversify Maybank Group's sources of income stream and thus provide a better return on investment to its shareholders.

6. STRATEGY TO ACHIEVE COMPETITIVE ADVANTAGES

Maybank's vision among others is to be the top five in South/Southeast Asia by size and performance and to also be a truly regional organization with 40% of gross loans derived from international operations. This regional can be viewed as a medium term initiatives when Maybank is to achieve its vision by 2015.

In realizing the vision by 2015 Maybank has expand its footing in the region via its acquisition of a 15% stake in ABBank to springboard and grow its consumer franchise in Vietnam in early 2008. This was followed by the acquisition of Sorak Financial Holdings, which paved the way for Maybank to be the controlling shareholder of Bank Internasional Indonesia (BII) a strategic move for it to accelerate our efforts to penetrate the fast growing consumer market in Indonesia more aggressively.

It is recommended that Maybank expand further to other developing economies in the region as well as the Middle East. Maybank should consider applying its successful Islamic Banking Model for application to its branches overseas.

Another possibilities that Maybank might want to consider in boosting its international competitiveness is by increasing its control of banks abroad, similar to its acquisition exercise of Bank Internasional Indonesia, MCB Bank Pakistan and An BinhBank , Vietnam.

Maybank is operating in the “needs-driven era”, which is marked by an often flat primary demand, rising customer sophistication, cut-throat competition, an explosive growth in the amount of information available and used, and an increasing number of strategic alliances and acquisitions, some of them across borders.

The essence of strategic business marketing in this environment today consists of creating and developing new (often global) markets and/or businesses, sometimes with strategic partners. The main components of this process include:

- identifying unfulfilled customer needs;
- being proactive in pricing and product development strategies; and
managing (strategic) information efficiently and effectively (Jagersma, 2006).

“To retain the customers is less experience then to acquire the new ones. It is because you here to do a lot of marketing’s and promotions” (CFO, Maybank).

Within national markets, the rules on how capital is raised and placed with investors are being liberalized, moving closer to the intensively competitive situations which characterize the unregulated Euro-markets. The boundaries between national markets are crumbling as governments relax exchange controls, abolish discriminatory taxes and take a more relaxed view of the entry of foreign banks. Everywhere, the regulator framework has been left looking outdated and ill-equipped as financial services are driven more by the demands of shareholders and customers, and less by the dictates of public policy. The deregulation of financial markets has proceeded at a quickening but uneven pace across industry and geographic areas. This uneven spread of deregulation has created temporary competitive advantages for some financial institutions, but the same institutions may be forced to drop lines of business or abandon markets in which they do not have real competitive advantage once their privileged position is gone. The net result has been a steady erosion of the barriers that once divided financial service providers into several discrete segments. The resulting opportunities for expansion fall into three broad categories: new products, new geographic markets, and new customer groups. The marketing challenge lies in selecting only those routes for expansion that best fit the capabilities of the individual firm relative to the competition that it can expect to face.

In this regard, on the long term i.e. beyond 2015, Maybank may want to consider exploring and taking the advantages of globalization via embarking into an International Strategies. Maybank may also introduce its Islamic Banking Model to new market internationally i.e. beyond the Asean region.

Internalization may be achieved through forming strategic alliances with world renowned banks such as HSBC, JP Morgan Chase, and Citibank etc. These alliances would provide Maybank a passage to penetrate into a new market via leveraging on the strategic partners brand name before embarking on its own.

Another option to penetrate into the international market would be to apply the similar strategy when it made its entrance into Vietnam and Pakistan, which is to acquire equity holding in local banks overseas.

The internalization of Maybank would enlarge its customer base, strengthen its position and reduce its dependency on the saturated local Malaysian financial industry as well as its reliance on the strength it currently possesses as a GLC.

7. CONCLUSIONS

The highly competitive environment of the banking industry is a mature industry and in Malaysia's case the situation has become challenging with financial market liberalizations with international players setting up their operations here.

