

Dust off The Bassinet

This is our most recent edition of the blog, Leighton Tendencies. As the self-anointed editor the objective is to create a medium to instruct, let off a little steam, and provide insights on the obvious and not so obvious goings on in the world of investment management. We hope to utilize a Managers' Canal to provide a pulpit for managers to speak their peace on whatever is on their minds; a Manager Bassinet (featured herein) as a platform for newbies seeking advice; A Herald Crier for articles, musings, book reviews, local restaurants or travel ideas and pix. We'll have a MEDS Center – Manager, Examination, Diagnostics and Solutions Triage – providing immediate answers to critical questions that might affect your near term business life.

We want to have a laugh, provide professionals our 30 years of ownership, counsel and consultation, and most importantly embrace and expose the brilliance of our industry and share it with those in need of advice, a good chuckle or a good place to eat.

Leighton Strader, Editor

Dust off The Bassinet

In this edition I focus on the tenderfoot, the novices to manager ownership, and those who aspire to launch a new investment platform. To any of you, who have undertaken this step, you know it is intimidating and anyone who dares so, needs to be applauded for his or her mettle. I don't think that's too dramatic.

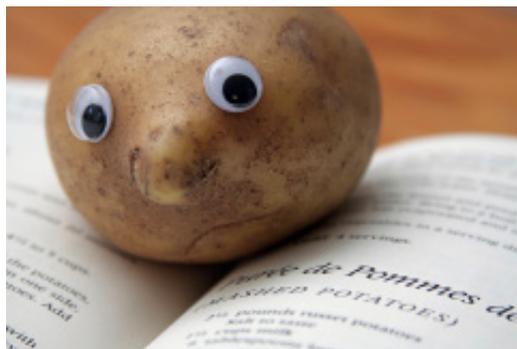
The principles we are about to discuss, however, apply to us *all* – *vision, execution, passion, strategy, skill, growth, culture, product and service.*

Regardless of your tenure; whether you're a crusty curmudgeon like me with decades, or this new person breaking in, this first *LT* just might provide both a bit of sagacity and insight into starting or running your firm with a bit more effectiveness.

Read on.....

"Don't Bend Over in the Garden, Granny, You Know Them Taters Got Eyes"

Long deceased author and self-professed son of the South, Lewis Grizzard of the *Atlanta Constitution Journal*, wrote that line as title for one of his best selling books. It kind of inspired me to think of the elevated scrutiny on investment managers today, and how it seems to radiate from



(https://leightontendencies.files.wordpress.com/2014/07/4759845451_228acf03a2_z.jpg)

What are you staring at?

everywhere. A landscape transformed and invigorated in intensity by just about every agency at the Federal, State, and Local level has created industry-wide jitters; I got wind of a manager's chief compliance officer who restrained the UPS man into the office carpet for just using "transparency" and "YAHOO" in the same sentence. Yep, them taters got eyes.....

With all this regulatory, statutory, authoritative, bureaucratic, policy-wonking, fire breathing and legislative spittle, how in th' hell's a person to successfully start a new investment business these days, or stay focused on one that's been running?

Activation of a newco is akin to being birthed by a giraffe...first you gestate for 15 months...then you're plunged 6 feet to the dusty ground as your entry into this world.... you're expected to double in size within 10-12 months.... and every lion and hyena wants your butt...for dinner! Welcome.



Eek!

A Life Image.... you cannot make this up...

With all this to contend, why would 3 seemingly sane, successful and well-educated investment professionals leave an impeccably secure professional investment platform, and seek to begin anew an asset management business? OK, there's logic that they really believe in themselves and their ability to manage money. I got that. What I don't get is why do they *always* leave Harry, the *business guy* back at the old firm? They are now resigned to have one of these geniuses distracted and tasked with securing provider relationships with accountants, dealing in legal mumbo jumbo, negotiating administrator or custodian, prime or trading broker agreements, decorating office space and deciding what kind of a fob is going to be on the men's room keychain... who drew this short straw? Reminds me of country singer Dave Frizzell's song: "I'm going to hire a wino to decorate our home."

