

# Overseas Risks Leading to Business Failure in Foreign Markets: Study Case of HSBC in France

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## Abstract

This case reviews overseas risks in international businesses and most specifically the case of HSBC, the bank in France. We were able to conduct surveys online with over 250 participants in order to gain personal insight into their banking experience unrelated to HSBC. To push further, we studied online reviews of clients filing complaints on Trustpilot over their experience with HSBC in France. These reviews helped us gain specific information concerning the reasons behind HSBC's failures. The quantitative and qualitative analysis of this study contributes to aiding the bank industry to improve their services. It is also important to emphasize the effect of the pandemic on the banking sector forcing every business to invest in digital tools. Therefore, the future of HSBC stands in the hand of digital and technical developments.

## Keywords

HSBC, Globalization, Foreign Direct Investment, Banking Industry, France

## 1. Introduction

### 1.1. International Business and the Banking Industry

The modern era has transformed our lives in a way nobody has ever expected before and even more tremendously since the pandemic has hit worldwide. Constantly wanting to operate on an international scale, small companies are looking to expand their business. The international exchange and e-commerce have forged the marketplace exponentially. Business owners are constantly trying to reach new clients in order to penetrate new and foreign markets. They aim to target all ages, cultures or even species. The marketplace unlimitedly offers a large palette of goods and services, in all shapes and forms. All while increasing their customer base, their main objective is to attain a higher level of revenues in

parallel. Aiming for that goal offers them the possibility to cut down on costs and invest their income elsewhere efficiently. Considering this, companies are always looking for opportunities to seize concerning entering new markets while trying to avoid any upcoming risks. Taking beneficial risks for a company's growth is very different than avoiding risk that could eventually harm or even destroy one's business. Our study initially focuses on risks that should be highly avoided in order to financially succeed in a marketplace. It has been a known fact for decades that numerous businesses have lost millions of dollars due to the lack of international precaution, for example, Starbucks in Australia which reported \$105 million in losses due to a lack of social understanding, Walmart which gained more than \$500 billion in sales globally is seeking to exit Japan and sold the majority of its stake to KKR, an investment company, Home depot failed in China, closed its stores in 2012 with \$160 million in losses. The same year, Tesco closed its 200 branches on the west coast which caused the British company \$1.8 billion.

A simple definition of the main concepts is essential in order to elaborate accordingly further in the study. To begin with, a business is considered international once its products and service are crossing its country of origin (Bennett, 2006). Moreover, globalization contributes to the world's economy by constantly offering new opportunities for international business (Rajagopal, 2016). An example of globalization would be diminishing trade barriers in order to encourage cultural proximities. International business offers a palette of goods and services and facilitates exchange between countries. It aims to make available products such as intellectual property or other resources on a worldwide scale. Furthermore, it could either be a huge asset company or a one-person entrepreneurship situation. Several strategies must be implemented in order for a business to succeed internationally. On a national scale, building a business from scratch regardless of its performance can face only a few obstacles. Nevertheless, on a global scale, many different entities and regulations must be constantly taken into consideration in order to maximize the profit and the company's performance. Most importantly, applying strategic management to a company will enhance a company's internal growth. This way of managing is based on five fundamental concepts such as strengths, weaknesses, opportunities, and threats. These tools are informative enough to build programs and plans according to a company's ability to provide them. Moreover, they help the company anticipate any upcoming threats and be in constant adjustment of their organization. International expansion increases business risks because, in a new market, the company needs to know well enough the customers in order to customize their products accordingly. It is nearly impossible for a company to instantly export its domestic operations elsewhere and more specifically, into a new market. The method applied locally can easily not function in another place also considered local to others. It might not be efficient for a market that requires different services. On one hand, cultural diversification is a priority and on another hand,

legal registrations and measures must be constantly considered in order to avoid any potential risks. Furthermore, entering a foreign market without a solid plan for upcoming competitions will cause significant loss which in some previous cases, will force companies to pull out of international markets they were trying to become a part of. In addition to the country risks, one of the most critical factors that can lead to failure in international market is cultural differences. Poor understanding of local culture might lead to poor market acceptance which normally ends up with disastrous business results.

## 1.2. Cultural Implementation in Globalized Markets

Communication plays a pivotal role in the exchange of knowledge, creation, and maintenance of professional relationships all while facilitating the negotiation of deals. It simply implies that businesses would not exist were it not for communication. It is especially important in international business because it facilitates global leadership, multicultural creativity, and MNC information flow (Szkudlareka et al., 2020). Increased levels of business internationalization ought to be understood especially because of their implications for businesses. To understand them, communication plays a pivotal role. This especially refers to the role of interpersonal communication. In the international business arena, communication can either be a facilitating or a hindering factor when it comes to doing business. Cross-cultural communication studies indicate that communicative style differences between cultures play major roles in determining the success or failure of organizations when venturing into a foreign country (Szkudlareka et al., 2020). Reasons behind this process are the quality of communication evoking language-induced emotions. The standardization of language, on the other hand, has the potential to inhibit individuals from sharing information across language boundaries. Such an occurrence inhibits any type of collaboration. Therefore, as the author elucidates, it is of paramount importance to consider and understand the role that communication plays when venturing into a new region so as to reduce the possibility of negative outcomes associated with cultural differences. This is because the individual performance that then determines the overall organizational performance might be impacted simply because of cultural conflicts.

It has been over a year now that a virus has hit the world. The pandemic has impacted humans on various scales whether it is social, personal or professional. Some people have moved continents, others have opened new businesses while unfortunately, some other firms had to end their business journey. In France, people have been in confinement on and off since Covid-19 has been wandering around the territory. Emmanuel Macron, the French president, has provided his citizens with enough assistance and budget funds in order to avoid shutting down. Regardless, it is inevitable that a lot of business owners couldn't find their way up the difficulty ladder. Nevertheless, the majority of firms and corporate businesses are tremendously benefiting from the government's aid. Most of the

time, rare developed countries assist their people financially from the very start of complex global circumstances and France has luckily been one of the providers. According to Banque de France, the number of bankruptcies in 2021 went down 41% compared to last year in France. This low percentage is justified because of the constant cash flow that the government has been giving out. They have offered their people so many measures in order to alleviate all obstacles a business owner can encounter. Their main objective was to avoid bankruptcy for business owners. On the other side of the planet, Malaysia is a good example to represent developing countries that exchange well with foreign banks. Up to 18 domestic banks are founded in their home country dominating up to 75% of the country's market (Toh, 2019). Moreover, the World Bank stated an amount of over 120% of Malaysian domestic bank credit comparatively to 53% in the United States for example. Their bank deposit also exceeded foreign countries with another 119% comparatively to 63% of the world's average. On one hand, their foreign banks are highly profitable because they are located in highly populated urban cities mainly targeting business clients. On another hand, Malaysian home banks prioritize their domestic customers by serving their corporate needs and financial fulfillments. Allowing each to play a certain role in Malaysia will eventually lead to a difference in their performance all while satisfying their internal growth. These positions contribute to each' economical performance all while maintaining their role in serving different people at once. Hence, this also encourages cultural proximity and less economic corruption.

Studies denote (Lu, 2007) that long-term commitment is usually what gains a foreign country's trust. Moreover, this prolonged engagement in providing goods and services to their local people will eventually build trust with the host country. Trust is an essential step to achieve in a foreign country but most importantly, finding ways to develop the business further becomes the challenge. HSBC is very successful in other countries like China for example. In that specific country, a socialist economy is imposed in the marketplace. It's a system based on the needs of the community rather than on the individuals themselves. The government is purely in charge of the distribution of the country's resources. In contrast, western banks like HSBC had a hard time gaining China's trust that maintained its rigid ideology of a socialist economy. They applied immense pressure on western countries by imposing a heavy number of taxes. The British company specifically filed a report against the injustice in regards to their taxation measures on foreign countries. They also imposed another extended tardiness regulation. A fee is imposed on companies who fail to pay on time and it isn't a small fee. Moreover, companies cannot pursue the Chinese government unless the penalty is paid first. Corruption is one of the many disciplinary elements that researchers from different disciplines and fields have analyzed and examined in recent years. In most disciplines around the globe, it is easy to find various studies on corruption. Nonetheless, Bahoo et al. (2020) argue that kinds of literature on corruption in global business were non-existent before the

emergence of the globalization effect in the 1980s. It continues by stating that globalization was the main reason many business scholars attempted to discuss and investigate the models, context, dimensions, theories and models on corruption and its relationship and interaction with foreign direct investment. It is recommended to establish robust global laws to curb the implication of corruption on international businesses. Besides, there is a need for business organizations to consider corruption when creating techniques to leverage operational performance and efficiency. Authors note (Bahoo et al., 2020) that corruption challenges some already existing heretical frameworks on management. For this reason, there is a need for further research to test and expand on the already existing theories by classifying corruption as an essential issue in international businesses. Creating an organizational anti-corruption architecture structure in business organizations is essential in overcoming corruption in global businesses.

