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Internal Environmental Analysis

Name:

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PNC Bank Internal Environment

The internal environment is made up of factors within that organization that has a direct implication on the firm (Indris & Primiana, 2015). There are several internal factors that influence PNC Bank in its daily operations. Marketing is an internal factor that has direct consequences on PNC Bank. Marketing can be defined as the task of introducing and delivering goods and services to consumers or companies (Steward & Lewis, 2010). Through analyzing customers, planning of services to be offered in the bank, pricing, market research and analysis of opportunities, PNC Bank is able to formulate strategies that enhances its competitiveness in the banking industry. Having identified marketing as an important factor in increasing profitability and a source of competitive advantage, PNC has thus invested its monetary resources in the marketing department

Organizational culture is another internal factor that greatly impacts on the performance of PNC Bank. Shieh and Wang (2010) describe organization/corporate culture as the depiction of the values of a certain company which consequently affects the behaviors and activities of the employees within that company. PNC Bank has had a history of supportive culture since its inception. The bank has always encouraged and provided a holistic and family-like environment to its employees where the staff members are able to work productively. It has also encouraged an innovative culture amongst the staff where the personnel are encouraged to adapt to new ideas and keep up with the latest technology in the banking sector through training so as to better service provision to the customers.

Human resource is also a huge internal environment characteristic that has an effect on the daily operations of PNC bank. In order for a business to achieve competitive advantage a business needs entrepreneurial, visionary and innovative employees (Ahmad, Ali & Iqbal,

2012). PNC Bank has employees who are highly skilled and experienced in the banking industry, they are motivated, goal-oriented and are also team players. The bank is run by a management consisting of leaders who can distinctly communicate the direction the bank is headed in the future, inspire the staff and address shortcomings in a coherent approach. Through this the bank is able to maximize profitability and productivity.

Strengths

Strengths are those attributes that enables a firm to accomplish its mission and upon which repeated success can be sustained (Osita, Onyebuchi & Justina, 2014). PNC Bank has several strengths that has resulted to its continuous success over the years. The first and foremost strength of this reputable financial institution is its efficient customer service. PNC Bank has one of the most outstanding customer service personnel in the banking industry. From the frequent customer assessment surveys carried out by the bank, customers for a long time have always acknowledged the efficiency of PNC Bank customer service in handling customers' inquiries, complaints and requests in a friendly, professional and on a timely manner. This has earned a reputation for the bank in the banking industry.

The second strength is the bank's resources. PNC Bank has financial and intellectual resource at its disposal. The bank has a large customer base from the young to the old who have chosen to keep their money in the institution. Through this the bank has been able to grow from a small bank to the financial giant it is today in the banking industry. After the bank approval, customers can access huge amounts of loans with low interests. The bank also boasts of qualified personnel with bachelors and masters degrees in accountancy and business courses who are responsible for its tremendous growth and increasing profitability each year.

Last but not least the bank competitive ability is a major strength. Other banks have to keep up with the bank's frequent newly introduced incentives to lure more customers. Its adoption of the latest technology in the banking sector, low interest rates on loans, agency and mobile banking services give the bank a competitive advantage over the other banks.

Weaknesses

Weaknesses are the qualities that hinder an organization from achieving its objective and its full potential. This deteriorates the organization's success as well as growth in general (Osita, Onyebuchi & Justina, 2014). Lack of coordination has been a rampant demerit in the banking industry whereby the volatility in the different currencies has been a major challenge during the bank's operation in other countries (Manikyam, 2014).

Second is that PNC Bank is vulnerable to risk. The banking industry usually deals with finance which is prone to quite a number of risks. Customers can ask for loans and fail to repay on time causing the bank to seek alternative sources of finance or take legal action against the customers by auctioning their property with an aim of recovering their money.

Also, there is usually a huge challenge facing the bank in its bid to reach the unreached markets. The conflicting goals of the government and the bank hinder the bank from establishing its branches in rural areas of developing nations (Manikyam, 2014). Long-time banking staff may at times become demotivated and dissatisfied with the industry hence underperform. This low morale has an a negative impact on the overall revenue of the bank

Most Important Internal Environmental Factors

The most important internal environmental factors in the banking industry are as follows. The first one is information systems. Information systems can be defined as components which

aid in processing, collecting and sharing of data and information with the help of a hardware, software, and core ware and organ ware (Lipaj & Davidaviciene, 2013) .Information systems has both tangible and intangible benefits in a firm. Information systems can not only be used as a device for monitoring and evaluation within the company but also be used as a strategic tool to attain competitive advantage (Thomas & Hunger, 2012).The information systems has several purposes such as giving warning signals within and outside the firm, be used in clerical operations to produce inventory reports and payroll ,assist the management of the firm in making decisions ,create competitive advantage and also improve the overall profits.(Thomas & Hunger, 2012).With this in mind, PNC Bank has set up an efficient information system that aids in its decision, management and transaction processes.