MEDS Script # 1: When contemplating departure from your mother ship, always survey the entire existing crew for those who may be helpful in erecting your new kingdom. It could be quiet Louie, who you never spoke to because he's too nerdy and consumed with the OMS and client

reporting quality, or bubbly Bev who gets a little hammered at the holiday parties, but scratches out a mean Prime and ISDA agreement with legal types.



<https://leightontendencies.files.wordpress.com/2014/07/rat-alone.jpg>

“06831”

There are two things for you thoroughbreds to remember....first, without a jockey, most of you can't even find the f'ing track...that translates: make the *COO as your first and your most trusted Partner when you walk*.....and two...nobody gives a rat's rump about your Greenwich swagger and performance claims, until you show you know how to organize and execute an intellectually intelligent and sound business. Do *not* confuse your investment skillset as your commercial prowess or acumen. The number of investment managers that can take a newco from inception to full fledged walls, lights and lawyers can assemble in the phone booth at the corner of *walk and don't walk*.....room to spare.

In presentation after presentation newcos insist on stuffing us with “Our Process” and giving a statistical facial of performance metrics to anyone within earshot. All of which is near irrelevant as the mother ship you debarked, provided you everything from sharpened pencils to cute desktop interfaces to monitor your little world. Now, my friend, you're in the Afghanistan corridor where you actually zip your own fly. Life will be different here. As Travis Tritt croons, “*Here's a quarter, honey – call someone who cares*”.

These lecturings are pointed at new firm platforms, but the principles are equally important to the wizened and mature. Our experience suggests we all should self-examine regularly.

MEDS Script # 2: When you reach that *mental precipice of departure* pause and ruminate:

“*What will my firm be?*”

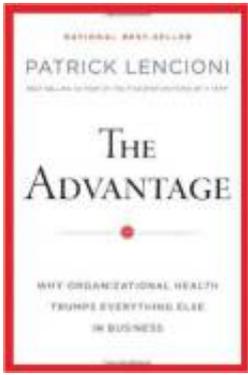
“*How will it succeed and how will I quantify that success?*”

“*Who will be the critical contributors to that success?*”

“*Is my yearning caused by a push from my existing firm, or the pull of passion to begin anew?*”

“Am I capable of creating a culture promoting success?”

A



<https://leightontendencies.files.wordpress.com/2014/07/download.jpg>

Read it

Herald Crier Moment: I commend *The Advantage* (http://www.amazon.com/The-Advantage-Organizational-Everything-Business/dp/0470941529/ref=sr_1_1?ie=UTF8&qid=1406046009&sr=8-1&keywords=the+advantage) to you.

This is a wonderful work by author Pat Lencioni and his [Table Group](http://www.tablegroup.com) about organizational health, how to create it and how to maintain it. There is no better time to read this than when you're at the mental precipice. Don't jump without it, and for you older hacks, it has some nuggets you will appreciate.

If you've waded through all this thought regimen and still feel this *pull of passion*, it is time to get out the business Visine, clear away the occluded and sharpen the concept. Draw that essential team around you (*Remember: COO first*), and begin the mapping of strategy, culture, products, operations and other essential coordinates.

You that have read this far, likely have (or had) a preconceived plan; some numbers jotted down on a piece of greasy notebook paper; maybe you've even sneaked out at lunch to check office space; or had a side-bar with a possible partner or provider. These are all well-meaning rungs on the vision ladder.

In our next post, we'll begin to put some sharp edges on this Vision thing.

I'll leave you with a few additional questions about your new or seasoned firm:

Who will the members of the team be?

Which members will accept specific responsibilities; have authority and accountability for their execution?

How will we make decisions?

What do we want to look like to our potential clients, our competitors and our providers?

How will we compensate ourselves?

Which providers do we need now?

Valedictorian Remark.....

A successful [person] is one who can lay a firm foundation with the bricks others have thrown at them. – David Brinkley (http://www.brainyquote.com/quotes/authors/d/david_brinkley.html)

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