### 1.3. Scope of the Study

The scope of this study is to evaluate the risks that would be recommended for companies to undertake before entering new markets and more specifically, foreign ones. This case reviews overseas risks in international businesses and most specifically the case of HSBC, the bank in France. The topic has been at the top of everybody's interest and the future of the bank industry is finding its way to the top of the international scale. Banks are expected to constantly meet their clients' needs and demands all while offering services that are constantly up to date. Moreover, the bank industry withholds a large amount of responsibilities, therefore, leading to having to constantly meet everybody's needs at once. The world's economy would be non-existent without the bank industry but with currencies being today's hot interest, the pressure on banks has never been this heavy. Moreover, HSBC is an interesting example of a British bank that has recently tried to implement itself in the French marketplace. Unfortunately, it was in 2020 that they were asked to leave this specific foreign country they tried to enter. Therefore, discussing overseas risks is ideal in order to offer better insight on a global scale and help companies avoid these risks by better anticipating their entrance into a foreign market.

As previously said, it would be interesting to evaluate the bank industry and the way some branches try to implement their business on an international scale. More specifically, HSBC holdings will be thoroughly discussed in order to specify the case study. Their failed implementation in the French marketplace will be an example of a firm that had a major setback due to risks that could and should have been dismissed beforehand. Moreover, cultural settings are also essential to consider in order to succeed in foreign markets. Therefore, different methods are applied according to each country's offers and demands. Last but not least, the future of the bank industry will be talked about in the ending part of the literature review in order to anticipate new ways to attract new clients and mar-

kets.

## **2. Literature Review**

### **2.1. Main Factors Affecting the Performance of the Banks Operating in Foreign Markets**

In this part of the study, the literature review contains three different chapters. In the first section, the importance of the host country's cultural profile is discussed. It is then related to countries exchanging with other foreign countries in regards to bank implementations. In the second section, the HSBC study case will be thoroughly explained in order to elaborate and eventually confirm our hypotheses. In the first and last sections of the review, the future of the bank industry will be explored.

#### **2.1.1. Bank Liquidity and Access to Local Funds**

Banks have been exponentially increasing ever since the digital world has transformed our everyday life. Countries from all around the world have been penetrating different foreign neighbors and finding their way into the international marketplace. Fundamentally, liquidity is the basic foundation of the bank industry and the bank's internal growth depends on its creation. Moreover, a country's economic growth highly depends on its bank's liquidity (Smith, 1776). Therefore, it has been shown that foreign banks have more expensive access to local funding hence, the difficulty to compete with other local banks (Toh, 2019).

#### **2.1.2. Competition in the Host Countries**

The main obstacle to constantly surpassing while entering a foreign bank industry is competition. It has been shown that foreign banks suffer more from competitors in host countries than domestic banks (Yin, 2021). It gets even higher and more complex in developed areas but little of it is present in developing countries which is ethically correct. Factors that can hinder a foreign bank's entrance are usually financial requirements, market barriers and information about the currency's credit. In addition, countries trying to penetrate foreign markets suffer from lack of high revenues due to their lack of ability to provide the same financial outlets as local banks (Berger et al., 2000). There are also some authors who argue they can easily overcome cross-border barriers through their digital expertise and using superior management techniques. The domestic markets often consider foreign countries as superior to their limited local resources.

#### **2.1.3. Market Power**

Market power is another factor to take into consideration in competitive markets where authors (Berger et al., 2000) denote that it highly contributes to a bank's performance. It has been argued by Tigran & Aren (2010) that foreign banks obtain little market power compared to domestic ones. They usually add more pressure on local banks to stay efficient, therefore, competitive. In addition

to the economical context, other tools must be implemented in order to better anticipate one's arrival in a foreign country. It has been found that foreign banks with cultural distance from the host country have a higher chance of encountering obstacles in regards of cultural implementation (Cezar & Escobar, 2015). These same authors stipulate that profitability is highly linked to market power meaning that an increase in the marketplace will inevitably benefit foreign banks (Ghemawat, 2001).

Moreover, market power is essential to constantly provide liquidity, not for domestic banks but more specifically, for foreign ones (Toh, 2019). Domestic banks have the tendency to withdraw themselves from any liquidity activity when their growth rises while foreign markets aim to focus solely on their liquidity creation. A domestic bank's main objective is to attain a certain amount of foothold without needing to exceed its expected results. Studies (Toh, 2019) have shown that foreign banks benefit largely from a positive market power regardless of the host country's bank situation. Findings denote (Toh & Jia, 2021) that home-host country distance could be beneficial for foreign banks only if they are composed of low value. Their small franchise sets no threats to other competitors. Therefore, the need for cultural proximity is not essential in their case because of the lack of competition. Furthermore, the costs of these cultural implementations are cut hence, their ability to easily enter the market and find their spot.

#### **2.1.4. Proximity in Economics and Culture**

In order to succeed in a foreign market, it is pivotal to seek proximity in regards of economics and culture of the chosen country. These previously cited authors have opposed two different views known as the home-field advantage vs the global advantage. On one hand, the main idea of home-field advantage encourages the fact that domestic banks have the ability to perform more adequately than foreign ones in their own home country. As previously cited, the difference in cultures, economics and governmental organizations lead to obstacles hampering banks' ability to easily enter foreign markets. Moreover, it is difficult for foreign banks to impose their competitive tools in other host countries due their lack of value in terms of culture (Buch & Golder, 2001). For example, foreign banks in the US have difficulties entering the American market due to their lack of technology allowing them to reach retail markets easily. Moreover, clients have little tendency to trust foreign banks concerning credit risk. It would be much easier for a client to trust his local domestic bank rather than invest in another foreign bank that could risk his only money. On another hand, the global advantage point of view supports the idea that foreign banks will inevitably perform better than local banks. Authors (Toh & Jia, 2021) stipulate that entering a foreign market already reflects on that foreign country's ability to be developed and adapt to other countries. In other words, foreign countries are usually fully equipped with specialists, expertise, the most adequate technology



and management. The strategies implemented once entering a new foreign market are usually studied and planned well enough to guarantee its success. More authors have proven (Lee et al., 2016) that foreign banks provide higher performance, therefore, better revenues than domestic banks due to their ability to alleviate economical and cultural obstacles.

## **2.2. HSBC Bank Case in France**

### **2.2.1. Strong Multinational Bank**

Founded in 1865, HSBC is short for Hongkong and Shanghai Banking Corporation Limited. It is considered the 6th largest banking firm that offers financial services and organizations and the largest in Europe. They serve and offer 40 million loyal clients internationally. They aim at targeting people and investors in order to contribute to their world's community. They not only serve people but also are able to meet many government's needs. The assets of HSBC go up to 2.7 Trillion US dollars as of August 2020. It was a year before that this bank decided to easily enter the French territory through their investment in another French firm named *Crédit Commercial de France*, located in the *Champs-Élysées*. Also known as CCF, they were one of the most profitable banks in France that was created back in 1894 with over 650 branches and more than one million clients (Copper-Ind, 2020). They have been managing investments costing up to 57 million euros but have been wholly owned by HSBC since April 2020. CCF was the very first French bank to fall into foreign hands unfortunately leading to them being back on the market by August 2020. The cost of entering the French market has been tremendously high for HSBC whereas the buyer is asking the bank to offer 500 million euros before being sold for an amount of one dollar. This huge amount to be paid by HSBC, represents the taxes that the company has overlooked due to risks that have been internationally harmful.

Usually, firm approaches a market based on a specific chosen business model. In the case of HSBC, their model is mainly founded on a global networking system connecting them to different organizations implemented in developed markets (Chatterjee & White, 2020). They are different from other banks because they facilitate lending between clients and their brands. In addition, a wide range of tools and services are provided such as corporate finance, for instance. HSBC offers a large palette of strengths. They have been strongly present in the market since 1865. They are able to offer a high level of satisfactory customer service and safety. They operate on an international level and work in wealth management. Most importantly, they are invested in all of the banking departments allowing them to provide their services somehow. Their security measurement, for instance, is one of their strategies offering security contracts with every liquidity exchange.

