

Excess Returns

Monthly insights for investment marketing and sales professionals



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Investment management firms allocate significant time, money and human energy to creating and delivering new business presentations. Yet things can still go terribly wrong, especially during the Q&A. This issue of our newsletter considers different types of tough questions and how to handle them with ease.

With best wishes,

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Feeding the Elephant

Some lessons one has to learn the hard way. Of course I have long understood the meaning of “the elephant in the room” — i.e., the big issue that everyone is aware of but would rather not talk about. But only after one of those elephants trampled one of my own new business presentations to death did I fully realize its true meaning.

This was in the late 1990s. My partner and I were competing for our first major assignment in an area then new to our business: presentation strategy and coaching. We had an opportunity to present to the executive committee for one of our long-term clients, and we were competing against several firms that focus exclusively on presentation coaching. We were extremely well qualified for this particular mandate in all the ways that matter. We knew the client well and, unlike all of our competitors for this assignment, we specialized in working with asset management firms.

We carefully rehearsed our presentation and it seemed to go well. There was a lot of nodding and smiling. Then came the elephant question: “Have you ever done this before?” the CIO asked. “No,” we had to admit. “You would be our first coaching client.” We reemphasized our knowledge of the asset management business and the results of all our past work for his company, but the whole thing felt flat after that. We should have answered the CIO’s question before it was asked, at the very beginning of our presentation, emphasizing the attention that his firm would receive as our first client in this new area of our business.

A Pat and a Peanut

Asset management companies must cope with similar “elephant questions” all the time — particularly after a period of poor performance or when key employees have recently jumped ship. [Last month](#) I covered what can become an elephant question for many firms, “What is your competitive advantage?” If you do not answer that question early and well in a new business presentation, certain audience members may begin to feel mounting irritation.



If there is an elephant in the room, or an obvious question that begs an answer, you should answer it before it is asked. Give the elephant a pat and a peanut, allowing him to remain docile in the corner as opposed to trampling your presentation.

Investment company professionals often rely on the comforting fiction that consultants will answer the elephant questions for them prior to their in-person presentation. As discussed in the [February issue](#) of *Excess Returns*, however, and as dramatized by a [war story](#) on our website, consultants cannot be relied upon to answer the elephant questions or tell a compelling story about your firm’s track record.

In addition to the elephant questions, you and your team need to be prepared to cover several different types of tough questions during new business presentations.

Standard Tough Questions

You might find these in a Request for Proposal. They are questions you should be prepared to answer but that do not necessarily require an answer before they are asked. Standard questions might center on the details of investment process implementation, the specific nature of risk control systems, macroeconomic developments that may affect

your strategy, the structure of and any recent changes to your investment team and other to-be-expected queries. You should prepare to answer them and even script your responses. Ideally, your firm's intranet should provide scripted responses to key FAQs.

Ready-for-Anything Questions

These might center on details of portfolio composition, the firm's outlook on specific holdings, how different investment strategies under the same roof relate to one another or nuances in process implementation. Or you might get a thoughtful question about something in the newspaper that day. Of course, if you don't know the answer you need to say so immediately and promise to get back with a response. But your ability to answer such questions well and right away will position you and your firm in a particularly positive light.

Inattentive Questions

By "inattentive" I certainly do *not* mean questions indicating a lack of understanding. The onus is on you as the presenter to be understandable and you should be grateful for any questions aimed at developing a better understanding. What I mean is questions indicating disregard of the obvious or careless inattention to information previously provided.

I recently shared an example with a large audience, dramatizing key elements of my story and frequently using the phrase, "in this example" only to have someone raise a hand and say, "Can you give me an example?" The best approach is to answer such questions politely, wording your response so as to downplay the need for repetition while being mindful of others in the audience who actually were paying attention. But whatever you do, don't say "As I just said ...". Inattentive people, especially powerful inattentive people, do not like to be reminded in public that they are not paying attention. In this case, I simply thanked the person for his question and provided another example illustrating the same points.

The bad news is, we never did win that potential first piece of presentation strategy and coaching business (although the size and number of subsequent wins now make this ancient history). The good news is, our mistake proved to be an indelible lesson in feeding the elephant.

Protesting Too Much

"The lady doth protest too much, methinks."

— Hamlet

Sometimes investment firms confuse an elephant question (one that you must answer before it is asked) with a ready-for-anything question (one that you should be prepared to answer only when asked). For example, if your firm experienced a period of significant underperformance many years ago, you should be ready to address related questions. But you do not otherwise need to bring it up because the discussion may distract your listeners from the desired focus: strong numbers now. By "protesting too much" (or at all) you risk raising the ghost of a clouded past in what is now a bright future.

“Well, I think...”

Someone has just asked you a particularly difficult question. What do you do? If you are like many people, you preface your answer with the phrase “Well, I think ...” This in fact is the ubiquitous preface to practically every question on the financial news networks. Turn on any financial news station at any time of day and you inevitably will hear, within a few minutes or even seconds “Well, I think ...” I tried it during a lunch break while writing this article, tuning in to [CNBC](#) midday on Friday, June 15, 2011. And bingo, within five minutes I was rewarded with verification of my theory: “You’re pretty bullish on earnings this season. How come? *Well, I think* there are a couple of reasons ...”

Aside from the obvious, there are two problems with such tentative, filler language. First, this rush to fill space with words (any words at all!) sacrifices the power of a simple, respectful pause. Second, the person responding as “I” usually represents a company so it should be “we.”