The macroeconomic situations with the economic slowdown that hit globally, changing in borrowing patterns, low interest rate margins and profits are aggressively being pinched by competitors has resulted the Maybank Group losing some of its market share to the competitors. To continue being a leader in the industry Maybank Group has embarked towards a strategic transformation journey to retain its position and it involves a total transformation where the firm is

changing the organizational culture towards customer-centric via adopting to the relationship marketing approach.²

To retain its customers and, be it internally or externally, the banking group is looking at building long-term relationship, creativity and competitive advantages within the organization via the launch of the LEAP 30 program. Although changes do take time the change is taking place. The banking group has initiate communication programs to channel the bank's shared value and aspirations to its employees. The aim is at a common value and culture where all employees will have the same vision towards achieving the organizational goals

Maybank strive to adhere to a genuine customer orientation philosophy which would enable it to retain its customers as well as regain market share by gaining the customers loyalty and commitment. The adoption of the strategic marketing approach is to improve efficiency, productivity, enhance good cross-selling services and ultimately will strive towards excellent customer service. For a local bank in an industry where the market is highly competitive with aggressive competitor the bank need to retain its customers and gain their trust and commitment to ensure the bank's ability to continuously survive and regain its market share, hence a right approach in building the long term relationship is crucial.

² Development has taken place since the completion of the case study

REFERENCES:

Aseambankers Equity Report on Maybank's 5 – Year Performance

Association of Banks in Malaysia. Available at <http://www.abm.org.my>

CIMB. Available at <http://en.wikipedia.org/wiki/CIMB>

Financial Sector Masterplan, 2001, Bank Negara Malaysia, Kuala Lumpur

Porter, M.E., (2008)"The Five Competitive Forces that Shape Strategy", Harvard Business Review, January.

Public Bank Berhad. Available at http://en.wikipedia.org/wiki/Public_Bank

RHB Bank. Available at http://en.wikipedia.org/wiki/RHB_Bank

Government Linked Corporation. Available at <http://www.answers.com/topic/government-corporation>

Maybank Annual Report 2009&2010, Malayan Banking Berhad, Kuala Lumpur

Maybank's Presentation at Invest Malaysia Conference, 2009, Malayan Banking Berhad, Kuala Lumpur.

Khairussalleh, (2011, May 3). (Personal interview with CFO). Menara Maybank, Malaysia.

Khairussalleh, (2012, Feb 20). (Personal interview with CFO). Menara Maybank, Malaysia.

TEACHING NOTES

STRATEGIC CHANGE AND TRANSFORMATION: A CASE STUDY AT MALAYAN BANKING BERHAD (MAYBANK)

By

Assoc. Prof. Dr.Hartini Ahmad

Assoc. Prof. Dr.Shahimi Mohtar

Dr.Darwina Ahmad Arshad

Azrain Nasyrh Mustapa

Synopsis

This case is about strategic change and transformation in a case study at Malayan Banking Berhad (MAYBANK). Nowadays the challenges faced by the banking are enormous. The bank is in more challenging since many banks are emerging from a period dominated by cost-cutting, downsizing or delayering. In other words: after a prolonged period of internal focus, banks must again concentrate on external issues, and put strategic marketing at the top of their agenda. Strategic business marketing (also known as strategic industrial marketing or strategic business-to-business marketing) is the strategic marketing of product and/or services for transformation or “consumption” by business.

Learning Outcomes

This integrated case study aims

1. To examine the business strategy of a chosen company
2. To identify the possible critical problem and dilemma of a company
3. To identify conflict that may be faced by a company
4. To suggest and recommend the probable solutions or alternative actions
5. To address the issues that may deter the organization performance or to sustain from its current success.

Case Leading Strategy

1. The students should be familiar in the Malaysian financial services especially in Malayan Banking Berhad (MAYBANK).
2. The class will be divided into groups of four to discuss the case
3. The class discussion should be over two lecture sessions of at least 90 minutes duration
4. The first lecture
 - a. 10 minutes – The case brief by the facilitator
 - b. 15 minutes – Individual reading (this can be done without if the case is given ahead of the class)
 - c. 20 minutes – Group discussion
 - d. 30 minutes – Class discussion raising issues and strategies for knowledge search
 - e. 15 minutes – Summary and critique by facilitator
5. Research – 1 week for research external to the classroom and preparation for presentation
6. The second lecture

Role play – two groups present questions 3 and 4 respectively and the other two groups act as the Board of Directors.

