

## Your Q&A

# Can Value and Growth Coexist at One Firm?

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Your Q&A is your opportunity to get your questions answered by industry leaders.

## Q:

Can an asset management firm have both growth and value under the same roof? Can it be done effectively? Can a business culture sustain both?

Third-Party Marketer, Institutional, New York

Answered By



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## A:

The simple answer to these questions is “yes,” for a couple of reasons. First off, obviously, you can find large asset management complexes that are running both styles more or less successfully. The other reason is that the unspecified terms “value” and “growth” are meaningless. If you doubt this, answer this question: Can you imagine an investor saying, “I want no ‘growth’ in my portfolio,” or “I want no ‘value’ in my portfolio”? On the surface, at least, these statements seem absurd.

However, let’s assume some traditional definitions: “Growth” refers to a portfolio that, in the aggregate, has a price/earnings, price/book, price/sales and growth rate greater than the market and with a dividend that’s less than the market. “Value” represents the opposite. Within that context, the answer is trickier. It is hard to believe that dedicated investment professionals are spending their entire work lives focusing on either growth or value without it affecting their core belief system.

Alternately, you could argue that it’s their belief system that creates the value/growth schism. In any case, you can see how these differing world views would not easily co-exist under one roof. This is especially true if these beliefs tend toward the extreme. For example, I know from personal experience that you can have diehard Yankees and Red Sox fans work together successfully – as long as they don’t discuss baseball. When you are speaking about the investment industry, it is counter-productive to follow an unwritten management rule of “discussions about investing are off limits.”

But here is the situation that I think the original question is intended to address. Consider a small shop with a strong style bias, one where the CEO, president and CIO is the same person. Let's also assume that this same shop decides, for whatever reason, to extend its brand by bringing on an investment team organized around the opposite approach. Though not impossible, this is harder to do than it would be at a larger organization. If you doubt this, think about when this small, resource-constrained shop wants to hire another analyst. How do you make a decision that appeases both constituencies, while still accomplishing the goal of bringing in a good analyst?

In the end, it would seem that the answer is driven more by the size of the firm than anything else. Smaller firms will have a harder time accommodating both disciplines than larger firms. This may be simply because the larger firm potentially will have a more layered, less style-biased, executive team coupled with the resources necessary to appease both constituencies.

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