

## Say What You Need To Say

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In our family, Labor Day weekends are usually squandered on soccer tournaments. But not this year. **This year, we labored instead at *letting go*, as we installed our eldest son ("[Thing One](#)") into his new school - Middlesex - in Concord, Massachusetts, just a stone's throw from Walden Pond.**

**Ostensibly Haden switched schools as a junior in order to play more competitive soccer.** In reality, it had as much to do with his being heartily sick of us; few things in life are as mortifying as one's family, especially when you're seventeen.

As the big day drew near - and blessed with a previously well-hidden gift for organization (who knew?) - **Haden wrote out detailed lists and packed things with the crisp precision of an English butler.** All we had to do on moving day was start driving at dawn, deliver unsolicited advice for three and a half hours (revenge for having to stifle blubbering for several days), and undergo a separation process carefully orchestrated by the school.

Along with the other new boarding school parents, we sat in a circle in dorm master Dan Scheibe's living room, soaking up his tactful advice on how *not* to be a helicopter parent. **Among his useful insights were specific guidelines regarding the frequency, medium and timing of communications.**

Apparently, calling five or six times a week is viewed as excessive, as is persistent nagging via e-mail and/or texting. And while we were invited to stay in touch, **we were also given a long list of times that *weren't* good to call, including during study hall hours, after lights out, early in the morning, etc.** (Frankly, it might have been simpler to just specify the hour and a half window between sports and dinner when communication *is* applauded.)

But we got the picture. In fact, **all of this effort on drawing appropriate boundaries around communication made me think about how we as money managers can best communicate with our clients** about the assets they leave in our care.



**As an industry, we can be very cavalier about the way we stay in touch** (when the SEC starts agitating for financial disclosure documents to be written in the vernacular, you know it's bad). We tend to forget that our clients, while viewing us as in loco parentis, haven't given up on their "kids" (assets); they want and expect to receive meaningful progress reports.

**When we started Daruma in 1995, those who invested with us were counting as much on our communications skills as on our investing prowess.** The old adage "no one gets fired for hiring IBM" also holds true in our business and we knew our clients were putting their reputations as well as their money on the line by placing their confidence in our newly hatched firm.

We honor that confidence by being transparent, sometimes to the point of TMI (too much information). **Specifically, here's what we've learned, based on what clients have told us they like about our reports:**

1. **Don't say the same thing.** I read lots of quarterly reports, across all asset classes and investment vehicles. Most say the same thing.

But **why focus on the same one or two economic statistics that happen to be in fashion** at the moment? (Remember when everyone was tracking M2 in the early 80s?) If you don't have a different point of view to share, don't waste your clients' time with echolalia.

2. **Tell it like it is.** Sometimes I think our industry assumes investors are stupid and/or won't recognize self-interest when it hits them in the face. **If your kid is in trouble, you want to know why and what can be done about it,** and you want to feel like the community has your family's back.

Clients are much more likely to be interested in the fix to a problem when they don't feel lied to.

3. **A don't-ask, don't-tell policy is deadly.** Clients don't like surprises, especially of the bad news bear variety.

One large and well-respected firm blew up recently because their quantitative model was broken and they took a long time to figure it out, fix it, and own up to it. Who knows what really went down, but **I can tell you that a sacred trust was broken,** because we got a flurry of calls asking if we'd like to pitch for their business.

When there's bad news to share, get out in front of it.

4. **Use the vernacular.** No one thinks Warren Buffet is stupid, and yet he writes so that an 8th grader can understand what he's saying.



Trying to sound smart by using lots of multisyllabic words (see?), abstract nouns that confuse rather than clarify, and heaps o' jargon, does nothing to improve communication. I don't know about you, but I want to talk to my kids' teachers and advisors without using the latest in pedagogical terminology.

**If they're clear and direct, I'm going to believe that they know what they're talking about.** If they throw a bunch of words at me like so much tear gas, I'm not going to trust them.

5. **Display quantitative information clearly.** I know, the urge to junk up charts with all that extra crap that Excel provides is hard to resist. But it wastes everyone's time and does little to improve your client's understanding of results.

So ask yourself ... **What information do your clients need? What must they really know to understand what's happening to their money?**

We can all parse data six ways from Sunday. But if a chart doesn't shed light - or worse, distracts from what's really happening - it doesn't belong in your report.

**Here's the point.** If you sound like everyone else, if your words and graphics are confusing, if your thought processes appear to be a mess, if your language is obfusatory ... **you will be perceived as incapable at best and a liar at worst.** Either way, you'll have given me no reason to stick with you when performance hits a rough patch.

As money managers we take in assets with the hope that the capital we've been entrusted with will grow, by dint of our efforts. **Staying in touch with frequent and direct communication helps us manage the inevitable separation anxiety, be developmentally appropriate, and create healthy boundaries,** so that both parties can get on with their lives.

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