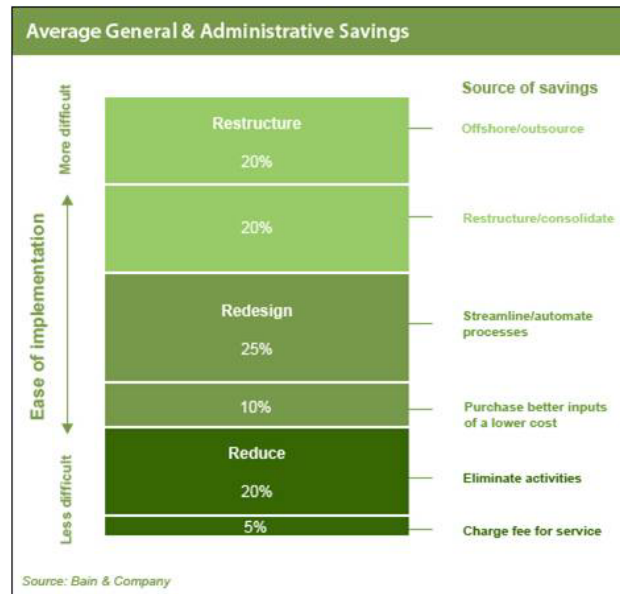


May 2009 | Don't Let a Good (Great?) Recession Go to Waste

Dear Friends, Colleagues, and Partners,

You may have seen that the New York Times finally has a label for this - the "Great Recession." We'll see if it stands the test of time, but it is another indicator that we're starting to get more of a handle on this event. While waiting for full visibility, we've observed that many industry executives are still focused on business as usual, just with a sharper pencil. Like reluctant homeowners, we are not all yet at the point where many companies have capitulated and are acting on the opportunity for radical restructuring. (The chart below from Bain & Co. confirms that more gains come from major change than from tweaking.)

The real opportunity will come to those who take a step or two back and evaluate what is happening with clear eyes and a blank spreadsheet. It may be a while before we really "know" what the landscape looks like. So as an alternative to the full view of the future we all crave, I'd like to lay out a couple different ways we might frame this opportunity for ourselves.



1. Go ahead and grieve. Get mad. This is incredibly sad. And something to be really angry about. People we care about have lost and are losing jobs. Businesses we've worked hard to build are losing topline revenue by the bucketful. A few people made some really bad decisions that affect us all. Everyone has been touched in that most sacred place – the portfolio. True, some lousy businesses are now DOA and that is OK. But the rest is just awful.
2. Be creative. If you and your firm are ready, begin to craft a distribution strategy that reflects a concentrated handful of national full-service firms and many RIAs and indies in transition. (We see a huge rollup opportunity for small regional B/Ds and RIAs, but not everyone has the skill set to drive that model to success, so it may not really change the distribution landscape anytime soon.) Internal reorganization will likely follow a retooled strategy.
3. Be realistic. If your firm or product line is more "opportunity for improvement" than "we're on the right track," this is the time to say so - without career risk. Small funds are a problem, consistent underperformance has no role in the new world order, and packaged products with layered fees raise a red flag for properly skittish advisors. This is a great time to take an unbiased look at your manufacturing plant and see what you need to retool.

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4. On a more personal note, do something proactive and cathartic. Have a recession/bear market coffee break. Invite everyone in the office to bring an unopened envelope they'd like to shred. (Account statements, offer letters for jobs that went away, you get the idea). Or host a brown bag lunch / Yankee swap of overpriced stuff you bought during the boom years. It's time to turn this around – beginning with our own perspectives.

With sincere wishes for good things,
Lisa Cohen, CEO, Momentum Partners, LLC

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