

Case Study of Sumitomo Mitsui Financial Group, Inc

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Executive Summary

Managers need sophisticated ways that they believe will allow the most advantageous placement of the firm in its competitive environment to effectively solve the wide variety of issues affecting a company's growth and performance. To better position oneself in this way, strategic management facilitates an increase in readiness to meet unforeseen internal or competitive demands. "Strategic Management" refers to an all-encompassing method for creating, enforcing, and evaluating managerial decisions that forward an organization's goals. Consequently, as a company operating in a highly competitive environment, [Sumitomo Mitsui Financial Group](#) Inc should also have a strategic plan that would aid in exploring and venturing into various markets and giving it an edge over its primary competitors, MUFJ Financial Group and Mizuho Financial Group. If a solid business strategy is not implemented, the company will struggle to function effectively, leading to poor results or possibly its eventual liquidation. This research examines Sumitomo Mitsui Financial Group Inc.'s strategic plan with an eye on how its implementation can improve the firm's bottom line.

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Part 1: Introduction and Data approach

Introduction

The Sumitomo Mitsui Financial Group Inc. (SMFC Group) is the parent corporation that oversees and operates the several financial service companies it owns. Organizational operations are split among commercial banking, leasing, securities, and consumer finance departments. The organization's commercial banking services include wholesale and retail banking, treasury units and bonds, consumer banking, and idle and international market banking. The company is engaged in the leasing industry, providing services such as equipment leasing. The securities industry caters to consumers and businesses by offering various financial services, such as investment management and advice. Consumer Finance is responsible for a domestic credit card, consumer lending, and loan guarantee companies. The firm was founded in 2002, with its headquarters established in the Japanese capital of

Tokyo. Jun Ohta currently holds executive leadership of the corporation. This Fortune 500 company is rated at #127 because it has 86781 full-time employees.

SMFC operates in every major global financial center and ranks as the world's twelfth-largest bank in total assets. The organization boasts members from more than 40 different nations. According to the overall loan value, it is one of the major IFIs in the project finance industry (Zhang and Keister, 2016). It is the country's number two financial institution by total assets and market capitalization. SMFC's main financial institutions' competitors for the market share are the MUFJ Financial Group and the Mizuho Financial Group. The Mitsui and Sumitomo keiretsu are among their closest business partners. The banking division of the SMFC group is headed by Sumitomo Mitsui Banking Corporation (SMBC). The company has come under scrutiny as of late due to its poor performance and allegations of stock market manipulation. The organization has been struggling with issues such as low bank assets compared to bank liabilities, low-interest rates, intense competition from other financial institutions, a shift in culture, and regulatory compliances (Chang, 2006). Thus, this report aims to guide the organization's strategic management and decision-making.

Strategic management perspectives on available opportunities for (SMFG)

From the strategic management perspective, the corporation has opportunities to take risks to address persistent problems, even though the corporation has garnered attention owing to mediocre performance. One such opportunity is to expand into new markets, maybe in Africa, where it could offer its services to local banks. The business may also consider investing in research and development of its technologies to boost productivity and streamline customer service. Sustainable financing presents an opportunity for the company to diversify its operations.

Data Approach

Data approaches help businesses analyze and organize their data to improve the efficacy and efficiency of service delivery to customers, as stated by Popovi et al. (2018, p. 210). Businesses may become more customer-centric by leveraging data for internal decision-making and personalizing and contextualizing their interactions with potential and existing customers. Statistics serve as a main key performance indicator and provide the information needed to make operational and strategic decisions about enhancements, modifications, and adjustments to existing systems and processes, which is why the majority of successful organizations use data to assess and gauge performance. The most important data for this study came from a combination of primary and secondary resources. The primary source is SMFG's financial records and reports, but market news can be found on sites like Forbes and Yahoo Finance (Popović et al., 2018, p. 213).

The data show that the firm's poor asset quality has been contributing to the corporation's subpar

performance. Mid-sized firms and small and medium-sized enterprises (SMEs), borrowers considered more vulnerable to economic downturns, could threaten the SMFG's credit quality and economic recovery stagnate (Chan et al.,2022). The low-interest rate environment has also contributed to the dismal performance. Some banks stop accepting deposits and restrict lending as the policy rate falls below the disintermediation rate (Duho et al.,2020. p.124). Due to low policy rates, banks may discontinue taking zero-interest deposits since they become unprofitable. In addition, customers are encouraged to go to other financial institutions because the company has been reluctant to respond to technological innovation, resulting in slower service delivery. As customers leave SMFG for other banks, the bank will have fewer deposits and be less profitable (Duho et al.,2020. p.125). The corporation's scandals, such as stock market manipulation and stiff competition from rivals, have also contributed to poor performance.