### **2.2.2. Impact of Brexit on British Businesses Operating in EU**

The situation in Europe concerning Brexit found a way to impact the banking industry in Britain. The need for the English country to leave Europe has hin-



dered their ability to provide the same banking rules they used to offer called passporting. This old regulation that can no longer be applied due to Brexit puts banks in a position of having to reevaluate their license. New measures are preventing banks from exchanging their liquidity freely in up to 27 different EU countries. They were obliged to undergo new regulations in order to obtain a new license for each country. Barclaycard will be severely affected due to the users' failure to use their credit cards abroad. However, HSBC has not been affected yet, but the situation is constantly changing and new regulations are constantly being implemented. Necessary changes will soon be asked for all British bank firms to reframe their banking offers and services.

HSBC is currently looking out to charge corporate firms and clients since the pandemic has arrived. They have helped their clients by providing them financial services during their times of need and in return, they count on charging extra for products that used to be free (Chatterjee & White, 2020). This decision has been taken in order to avoid losing money in the long haul. Once again, the pandemic has found a way to affect even the banking industry. Moreover, HSBC has decided to combine both their personal and wealth domains in order to merge their customer base. It could be interesting to see if these upcoming measures will negatively impact HSBC by losing clients who are not willing to pay for basic services that could be easily found free elsewhere. They plan on applying these regulations slowly in order to avoid damaging the loyal relationship with their clients.

### 2.2.3. Cultural and Economical Factor

It is important to note that distance between countries is not only considered geographical. It combines the whole country package including the cultural and economical distance (Ghemawat, 2001). Unlike any other businesses, banks are usually supported by modern technology and highly depend on the financial services industry. Foreign direct investment costs are cut when multinational banks have the ability to be supported concerning their machinery set up in foreign countries. This goes hand in hand with the fast evolution of the global and digital organizations. It has become less and less difficult for foreign countries to feel close to other cultures. In the upcoming years, home-host countries will find little to no distance in regards of other cultural foreign countries (Conley & Ligon, 2002). In order to dive deeper, cultural distance is usually related to any differences in race, social normals and ideologies between two countries. It usually predicts how a society will react and interact with distinguished cultures. These traditional differences can also inhibit physical closeness. The language and religion of foreign countries can affect information flows, for example, according to Dow and Karunaratna (2006). It can highly increase misunderstandings leading to financial or management issues which lead us to consider the language as one of the barriers that the British bank must have faced in the French market. According to Dow & Karunaratna (2006), cultural proximity can

be important for avoiding cross-border consequences and simplifying foreign direct investments. In regards of economical distance, these same authors guarantee that countries sharing similar economic situations benefit rapidly from business models applied in the host country at the lowest cost possible. This is only possible when countries share economics similarities like the case of rich countries who are constantly attracting other rich countries in order to engage in similar foreign direct investments.

#### **2.2.4. Gaining Long-Term Trust in Host Market**

Studies denote (Lu, 2007) that long-term commitment is usually what gains a foreign country's trust. Moreover, this prolonged engagement of providing goods and services to their local people will eventually build trust with the host country. Trust is an essential step to achieve in a foreign country but most importantly, finding ways to develop the business further becomes the challenge. HSBC is very successful in other countries like China for example. In that specific country, a socialist economy is imposed in the marketplace. It's a system based on the needs of the community rather than on the individuals themselves. The government is purely in charge of the distribution of the country's resources. In contrast, western banks like HSBC had a hard time gaining China's trust that maintained its rigid ideology of a socialist economy. They applied immense pressure on western countries by imposing a heavy number of taxes. The British company specifically filed a report against the injustice in regards of their taxation measures on foreign countries. They also imposed another extended tardiness regulation. A fee is imposed on companies who fail to pay on time and it isn't a small fee. Moreover, companies cannot pursue the Chinese government unless the penalty is paid first.

#### **2.2.5. The Need for an Efficient Strategy to Overcome Barriers**

Findings from Murata (2021) help create crisis and risk management strategy that identify cultural elements that must be always taken into consideration during fragile financial situations. It is a need to create safety precaution elements that incorporate cultural factors such as justice and open culture, and willful blindness. It would be fundamentally important to train managers or leaders to acknowledge that the organization failures in preparedness or, recovery and responses for crisis and risk might occur from such cultural elements. For this reason, they need to adopt knowledge effectively and revolutionize their conduct to prepare for such an undesirable change of following from cultural to organizational failures.

Country risk is a growing and imminent derivative of internationalization. Examining the nature of every country's risk is essential in an international business organization. Moreover, investigating the contextual nature of a business will help firms better anticipate risk-sensitive to risk events (Cavusgil et al., 2020). Therefore, providing various perspectives on country risk coupled with its mitigation is a must at this stage. The significance of country risk in internation-

al issues remains unique for its responsibility in investing intentionally, insurance, and lending cases. Despite the empirical and conceptual void, the main concern focuses on the construct of risk that will manage to capture the intended meaning and whether it offers its reliable determinants as an essential element and roadmap to intentional business market performance. Risk firms encounter has not only been increasing but has also been propagating at an alarming rate. Adverse implications in one business market lead to devastating implications in another as globalization expands.

In addition to the tensions that can occur when multinational organizations enter culturally distant and close countries, International Cultural Ambidexterity (Bruyaka & Prange, 2020) provides insight into how multinational companies enter culturally distant and close countries. It allows the understanding of the possible outcomes upon entering a new market, which can be important in determining the probability of success in the new market. It specifically leverages aspects like firm flexibility, organizational change and agility to balance tensions and enable organizations to leverage interconnectedness leading to an effect on performance. In addition, it addresses the static nature of cultural distance as well as diversity concepts. It contributes to the understanding that companies need in order to modify their portfolios pertaining to foreign locations as well as accumulate knowledge and experience functioning in these regions. Consequently, organizations are able to reduce the risk of exploration and experience incremental financial gains (Bruyaka & Prange, 2020). Since there exists mixed evidence on the effects of cultural distance, ICA allows organizations to explain them and conceptualize cultural diversity as an inherently positive aspect while cultural distance is a negative aspect. It should, however, be noted that for ICA to be effective, it must be implemented in a superior fashion to allow an organization to leverage the benefits associated with cultural diversity and reduce the possibility of negative impacts. The exploration and exploitation scores used in determining the ICA are calculated by taking two levels of analysis into consideration that include supranational culture and national culture. Therefore, the research is aimed at ensuring organizations can leverage the benefits that come from cultural diversity and avoid potential negative results.

The pandemic has been negatively impacting the economy on an international scale. Countries are trying to help foreign ones in terms of finance, resources among other essential goods. Many factors have contributed to the failure of HSBC in France. Keohane (2021) believes that Cerberus who is filing against HSBC is more likely to gain the demanded amount of over 500 million euros. As of today, HSBC has decided to pursue private banking all while holding on to their asset management. Back in 2008, HSBC France sold the entirety of their regional banks for the amount of 2 billion euros. It helped them make profit outside of France and gained over 7 billion euros in profit. The same author explains how their failure is mainly due to the cultural gap between the English and the French. More specifically, French insiders complained of Britain's out-

dated technologies. From an economic point of view, the drop in interest rates has largely affected the French bank industry. The main issue is that they have little to no power over the pricing rates and suffer from massive competition. What also didn't really help HSBC was the ratio they bought CCF at back in 2000. Because they entered the market later than others like BNP and Société Générale, they bought CCF for 3.5 times higher. In contrast, BNP was up for a price-to-book ratio of 0.6 and even lower for Société Générale, 0.3. It would be rather simple to think that HSBC must just invest massively into France and fix the core of the issue. [Keohane \(2021\)](#) explains how they will still have to part a huge fee in order to recover from the lack of investment in their digital systems. Therefore, at this stage, they would rather somebody else buy their firm and do the costly job in their place. They perceive their selling in France as a way to invest better in Asia. Arguments cited above support this idea in the sense where HSBC is highly successful in the eastern countries and more specifically, in China. HSBC has a lot of assets in China ([Lu, 2007](#)). When the Chinese government applied massive taxation on foreign banks, HSBC applied for closure. China felt threatened and took less rigid measures towards them. The measures that HSBC applied were the reason behind China's sympathy. First, they improved communication between their organizations. Managers went to visit each other both in London and Shanghai, for example. Second off, they tried to implement different business strategies in order to approach their branch in Shanghai. Third and last, the Chinese government reciprocated the exchange by giving them a hand financially in order to rebound in the marketplace. They offered delays for banks to deposit their currency all while expressing their desire for them to stay in their domestic market. HSBC initial objective was to leave the Chinese market. Their only way to avoid their departure was to pay for war liability. In return, HSBC offered to sell their assets, hoping to meet the amount they were asking for. The British didn't hesitate to complain of the unreasonable price and denied any money transfer to China. Eventually, HSBC offered to invest in so many ways that satisfied the Chinese government. These are the kind of strategies that contribute to the communication and proximity among foreign countries. Instead of instantly leaving, the British didn't hesitate to communicate their dissatisfaction. But in return, they gave them so many reasons to stay by contributing to the Chinese economy. The situation of HSBC in France explains why they are ready to easily withdraw from the market and as the author previously cited, they explicitly expressed their desire to heavily invest in Asia.

