

## When There's No There There

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**My 13-year-old son Lucas is not only a rabid sports fan, he's also a shrewd negotiator.** So when I dragged him to Los Angeles for the opening of Kip Fulbeck's show, [MIXED: Portraits of Multiracial Kids](#), at the Japanese American National Museum, Lucas made sure he got a good deal.

Now mind you, he was *IN* the exhibit and got to see his picture projected onto a screen the size of South Dakota. **He even got a shout-out from Kip himself during the presentation to a packed house.** And yet I **STILL** had to bribe him. Yep, that kid's got a promising future in big time politics.

**In this case, "Pay to Play" meant two things ...**

**First, we attended a Lakers game, in which we sat directly behind Uncle Jack (Nicholson that is).** Unfortunately, we were about a thousand feet up in the air - albeit *directly behind Uncle Jack* - sitting in (I'm not kidding) the very last row of seats at the Staples Center. (Final score: Lakers 106, Timberwolves 94, Nosebleeds 2)

**Second, we bought tickets to attend the [Lakers Fan Jam](#),** an event held the following day at the LA Convention Center. These tickets were even harder to score, but luckily, we were given the heads up by a West Coast friend and had purchased them weeks before.

Lucas couldn't wait to get to the Fan Jam and that morning I had to assert a full-court mom press just to make sure we got breakfast. We arrived at the convention center soon after and joined in with the yellow and purple throngs. **True to its name, the Fan Jam was jammed with fans.**

We queued to enter and then queued dutifully to sign waivers. There were ropes and stanchions everywhere for crowd control - at the dunking station, the free



throw station, the bungee running station. **Everywhere we looked we saw nothing but people standing in line.**

The line to take your picture with the trophies was longer than the TSA line at Newark Airport on a Friday afternoon, as was the line to take your photo with a cardboard cut-out of a Lakers player. **There was an even longer line for an autograph from a couple of cheerleaders** (ask me someday to deconstruct NBA cheerleading squads - I have many interesting theories).

It took me a few minutes, but after a little while it hit me like a basketball to the side of the head: **The one thing that was glaringly absent amidst this purple and yellow mob were the Lakers themselves.**

That's right, the objects of fandom, the raison d'être for a Fan Jam - **the players - were nowhere to be found.** Not a one. As the man with the megaphone explained, autographs were to be randomly distributed as prizes throughout the day.

**WTF? We could have seen cardboard cutouts and big yellow foam fingers without ever leaving Manhattan.**

And that is exactly the point ... **sometimes what's most important is what's missing.** Which is why whether I'm at a Fan Jam with my son or at a meeting with a company in which we are considering taking a position, **I ask myself, "What's not here?"** If there were a guy with a megaphone, what would he be saying is not happening?

**Some noteworthy examples from recent history:**

- After sitting through a PowerPoint presentation choked with graph after graph, **I realized that there was no mention of cash flow.** Nothing. Surely a company parsing through more data than needed for a space shuttle launch should talk about how much cash flow they created? A simple question clarified the omission. **Sure enough, the company hadn't generated free cash flow since the Pleistocene.**
- Another company **bragged about buying back 25% of its shares outstanding** due to all the free cash it generated and returned to shareholders. **Noticeably absent was a mention of the net reduction in shares outstanding.** Turns out that management issued itself so many shares that the buyback merely kept the share count from creeping up. Management was taking shareholder free cash and buying back stock to pay themselves. Nothing to brag about, in my book.



- **When we visit the manufacturing operations of a company I always check for two things:** prominently displayed and up-to-date safety statistics (and by this, I don't mean Soviet-style workplace exhortations) and manufacturing stats displayed at each workstation. Over the years I've learned (and had confirmed by both CEOs and insurance risk managers/auditors/underwriters) that **companies that pay attention to their safety record tend to be good operators and are on top of their manufacturing processes.** Not there? Red flag.

I also look for manufacturing lines that keep track of their output, downtime and quality defects and that keep this feedback loop right where the workers who generate the data are. This is a sign that they're interested enough in their processes to monitor and thus improve them. **Without data there's no way to know if trends are better or worse, or how they might be changed.**

So remember, whether you're meeting with company management, interviewing a group of portfolio managers, or simply attending your next Fan Jam, **you'll often learn more by keeping an eye on what's *missing* than on what's staring you right in the face.**

Until then, let Lucas and me know if you're interested in a slightly used, decidedly *unautographed*, giant foam finger.

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