Data Source	Rationale
SMFG financial reports	To learn more about the company's financial standing, transparency, and compliance with IASB standards.
Market data	To aid in evaluating the market and finance environment.
Competitors analysis	Analysis of the competition can help you weigh your company's strengths and weaknesses, as well as those of your rivals, and ultimately make a more informed choice.
Articles and industry news publications	Technical progress and regulatory compliance are taken into account to better assess emerging trends and causes in financial operations that affect the organization's performance.

Part 2: Future forecasting methods

Forecasting, in its broadest meaning, refers to making predictions by looking into the past and combining relevant pieces of information in a planned way. Companies use different forecasting techniques depending on the nature of their goods and services. We use the straight-line and moving average techniques to conduct a forecasting process for the SMFG. Using the straight-line forecasting technique will be able to forecast the future revenue of the Sumitomo Mitsui Financial Group Inc.

Straight Line method	Historical		Forecast				
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	2022		2023	2024	2025	2026	2027
Sales growth rate %			5.00%	5.00%	5.00%	5.00%	5.00%
Revenues JPY	3,423,105,000		3594260250	3,773,973,263	3962671926	4160805522	4368845798

Based on the company's fiscal year 2022 results, revenues are estimated to increase by 5% to 3,423,105,000 Japanese Yen if the SMFG is correct. Yet, this presumption is highly volatile due to the erratic nature of the trading market (Ginantra et al.,2021). Sales growth for the company during the next five years could be less than 5% or more than 5%, depending on factors such as consumer income levels, customer taste and preference changes, and market advancements. If the conditions above are favorable for the companies' products, sales will increase; if they are not, sales will decrease. If in 2024, for example, depositors expected interest rates to remain low, they could think twice before putting their money in the bank. In 2025, if the bank enjoyed a high-interest rate environment, customers would be more likely to deposit their savings with the institution, increasing its revenue.

Moving averages are used to predict the direction of long-term trends in the future. With this method, we average a set of data from a given range, but we change the range as we do so (Yu et al.,2020). Let's say you have a sales figure for the years 2022-2028, and you need to determine the moving average by grouping the years together into groups of two and three. It appears that the company's growth revenues will increase from 2022 to 2023 and that they will increase for both the two- and three-year periods combined, indicating that the corporation will continue to succeed and acquire a competitive edge over its rivals if a well-thought-out strategic plan is put into action (Yu et al.,2020). Based on the two methods of forecasting, the company can only achieve this revenue if interest rates are high, and the company implements advanced technology.

Years	Sales growth rate 5%	Two years (JPY)	Three years (JPY)
2022	3423105000		
2023	3594260250	3508682625	
2024	3773973263	3684116756	3597112838
2025	3962671926	3868322594	3776968479

2026	4160805522	4061738724	3965816903
2026	4368845798	4264825660	4164107749
2027	4587288088	4478066943	4372313136
2028	4816652492	4701970290	4590928793
2029	5057485117	4937068805	4820475232
2030	5310359373	5183922245	5061498994

Sumitomo Mitsui Financial Group Inc Financial projection

Part 3: Strategic Development

The strategic vision

The fundamental aim and objective of Sumitomo Mitsui Financial Group is to increase shareholder value by expanding the business and rewarding employees who are both loyal and highly motivated. The company hopes to contribute to a more sustainable world by addressing environmental and social issues. Considering the data above, I propose the corporation prioritize investing in its technology to boost efficiency and customer service. The company expects to increase sales by 5% during the next five years, adopting a linear growth pattern. All of the company's long-term objectives and priorities coincide with this plan.

SWOT

The firm's opportunities, weaknesses, strengths, and threats can be evaluated using the SWOT analysis framework. By doing a SWOT analysis, a business may pinpoint its weak spots and devise countermeasures to protect itself from those risks. One of SMFG's strengths is its highly trained and educated staff, which it has achieved through various educational and professional development initiatives. Company revenue would increase by 5% annually over the following five years if it expanded into a new market, based on experience. Compared to its rivals, the company has a better chance of succeeding thanks to its variety of products.

The company's financial health could take a hit because its inventory days are far longer than its

rivals. At times of financial strain, businesses often find it difficult, if not impossible, to put money toward R&D projects. Since the company's profitability ratios and net contribution are lower than normal, prioritizing the customer and investing in cutting-edge technology may be challenging (Hu et al.,2022). This firm has disadvantages, yet it can still take advantage of opportunities. The company may consider expanding into a new international market for increased sales and exposure to a global clientele. Sumitomo Mitsui Financial Group, Inc. can enter a new market with the help of cutting-edge technology and a novel pricing strategy. The company will be able to expand its customer base by providing a wider selection of high-value products and services while still maintaining its current clientele through dedicated, attentive care. Success in a market with competing products may be within an organization's core capabilities. Similarly, GE's exploration in the medical field led to the development of more effective oil drilling machinery.