### **3. Methodology**

#### **3.1. Research Question and Hypotheses**

The objective of our study is to get more insights about the non-financial risks related to international business that can be very critical to the business success in a foreign market. International expansion increases business risks because in a new market, the company needs to know well enough the customers so it can

customize their products or services based on their needs and expectations. The company can't just export its domestic operations to a new market. Therefore, the business model that works in the home country might not be efficient or successful in the new market that has different requirements. Moreover, local regulations, if were not carefully checked and considered, can create serious problems to businesses. Therefore, jumping into a foreign market without a solid plan on how the company will compete in the new market is considered poor planning that might cause significant loss which in some previous cases, forced companies to pull out of international markets. In addition to the country risks, one of the most critical factors that can lead to failure in international market is the cultural differences. Poor understanding of local culture might lead to poor market acceptance which normally ends up with disastrous business results.

Today even small companies are looking to expand their business globally. Operating on an international scale, open new opportunities for the business: entry to new markets which leads to an increase in the customer base and in revenues and decreased costs. Therefore, companies don't hesitate to take any opportunity to gain a foot in a new market without taking into consideration the risks that will come hand by hand with this opportunity. Many international companies lost millions of dollars due to international business risks. Bank commitments are already filled with responsibilities and liabilities. On an international scale, the engagement needs to be highly valued and reciprocated (Lu, 2007). In other words, foreign banks entering a country must in all circumstances offer the most adapted goods and services in order to maximize their success in the non-domestic market. In the case of HSBC, it would be insightful for them and other banks entering the French market to evaluate factors undermining their foreign investments. In this research study, the aim is to explore the relationship between overseas risks in the specific case of HSBC in France starting with their acquisition of CCF (Crédit Commercial de France). Mergers and Acquisitions provide an easy and quick entry into the targeted market but the non-financial risks that can lead to business failure are not usually highlighted in the due diligence reports. A relationship between the overseas risks and the company performance in the new market will be discussed through the following hypotheses.

This research study focuses on one main question which is the following:

*What are the main factors impacting a business' ability to succeed all while increasing revenues and decreasing risks in new foreign markets?*

While these previous questions were asked, the collected data will aim to answer this question by confirming these upcoming hypotheses:

*Hypothesis 1. Lack of financial funds and business liquidity in the banking industry play pivotal roles in business failures while entering new markets.*

*Hypothesis 2. Qualified human capital can influence the business' ability to perform according to its new marketplace.*

*Hypothesis 3. Technological advancements provide a competitive advantage*

*increasing organizational performance, customer satisfaction and decreasing overall operational costs which could lead to a high return on investment.*

### **3.2. Sample**

Focusing uniquely on HSBC in France, the study's main objective is to reveal the reasons preventing French citizens from working with HSBC for their banking transactions. Therefore, it was important to us to develop a questionnaire helping us determine the specific sample we needed in order to collect the final data. A representative group of 200 people participated in the first part of our study. Through the snowball sampling, we were able to start with our colleagues at the university who completed our survey and shared the link with their own family members and friends. This technique helped us to collect data from different age groups, cultural backgrounds (international students), professions and lifestyles. Therefore, it was crucial for us not to follow the traditional approach by targeting HSBC clients in France by understanding the reasons behind their loyalty to HSBC rather than linking up with a national bank offering better services and customer services. On the other side of the spectrum, we targeted different groups of participants unrelated to HSBC in order to collect their feedback. We expected them to explain why they repudiated HSBC in France and chose investing in a different bank. The sample included adults from the age of 19 years old and older which was tremendously beneficial to this study. Our sample is composed of various users who invested in the marketplace whether its by working in real estate, contributing through taxes or working as a freelancer on your own account. Their financial activities gave us insights on what they tend to prioritize as clients while investing their money because a bank cannot exist without people trusting them with their money. These participants were targeted online by sharing a link to the survey questionnaire on several social media platforms such as Facebook, Twitter, Instagram and LinkedIn.

### **3.3. Survey Guideline**

The objective was to obtain information about the decision-making process when it comes to selecting one's bank in order to open accounts and proceed with banking transactions on a daily basis. The aim of this guideline was to reveal important insight on how the banking sector is perceived by the residents. Furthermore, it will enable us to know the main important criteria that a bank must have to gain a client's trust and help him attain his financial objectives. Therefore, the survey was created on the Outgrow platform offering users the best digital experience. A French and English version were both created allowing all French users to participate as well as the expats.

The survey contains questions assessing the client overall level of satisfaction, need of bank proximity and other needs fulfillment. Moreover, questions about their view of international transactions and banking are included in order to better understand a client's perception of the banking industry. The main objec-

tive of the survey is to obtain information concerning a client's expectation when engaged in a banking experience. Factors such as high level of reputation and branches all over the countries tend to be the reason behind an important amount of clientèle. Therefore, it would be interesting to have insight from a customer's point of view concerning his own needs and demands. The survey contains the following questions in the same chronological order. It is, as cited previously, available in both English and French in order to reach a higher level of respondents for this study on the French territory.

**Question 1.** *The bank with which you currently do your banking transactions is a national (French) or international bank? The aim of this question is to retrieve information in order to categorize the users' bank registration.*

**Question 2.** *Are you satisfied with the banking applications offered by your bank? This question will help us understand if French users expect their bank to be up to date in the digital setting of the industry. It would be interesting for the study to see if HSBC applied these modern updates during their entrance in the French market.*

**Question 3.** *Was the physical presence on French territory (number of branches that exists in France) a reason that encouraged you to open an account with the bank? This question will help us concretely get insights concerning users' needs to physically go to the bank or not.*

**Question 4.** *Are you satisfied with the evolution of the services offered by your bank?*

*This question aims to evaluate users' satisfactory level.*

**Question 5.** *Do you think that a national bank can better meet the needs of French customers? This question aims to also measure the users' satisfactory level on a national scale.*

**Question 6.** *Do you think that national banks should be supported because they are one of the major sectors of activity playing an important role for the development of the French economy?*

**Question 7.** *Do you think your money is safer with a national bank? This question is to confirm the idea that entrepreneurs tend to look out for national banks who they're able to easily trust in order to fund their business.*

**Question 8.** *Do you think that national banks offer cheaper bank fees than international banks? This question checks whether users are well informed or not about the difference of fees.*

### 3.4. Procedure

As previously mentioned, the online website Outgrow was the platform used in order to create the questionnaire. The data was eventually collected and gathered on an Excel sheet in order to represent and cluster the answers. Afterwards, the statistical analysis was performed in order to obtain the results of this study. Both quantitative and qualitative analysis will be used making the most out of the data that will be collected from our respondents and the reviews online.



The data collection methodology related to our qualitative analysis was the Document Review which is easily accessible and available online. The first challenge was to process the 255 reviews concerning HSBC in France on Trustpilot which is equal to 50 pages to select the information that are relevant to our research question but before we started we had to make sure that the reviews are real and genuine. First off, we had to review the system trust-pilot uses to fight fraudsters from posting on their platform. We discovered that they were using the latest technologies in order to provide legitimate and valid information coming from the right people. Second off, the next step was to process the data collected and develop the coding scheme in order to group the organize the data into meaningful categories that are linked to the research question. The analysis method for our qualitative analysis was the inductive data analysis (Paillé & Mucchielli, 2012). This specific tools allows us to sort data and determine different themes and relationships in order to identify recurrent themes also considered as variables. The objective of this analysis is to find links between HSBC and different factors considered as overseas risks addressed by the respondents. Therefore, the qualitative approach design will be mainly descriptive as our goal is to mainly establish the associations between the variables in order to determine the causes behind HSBC failure in the French market.

