

HSBC's new strategy sounds familiar

● It took a credit crunch and three handovers of the boardroom baton for HSBC to respond fully to its Household catastrophe

Nils Pratley

HSBC's strategy sounds familiar. In outline, it's the formula advanced by activist investor Knight Vinke three or four years ago: admit that trying to be the "world's local bank" generates few cost savings; remember your roots and make Asia the heartland of your business; apply greater rigour when allocating capital. And, for heaven's sake, make management accountable for hitting some hard financial targets – that way, you might awaken the slumbering share price.

Of course, chief executive Stuart Gulliver didn't credit the influence of Knight Vinke on his big announcement. But, in effect, he conceded that the disastrous purchase of US sub-prime lender Household in 2003 – the deal that provoked the activist's anger – would have failed his new "five filter" test of businesses that are fit to sit inside the HSBC stable. Household wasn't connected to the rest of HSBC.

It has taken a credit crunch, and three handovers of the boardroom baton



Passers-by walk in front of a HSBC advertisement displayed outside its headquarters in Hong Kong. Photograph: Bobby Yip/Reuters

since Sir John Bond's time, for HSBC to respond fully to its Household catastrophe. But, finally, it seems to be there.

Gulliver was guilty at times today of spouting jargon. All that "de-layering" and "re-engineering", one assumes, was to avoid putting a figure on job losses; staff, who are being asked to display "courageous integrity" in the performance of their duties, might reasonably ask for courageous plain speaking from the boss on how \$3bn of costs will be saved. One also

wonders whether any strategy that requires 10 hours of presentations from 19 speakers can be executed swiftly. Getting shot of some of the underperforming units will not be straightforward.

But, at heart, there's a simple idea – HSBC will concentrate more on what it does most successfully, which means trade and corporate banking. It sounds a reasonable plan, just as it sounded reasonable when outsiders were lobbying for a shake-up all those years ago.