

Georges Elhedery on simplifying HSBC

**Speakers: Georges Elhedery, Group CEO, HSBC
Francine Lacqua, Journalist, Bloomberg**

[Francine]

So, Georges, talk to me about when you get the call that you've, you know, been appointed chief executive, what's your first thought?

[Georges]

Of course, the first thought is to be humbled and honoured for being given this fantastic responsibility. But what really mattered for me is what I can do for this bank, not who I was or what my title was in this bank. Now it so happens there's a lot you can do as a Group CEO in terms of effecting change...

[Francine]

Yeah.

[Georges]

...Or bringing potential to the bank. So it was, therefore, the great kind of opportunity for me to be able to do what I really set out to do and what I had the full support of the board to do.

[Francine]

But you moved fast, right? You got appointed and then you actually said... does the chief executive need to move fast to kind of say, right, this is the change and this is what we need to be, and is it all on you, or did you govern by consensus?

[Georges]

So, a few things on that, Francine. The first one is there is massive potential in this bank. Some of it needed to be unleashed, it needed to be unlocked, and some of that unlocking of the potential had to go through re-engineering of certain of our aspects. Re-engineering the bank, rewiring the bank so that we can unlock this potential.

Then having been in the bank 20 years, operating in a number of geographies and businesses and functions myself, I've built a lot of experience and a very large network of colleagues who have been also feeding their input and their concerns, which kind of forms a kind of action book if you want.

And then third, very importantly, I was already sitting at the board as a Group CFO before I took the CEO role, and all these conversations I was having with my board.

And if you have the support of the board, you, of course, you know, have the kind of right to be able to act quickly.

[Francine]

But what was the most difficult thing about that first restructuring plan because you have to get rid of units that maybe you're attached to, having worked here for so long. There's, you know, people that you like that maybe you've had to move around. Again, was it intellectual, or, you know, are you ruthless about it?

[Georges]

I was definitely ruthless about killing the complexity and the drag in the bank. The most difficult part is when you have to separate with some of your colleagues. I think we've been very thoughtful, we've been very considerate.

We've done it hopefully the right way and the most respectful way for the benefit, ultimately, of the firm and its customers.

You want it. You need it. We need it to be agile. We need it to be, you know, to be ready for the modern world, and to be that we needed to be simple, and therefore, you know, kind of everything then drives what decisions you take from that mission statement.

[Francine]

How did the bank become so complex, and again, this is something that actually most organisations have to face as they grow. I guess there's, you know, various factions, or a lot of companies actually could just become much more simple and simplified. What did you see?

[Georges]

Entropy is a feature. Entropy tends to increase, which means complexity. If you do nothing about it, it tends to increase rather than decrease. So, things don't become complex by design, they end up becoming complex by lack of focus. So, bringing the focus at the simplification will allow you to start dealing with it. That's the first observation.

Second observation is you have to be extremely methodical. What has created the, you know, complexity? How can it be addressed methodically? Try to identify ways to be simple. Some of the ways to be simple is to decide not to do certain things, and this is why we exited a number of activities.

The third thing is when you're taking structure decisions, you have to start from the top down. You can't take structure decisions from the bottom up. This is why the first decision structurally that I've taken relates to simplifying the Group operating committee. We moved from more than 20 people to about 12.

More importantly, we moved from 0% single accountability. Everything had dual or multiple accountability to now about 60% of our revenue is generated under single accountability. So, that's important.

And then the last thing, Francine, is to be patient because there's not going to be, we're not solving simplification overnight. It's going to be a journey, and we have to be relentless at that journey, quarter after quarter, month after month, until we get the desired outcomes. And that journey is still on. Like, we're not there yet.

[Francine]

But as a big chief executive of a big bank, you basically have, you know, the shareholders that you need to please, so simplification maybe helps them with understanding what the bank wants to become, you have your clients, and then you also have the employees, so how difficult is it to juggle these, you know, three masters?

[Georges]

So, there is one consideration, which, fortunately, the three masters align on, is being best at what you do. Your customers want you to be the best at what you serve them with. Customers, tick.

Your shareholders will pay you for what you're best at doing. They won't give you valuation for something that you're average. They will give you valuation for where you really command, where you're an authority in being able to provide that service or that product in that market, so the shareholders align to be the best.

And then our colleagues want to be the best at, our colleagues want to win. Our colleagues are in a competitive landscape and they want to win, and they basically thrive when we're delivering the best we can and when we're delivering best outcomes, and we're basically the best at what we do.

So, you know, you take this as a guiding thread and you say, "let's focus on that".

Focus where we can grow in areas where we're the most competitively advantaged, and then everybody aligns: colleagues, clients and shareholders.