### 3.5. Data Collection

This part of the data collection is mainly descriptive. The results will be discussed further on in the study with authors supporting our results and evaluating our hypotheses. A quantitative procedure was conducted on the online survey including the 8 questions. Moreover, the qualitative part of the study was used on the reviews found on Trustpilot.

Quantitative results: Online survey

The collected data revealed information and only a few of them were retained in order to respond adequately to our research question. Concerning the quantitative results, 60% of our participants showed transactions done only through their local banks. Moreover, 70% of them were satisfied with the applications and digital support their bank provided. All respondents confirmed that the physical presence on the French territory and number of existing branches encourage them to open engage with the bank on the long term. Half of the participants showed satisfaction towards the evolution of the services offered by the bank while the other 50% were dissatisfied. Furthermore, it didn't matter to the participants if a national bank prefers meeting french citizens' needs or not. Over 40% of the respondents insisted on the importance of supporting the national bank sector due to their major role in the development of the French economy. However, 60% of our participants think that all banks in general operating inside the French economy contribute somehow to the development of the economy. The last results showed that 40% of our respondents believed that their money is much safer with a national bank rather than a foreign one.

Moreover, over 60% of them believe that the bank's performance will inevitably determine its safety whether the bank is local or international. Last but not least, only 20% of our participants think that national banks offer cheaper fees than international ones while the other 80% seem to disagree.

When we conducted our survey with our 200 participants online, we were able to discuss with over 80 of them who provided information necessary for a bank's success. The banking sector in France is considered, by its citizens, as an important factor contributing to the country's economy. For instance, some respondents insisted on feeling "morally obligated" to support a sector financing their funds and eventually helping them expand their professional possibilities. Moreover, it is important to note that the government provides various aids to its people which contributes to the people's trust in the national procedures and banks. As a client, it is much easier to talk and receive governmental aids through national banks rather than foreign ones who can demand further documents for proof, for example. This idea leads us to another aspect that our respondents discussed which is the national bank's ability to understand and address their needs faster and better than any other international one who will be unable to provide the same services in better conditions.

These findings revealed that the French citizens do not prefer the local banks over international. These results justify the failure of HSBC France as not being related to external factors restraining the bank from attracting customers. Therefore, we had to change our strategy and seek more reliable data that can reveal the real causes. We started to search online for any valuable information that could guide us in the right direction but only little information available online but what we found is 255 customers posted their personal review and feedback on HSBC France. After reviewing all these reviews, we started to collect valuable information that led us to get a better idea on what could be the causes of the business failure in the case of HSBC France.

#### Qualitative results: reviews on HSBC France in Trustpilot

After careful and thorough analysis of the 255 reviews, we realized that the major cause for the customers complaints is related to a bad customer experience. In the reviews, we found over 278 statements about the bad customer service. Customers have had negative experiences while dealing with employees at HSBC France. Moreover, the reviews revealed the dissatisfaction related to the tools and systems in place with 29 statements related to the online banking system provided by HSBC France. At least, 7 statements mentioned in the customers reviews uncovered internal problems at the bank related to the poor communication within departments. Another factor which led to the poor rating by the clients was related to the pricing strategy illustrated by the high charges and fees that was mentioned in 27 statements which described the charges as "expensive...high". Most importantly, the complaints revolved around bad customer service negatively impacting the industry. The following table represents all 4 categories.

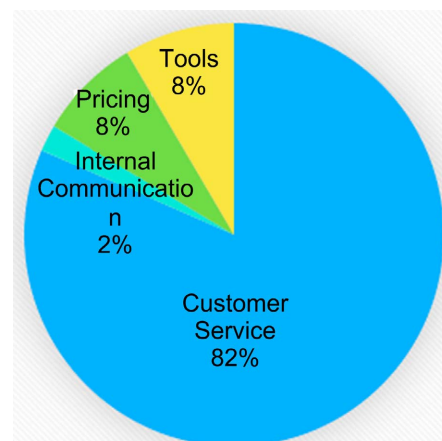
The thematic analysis inspired by the authors [Paillé & Mucchielli \(2012\)](#) helped

our study analyze reviews in order to form different themes and sub-themes. The objective of this analysis is to retain the most redundant notions recurring from one review to another. We were able to form 3 different categories known as: customer service representing over 82% of the complaints, tools and pricing representing over 16% of the reviews and last but not least, internal communication was represented by only 2% of our chosen reviews. Therefore, in order to respond to our research question, we have decided to focus on one theme and create its own subcategory according to redundant complaints in that specific category (**Figure 1**).

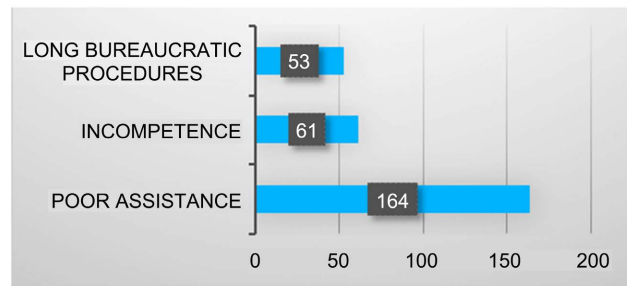
Based on the content of the reviews, we realized that the customer service category can be grouped in the following subcategories such as poor assistance, staff incompetence and long bureaucratic procedures. The following table reveals the three different categories combining the reviews. It is important to note that over 255 reviews, 53 of them were about long bureaucratic procedures. Another 61 of them were concerned about the bank's incompetence. Last but not least, 164 reviews filed complaints about the bank's poor ability to assist their clients. The upcoming part shows chosen reviews and their related subcategories also known as the recurrent themes. When needed, the reviews were translated in English (**Figure 2**).

### 3.5.1. Poor Assistance

In HSBC France case, The level of poor assistance mentioned in the reviews is quite alarming. For example, the following review implicates a poor level of customer assistance: *“After contacting them on the phone, nothing was put in place. I keep writing and calling back and forth. I wrote 20 days ago and nothing yet. They are simply not responding. I sent over 5 emails in over a month in order for them to open up a Livret A for me. No reaction until today, no advise, no contact...Difficult to join this so called bank advisor. HSBC are constantly poor with their customer service. The customer service of my agency is non existent. Worse than an online bank!”*



**Figure 1.** Complaint categories.



**Figure 2.** Subcategories of customer service complaints.

Another review relating to bad customer service was also shown: *“It has been over 2 months and a half that I have received no news. I have spent hours and hours with a problem that no one has solved. How is it possible that in 2020 is still non existent.”*

The following review denotes a lack of online customer service and inefficient digital tools in the French branch of HSBC: *“so many emails, calls and messages through the online application and no answer. They never return any calls or messages and never really answer you. What’s the point of ‘secured messages’ if no help is ever provided? The customer service is terrible, they are rude and offensive. My bank advisor hasn’t contacted me in over two years and it is nearly impossible to reach him whether it’s by email or by phone calls. I was able to reach another advisor who took my number in order to transmit it to my own bank advisor and that never happened. It doesn’t really matter how you contact HSBC because they will never answer.”*

Poor assistance is mainly due to the lack of communication between staff and clients. As mentioned in the reviews, bank employees fail to respond to clients’ requests, emails or calls which heavily impacts the bank image and reputation. People need to trust the organization that handle their money and the way to build that is by showing customers a high level of professionalism. Bank employees are expected to be financial advisors for customers and guide them to make smart financial decisions. Therefore, when the clients don’t receive that professional support, they will not feel that their money is in good, reliable hands. In the case of HSBC France and based on the reviews, clients are not getting the basic level of support which is responding to their emails or calls to provide them with information related to their requests or accounts. Efficient and successful communication with customers is very important in customer service and maintaining your loyal customers. Regular contact with clients helps build fondation and gives employees to possibility to better understand their client’s expectations and requirements. Listening to clients and showing a genuine care for them decrease significantly business problems, legal actions against the bank and increase business revenue as existing and engaged customers buy more products and services than new customers.