- a. The presenters need to show that they have done their homework and justified their recommendations properly.
- b. The Board of Directors needs to show that they understand what their responsibilities are and act in the best interest of the stakeholders.

Suggested Questions

1. Identify the issues faced by Maybank.
2. Identify new strategy implemented by Maybank.
3. What are your recommendations to manage personnel for Maybank Change Management particularly using the LEAP 30?
4. How important is leadership at Maybank? Could you recommend how Maybank can be better?

Issues, Analysis and Actions

Issues	Decision Making Tools/Actions	Solution Keys
<ul style="list-style-type: none"> • Understanding the customers' expectation and perception • Issues concerning the recruitment and human resources • Performance Management Maintain • Leadership 	<ul style="list-style-type: none"> • Benchmark for customer care • Fulfilling customers' needs and satisfaction • Structured and holistic framework • Talent management • Various management accounting techniques • Situational approach 	<ul style="list-style-type: none"> • Launched the group-wide performance improvement program, affectionately known as LEAP30 • Customer relationship management • CRM system • LEAP 30 • Strategic human resource • Transparent structure and governance • Strategic transformation leader • Become a talent and execution-focused company

Reports may include the following analysis

1. VRIO Analysis

- To discuss the main capabilities of Maybank Group.
- To identify a core competence of Maybank Group.

2. SWOT analysis

- Business description – A detailed description of the company's operations and business divisions.
- Corporate strategy – Analyst's summarization of the company's business strategy.
- Company history – Progression of key events associated with the company.
- SWOT Analysis – A detailed analysis of the company's strengths, weaknesses, opportunities and threats.

- A propose of SWOT Analysis of Maybank Group as below.

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a SWOT analysis.

The SWOT analysis provides information that is helpful in matching Maybank's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection. The following diagram shows SWOT Analysis for Maybank.

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ➤ Financial stability ➤ Recognized brand name ➤ Industry leader ➤ Government Linked Company ➤ Supported by government policy ➤ Industry experience ➤ Technical capabilities ➤ Strong workforce ➤ Abundant resource 	<ul style="list-style-type: none"> ➤ Homogenized product ➤ Firm size ➤ Poor turnaround time ➤ Low perceived quality ➤ Lackadaisical attitude towards competition ➤ Weak marketing initiative 	<ul style="list-style-type: none"> ➤ Globalization ➤ Niche market ➤ 	<ul style="list-style-type: none"> ➤ Liberalization of industry ➤ New entrants ➤ Change in political scenario ➤ Change in government policies ➤ Competitive pressure

Despite the strength and opportunities there are significant weaknesses and threats which Maybank need to give attention especially to its vision to be the leading regional financial services group by 2015.

Strengths

- Financial stability – The country's largest banking group Malayan Banking Bhd (Maybank) has projected a 27 per cent increase in its trade finance business this year as the economy grows and more customers go online to do transactions.
- Recognized brand name - Maybank is mostly a commercial banking franchise, which positions it as an Economic recovery play, especially in consumer and business loans.
- Industry leader - It tops the deposit market with 22% share, with an inherent domestic deposit franchise advantage. It is expected Maybank's loan portfolio to grow at 12-15% over FY10-12F compared to industry average of 8-9%, leveraging on its domestic franchise for consumer products, especially hire purchase and mortgages, and Indonesia prospects. Current Maybank is the largest banking service provider in Malaysia with their ATM machines widely available all over in Malaysia.
- Government Linked Company – Maybank is one of the G-20 (20 GLCs).
- Supported by government policy - In the sixth year of implementation of the transformation plan with marked improvements across the board in its business and stakeholder delivery capabilities, GLCs are primed to catalyze government's efforts at structural transformation of the economy under the New Economic Model.
- Industry experience – It is a well known bank where it have over 450 office in 14 countries, Maybank is ranked 153 among the world's top 1000 banks, have 374 domestic branch and 90 international branch.
- Technical capabilities – Correspondent banking relationship with 700 foreign banks throughout the world. It also has diversity in product where they provide opening account, giving loan, credit cards, investment & insurance and Islamic banking.

