

Job Cuts and Parties

Contributed by Vanson Soo
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Are Banks Serious About Cutting Costs?

It may appear that the banking sector is once again vigilantly exercising prudence and going all out with their cost-cutting measures in case another global economic and financial crisis is on the horizon.

The sector is shedding thousands of jobs – 5,000 alone in 2011 from Hong Kong’s HSBC with another 25,000 reported to be cut by the end of the year. Across the sector, as many as 60,000 jobs are set to disappear globally, according to news reports. The job cuts, as the banks’ press releases usually say, are the last resort in order to cut costs and boost profitability during the challenging times that are coming.

I doubt they have used up their cost-cutting algorithms, however. Let’s take a closer look.

Top-level senior executives of some global banks who were supposed to be regular delegates say they will be unable to attend the 2011 Annual Meetings of the World Bank Group and the International Monetary Fund to be held in Washington DC on Sept. 23-25. Banking sources say this is an important annual event for top bankers to meet and discuss business matters and also to get first-hand updates about the global economic outlook from these two institutions at a time when the Eurozone is in a serious crisis and the US is buried in debt.

According to the homepage for the event, the meetings bring together “central bankers, ministers of finance and development, private sector executives, and academics to discuss issues of global concern.” Indeed.

You would be forgiven if you thought the world has come to an end, as the cost cutting measures at the banks have gone so far and so deep that even important business meetings like these would become casualties.

The truth is that the event this year was “inconveniently” scheduled for the same weekend as the Singapore Grand Prix. Yes, you heard me right. Some of those usual delegates in the top echelons of global financial institutions chose to skip these important business events for a party in Singapore.

But nobody would say he or she is flying to Singapore for a party. It just so happens there is a sudden board meeting,

some urgent matter to attend in person, a new client to meet immediately, or whatever reason is necessary to justify a business trip to Singapore at and around those specific dates.

This is certainly nothing new and not just confined to the banking and financial sectors. How many times have you heard of those sudden urgent important visits to your Hong Kong office by top executives from the headquarters in late March, the same weekend as the Hong Kong Sevens?

But with another economic menace in the making, stock market panics and job losses (and the need to create new jobs) dominating headlines, one might expect such behavior would have been checked.

Take into consideration the fact that those untimely trips and related expenses do not come cheap. Many of the hotels in downtown Singapore, especially those that offer a view of the Formula One racetrack, are charging more than double their usual rates during the event.

When the going gets tough and the tough get going, cost-cutting requires management by example and the right culture set from the top. Who dares take business class when the boss flies coach? I recall once meeting a senior executive from the US who complained privately that he was in serious trouble: his mileage plan was some 20,000 miles short of what he needed to bring his family on a Christmas holiday.

It is not unusual to overhear bankers at the bar whining about the hotel and lounge services they are forced to put up with. Their egoistic mentalities require that they have to be well treated. How they travel and where they stay reflects on their status and seniority within the bank. This mentality should be expunged, period. Unfortunately top management often pays only lip service while their secretary knows best.

I have a suggestion. Many banks now have internal guidelines about taking economy flights and staying at cheaper hotels for internal meetings overseas. But if there is a business justification to the trip, this policy does not apply. This leaves a glaring loophole and lots of meaningless courtesy calls to clients – which I suppose applies to many of those flying to the Singapore Grand Prix. Why can't these courtesy visits be just phone or video conference calls to start with?

(Vanson Soo runs an independent business intelligence practice specialized in the Greater China region. This also appears in The Standard of Hong Kong. Email: soovans@gmail.com)