### 3.5.2. Incompetence

In terms of staff incompetence, reviews were plenty. Here are some reviews

where customers file complaints about the HSBC branch in France: *“I never saw such a level of incompetence. I never imagined that I will meet with such poorly trained individuals. Anything revolving around human interaction is disastrous in this bank. Staff is not informed and always give contradictory information. Many mistakes constantly made and the customer service is filled with arrogance. The administration doesn’t even know how to do their job and the bank is more than useless. How is it possible for a bank advisor to fill in the wrong RIB?”* This review denotes a lot of anger and frustration from clients who were unable to receive adequate help and solutions to their problems. Most importantly, little to no communication was possible between the client and her advisor and when that was possible, many errors were found in the transactions leading to catastrophic results.

According to the reviews, HSBC France was recruiting interns as bank advisors which creating the following problems:

Clients suffered from miscommunication from the bank who avoids telling them that their bank advisor no longer works at the company but would rather let an intern reply from time to time and only if possible. The short length of employment doesn’t give the bank advisors enough time to be familiar with his clients’ financial lifestyle. Therefore, working as an advisor should consider engaging with a bank as a long term relationship rather than a short one. Interns have little to no professional experience therefore, making them responsible for accounts is risky unless supervised and monitored. Limited knowledge of policies and internal procedures leads to miscommunication between employees and their clients therefore, dissatisfying a clients’ needs.

### **3.5.3. Long Bureaucratic Procedures**

In HSBC France case, the reviews revealed that customers suffered from long bureaucratic procedures that is time consuming with no added value to the customers: *“I asked HSBC nearly 4 months ago to close my life assurance account, so far nothing has happened, always more documents to provide after 8 months of constant calling. I thought that actually creating the account was the hard part but it took nothing but a week with a ridiculous amount of paperwork and copies. It took me 2 months to open an account in France and only two days in Australia. How is it possible in 2020 to wait 2 months to reach someone from the customer service?”*

Another client doesn’t hesitate to share her complaints about the procedures being time consuming: *“Very long procedures, I cannot handle it anymore. So many weeks to do the most stupid procedures ever. My experience with HSBC in France for over 4 years has been proven to be absurd and inconsistent. Other banks offer better online applications and faster results.”*

## **4. Discussion**

### **4.1. Data Analysis**

The aim of this upcoming part below is to be able to relate our results to various

authors supporting our ideas and notions. The previous part was uniquely made to state our results while this part aims to interpret them and put them back into context all while proposing adequate solutions.

#### 4.1.1. Hypotheses

Concerning our first hypothesis, the analysis of our reviews confirms that high pricing strategy was used by HSBC in order to accelerate their return to investment, but clients reacted negatively to expensive fees. Therefore, using better pricing strategy could only help them maintain loyalty among clients. Their large scale market entry was associated with high risks that they had to undergo. Regarding our second hypothesis, it has been highly noted that banks should invest in human capital in order to succeed in the chosen marketplace. Confirming this hypothesis was simple since numerous reviews revolved around the interns handling expensive amounts and difficult procedures. Clients felt uneven about putting their money in the hands of an intern who usually lacks professional experience. Concerning our third hypothesis, we expected technological advancements to provide competitive advantages for banks. HSBC failed to assist their clients during the pandemic and even more, online. Their inability to provide effective communication was proven very critical to the success of their business in the foreign market. More than half of the comments we reviewed were about clients complaining about the complex online access. In order for a client to engage with a bank, it needs to provide it with immense trust and consistency. HSBC promised their clients to meet their expectations but in France, even the smallest actions, such as responding to emails and calls, couldn't be provided by their employees.

The following discussed concepts are factors that contributed to the failure of HSBC in the marketplace. Starting from customer service being the main issue, the bank first suffered from lack of funds and now found itself drowning in a 3 billion dollars debt.

#### 4.1.2. Customer Service and Internal Communication

A good customer service is key to business success and it is one of the main factors to retaining clients and attracting new ones (Deninzon et al., 2019). Customer satisfaction in the banking sector can be a competitive advantage as almost all banks provide the same services and products and the prices and charges are slightly different so the only way to differentiate from competitors is to provide an excellent and personalized customer experience. In the banking sector, trust is essential in order for customers to engage in banks and eventually invest in them. These are enough reasons for banks to be moving towards digitalization of the banking sector. Around 80% of the transactions are today automated (Plana et al., 2018). Allowing customers to do their financial transactions online or using mobile applications significantly increase customer's satisfaction as it will enable them to complete their transactions quickly and efficiently all from the comfort of their home (Bastari et al., 2020). These specific services help

clients gain valuable time and effort concerning the branch' visit. On the other hand, it will significantly decrease the headcount needed in branches which will decrease labor costs. Furthermore, using a virtual assistant is becoming a necessity to provide an interrupted communication with customers. Virtual assistants and chatbots are available 24/7 helping customers solve problems related to their accounts such as password reset, activating their credit cards or getting information about their account statements in the most convenient manner. Artificial intelligence assists clients by providing them with the most suitable and secure services. Responding to customers, assisting them with their queries and solving their problems in a professional way would certainly increase their trust in the bank and make them open more accounts, buy more products, and recommend their bank to their friends, family and coworkers. Therefore, customer satisfaction is crucial to any business's success and growth.

Efficient communication is key to successful operations as it creates synergy between the different departments which leads to efficient management and greater performance among employees (Duncan, 2021). A customer says how "internal dysfunctions in HSBC giving employees any excuse not to work" proves that the lack of customer service only pushes their clients away not knowing where to solve their issues. If online solutions are not available, HSBC customers were unable to depend on their advisors in order to receive the services needed. Internal communication enables efficient coordination and flow of information between departments and colleagues to achieve smooth business operations. Lack of information will affect the employees' performance which will create problems with customers as it was highlighted in the reviews related to HSBC France. Internal communication can play a key role in building organizational learning and employee development. Well-informed employees are more likely to provide excellent customer service. This lack of communication can negatively influence the overall internal system and their relationships with their clients leading to serious business problems representing the exact opposite of a bank's role which is solving financial issues. Customers expect regular contact with their bank handling their money in order to be assisted in making smart financial decisions. They also expect to receive feedback on their requests. The core of the issue comes from HSBC entering the market in a large scale with over 800,000 clients and the management had to recruit 3900 candidates to keep running the 244 branches which increased the operation costs due to high labor costs. While HSBC France just started operating in the market, it did not have enough time to gain the French citizens' trust. This large scale business was already acquired with 3.5 higher price than its competitors. The funds on operating in the euro zone while entering the French market made it difficult on them to reach a return on investment. Therefore, the management decided to recruit interns in order to decrease labor costs. However, this move cost the bank many of its clients who headed toward its competitors and also caused a serious damage to its brand image and reputation. All of these previous consequences influ-



enced negatively the revenues and prevented the bank from further expanding in the market.

#### 4.1.3. Poor Assistance and Incompetence

Based on the above chart, the main reason for customer's dissatisfaction was the lack of assistance. In fact, helping clients is the key to increasing customer satisfaction and building long-term relationships with them. Customer experience is extremely important for a business' success and growth because reviews written by existing clients is the least expensive strategy to attract new clients over social media platforms. Enhancing the customer service experience should be each business' main objective as it increases its revenue and internal growth. Banks should determine the design of their operations processes based on the customer experience (Deninzon et al., 2019). Therefore, they need to have a good understanding of customer's needs. Today, one size does not fit all and what customers expect must be tailored to their specific needs. These authors were able to estimate more than 79% of the bank transactions that are automated. This tool gives employees the ability to provide their clients with one single role which is being a bank advisor, also called *Conseiller Bancaire* in French. They would fully devote their working hours to advising their customers, assisting them and guide them through their purchases of services and/or products. Communication among employees and clients is pivotal in the bank industry. It is essential for these departments to always be responsive to their customers' needs especially during time of crisis like Covid-19. Another way to improve internal communication in banking is using *DeskAlerts* which provides firms with systems sending messages to screens (Duncan, 2021). It is done in a way that it must be replied to in order for the notification to disappear. This tool, for example, forces employees to instantly reply to their clients without procrastinating their messages. Additional features are also included in the system to further upgrade their communication. Moreover, these specific facilities contribute to the expertise of employees. In other words, they have little to no chance to missing important messages and information concerning their clients therefore, helping them feeling more engaged in the teamwork.