- Strong workforce and Abundant resource – Strong performance where it was listed second largest in Malaysia Stock Exchange and Bursa Malaysia and Maybank workforce come from a multifaceted background of skills, disciplines, experience and industry knowledge to create talented teams of idea generators. Their workforce is a diverse one to ensure deep appreciation of the intricacies and complexities of each client’s industry and business.

Weaknesses

- Homogenized product – Having a similar products with other banks.
- Firm size - Maybank’s operating expenses are expected to remain high over the next 2-3 years. Maybank’s cost to-income ratio projection is 52% over the next three years. Under normalized conditions, Maybank’s cost-to income ratio should be below 45%.
- Low perceived quality – Inefficient service and poor customer service, for example Maybank does not have bank systems be automated with built in security features to verify their customer’s accounts and details without having to rely on a piece of physical paper with a signature.
- Poor turnaround time - This would make customer harder to replace card or change account if go to different branch.
- Lackadaisical attitude towards competition and Weak marketing initiative - Maybank is not even up to scratch on their services to their customers.

Opportunities

- Globalization – Maybank has many other investments from other companies and expand its operations in Vietnam, China, Philippines and India

- Niche market – (Islamic banking, Islamic asset management, Consumer Banking, Islamic Debt Issuance) – Growth of existing market where Maybank is experts in the industry and shares their experience with the employee so by then can expand further in the industry.

Threats

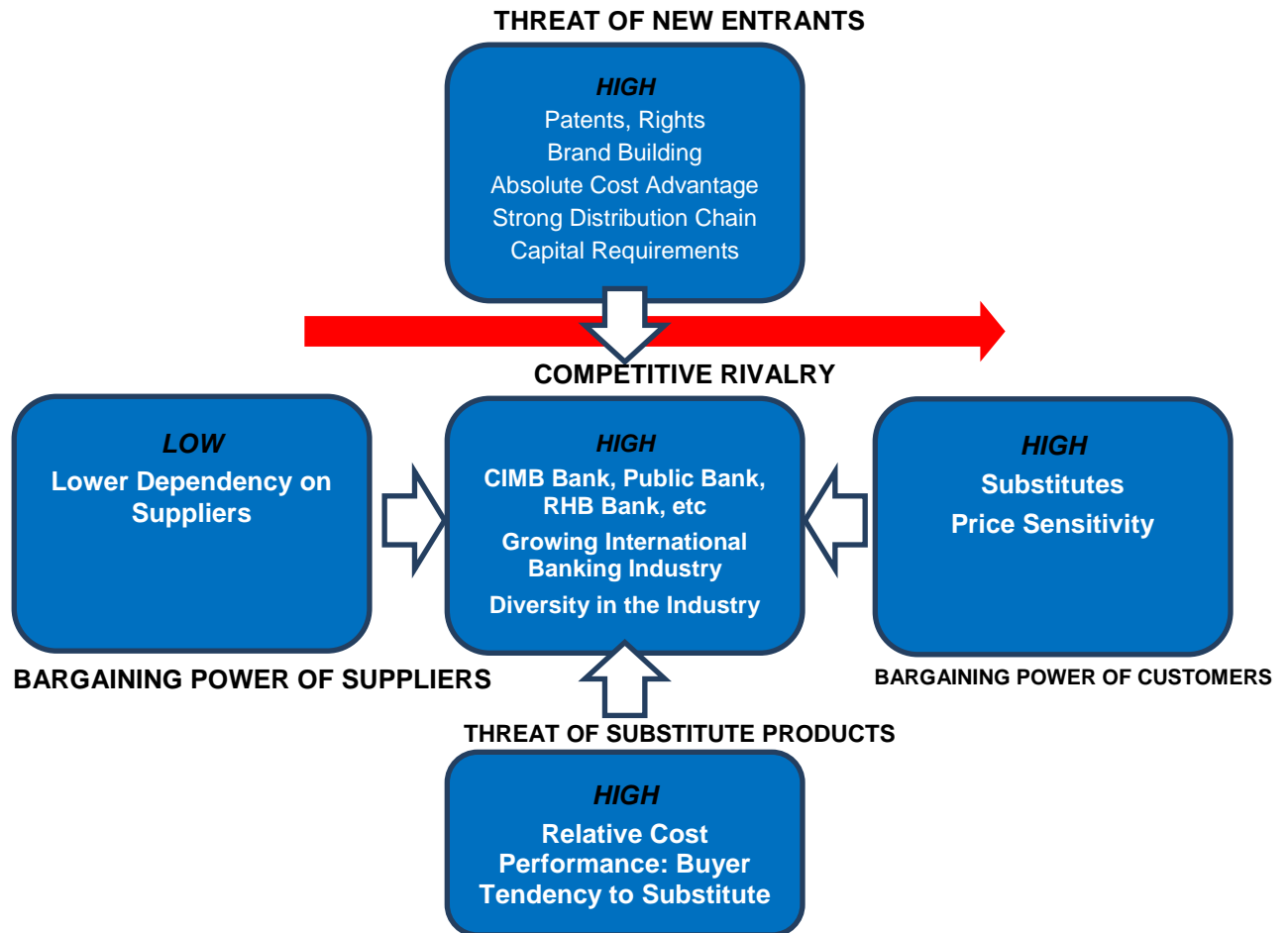
- Liberalization of industry – Economic slowdown like right now where stalling economies are bad for the banking sector as it impedes loans growth which is the sector's bread and butter (borrowers became cautious) and it stirs up bad loans (due to the burden of rising borrowing cost) which in turn erodes a bank's financial comfort). The job is made harder by a brutally competitive landscape with the liberalization of the industry.
- New entrants – Competition to other bank like HSBC and how it has grown from Hong Kong and Shanghai Banking Corp in the past to becoming a truly global bank today. They were even been bold enough to venture into Islamic Banking and created HSBC Amanah at a time when most banks, especially foreign ones, were figuring out what Islamic Banking was all about and were skeptical. Other bank that has rise up to challenge Maybank is HongLeong Bank, Public Bank, CIMB Bank and AmBank that very near edge to Maybank especially in domestic banking.
- Change in political scenario or Change in government policies – As one of GLC companies, changes of the government will have a significant impact to Maybank.
- Competitive pressure – With the new entrance from Global bank and liberalization of industry and also the improvement of local and existing banks have increased a competitive pressure to Maybank.

