# THE MESSAGE, THE MISSION, AND THE MESSENGER

## Poor communication has an impact on performance, says Tom Brakke, CFA

By Nathan Jaye, CFA

How do investment professionals get their ideas across? Writing and speaking skills are clearly paramount to building relationships with clients and colleagues, but according to Tom Brakke, CFA, consultant and author of investment decision-making blog *The Research Puzzle*, communication in the investment industry too often takes a backseat to more analytical skills. In this interview, Brakke, who previously served as portfolio manager and director of investment research at American Express Financial Advisors, highlights the adverse effect of poor communication on the decision-making process, the difference between audiences and collaborators, why writing (or saying) less opens the door to engagement, and how desktop apps can help make us better writers.

**How neglected are communication skills in the investment profession?**

I think they have been very neglected. Because of the importance of the investment part of the equation, we make that the bottom line; the numbers trump everything. I think we've let the relative importance of our communication slip. [The decline] is really part and parcel of the focus on investment performance.

There's no training in the CFA Program for communication (although I think CFA Institute has begun to focus on it a bit). Most CFA Institute member societies haven't done too much with it, although every once in a while you'll find some that do. But most importantly, it's not a factor at all in most investment organizations. In my opinion, they don't focus on communication training in general as they should.

**What's the consequence of bad communication?**

In an organization, if you're not communicating well with each other then you're likely not making decisions as well as you could. There's a phrase: "A business is only as good as its conversations." If an investment committee is dysfunctional, you're going to have a hard time making good decisions. A lot of dysfunction really relates to basic communication skills. You might not be able to share your ideas efficiently, listen to one another, or have people talk around the table. You often find that investment committees in particular don't operate effectively in that way.

For investment professionals as individuals, I believe a lot of their success relates to their ability to communicate and express their ideas. Your ability to rise through the ranks is affected by communication. It really provides balance and the ability to succeed even during times when perhaps you're not succeeding as well as you'd like on the investment side. When it comes down to leadership and effectively running an organization, communication is always key.

The ability of an organization to communicate with its clients and stakeholders is underestimated. We tend to think, "We're going to have good performance and things are going to work out well for us." By and large, that's true. But there will be long periods when performance is either average or a little above or below average. What is going to make a difference then is how you communicate—how you help your clients understand what you're doing.

**How do we know if we're communicating well?**

One way is to ask your clients. Get their feedback about whether your communication is meeting their needs or not. I wouldn't put it in the sense of, "Help me, I'm trying to improve my communication," but more along the line of, "What's working for you, and what's not?" Have a dialogue with your clients about what aspects of your communication are helpful to them and which ones aren't.


Tom Brakke, CFA

A good example is a typical investment review meeting. We tend to follow a standard template, where we come in and talk about the economy and then the market. Frankly, a lot of that is of little value. Those are just the rote things we say when we go to a meeting. If you ask clients what is really helpful to them, how would *they* structure the meeting? I don't think they would structure [it] the same way that most investment organizations do.

The downside is that your clients are all different, so you can't use a cookie-cutter approach. Basically, you're reacting to, responding to, and listening to clients in terms of what they need, as opposed to saying, "Well, this is what we should tell them."

**What needs might clients have?**

On the individual side, it may be about the client's personal goals and aspirations, as opposed to something that's out of an investment pitch book (regarding what's going on in the market). So much of that is just short-term noise. It's really of no benefit to the client.

Similarly, on the institutional side, it would be much more important right now for a community to be engaged around important issues—say, around spending policy. When you have an environment where estimated expected return on assets falls short of anticipated returns that are needed to cover their liability stream—whether it's in pension plan payouts or spending for a foundation—that's a big, important issue. It really doesn't have anything to do with what's going on in the market the last quarter or whether you happen to be 10 basis points ahead or behind.

**IT'S LIKE WE'RE PREPARING FOR A VERBAL TENNIS MATCH. WE'RE PREPARING OUR NEXT VOLLEY OF OPINIONS, AS OPPOSED TO REALLY LISTENING.**

**Why don't we listen better?**

As investment professionals, we are so interested in our own observations and how we put forth our views that we don't take time to fully listen to what others are saying. It's like we're preparing for a verbal tennis match. We're preparing our next volley of opinions, as opposed to really listening.

Investment people are very smart. They're interested in engaging in a debate, and they're in the business of trying to find out what's working and what's right in terms of how the markets are performing. There's a very competitive aspect to dialogue in the investment profession. Competition can take over from an actual exchange of ideas. In other words, you're not after understanding; you're after proclamation of your own views. When that's the situation, chances are you're not listening carefully to others.