Over 100 reviews were found complaining about "incompetent advisors", "inexistent customer service" justifying the bank's inability to provide for their clients in terms of products and services. Moreover, the majority of the reviews noted that employees keep on changing and they couldn't keep track of their bank advisor. In France, national banks are constantly switching teams and changing their employees resulting in a lot of clients finding themselves lost in the process. Moreover, some reviews complained about "interns handling my bank transactions" explaining that the high turnover as interns should never be considered as a permanent solution to filling the lack of staff. Their employment should be for a short period of time and aim to guide them rather than give them important responsibilities. Recruiting interns is a good strategy for de-

creasing labor costs but if it is not well managed, it could turn against the business and that is mainly what happened with HSBC. Hiring interns requires a well-structured program defining the tasks that they could be handling including the information they could access (O'Connell, 2021). Clients are always able to tolerate mistakes as it is something that can happen to everyone on a daily basis. Nevertheless, they expect employees to succumb immediately to their needs by handling the situation rapidly. The problem with the HSBC case in France proved that the staff were never held accountable for forcing their customers to bear their mistakes making them frustrated and dissatisfied. Moreover, lack of skills can damage the overall company's operations, affect business relationships and revenues which might lead to business failure. There are different reasons behind the staff poor performance, but the source goes back to poor business decisions. It has also been spoken about throughout the review that trust is fundamental for finances (De Bruin, 2019). This author insists on the importance of motivation and competence among employees and most importantly, in the bank industry. Clients cannot be faced to employees who don't seem interested enough in convincing their clients into staying loyal to their branch, therefore, investing in making employees more competent whether it's from an ethical or political point of view. The company needs to constantly invest in knowledge by helping their team develop critical thinking skills for instance (De Bruin, 2019). Furthermore, using evidence-based methods could help bank build a competent sector guaranteeing their success. Automated branches and employees handling nothing but bank consulting are no longer enough nowadays to succeed in the marketplace. Therefore, investing in the human resources department could only be beneficial. Recruiting the correct people will attract the best talents with the most relevant experiences and skills. The objective is to have the best performers at work in order to increase overall organizational performance and internal growth. Following the same perspective, promoting an employee according to his skills and performance rather than his position would eventually help increase succeeding in his role. Failing to maintain each' role in a company affects its reputation and clients' need to come back.

#### **4.1.4. Long Bureaucratic Procedures and Pricing Strategy**

France has also been known as the country that demands the most papers for bureaucratic procedures. HSBC was not able to seek a way out and unfortunately it didn't not survive the bureaucracy challenges in France. Bureaucracy establishes a management system which defines people's roles, limit of authority, how the job should be done and how the work is going to be monitored and controlled. Therefore, bureaucracy creates governance that controls the operations, minimizes operations errors, increases efficiency, improves interdepartmental coordination, and implements the best practices that comply with local and international business regulations. The disadvantages of bureaucracy is related to the lack of flexibility in bureaucracy reduces the chance that the enterprise can

adapt to current circumstances, which may require a change in the bank's structure, policies, operations, or business strategy. Long bureaucratic procedures can push away customers towards the bank competitors as customers expect immediate help and support. With all of today's technological advancements, it is nearly impossible for a client to compromise his needs when it comes to his bank. He can easily switch from one to another in a matter of minutes online. The poor functioning of the operations at HSBC France was due to the poor design of the online procedures and the little investment that was put into technological use and human capital. HSBC didn't prioritize reducing bureaucracy in France and that explains their lack of cultural implementation. As cited above, France is one of the countries that demand the most papers and HSBC should have taken a step ahead by considering reducing their paperwork in order to maintain their clients. Reducing unnecessary steps and gaining more time could have been nothing but beneficial for the clients' satisfaction.

One of the customers mentioned that HSBC France was functioning very well 10 years ago. The difference with what happened back in the day is that HSBC never provided insurance to its clients as it was not part of CCF. HSBC provided wealth management services and credits. Overtime, they had to evolve and adapt to the evolution of marketing by proposing different kind of insurance but lacked certain policies such as mobile insurance or car insurance. Regardless of the training programs given to the employees, the bank lacks modern use of insurance different from only home safety. Unlike their competitors LCL or BNP, they don't satisfy their clients' needs when it comes to insurance and therefore, lose their trust in the company. According to [Lewis et al. \(2001\)](#), low interest rates make retail banking not always profitable for all companies. The profitability margins and the booming of digitalization is putting more pressure on physical branches and contributing to the success of online banks.

When entering a new market, a pricing strategy should be based on several factors such as the business requirements, goals, the prices offered by competitors ([Bertrand & Prigent, 2014](#)). Reviews of customers showed that HSBC France were "way more expensive, stealing from me. I had to shut down my account based on them robbing me off." Another review explained how HSBC was much more expensive than other banks relating to expensive transaction fees with the fact words of "sky-high fees." HSBC never implemented a specific pricing strategy to attract clients. Their rates have always been higher than other banks who were providing the correct value of insurance and transactions. On the contrary, the French branch of HSBC didn't provide enough insurance to maintain their clients. They offered little to no supervision over their accounts and rarely proposed any advice. Customers were found faced with interns unable to handle transactions bigger than their professional experience. Moreover, the poor customer service discredits the company's high prices. It is important to know that HSBC entered the French market later than other banks such as BNP or Société Générale. It also bought CCF for over 3.5 times higher than the expected price. It

added pressure into increasing their fees and prices in order to achieve a return on investment. Unfortunately, as a result, they had to continuously increase their charges throughout their experience in the marketplace.

#### **4.1.5. Digitalization in the Bank Industry**

Deloitte estimates that 3 billion users globally will have access to retail banking services using their mobiles, laptops, tablets in 2021. Experts confirm that the digital capabilities will enhance customer experience. The customers' complaints mentioned in the reviews prove that HSBC France didn't provide customers with efficient digital tools. These options will eventually increase efficiency and customer satisfaction. The reviews express the clients' disappointment and frustration resulting from using complicated online systems and mobile apps. Here's a review denoting the bank's inability to provide tools for online transaction: "the cherry on top is the online system who works once every ten times. Barely any access to my online account and stupid safety program that always block my access to my own account." The most important digital tool that should be provided by a bank is an access to one's transactions and HSBC couldn't provide such a thing in France. In the banking industry, almost all banking transactions can be automated which can eventually eliminate any human errors and lower the labor costs in branches. Also, it reduces paperwork and human intervention providing uninterrupted banking services at anytime and anywhere. The objective is to give clients the ability to perform their banking transactions in a fast and efficient manner which will increase their satisfaction and boost their trust in their bank's professionalism (Plana et al., 2018).

#### **4.1.6. Covid-19 and Its Accelerated Effect**

The pandemic changed the economy worldwide and firms had to adapt more rapidly than they thought they could. The bank industry suffered immensely from the pandemic because closing their doors also meant no longer seeing your advisor. The bank industry was one of those departments where the pandemic pushed clients to expect more digital facilities from their bank (Moden & Neufeld, 2020). Banks have always needed an upgrade in their digital tools but the pandemic came to accelerate their processes. They underwent pressure from their clients who suffered from not being able to have access to their banks. There has been a rise in their expectations that the pandemic quickly highlighted. Leading technology corporate firms such as Fintechs offer digital plans to banks and today studies count over 72% of a rise in digital tools brought by this specific firm (Moden & Neufeld, 2020). On the long run, satisfying customers' needs through digital tools are only successful if long-term engagement is possible among employees in order to avoid in risks. HSBC invested in improving their digital plan but their employees in France failed to represent a basic foundation. Robots cannot function without humans manipulating them in the background, especially when dealing with online transactions. For instance, using chatbots should be considered complementary to human interaction rather

than completely replacing it, at least for now. Maintaining constant connectivity with customers is key to success. HSBC should have used this pandemic as an opportunity to rapidly adapt to worldwide digitalization and propose the latest advancements to French citizens rather than investing in the physical branches. Covid-19 transformed the marketplace and its digitalization seems to be irreversible. However, it helped reshape customer service and their expected experiences with the bank. At any moment, clients also need to be able to access their account through online applications on their phones. People are leaning towards online bank in order to facilitate their transactions and take advantage of the small international fees offered by online banks. Moreover, the 24/7 assistance proposed by online banks beats so many disadvantages that we could find with physical branches. Also, personalization has been a major topic for the latest years and the pandemic has accelerated the process. In other words, clients consent to sharing a big amount of their online data and banks can make a profit out of them by proposing personalized services. Last but not least, all of these solutions are not credible if the latest technological advancements are not used. Offering the most aesthetic and easiest way to use a platform is key to gaining a client's attention and long-term engagement. Regardless of the regulations banks need to constantly undergo, they should find a way to invest their capital in order to benefit from their clients' trust. Providing personalized services and easy online access to accounts will only encourage clients to make use of their online services, therefore, contributing to their growth.