Although entering new markets increases SMFG's probability of achieving its strategic goals, the company faces risks, such as the presence of competitors. SMFG is planning strategic expansion, which could prove challenging in regions where local businesses offer stronger competition and higher returns on investment (Hu et al.,2022). In addition, a competitor or market disruptor developing cutting-edge technologies could threaten the industry over the medium to long term. Sumitomo Mitsui Financial Group, Inc. may be liable to a wide range of liability claims due to policy shifts in the markets in which it operates.

Generic strategy

The differentiation approach is one tactic that Sumitomo Mitsui Financial Group, Inc. uses to establish a foothold in the competitive financial services market. The current focus of the business is on satisfying consumer demands, and the company hopes to achieve this by providing a comprehensive suite of financial services through its differentiating strategy (Riasanow et al.,2018). The corporation may also implement a differentiation strategy to further solidify its consumer base. The organization is integrating and developing new technology to increase productivity and openness to deliver high-quality services. The bank, for instance, has offered online banking, which will surely bring in more customers and, by extension, boost sales. In addition, the bond between the company and its clientele is crucial to its prosperity. Businesses usually lose clients because they can't connect with them. Gaining an edge in the market is of utmost importance to SMFG, and the company does this by strengthening its bonds with its clientele.

Competitive Strategy

Despite SMFG's recent notoriety for underwhelming results, the company is deploying some competitive strategies that should enable it to recover, once again get praise for its work, and even surpass its previous levels of success (Sachs et al.,2019). The firm has the edge over its rivals thanks to its superior brand recognition and broad product offerings. The company also employs effective

risk management strategies, which may be used to assess the dangers it faces and the areas where it is vulnerable. If SMFG adopts a competitive approach, it can increase annual sales by 5 percent.

Part 4: Conclusion

Commercial banking, leasing, securities trading, and consumer finance are just some areas where Sumitomo Mitsui Financial Group Inc. excels in Japan. The bank offers various services, including wholesale and retail banking, treasury units and bonds, retail banking for consumers, and international banking. The business provides lease-related services, such as equipment leasing. Investment management and advising are just two of the many monetary services the securities sector offers individuals and businesses. Domestic Consumer Credit Cards, Consumer Lending, and Loan Guarantees are all under the supervision of Consumer Finance. The company has been in the limelight due to its poor performance. The poor performance has resulted from low interest, which scares away depositors. Customers leave a company because of low-interest rates because they may get a larger return at another company. The company's bad results can also be attributed to its lack of cutting-edge technology, allowing its rivals to surpass it. The corporation may consider taking risks and venturing into available opportunities regardless of prevailing performance. The opportunities for technological advancement to enhance efficacy and entry to new markets as a technique to improve its performance.

To evaluate the firm's strategic position, I employed the data approach techniques of both primary and secondary sources. The primary sources are the company websites and the financial statements, while the secondary sources are the industry data, market data, and Articles and industry news publications. Sumitomo Mitsui Financial Group hopes to boost the company's value for its shareholders by expanding operations and providing staff incentives. The company takes care of environmental and social issues. The information above suggests that the corporation should make technological investments to boost production and satisfaction among its clientele. During the next five years, the company expects sales to grow at a linear rate of 5%. The company's ultimate goals have been woven into this plan.

Based on the company's strategic position, the company can achieve its strategic goals and visions. The company has highly trained staff that would enhance the quality of services. If the organization focused on a strategy based on vertical integration, customer-centric and competitive, they could achieve these goals. The company should consider venturing into new markets in partnership with the local banks and diversifying its portfolios. Portfolio diversification would help the corporation to reduce exposure, such as low-interest rates, which scares away depositors. Also, the company would benefit from vertical integration if it adopted innovative asset management methods and began offering new services, such as insurance. The corporation would be well-served by adopting a strategy combining vertical integration with competitive and generic strategies. The strategies are advantageous for the company because most of its competitors would not contemplate employing them to enhance their performance, allowing SMFG to obtain a competitive advantage.

Automakers may employ generic, vertical integration, and competitive strategies to maintain a competitive advantage. With a generic strategy, businesses can differentiate themselves from rivals while offering competitive prices and premium products. Goal markets will also benefit from the initiative's assistance in identifying supply chain efficiencies. In today's competitive corporate environment, minimizing expenses may prove advantageous. Cash flow reduction aids in cost cutting (or "cost concentration"). When a company eliminates the need for third-party vendors and instead handles all aspects of production in-house, they have achieved vertical integration. Thus, combining generic and vertical integration would help the automakers to gain a competitive advantage against their rivals.

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