



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

*“Ay, but you must confine yourself within the modest limits of order”*

Twelfth Night

Written in the wake of financial turmoil, economic freefall, spectacular profiteering by MPs and abuse of corporate power, our piece last July glimpsed the possibility of a chastened society working towards reordered priorities. It raised a hope that the market-based system might retrieve some of its tarnished credentials and investors recover some reasonable expectation that business and enterprise would be allowed to earn its proper reward. Ten months on, the question for investors is whether the result of the general election brings nearer this possibility.

This is not just a question for UK-based investors. Investors overseas may care to cast more than a fleeting glance at recent events in Britain. For the mood of mistrust crystallised here in a poll of a mere 40 million or so reflects a disillusionment that is broadly shared by the whole constituency of Western nations. Given the prevailing mood, most investors must be anxious. They will look at the recent meteoric recovery in global stock markets and wonder whether it will prove justified by a more responsible and sustainable share-out of the benefits of a mixed economy, or whether a pall of mistrust will continue to hang overhead, like a cloud of volcanic ash, darkening any vision of a better order.

In Britain, the Augean Stables that was Westminster have been cleansed. A fresh intake of untainted representatives has the opportunity to re-establish Parliament's authority as servant of the people. 232 new MPs must know that they have to earn the people's trust. They know that voters have swallowed too many disappointments and can no longer be fobbed off with self-serving rhetoric and statistical trickery.

Change also looms large on the business horizon. But a few weeks ago the British prime minister of the day observed, ruefully, that he “should not have listened to special interests. You do not listen to industry when they say ‘this is good for us’. You have got to talk about the whole public interest”. That was Gordon Brown but he was echoing the mood of the American president too. Like it or not business, especially the financial sector, has its back to the wall. Unless it adapts itself to changed political priorities, big businesses will be crushed beneath the heavy roller of public frustration. All business leaders, not just those in the financial sector, will need to set different priorities, re-orientate their whole approach to business if they are to begin to recapture the trust of their customers.

In particular they need to re-examine whether a single-minded focus on financial returns at the expense of customer satisfaction serves shareholders or indeed themselves well in the longer term. They have to face the fact that a narrow view of their corporate responsibility may be unsustainable today. Goldman Sachs's recent exchange with Congressional leaders in the USA gives a flavour of the shortcomings yet to be fully acknowledged and the adjustments required.

In planning how to adapt themselves, big-business executives might well reflect on the experience of successful smaller companies. Smaller firms, including this one, know that their survival and prosperity depend on keeping the requirements of their customers in close focus. When customers (and clients) feel that they come first, they feel well served. And when they feel well served, trust gets built. As a firm's reputation grows and goodwill spreads out, all concerned benefit.

At first glance the usefulness of these homespun, possibly smug observations may appear limited so far as they can be applied to big business. After all, global companies cannot develop relationships with hundreds of thousands of individual customers but can only deal with their clientèle collectively. Business plans deal with

