

Slime, Crime, Nickel and Dime

By Mariko Gordon

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After 40 years without laying eyes on each other, my BFF when I was eight and I recently had a reunion.

Pascale had been living in her native Provence all these years and when the scheduling stars finally aligned, she came to visit me in New York City.

Remarkably, in the essentials we were unchanged - just older versions of our eight-year-old selves - **tomboyish, independent and driven**. So we had a lovely time those seven days, catching up on four decades' worth of life as we hit most of the tourist spots, including, naturally, the Empire State Building.

Here's where the criminal alert occurs: The way to the ESB observation deck is lousy with pickpockets.

Not the sticky-fingered Dickensian kind - **the less skillful, but equally nefarious, feral capitalism kind**. There was the virtual reality "sky ride" pre-security screening; the mandatory (yes, mandatory) photo taken while waiting in line; the New York City maps for sale; the coin-operated telescopes; the audio tour; and finally, the gift shop, through which you must exit to regain your freedom.

All in all, there was not a single squandered opportunity to get you to part with a buck. In fact, the only two places where you *weren't* pressured to open your wallet were at the surly security screening point and in the restrooms (I'm assuming the latter violates some law?).

In terms of dollar-extraction efficiency, there was much to be admired. In addition to the finely-tuned process described above, each of us - along with 3,499,998 million of our fellow visitors each year - forked over \$20 in admission (\$40 if you were in a hurry and wanted to jump to the front of the line).

There was, however, one *HUGE* flaw in the whole operation: **The interests of the tourists and of building management were just about diametrically opposed.** Instead of feeling energized by the glorious view that King Kong made famous, BFF and I left



feeling slimed by the incontinent merchandising of ESB management.

But aren't they maximizing revenue? After all, some out-of-towners will never be back in the Big Apple anyway. But many others - either residents or frequent visitors - will use this experience to spread the word, good or bad. Why try to pick my wallet so clean and risk pissing me off when an inexpensive gesture or two of goodwill could generate a warm glow?

If mutual interests are misaligned, the long-term results are typically lousy.

Sound familiar? **When it comes to aligning the interests of customer and company, our industry often fares no better.** Because while we are constantly cross-examined about the robustness, scalability, replicatability - and every other word that ends in "-ability" - of our investment method, **when we focus so hard on process, we risk missing the bigger picture:**

- **As money managers**, we can fool ourselves into thinking that a flawless process is enough to keep clients happy, without asking often enough whether the *raison d'être* of our business supports or undermines our process.
- **As clients**, we can focus so much on a blow-up-proof process that we neglect to examine what motivates the firm, both short-term and long-term. And an investment process that's not aligned with your interests will always violate the "life is too short" rule.

So ask yourself: Do clients exist to serve the firm, or does the firm exist to serve clients? Is it a mutually symbiotic relationship, or does one party have the upper hand? Are small clients bullied by large firms? Do large clients demand special treatment from their small investment firms just because they can?

Whatever the specifics of the relationship, **if there's a power inequality that is willfully exploited, there is unlikely to be a healthy, long-term business partnership beneath.**

Here at Daruma, not every decision we've made would pass a B-school case study. We haven't always extracted the last nickel. We've given assets back. We've shut down products when we've felt they would become a distraction. We've turned down offers to be bought by larger firms. We invest in marketing schemes like a Gambian soccer team, because it makes us happy to help others.

But it's not entirely altruistic either; if we're happy because our investment process and our business goals are aligned, we'll do our best work on behalf of our clients. And in our experience, **clients who experience your best, without having to shower off after every meeting,** will consistently - and eagerly - come back for more.



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