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# LISTENING TO HISTORY

A cautionary tale

Why would the story of a UK bank in the 1970s be relevant to St. Helena? **John Turner at Burgh House** explains.

When I was growing up the UK had a large number of established banks; not just the ones that everyone used (the so-called 'big four') but also a number of more specialist banks, some of whom had been in business since the 1600s. The story of one of these banks is important to St. Helena today. Let me tell you the tale; the relevance will become clear.

Our subject was established as a bank in the middle of the 19<sup>th</sup> Century, and by the 1970s had a long and proud tradition and many happy, loyal customers, both individuals and businesses.

Unlike most of its competitors it believed strongly in its culture and traditions. In the 1960s many banks threw out their history and modernised, but this one did not. It cautiously adopted new technology but culturally it was largely the same in 1970 as it had been at the beginning of the century, and its customers loved that about it.

Most of its business customers had grown up with the bank, having opened accounts with it when they (and it) were younger and having remained with it as their businesses grew. They still did business much as they had always done, and wanted a bank that did the same. This gave our subject the large and reliable customer base it needed to remain successful.

To preserve its culture it did not recruit to senior positions, preferring everyone to start at the bottom and work their way up. That way it ensured that anyone who reached an upper management or Board position knew how the bank worked, and what it did and didn't do. And when, in the 1970s, banks and other businesses started using management consultants to advise them on strategy and operations it steadfastly refused all approaches. It was well known that this bank did not feel that it had anything to learn from outside. And why should it? It was successfully doing what it had always done.

## ***And then the 1970s became the 1980s and everything changed.***

Whether you remember the 1980s, or have just heard about them, from others, you will know that they were a decade of great economic upheaval; in the western world generally but particularly in the UK and America. What we now call globalisation was beginning and established industries in the old world were facing competition from developing countries with cheaper labour and more direct access to raw materials. Many of the businesses in traditional heavy industries failed, and were replaced by newer industries, run by younger people, in hi-tech fields like electronics and computers, and by smaller-scale service industry businesses.

Our subject was disproportionately hit by this. Most of its business customers were in the old, dying industries. Most of its personal customers were elderly too. Its culture and tradition were unattractive to the people who ran the new businesses that were taking over. It faced a bleak future. It reacted with surprising insight.

It realised that its tradition and culture were strangling it, and decided to change. For the first time in its history it sought advice from outside and hired in a number of bright professionals to very senior manager positions, setting them the task of changing the business. I know about this because a friend of mine was one of these people. These newcomers set to work and quickly identified what



was wrong with the bank and how it should change. They made recommendations which would turn around the bank and make it a leader in the new market.

And so it might have been, but the bank had made one fundamental error. It had not changed the Board. They had all been with the bank since they left school, knew how it had always worked, and were uncomfortable with change. Every single one of the newcomers' recommendations was politely declined. The Board was not listening. Seeing that they were wasting their time, the new hires left the bank one by one; within two years they were all gone, my friend among them, to find jobs elsewhere, in banks that would listen to what they had to say.

Unable to change the bank's decline continued and by the end of the 1980s the inevitable had happened. A foreign owned banking group, recognising the value of a presence in the UK banking market, bought our subject for a knock-down price. It sacked the Board and revolutionised the bank. By the middle of the 1990s the old name and all that proud tradition had passed into history and was no more. After the fall of the Berlin Wall the bank's former head office building was bought by a Russian property developer and turned into a hotel.

### ***And the point of this story?***

St. Helena stands on the brink of an event that will be as dramatic for it as the 1980s were to the western world. Air access will bring about far reaching change on a scale that is hard to conceive. Businesses here, and indeed the whole island, will need to listen to new ideas and then adapt to gain the benefits of that change. If they do, they have a bright future.

If they do not they may find themselves following our subject along the inexorable path to oblivion.

John Turner

Director, Burgh House Limited – [www.burghouse.com](http://www.burghouse.com)