The second important internal environment factor is operations/production. Operations can be defined as the conversion of an input to a final output (Foropon & McLachlin, 2012).Despite the output in the banking sector not being tangible; there is a lot that goes in behind the scenes in the production process for the provision of services to the customers in the bank to be seen. In most companies operations /production depicts the biggest percentage of the asset of organizational capital and human resource (Indris & Primiana, 2015).Operations/production require collaboration between the least ranked employees to the senior most ranked employees for there to be success .PNC Bank therefore emphasizes on unity and cooperation amongst its employees for the attainment of the firm's mission and vision.

Unlike the external environmental factors which organizations usually do not have control over, internal factors can be easily managed and controlled by the management of the organization (Zafar, Babar & Abbas, 2013).PNC Bank can use this fact to its advantage.

Competitor Analysis

Competition is the rivalry that exists among sellers with an objective of achieving goals such as increased profits, increasing sales volume, market share by differentiating the elements of product, price, promotion and distribution (Czepiel & Kerin, 2012) The main competitor of PNC Bank is Allegiance Bank .Established about three years earlier than PNC Bank, Allegiance Bank has been rated as the top 3 best performing banks in the region in the last three years. Despite not beating PNC Bank in terms of profitability in the annual financial reports, Allegiance Bank has been a serious competitor having finished number two in the financial year of 2015/2016 as the bank that made the most profits.

From our market research Allegiance Bank own 37% of the market share compared to PNC Bank 43% market share. In the last year they had established 10 more branches in other states compared to 13 branches that PNC Bank managed to establish in the United States. The bank attained a 52% growth rate compared to 57% attained by PNC Bank in the same year. They introduced loans that attract lower interests compared to PNC Bank and also managed to introduce mobile banking application that enables one to access the bank account without having to physically visit the bank which had been done previously by PNC Bank. The mobile banking application has lower transaction fees so as to encourage more customers to use it. Bank loans are also easily accessible and made instantly available upon request by customers of course after the customer has attained the requirements. The bank has also managed to renovate their older banks and managed to curb queuing by introducing seats where customers wait as their ticket number is called out to be served.

The bank has increased its advertising campaigns marketing its brand on various digital platforms such as YouTube, Facebook and Twitter which command larger audiences, billboards,

posters, pamphlets, brochures, and radio and television advertisements. This has greatly boosted its performance

Organizational Structure

Organizational structure can be defined as the formal system of duties and reporting relationships that motivates controls and coordinates personnel in a bid to bring cooperation so that the firm's goals are achieved (Tran & Qian, 2013). The PNC Bank has a properly strong internal structure with an effective administrative and communications structure. This has resulted to tremendous growth in the bank and has boosted its productivity and facilitated its expansion.

The management of the bank is open to ideas from its employees. The management encourages its personnel to be creative and bring ideas on the table that would enhance the success of the bank. Unlike other organizations which are run on bureaucracy the bank has a leadership that promotes team work and invests heavily into its marketing and research department to identify gaps and viable opportunities that the bank can utilize.

The level of professionalism of an organization's structure has great influence on its performance (Armbruster, Bikfalvi, Kinkel & Lay, 2008). The PNC Bank personnel are made up of highly trained and professional individuals. They are able to make sober and informed decisions in their daily undertakings and are able to work with minimum supervision ensuring efficiency and productivity as this reduces time wastage.

The organization is guided by the mission and vision statements that emphasizes every employee should align his or her objectives to the firm's strategic goals, the leadership encourages the subordinate staff to prioritize work and specifies targets through which

employees are able to aim and work towards its attainment. Frequent appraisals are conducted by the management to evaluate the performance of the firm's workforce.

Firm's Competitive Position

There are several approaches that PNC Bank that sets it as a force to reckon with in the banking industry. The bank has adopted a cost leadership strategy by ensuring low costs in the process of financial transactions amongst its employees. Cost leadership entails a firm maintaining a lower cost than that of the competitor firms to generate revenue (Tanwar, 2013). This approach attracts many customers as they would prefer low costs of transaction in their financial undertakings.

Differentiation strategy is another approach that PNC Bank implements in its daily operations that gives it a competitive advantage over other firms. Differentiation strategy involves firms bringing innovations on board to create high quality services and distinguish its brand in the market (Tanwar, 2013). PNC Bank emphasizes on the need for its personnel to maintain the highest degree of professionalism and high quality approach when delivering services to customers.

The firm also uses focus strategy otherwise referred to as the niche strategy. Despite being used by relatively small firms it can be used by any company. This approach is used where there is low vulnerability to substitutes and areas where the competition is very weak. (Tanwar, 2013). PNC Bank uses focus strategy to target one or two narrow market segments and customizing the approach to meet the individuals in the markets. With the aid of the personnel from the market and research department PNC Bank uses this approach in areas where the rival banks have higher market share and have established customer loyalty to their brand. By doing

this PNC is able to introduce their brand to new customers and consequently increase their market share.



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