3. Financial Analysis

- Provides a system for planning as well as analyzing financial institution performance.
- Continue or discontinue its main operation or part of its business;
- Issue stocks or negotiate for a bank loan to increase its working capital;
- Make decisions regarding investing or lending capital;

4. Porter's Five Forces Analysis

- To assist on conducting a strategic analysis entails all the five forces to intensity of rivalry of the company
- To understanding risks associated with competitive rivalry of the competing companies
- Use Porter's Five Forces Model to analyze the financial service industry. Given this analysis, please identify whether the industry attractive or unattractive (low, medium, high).
- The figure below outlines the development of the Porter's Five Forces Model Maybank Group in the financial service industry.



5. PESTEL Analysis

- To help analyze a company and audit environmental influences -Political, Economic, Sociological, Technological, Environmental, and Legal
- To determine what sort of strategies the company should undertake
- To help make decisions and to plan for future events

REFERENCES:

Saunders, Anthony. "Management of Financial Institutions", Third Edition, McGraw Hill, 2000.

Jagersma, P.K. (2006), "Strategic marketing and the global banking industry: elements of excellence", *Journal of Business Strategy*, Vol. 27 No.4, pp. 50-59.

Jeucken, M. (2001), "Sustainable Finance and Banking", www.sustainability-in-finance.com

Little, E. and Marandi, E., (2003), "Relationship Marketing Management", Thomson, Bedford, London.

Porter, M.E., (2008), "The Five Competitive Forces that Shape Strategy", *Harvard Business Review*, January.

Turnbull, P.W. and Moustakatos, T., (1996), "Marketing and investment banking I: Practical and theoretical challenges", *International Journal of Bank Marketing*, Vol.14 No.2, pp. 26–37