#### **4.2. Credibility and Limitations**

The data collected for our research is based on the customer reviews published on the Trustpilot website. In order to make sure these reviews are real and genuine, we had to check the credibility of the website. Their regulations explain that credibility was constantly checked among reviews. Nevertheless, some official opinions state that the website has previously removed several negative comments that were never denied by Trustpilot. However, this study has not been concerned with this issue since HSBC's branch in France received a lot of negative remarks on the same website. Trustpilot has a content integrity team trained to spot fake reviews and constantly try to reach the writers in order to ask for further documentation. In case the person doesn't provide the additional proof, their review will be instantly removed. With the latest technology, HSBC has the most modern algorithms used to detect and analyze content all while combatting fake information. Therefore, it is safe to say that the published reviews are genuine and credible enough to be used for this study. We cannot confirm that these results can be generalized to the overall experience with HSBC. Moreover, the remarks we were able to review don't even exceed 0.03% of the total number of HSBC customer in France (HSBC, 2021). Since these reviews are written by real users, they can at least highlight common issues that banks should prevent in order to succeed in the French market. Even if our study is

based on limited data gathered from customers filing complaints, they should be considered important enough to reveal the real causes behind HSBC's failure in France. These challenges caused damage not only to their branch in France but also to their image.

Concerning the limitations of this study, It would have been beneficial to this study to include different members of the HSBC board team in order to closely understand the reasons behind their failure in France. Reaching out to professionals could help local people get a better idea of why their business wasn't success and give the bank the chance to explain the challenges they faced in France. Understanding that a bank prefers investing in Asia rather than Europe could help better form better judgments rather than use this specific failure to generalize it on the entire company. For further research, it would be interesting to interview employees all while evaluating their needs as part of the HSBC company. Furthermore, comparing their needs' with the clients' could help HSBC form healthy governance in order to guarantee success.

## 5. Conclusion

HSBC is currently selling their French retail banking procedures to the US and more specifically, Cerberus for only 1€. The buyer will have to suffer from a 3 billion dollar debt that is expected to be reimbursed by 2023 (Ennis, 2021). Moreover, HSBC has decided to invest over 6 billion dollars in Asia for wealth management (Harper, 2021). Regardless, the French branch could have saved them in the marketplace if they invested in different strategies and more digital plans. They should have tried to enhance their internal processes all while upgrading their digital capabilities. In order for a business to succeed and maintain a good reputation, its customer service must be at top of its priorities and HSBC failed to meet its clients' expectations. Not only were clients dissatisfied with the way HSBC's French branch handled their procedure, but the bank also suffered from bad management of its liquidity, therefore, leading to its bankruptcy. With over a 3 billion loss, the marketplace formed a very negative image of HSBC in foreign countries and most specifically, in retail. This study aimed to find pivotal factors affecting a bank's success in a marketplace and especially, in the French one. This research should be useful to different branches implementing themselves among French citizens in order to guarantee a more favorable outcome.

Another reason why HSBC failed in the French marketplace is that it did not culturally conform to the culture. In other words, they recruited interns who spoke little to no French; therefore, their communication with their clients was highly alienated. Moreover, many expats deal with HSBC as being their bank; therefore, speaking multiple languages could only be beneficial for the HSBC foreign teams (Szkudlareka et al., 2020). Communication is key and HSBC is doing well everywhere but in France. This barrier language was difficult to handle and led to clients feeling lost in their engagement with HSBC in France. Moreover, not sharing the language also prevented them from reciprocating

with their clients or the parent company located in the UK in order to benefit from their expertise.

HSBC suffered from making smart decisions in the French marketplace. During the pandemic, they hired interns in order to compensate for their lack of funds and compensate for their customer service. However, their move caused more harm than convenience. In terms of selling products and services, as previously said, they didn't succeed with the insurance, for example, they didn't have a plan that was able to globally insure home, cars and mobile phones at the same time rather than securing only one insurance. Moreover, their expensive fees didn't match their clients' needs. They rapidly lost their customers' clients in the French market and that also seemed inconvenient for expats. When a bank enters a market, it should have the financial resources in order to compete in the market. They must be able to recruit the best talents in order to attract the most clients. However, HSBC failed to meet these basic expectations. Moreover, in today's world, a firm must also be able to provide the most adequate and upgraded technological advancements. This would help them face their competitors and maintain their clients. If all of these factors are nonexistent, the business will suffer from high risks. Ideally, HSBC should have invested its money in digitalization of its services and in developing competence among employees (De Bruin, 2019). Instead of proposing insurance partially covering human services and hiring interns, they could have implemented better strategies guaranteeing their success. However, their failure in France doesn't represent their reputation on an international scale. They seem to be very successful elsewhere and their loss in France could be highly compensated in other countries like India or the UK, Middle East for instance.

Our study aimed to study the financial risks as well as the non-financial ones related to entering a brand new foreign market. It is pivotal for a business to maintain enough liquidity in order to guarantee success in the long term (Kaminski et al., 2016). However, some firms fail to adequately fund their employees by providing them with the best tools and training. The lack of supervision and assistance also leads to failure in foreign markets. Implementing a brand new business in a new market must be adapted to its cultural differences all while providing its services. The creation of liquidity is only possible when the business has been up and running for a while (Toh & Jia, 2021). The competitive markets have been it difficult for banks to instantly succeed only by implementing a branch somewhere. Today, physical proximity is no longer a criterion. Numerous authors have insisted on the importance of internal liquidity, cultural proximity and respect of different regulations (Toh, 2019). However, this study helped us focus on the importance of customer service in today's world. People are demanding respect, authenticity and personalization in the services and products they tend to purchase. They demand instant human interaction and solution rather than waiting for their appointment with their advisor at the bank. Therefore, online banks are booming and this research is beneficial to fu-



ture firms trying to enter a foreign market all while insuring meeting the people's real needs. It is no longer enough for a business to just propose their product and/or service without offering good customer service, assistance, and other procedures.

Maintaining a perfect image of a business could lead to success even though it doesn't have enough liquidity. With loyal customers for example and a few new customers, the firm could have found its way up because it is, at least, able to meet other standards such as

Responding to clients, assisting them during their purchases or even advise them on further purchases. Being consistent in these non-financial risks could help business find their way up during harsh economical circumstances. Banks are meant to take risks and usually, the financial risks are the ones that provide an immense amount of money (Kaminski et al., 2016). Non-financial risks are usually related to failures in compliance, technology or any other operational management. Once these risks are taken, either a business will succeed for a long time or will crash immediately. The financial consequences of these risks are not the only thing to be considered. It is important to know that without liquidity firms can no longer function properly; however, some of these non-financial risks are going to inevitably destroy a company's image, for the long term. Moreover, other non-financial risks related to fraud and artificial intelligence have also been a topic of interest for big cities. For example, operational risks are usually risks related to staff issues and other legal measures. In the case of HSBC France, these risks were not considered when they hired interns to handle matters bigger than their professional experience. In order to manage a crisis, it is pivotal to maintain staff and help them become aware of their difficulties. Moreover, evaluating different initiatives before taking action is another way to help a company guarantee its way back to the marketplace. Last but not least, another major way to help banks gain their clients' trust is to work according to their words. In other words, HSBC's brand in France could have been redirected to those online reviews of clients filing complaints and rearranging their business accordingly. Authors have shown that using data from complaints can provide very early signs of failure or any other serious financial issues. Some banks even hire consultants in order to retrieve satisfactory information from their clients in order to maintain their reputation. Tracking the public's opinion will only lead to meeting their needs, therefore, satisfying them in the long term.

In order to respond to our research question once again, we have been able to find the different factors impacting a business' ability to succeed and more specifically, in the case of HSBC's branch in France. Moreover, our reviews were able to note different ways of bettering their business that was left unseen. Moreover, increasing revenues is only possible when corporate firms have been succeeding for a while and are still guaranteeing their high place in the market. However, decreasing risks has been a topic of interest for many authors. The aim of this study was to show different risks taken by HSBC leading them to failure

in the French market. Businesses can no longer depend only on their business strategy and funds but must also constantly adapt to the people who today have more than a word to say about their purchases.

### Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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