That's also true in an organization. If members of the organization aren't really listening to each other, it's unlikely they're making the best decisions, because that requires helping one another and getting a greater hold on the sum of the parts. I like to say, "Two monologues don't make a dialogue." A dialogue is what results in better decisions.

**How can individuals in an organization and the organization itself work together to improve communication standards?**

I think there's a leadership component in setting standards. And there's a training component that comes into play. I would give most investment organizations very low marks in terms of identifying those as important. That's because culturally, leaders in many organizations are fairly hands off with investment people. They don't want to burden them with additional training or burden them with "We've got to do this, and we've got to do that." There's an independent spirit, and a lot of investment people really don't like any notion of bureaucracy.

Often, an individual might need to step forward and press the issue. There might be somebody in the organizational structure who will agitate. "Look, our pitch books aren't very good. They're not put together very well. Let's do a better job." There will be individuals who basically take it upon themselves and say, "We can do much better than this."

In large organizations, there may be a department focused on this [function]. Often, they might not be as in sync with the investment professionals as they should be. I think individuals need to stand up and make sure their organizations have high communication standards, or the organizations are going to suffer because they won't be able to effectively communicate their ideas and their worth to their clients and potential clients.

**What are some basic principles of communication?**

To start with, communication should be of professional quality. Whenever we're communicating in a professional capacity, we should do so in a manner that would be recognized as being of professional quality, whether presenting our ideas in written or spoken form. Professionalism is a very broad and hard-to-define concept, but if you hear someone give a presentation and it's not well put together, you're going to ask yourself, "Are these amateurs here or professionals?"

Accuracy is another key principle. So is clarity. Consistency is also very important, especially within organizations. Investment organizations often stumble simply because they aren't consistent in how they communicate across all their various channels. That can trip them up in terms of how they're viewed by the people doing due diligence. For example, how often are clients confused by the organization's communication? That's more important than most organizations realize.

Timeliness, responsiveness, appropriateness to a particular situation are all important, and I think brevity is one area that is very overlooked. I always joke that investment people want to tell you everything they know. That's probably the single biggest fault for most of us—we don't know how to slim our message to its essential elements. We go into too much detail. Again, it's because we have so much information that we can pour out at the snap of a finger. But that really gets in the way of effective communication.

HOW OFTEN ARE CLIENTS CONFUSED BY THE ORGANIZATION'S COMMUNICATION? THAT'S MORE IMPORTANT THAN MOST ORGANIZATIONS REALIZE.

**You've said we should be "communicating with collaborators, not talking to audiences."**

An audience makes it sound like it's a one-way conversation. A more appropriate term for communication is collaboration. Even if you're writing or giving a presentation that is mostly one way, collaboration helps you think about the fact that engagement is a two-way street. To be effective, you have to respond to the needs of the other party, whether a reader or member of the audience or the person next to you at a conference table. The goal is understanding. How you can help them gain an understanding is a collaborative process.

**Is it better to say too much or too little?**

It's better to say too little.

**Why is that?**

The error is typically to say too much. If we err toward too little, we're probably still giving out plenty of information, and there's room for engagement. It's much more productive and much more fruitful to all parties when we have active engagement.

The easiest thing is to just let the information spill out. There's a great line that goes, "I would've made it shorter, but I didn't have enough time." A more difficult thing is to find the essential ingredients and package them together. It's a huge challenge, whether you're speaking or whether you're writing. But that should be the goal. That's the foundation of quality communication.

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**You term this "allowing for white space."**

I have an aversion to information crammed onto pages. The front pages of so many research reports are absolutely jammed full of information. White space in a written report comforts you. It comforts you as a reader and makes it easier to comprehend what's going on. You don't have to wade through all kinds of information.

Similarly, an extremely high percentage of presentations have too much information. They have charts you cannot read; they have lists and columns and numbers you cannot read. There are sentences you cannot read. It's all jammed in there together—and for what purpose? You can make the point more easily with fewer words. You're already there speaking, so you don't need to have it all jammed onto a slide. But for whatever reason, investment people just love to cram information together.

When you're speaking, a bit of verbal white space—a pause—is extremely effective. It allows others to get involved.

