

Excess Returns

Monthly insights for investment marketing and sales professionals



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Why are so many presentation books for institutional asset managers so bad? These books are designed to guide, inform and serve as a tangible record of new business and client presentations representing millions in revenue. Everyone understands how important they are. Everyone works very hard on them. Why then do most books look alike, sound alike and suffer from the same obvious flaws? By understanding the many answers to this question, investment firms can move closer to an enduring solution.

With best wishes,

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In This Issue

Everything and the Kitchen Sink

The Entropy Factor

The Cost of Verbosity

Alpha Partners is an investment marketing firm specializing in research and presentation strategy. Our goal is to create alpha (excess returns) by helping investment firms win, keep and diversify assets under management.

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Everything and the Kitchen Sink

Recently a prospective client called our firm asking about one of our primary capabilities: presentation strategy. The prospective client tells me that her boss is interested in improving her firm's new business presentation. Her firm recently lost a significant piece of business and consultant feedback points to the presentation as the principal reason for the loss.

So I ask, as I always do, "What do you mean by *presentation*? Do you mean the story itself, how you tell the story in person, the story told by the book, the way the book looks or all of the above?" "Oh, the book," she said, "the book is fine. We have done a lot of work on our book and we are very proud of it. We do not want to make any changes to our book. We want to improve the way we tell the story."

What she means is the way her team tells the story *using the book*. If the presentation is ill, we know from experience, the disease often originates in the book. In the due course of time, she sends us the book and I am dismayed to see that it is dreadful, even more so than most. It is so dense with competing information that, if there is a good story, no one, even the presenters themselves, is likely ever to find it.

This happens all the time: people tell me they have a problem with their presentation but their book is just fine. And, as with any serious disease, one must first diagnose the cause before prescribing a cure.

Root Causes of Bad Books

In a spirit of solving the problem by understanding it, let me put forward a few key reasons why these books so often fail to achieve the desired effect.

- 1. The relationship between importance and complexity.** The more important something is, the more complex it becomes. A lot of people, often with strong opinions and competing objectives, become involved in the creation of these books. The result of too many cooks rarely is what the original chef intended. In fact, many books begin to have a certain everything-and-the-kitchen-sink feel that is completely at odds with their desired effect. One even sees individual book pages that look like they were created by a hoarder. A single page, for instance, might try to explain its primary meaning in three different ways and in three different places: the title, the subtitle and what is sometimes known as a “strap line,” which looks like a giant footnote at the bottom of the page. And this does not even include all the bullets and sub-bullets and yes, even sub-sub-bullets. Investment firms frequently invoke the tenet “less is more.” But they rarely live the reality of this tenet when creating their presentation books.



Photo by Steve Spencer

Too many cooks spoil the broth. Presentation books created by committee often have too many contradictory ingredients.

- 2. The challenge of fulfilling a dual purpose.** A presentation book often is sent ahead or left behind. So investment companies feel compelled to include all those bullets, thereby forcing presenters to repeat information because there is nothing left to say that is not already on the page. As dramatized in a [war story](#) on our website, however, information overload flows from a legitimate fear that decision-makers will decide that less is not more but, well, less. In our practice we have seen hyper-minimalist books providing so little information that the presenting firm might be perceived as lacking in substance. When the book must stand alone, there is a point where too much information causes a reader to shut down. But it also still is possible to provide too little information.
- 3. The philosophy-process-people-performance formula.** All investment managers must present consistent with this formula. It is required and expected, and it makes a lot of sense. But in implementing this formula, investment firms frequently achieve merely formulaic results. It is a difficult art to stand out from a crowd of competitors while at the same time checking all the required boxes.
- 4. The myth of the secret sauce.** We often hear stories that are much more interesting than the story told by the book. When we ask about this discrepancy, people sometimes tell us that they do not want to give away “the secret sauce.” Here again, there is a happy medium between providing too much information and so little information that potential clients might suspect that you are hiding something or, perhaps worse, that you lack any real competitive edge.

- 5. Fear of linearity.** Many of these books include investment process maps with so much detail that it is impossible to connect the parts to one greater whole. When we try to communicate the process in a few simple, linear steps, we are told that “It isn’t that simple in real life. One step does not follow another like that. What we do doesn’t really fit what it says here.” This fear of oversimplification, while certainly valid, tends to result in unnecessary complexity. “Of course,” we tell our clients, “we know it’s not this simple; this minimalist, linear process map is merely a representation to facilitate understanding. Everyone knows that the full complexity of your investment process cannot be captured on one page. But the main thing is to be clear.” A clear visual depiction of your investment process sends the following vital message: “Our process is repeatable and therefore our performance is repeatable.”

Did I tell our new client that we thought her book was in need of an overhaul? Yes, eventually and with considerable tact supported by specific examples of potential improvement. After all, if I was her doctor and she told me she was fine when I knew she had cancer, I would be duty bound to correct her. Is this overdramatizing a bit? Yes and no. A bad book won’t kill you, but it might very well contribute to the death of your business.

The Entropy Factor

Years ago my partners and I had a fun meeting with a group of communications professionals who wanted to recreate their firm’s presentation books. Their current books were long, dull and probably very difficult for presenters to use. Once upon a time, they told us, these books had been really good, before migrating to their current unwieldy state. When asked why the regression, they said, “Oh, you know, the entropy factor.” *Abhh ...* we all said laughing, *the entropy factor*. [Entropy](#), broadly defined, means “a process of degradation or a trend to disorder.” Here is what “entropy” means in the world of investment presentation books: doing the same thing over and over again without knowing why, thereby perpetuating a state of randomness and chaos in a document that should exemplify deliberation and order. Entropy is what happens when page after page is allowed to proliferate with no guiding authority to say, “Wait, why exactly are we adding this page?” Entropy is what happens when you ask, “Why are these pages here?” and someone answers “Because they’ve always been here.” Entropy results from the belief that everything should be included just in case, even though many of those pages are no longer germane. In sum, entropy is total lack of relevance supported by habit as opposed to best practice.

The Cost of Verbosity

The failure to streamline and simplify presentation books may have another negative impact that investment companies are only just beginning to consider. According to an October 18, 2010 article in [Pensions & Investments](#), RFPs increasingly are asking firms about their carbon footprint (“Some RFPs Ask Firms How Green They Are”). Investment companies are becoming environmentally friendly for a number of reasons. These include genuine concern about the environment as well as concern about their reputations. P&I also notes that “institutional investors are beginning to incorporate environmental risk factors into their asset allocation processes.” In light of this trend, do you really want to be the firm that shows up to a finals with an 80-page book?