

Memories of a gentlemen's club

Four recently published books illustrate the diversity of the finance and investment industry.

The Remarkable Roller Coaster — Forty Years in the Australian Finance Industry

By Jim Bain

HarperCollins, \$32.95

In forty years as a stockbroker, Jim Bain was privileged to experience some of the most memorable episodes in recent financial history — the mining boom of the late 1960s, the dramas with inflation and the property boom-and-bust of the 1970s, and the changes brought in the 1980s by deregulation and internationalisation.

Bain recounts his experiences in detail, which makes the book an engrossing read for those familiar with the participants. For others, it is a valuable first-hand tale of the ups and downs in the world of finance. Bain is refreshingly candid in his revelations of failures and mistakes. And there are some nice vignettes: for example, the company Bridge Oil NL was so named at the suggestion of Paul (later Sir Paul) Strasser, the impressive chairman of the Parkes Development Group who was a successful bridge player, often winning against the odds. The founders of Bridge Oil, writes Bain, felt that Strasser's luck would rub off on them as well.

A small criticism: all readers benefit from an index and its absence is an irritating omission.

Bain, who had joined the family firm as a school-leaver, comments that today "it is

almost impossible to duplicate this kind of career development. A new employee with a university degree would hardly work as an office boy for the basic wage. But it is just as necessary to be trained in all aspects of a company's activities, given the increased complexity and competitiveness of the financial scene."

He recalls that the stockbroking profession he joined in 1948 was very conservative, male-dominated, almost entirely made up of WASPs and it was "virtually impossible to obtain employment in one of the small Sydney firms unless you were a relative of the partners and had attended a leading independent school. It is no wonder that some people referred to it as a 'gentlemen's club'."

Bain, although born into a stockbroking family, was alert to the narrowness of the stockbroking world and did much to relax Stock Exchange rules and make the industry more accessible to a wider range of young people. He seems to have taken to heart his father's words: "The Bains are inclined to be lazy and I don't want you to follow suit."

The "gentlemen's club" was already becoming a memory when Bain retired in 1986, by then chairman and managing partner of the firm. Bain and Company fared badly during 1987, with the firm taking large principal positions which resulted in large losses when the stockmarket crashed in October. Bain writes

that it was not until the middle of 1988 that the full extent of the realised losses on these positions was accurately known. "The \$31 million of realised losses virtually wiped out the firm's substantial capital base, which we had worked so hard to build up over the years, and the only answer then was to bring in a substantial financial institution as a 50% or 51% shareholder," he says. Enter Deutsche Bank, which acquired 51% of Bain and Company and moved to full control in 1992. In 1996, as part of a global branding of its investment banks, Deutsche Bank stopped using the Bain name, ending the company's 120-year life.

For Jim Bain, though, retirement meant he was able to indulge an early ambition to own a rural property.

The Numbers Game

By Trevor Sykes
Allen & Unwin, \$24.95

Penned by the alter ego of that infamous and well-read wit, Pierpont, *The Numbers Game* takes the reader through the minefields of basic financial analysis of balance sheets, profit-and-loss statements and prospectuses. It also covers investment strategy, hostile vs friendly takeovers and what Sykes calls the "boring but essential" fixed-interest sector.

Written in Sykes' idiosyncratic, highly readable style, it delivers its information and lessons on this arcane subject in probably as digestible a form as is humanly possible.

Sykes acknowledges considerable coercion into writing this book from his publisher and shares a discovery made by all writers embarking on such a project: the best way of discovering how ignorant you are of any subject is to attempt to write a quasi-textbook on it.

He describes his book as "Sykes-chart of Australian balance sheet analysis", compiled much as a maritime chart of coastal seas identifies reefs and shoals by the names of those who came to grief on them. As he says, if *The Numbers Game* helps the reader avoid a single shoal, it will have covered its purchase price.

Naked Among Cannibals

By Graham Hand
Allen & Unwin, \$29.95

Graham Hand wrote this book at considerable personal cost. As he comments at the start: "If this book makes a few bankers consider the wider implications of their actions, then it will have achieved something other than the destruction of my banking career and consultancy business. Hand biting the hand that fed him!"

Having joined a suburban bank branch in 1976, Hand went on to become deputy treasurer of the State Bank of NSW and managing director of First State Securities Limited. After a quarter of a century in banking, he believed that something was wrong. And he decided to write about it.

In doing so, Hand has produced a book that offers a rare peek into how a major bank operates. *Naked Among Cannibals* traces the history of the once sleepy Rural Bank of NSW from the early 1980s, when it was reincarnated as the State Bank of NSW under chief executive Nick Whitlam, to its sale last year to the CBA.

Hand tells how under Whitlam, and then under John O'Neill, the bank entered the big league of lenders. Whitlam opened international offices in New York and London and an interstate branch in Melbourne. A notable early loan by State Bank was to Alan Bond for his purchase of Castlemaine Tooheys Ltd. Whitlam was the only Australian banker willing to back the purchase, Hand writes.

John O'Neill succeeded Whitlam in 1987. At 35, he was head of Australia's fifth-largest bank and earning record profits. He inherited majestic new offices in Martin Place, estimated to cost between \$6 million and \$10 million and famously sporting a black marble lift lobby with a silver-leaf ceiling, doors inlaid with Macassar ebony and wall panels of flame mahogany veneer.

O'Neill initially "hopped on the lending merry-go-round". He described it to Hand: "All banks were lemming-like. Then came a bad coincidence of events, such as the stockmarket crash and the recession. I admit I was not ready for the job, but I'm a quick learner."

Written by an insider, *Naked Among Cannibals* makes fascinating, though far from comforting, reading. Readers will come away wiser, and probably a great deal wiser, about banks.

Why Ethics Matter — Business Ethics for Business People

By Attracta Lagan
Information Australia, \$34.95

It is common whimsy that the term "business ethics" will invoke snorts of derision, comments about oxymorons and unflattering comparisons such as "British cuisine" and "army intelligence".

But as noted in the foreword to this book, inattention to business ethics has led to some spectacular financial and public relations disasters in corporate Australia.

Attracta Lagan, head of KPMG's Ethics and Sustainability Business Services, writes clearly and brightly about why business ethics has become so important, how ethical issues arise in the workplace, why people behave as they do and how organisations can help themselves to manage ethical issues.

She points out that it is not enough to intellectually understand the different ethical frameworks available: "Real-life situations have a habit of sneaking up on us when we least expect them . . . It's a bit like training for a City-to-Surf, it is not something we wake up to one day and suddenly do."

Lagan devotes a chapter to dispelling the myth that ethics cannot be taught, saying that business ethics is "now considered a management discipline with most universities and training colleges providing some form of training". She comments on being "struck by the number of people within organisations who dissociate themselves from their current occupation or employer. Many defend their presence . . . as being only a temporary stop on their way to doing what they really want to do. Such admissions are red flags to me . . ."

If organisations and their managements can learn to identify the red flags and take action, problems might be averted. **J**