**What about visual information—charts and graphs we might use? What are the criteria for whether visuals should be included?**

I want to see presentations that are visually attractive. Many investment presentations are a jumble of different colors, different fonts, and charts sourced from all over the place. If it's just for internal purposes, maybe that's fine, but if you're making a formal presentation, you want to avoid having 43 lines on a slide. It's too much noise. Again, more white space. Focus on the visuals that really tell the story.

In your research report, for example: If you could use only one chart, what would it be? What story are you trying to tell? Don't just add charts or tables because it's easy to cut and paste out of Excel. The key question is, Does this help tell the story? You want visuals to be able to help you in a clear and concise manner.

**How can communication become a brand asset?**

Someone like Jim Grant, for example, is very identifiable by his communication style. He has a great command of the language. That really comes across. His style is represented not only by his investment beliefs but also by how he presents his ideas. Michael Lewis is another great example. Whether he's writing financial books or books on other topics, he has an ability to make complex examples easy for people to understand. That's become his brand.

There are financial bloggers who have an identifiable communication style. I think of Josh Brown, who writes *The Reformed Broker* blog. He has a very "I'm going to tell you how I see it" kind of style. That comes across in his writing, and he's good at presenting that in person when he's giving a presentation. It really comes across—you can tell it's Josh's style and brand.

**What about in organizations?**

Some investment organizations have made communication more of a priority. There is starting to be some recognition of communication as brand value among asset managers. There's definitely more work that's being done in that area. It matters if people respect the materials that you send out—how they're put together, how easy they are to understand, how visually interesting they are.

Again, it gives evidence of your professionalism that you take these things seriously. I remember one famous hedge fund; their report looked like it was done by a freshman in college. They said, "That doesn't matter, it's the numbers that matter." But that's not always going to be the case. And secondly, it's not even that difficult. A large organization can find someone that can communicate well on its behalf.

**How do we get better at communicating?**

The first thing is to do an honest inventory. If you struggle with written communication then you should focus on that. Maybe you want to become more comfortable presenting to the investment committee. Public speaking is one of people's greatest phobias. If your career path requires public speaking then you'll need to get past those phobias. That's where Toastmasters or some other avenue will give you the practice you need.

It might mean reaching out to others in your organization. Usually there are people in an organization that stand out in terms of their ability to write or speak. Those are the people to emulate. Seek their advice. It would be best if organizations provided training and had experts to help in that process. If that's not the case, you may need to seek out people who can provide you with feedback.

**Can technology help us communicate?**

There is something called the Hemingway Editor. It's a desktop app that provides some assistance. It will tell you what grade level you're communicating at. You don't want to be communicating at a PhD level, for example! I think we are going to see much more of this going forward. There are also tools that can provide realistic analysis of conference calls. These linguistic tools are going to be used by others to evaluate all of us going forward—principally for risk signals. You can figure out where there are greater risks by how people are communicating, the kind of language they use.

That's an interesting avenue for the future: being evaluated as individuals or as the representatives of investment organizations. I think the same kind of tools can give us some feedback on our own communication performance. Are we easy to understand? Or are there signs that say, "Wait a minute, this is troublesome for one reason or another"?

**What else can the Hemingway Editor do?**

There are usage counts for different adverbs; it warns you against using too many adverbs. It also analyzes your writing patterns. It can identify the frequency that you use certain words. In a lot of cases, we become boxed in to using the same repetitive words. When we write about the same kind of subjects over and over—as can happen in the investment world—it's easy to use the same words again and again. I would love to find new words to use, but it just doesn't happen.

The Hemingway Editor also evaluates the complexity of your sentences. That's really a good feature for investment people, because they can write some incredibly complex sentences. So, the editor highlights hard-to-read sentences. It will also suggest simpler alternatives to complex words.

**What's the bottom line? That good communication broadens our audience (and number of collaborators)?**

The analyst who writes a research report that can only be understood by those with an equal level of expertise is losing an opportunity to communicate more broadly. It might be because of the density of information or the jargon or the acronyms. The end result is that it's a narrower audience; because of the way it's written, we cannot understand what you're saying. Literally, we cannot understand what you're saying.

That shouldn't be the case. Language should be a conduit for me to understand another's ideas, not an obstruction. On the bright side, if you can write in a way that's accessible, even if it's only on the front page and you get into the details in later pages, you'll have more readers. All of a sudden, any portfolio manager might be reading, not just a manager who's an expert on your topic. An analyst who doesn't have knowledge in your area might become a reader. An investor, or anyone, will be able to read your report. All those people may want to do business with you.

**Nathan Jaye, CFA, is a speaker on intelligence and member of CFA Society San Francisco.**